

شركة كهرباء مزون ش.م.ع.م.  
MAZOUN ELECTRICITY COMPANY S.A.O.C.

إحدى شركات مجموعة نماء  
Member of Nama Group

# Sustainable Finance Framework

## January 2022





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# Introduction

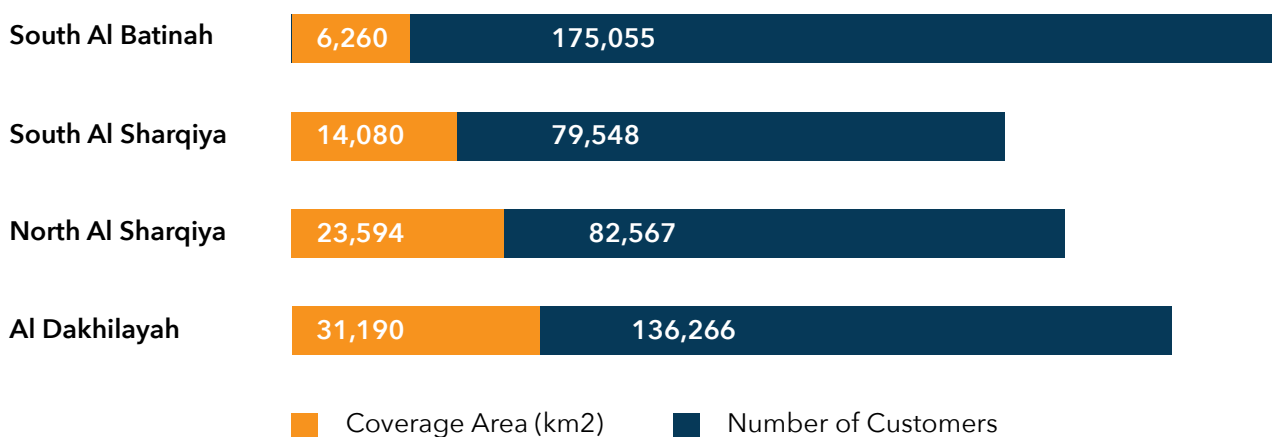


## Introduction

Mazoon Electricity Company SAOC ("Mazoon Electricity" or the "Company") is a closed Omani joint stock company registered under the Commercial Companies Law of Oman. Since 2005, Mazoon Electricity has undertaken regulated distribution and supply of electricity in Al Dakhiliya, South Al Sharqiya, North Al Sharqiya, South Batinah governorates and Suwaiq in North Batinah governorate under a license issued by the Authority for Public Services Regulation, Oman (previously known as Authority for Electricity Regulation). The establishment and operations of the company are governed by the provisions of the Law for Regulation and Privatisation of the Electricity and Related Water Sector (the Sector Law) set out in the Royal Decree 78/2004.

The electricity sector in the Sultanate of Oman comprises of three separate and distinct networks: The Main Interconnected System in the north of Oman; the Rural System of the Rural Areas Electricity Company; and the Dhofar Power System. The Oman Electricity Transmission Company SAOC ("OETC") is the monopoly provider of transmission services in the Main interconnected System. OETC owns and operates the 220 kV, 132 kV and 400 kV interconnected transmission systems, and as system operator is responsible for the central dispatch of generating facilities. High voltage transmission lines carry electricity for long distances to a substation and the voltage levels are further stepped down to 33 kV, 11 kV and 0.415 kV to the customers. For Mazoon Electricity, this distribution network covers the 33kV, 11kV and LT systems. Mazoon Electricity as part of the distribution of electricity businesses pays OETC Transmission Connection Charges for connecting to the Transmission Grid. As part of Supply of electricity business Mazoon Electricity pays OETC, Transmission Use of System Charges for using the Transmission network and pays Oman Power and Water Procurement Company (OPWP) for the bulk electricity purchases through bulk supply tariffs.

**Mazoon Electricity's distribution network covers the following areas and reaches the following customer numbers<sup>1</sup>:**



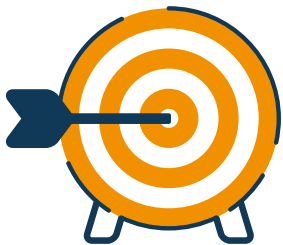
<sup>1</sup> MZEC's 2020 Annual Report <https://mzec.nama.om/PublicationDocuments/Annual%20Report%202021%20-%20English-V16.pdf>

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## Mazoon Electricity's Sustainability Agenda

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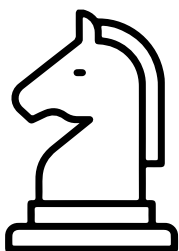
Mazoon Electricity is committed to playing its part to support Oman Vision 2040 and is therefore embracing sustainability as part of the three pillars of its corporate agenda.



