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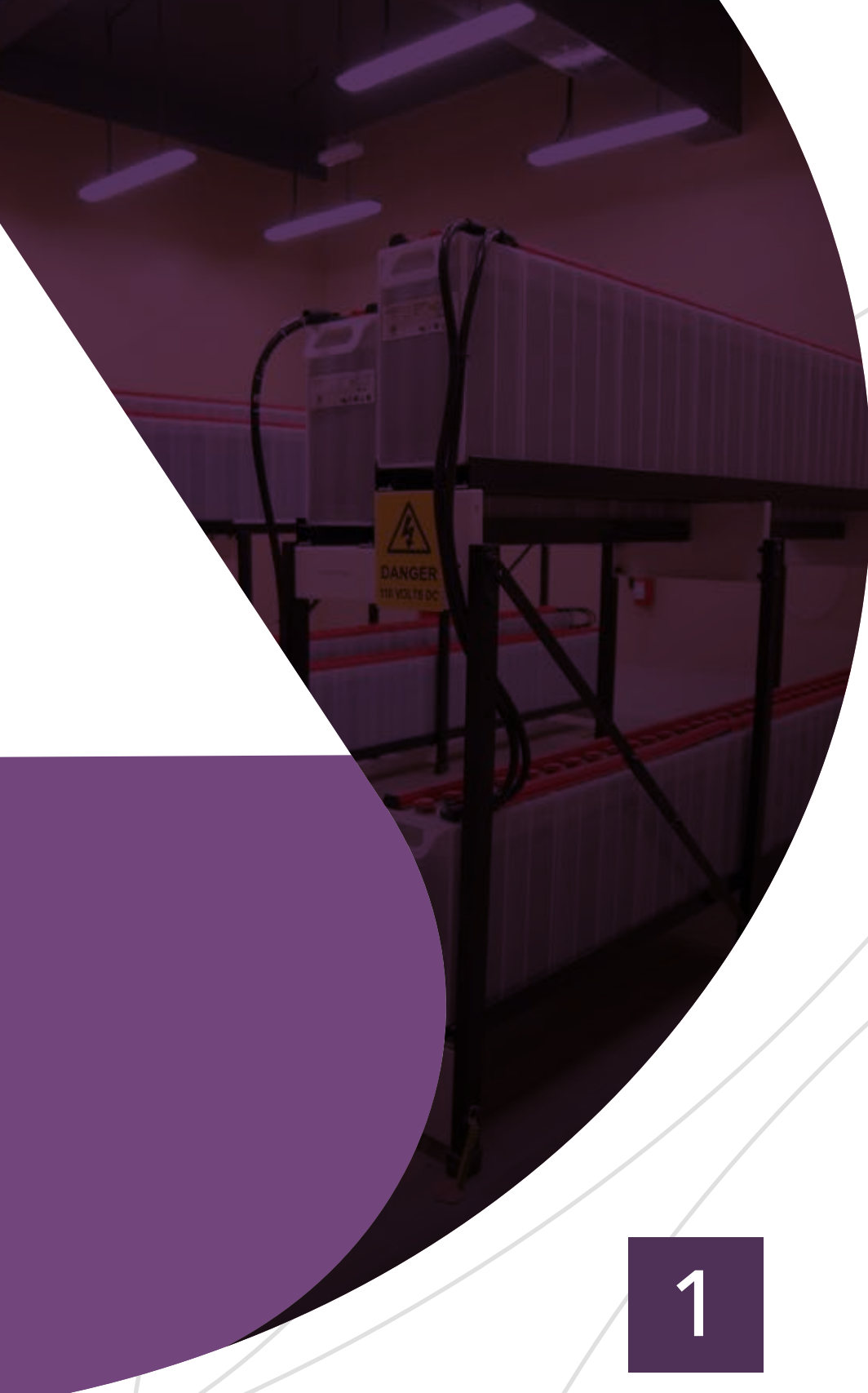
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DHO FAR SERVICES

Sustainable Finance Framework

May 2024

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1

Introduction

Introduction

1.1 Background

Dhofar Integrated Services Company S.A.O.C (“DISC” or “The company”), re-branded as Nama Dhofar Services (“NDS”), was incorporated in 2001 as a closed joint-stock company and is currently owned by Electricity Holding Company (Nama Holding) by 99% which is a fully owned subsidiary of Oman Investment Authority (OIA).

The Company is mandated to provide Electricity Distribution and Supply, Water and Wastewater Services in Dhofar Governate based on electricity Distribution and Supply license issued by Authority for public Services Regulation (APSR) and Royal Decree No. 131/2020 related to Water and Wastewater restructuring.

The Company is involved in planning, funding, building, operating and maintaining electricity, water and wastewater networks in its service area which covers the entire Dhofar Governate in the south of the Sultanate of Oman. As of 31st December 2023, the company handles approximately 300,000 customer accounts in the three sectors.

1. Electrical:

The company’s electrical network covers the entirety of the Dhofar region and all of its willayat, providing safe and secure electrical services to the homes, farms, and commercial, industrial, and governmental buildings of the company’s 144,000 subscribers. This provision of service is made through an integrated network and voltage reduction stations, which are efficiently operated, as to provide subscribers with the safe and quality service.