"Lighting and Enriching Life through Safe, Reliable and Sustainable Electricity"



"To be leaders in providing electricity in Oman by 2022"



"Safety, teamwork, professionalism, integrity and respect"

## Mazoon Electricity's Sustainability Agenda

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### Supporting Disadvantaged Populations

As part of its COVID-19 response, Mazoon Electricity was part of Nama Group's 'For Lasting Prosperity' campaign which aimed to help those particularly affected by the pandemic, namely those on social security and SMEs. The campaign is one of Nama Group's social sustainability initiatives and has been launched in partnership with the Government Sector (Ministry of Social Development, Riyada and Al Rafd Fund) and Dar Al Atta'a. To carry out the campaign, Nama Group has established a fund with an initial contribution of OMR 300,000 to cover electricity bill payments for those families and SMEs. All donations from Nama Group and other donors will benefit the targeted categories of individuals and SMEs by covering their electricity bill payments.

### Renewable Energy

Building out the renewable energy generation capacity in Oman is a key component of Oman Vision 2040 and as such Mazoon Electricity supports this initiative. The company has therefore launched a net metering arrangement to allow individuals and companies to install solar power generation capacity and connect it to the grid via its distribution network. This will reduce the carbon emissions of those individuals and companies, while also assisting in wider grid decarbonisation since any excess generation capacity will be sold back to the grid.

Mazoon Electricity has also implemented initiatives to provide clean electric energy in public places by installing solar panels. As an example, the company set up solar panels for a mosque located in the Jebel area that is frequented by many worshippers passing by. The mosque consists of separate prayer areas for men and for women.

### Smart Meters

The National Transformation Program for Smart & Prepaid Meters envisages the rollout of 1.2 million smart meters across the country over the next five years and is considered a leading national digital transformation project. Mazoon Electricity is part of this initiative which is in line with the socio-economic objectives of Oman Vision 2040. These focus on keeping pace with global developments and employing technology in all fields including the effective and efficient delivery of electricity-related services in a manner that supports the development of smart, sustainable cities with advanced basic services.

## Mazoon Electricity's Sustainability Agenda

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Benefits anticipated include regular and more accurate meter reading and billing, the elimination of discretionary meter reads and the development of new services for customers who will also be able to monitor and manage their consumption. The new smart meters will reduce network losses and shorten the duration of power outages. Mazoon Electricity will bear the costs of replacement and operation of the new smart meters and steps will be taken to ensure that meter readers are not impacted by the change.

### Environmentally Sustainable Practices

Mazoon Electricity has begun to use environmentally friendly transformers which use green oil as an insulating medium rather than traditional mineral oil as part of a bid to identify more efficient, reliable and environmentally sustainable technology. Using biodegradable oil was therefore appealing to the company and the project sets a global benchmark which resulted in Mazoon Electricity winning the Environmental Upgrade of the Year recognition at the 2020 Asia Power Awards.

Mazoon Electricity is working in cooperation with Oman Environmental Services Holding Company ("Be'ah") which has resulted in the safe disposal of 1,500 litres of transformer oil used for maintenance operations. The company classified the hazardous waste produced during various operations and used appropriate environmental protection standards to safely dispose the materials. Additionally, the company created a tracking mechanism for the waste materials, which included collection, loading and transportation from warehouse by using recommended and approved tools and equipment for the purpose as per the laws in force in the Sultanate. The objective of this project was to increase the recyclable value of these materials in comparison with previous disposal practices, enhance environmental culture with internal and external stakeholders and follow permitted environmental practices.

In addition, Mazoon Electricity signed an agreement with Be'ah for the safe collection and disposal of lead acid batteries ("LABs"). The agreement will help Mazoon Electricity to safely dispose of chemicals used in the battery units in the main electrical stations. Be'ah will be responsible for collecting and transporting LABs from Mazoon Electricity to certified processing and recycling facilities. Be'ah will also provide Mazoon Electricity with approved LAB waste collection pallets that help prevent acids from leaking. While contributing to Mazoon Electricity's vision of conserving the environment, the agreement is also in line with its core values and Health, Safety and Environment commitments. The company is devoted to integrating sustainability into its work processes and products, which has enabled it to help protect and reduce environmental impact and secure the wellness, health and operational safety of its employees and community.