In 2022, Oman announced a target to achieve net zero emissions by 2050 and began reducing fossil fuel use in its domestic energy mix. As Oman’s National Energy Strategy aims to generate 30% of electricity from renewable sources by 2030 and achieve country’s net zero target, Nama Holding and its entities including NDS have a significant role to play in ensuring Oman achieves this target, by developing more renewable power, connecting them to the grid and ensuring renewable energy supply in the country.

2. Water:

Water is the source of life, and so it is of utmost importance for water services to be made readily available to all people. For this reason, Nama Dhofar Services Company provides water services to all regions and willayat in the Dhofar Governorate. This provision of water to the company’s subscribers is made through the water supply system, which consists of collection tanks, main transmission lines, and distribution networks. The company provides subscribers with water services of a high quality, that meet the Omani standard specifications for drinking water. The company has two massive desalination plants located in the Ashur region, which act as the primary source of water, reaching a combined 40 million gallons per day, and which supply water two three major cities in the region; Salalah, Taqah, and Mirbat. The combined length of the water networks in the Dhofar region is approximately 2,760 km, with willayat that are not attached to the main network being supplied by their own independent wells and desalination plants, and water networks.

3. Wastewater

NDS covers the wastewater services for a variety of willayat in the Dhofar Governorate, with the length of the wastewater network in the city of Salalah alone exceeding 1000 km in length, and covering wastewater services of 76% of the city. The company plans to increase this coverage to 95% by the year 2025. The company operates its wastewater treatment process through nine treatment plants, which have a combined daily capacity of approximately 60,000 cubic meters.

1.2 NDS' vision and values

We aim to operate responsibly and strive to maintain the local environment while also meeting the energy needs of the Dhofar Governorate, both now and in the future.

VISION

Sustainable Services, Prosperous Community

Sustainable: Refers to the three main pillars; people, profit, and environment

Services: Refers to our provision of the integrated Electricity, Water and Wastewater services

Prosperous: Refers to our ambition to promote happiness in opportunities for our customers through the provision of our services

Community: Relates to the all Dhofar society where the company operates. This includes individual, business and governmental bodies.

MISSION

To provide our customers with safe, reliable, sustainable, and trusted integrated utility services through:

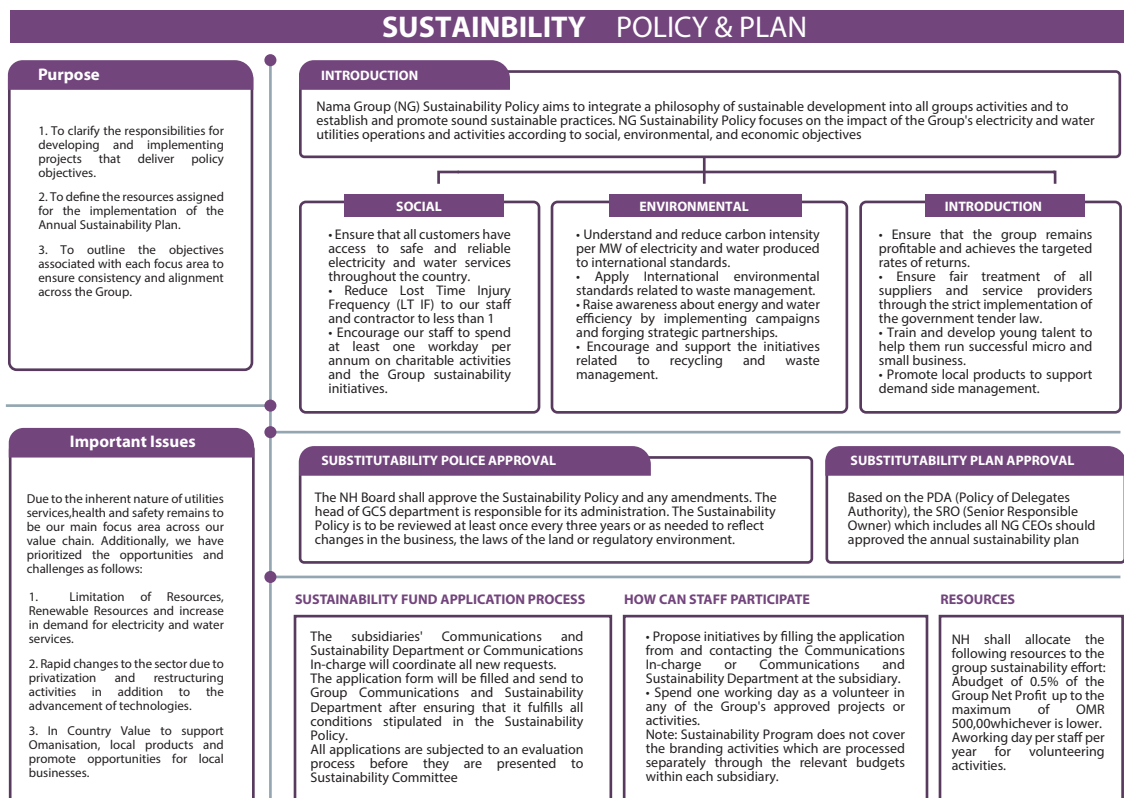
- Our dedicated staff
- Intelligent solutions
- Trusted Partnerships

VALUES

- Respect
- Integrity
- Professionalism
- Trustworthiness
- Creativity
- Commitment

1.3 NDS' commitment to sustainability

NDS, as part of the Nama