## Mazoon Electricity's Sustainability Agenda

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### Coastal Areas Networks Project

One of the key important projects is related to renewing the distribution networks in the coastal areas of South Al-Sharqiyah Governorate. The electrical networks have been affected in the coastal areas due to external factors such as high humidity, high salinity and wind loaded with sand grains. These factors have caused the disruption to the distribution infrastructure leading to frequent power outages in these areas. By taking up these coastal projects, Mazoon Electricity has ensured the commitment in enhancing the reliability and quality of electricity for the customers in its distribution area. The project will be executed through different phases at a budget of over OMR 15 million.

These projects are in line with expectation of Oman Vision 2040 that lays down the foundations "to build national capabilities and achieve economic growth and social well-being." At the core of Vision 2040 are policies characterised by the Sultanate's encouraging development story and excellent infrastructure that is providing stronger economic growth together with better sharing of the benefits of increased prosperity among communities and Mazoon Electricity aims to contribute to this progress journey.

By taking up these coastal projects, Mazoon Electricity has ensured its commitment to enhancing the reliability and quality of electricity for the customers in its distribution area. Renewing the distribution networks in coastal areas will improve customer quality of life, enhance community services, and enable businesses to carry out activities in the respective areas. These projects will contribute to strengthening the efficiency of the grid, enhance the redistribution of loads between the existing and new primary substations, and thereby improve network reliability. This will also help to accommodate the growing demand for energy, upgrade the voltage level for the benefit of the company's customers, and reduce emergency interruptions of electricity.





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# Sustainable Finance Framework





## Sustainable Finance Framework



Mazoon Electricity intends to use this Framework as the basis to issue Green, Social or Sustainability Bonds, Sukuk, Loans and other debt instruments (“Sustainable Financing Instruments”). The Sustainable Financing Instruments will fund Eligible

- International Capital Market Association (“ICMA”) Green Bond Principles (“GBP”) 2021<sup>2</sup>, Sustainability Bond Guidelines (“SBG”) 2021<sup>3</sup> and Social Bond Principles (“SBP”) 2021<sup>4</sup>; and/or
- Loan Market Association (“LMA”) Green Loan Principles (“GLP”) 2021<sup>5</sup> and Social Loan Principles (“SLP”) 2021<sup>6</sup>

In aligning with the above principles and guidelines, the Company’s Sustainable Finance Framework is presented through the GBP’s/SBP’s/SBG’s/GLP’s/SLP’s four core components as well as their recommendation for external review:

- (a) Use of Proceeds
- (b) Process for Project Evaluation and Selection
- (c) Management of Proceeds
- (d) Reporting

Bond(s) or Sukuk issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such Sukuk, bonds and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

<sup>2</sup> In alignment with ICMA Green Bond Principles, June 2021 <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

<sup>3</sup> In alignment with ICMA Sustainability Bond Guidelines, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

<sup>4</sup> In alignment with ICMA Social Bond Principles, June 2021 <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

<sup>5</sup> In alignment with LMA Green Loan Principles, February 2021, <https://www.lsta.org/content/green-loan-principles/>

<sup>6</sup> In alignment with LMA Social Loan Principles, April 2021, <https://www.lsta.org/content/social-loan-principles-slp/>

## 2.1

### Use of Proceeds


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Mazoon Electricity will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part, sustainable projects which meet the eligibility criteria of the following Eligible Sustainable Project categories (“Eligible Sustainable Projects”), as defined as below.

A maximum 3-year look-back period would apply for refinanced projects and Mazoon Electricity expects each issuance under this framework to be fully allocated within 2 years from the date of issuance.





#### 2.1.1

#### Eligible Social Categories

SBP Category	SDGs	Eligibility Criteria
Affordable Basic Infrastructure		Investment in electricity distribution infrastructure  Target Population: underserved people defined as those who have not previously had access to electricity

## 2.1

## Use of Proceeds

2.1.2		Eligible Green Categories
GBP Category	SDGs	Eligibility Criteria
Renewable Energy		Electricity distribution infrastructure to connect renewable energy to the grid and renewable energy generation infrastructure, including for solar PV and wind
Energy Efficiency		Investments to improve operational energy efficiency of existing distribution infrastructure Investments to improve the energy efficiency of buildings by more than 30% Provision and installation of smart meters
Clean Transportation		Infrastructure to support the electric vehicle ecosystem, for example connecting electric vehicle charging points to the network
Green Buildings		Acquisition, construction, or refurbishment of real estate assets which have a minimum green building certification of LEED Gold or IFC EDGE Certified

## 2.2

### Project Evaluation and Selection Process

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The Project Evaluation and Selection Process will ensure that the proceeds of any Mazoon Electricity Sustainable Financing Instrument are allocated to finance or refinance Eligible Sustainable Projects that meet the criteria and objectives set out above in section 2.1, Use of Proceeds.

Mazoon Electricity's Sustainable Finance Working Group (the "SFWG") will be responsible for governing and implementing the initiatives set out in the Framework.

The SFWG is comprised of certain company management personnel, including but not limited to representatives from the following divisions: Finance, Regulatory, Planning and Projects.

The SFWG will:

- Meet at least two times each year, endeavoured to be distributed evenly throughout the year
- Ratify Eligible Sustainable Projects, which are initially proposed by the constituent team members
- Ensure that all Eligible Sustainable projects have been assessed from an environmental and social risk management perspective
- Undertake regular monitoring of the asset pool to ensure the eligibility of Sustainable Projects with the criteria set out above in section 2.1, Use of Proceeds, whilst replacing any ineligible Sustainable Projects with new eligible Sustainable Projects
- Facilitate regular reporting on any Sustainable issuance in alignment with our Reporting commitments
- Manage any future updates to this Framework
- Ensure that the approval of Eligible Sustainable Projects will follow the Company's existing investment approval processes

## 2.3 Management of Proceeds



The proceeds of each Mazoon Electricity's Sustainable Financing Instrument will be deposited in its general funding accounts and earmarked for allocation towards the Eligible Sustainable Projects using the Sustainable Finance Register.

The Sustainable Finance Register will contain the following information:

- I Sustainable Financing Instrument (Sukuk/Bond/Loan etc.) details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
- II. Allocation of Proceeds:
  - a. The Eligible Sustainable Projects List, including for each Eligible Sustainable Project, the Eligible Sustainable Project category, project description, project location, Company's ownership percentage, total project cost, amount allocated, settled currency, etc.
  - b. Amount of unallocated Proceeds

Any proceeds temporarily unallocated will be invested according to the Company's standard liquidity policy.

## 2.4

### Reporting

On an annual basis, Mazoon Electricity will publish an allocation report and an impact report on its Eligible Sustainable Projects, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Sustainable Financing Instrument issued, or until the Sustainable Financing Instrument is no longer outstanding.

#### 2.4.1

#### Allocation Reporting

- a.** List of Eligible Sustainable Project categories
- b.** The amount of proceeds allocated to each Eligible Sustainable Project category
- c.** When possible, descriptions of the Eligible Sustainable Projects financed, such as project locations, amount allocated, etc.
- d.** Selected examples of projects financed
- e.** Amount of unallocated proceeds

#### 2.4.2

#### Impact Reporting

The Company will provide reporting on the environmental benefits of the Eligible Sustainable Projects potentially with the following impact indicators. In addition, calculation methodologies and key assumptions will be disclosed.

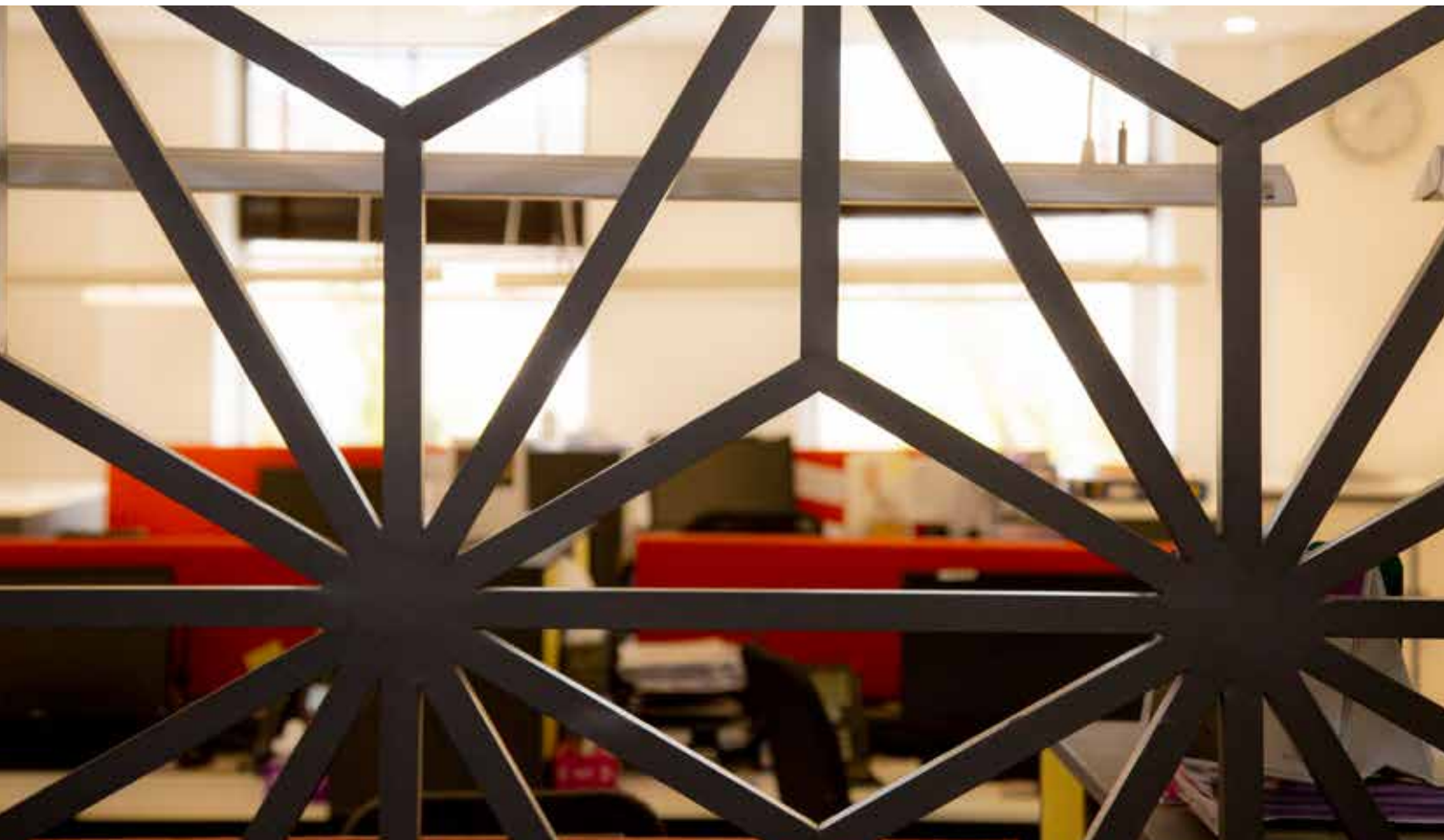
Eligible Sustainable Project Categories	Example Impact Reporting Metrics
Affordable Basic Infrastructure	<ul style="list-style-type: none"> <li>• Number of new customer connections</li> <li>• Length of distributed network in meters (km)</li> </ul>
Renewable Energy	<ul style="list-style-type: none"> <li>• Capacity of renewable energy plant(s) connected in MW</li> <li>• Annual renewable energy generation from connected plants in MWh (electricity) and GJ (other energy)</li> <li>• Estimated annual GHG emissions reduced/avoided from connected plants in tonnes of CO<sub>2</sub> equivalent (where possible)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Annual energy savings in MWh (electricity) and GJ (other energy savings)</li> <li>• Estimated annual GHG emissions reduced/avoided in tonnes of CO<sub>2</sub> equivalent</li> <li>• Number of smart meters installed</li> </ul>

## 2.4

### Reporting

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Eligible Sustainable Project Categories	Example Impact Reporting Metrics
Clean Transportation	<ul style="list-style-type: none"><li>• Number of electric vehicle charging points connected</li></ul>
Green Buildings	<ul style="list-style-type: none"><li>• Level of green building certification</li><li>• Estimate of amount of CO2 equivalent in tonnes or energy savings in MWh</li></ul>





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# External Review





## 3.1 Second Party Opinion

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Mazoon Electricity has appointed DNV to assess this Sustainable Finance Framework and its alignment with the ICMA's Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines and the LMA's Green Loan Principles and Social Loan Principles and issue a Second Party Opinion accordingly.

The Second Party Opinion will be made publicly available on the Company's official website.

## 3.2 Post issuance external verification

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In order to provide timely and transparent information about the reporting of the funds from Sustainable Financing Instruments issued under this Framework, the Company intends to engage a third party reviewer to provide an assessment for any report produced on the alignment of the allocation with the Framework's criteria.





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# Amendments to this Framework



## 4

## Amendments to this Framework

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The SFWG will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Company and DNV. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.

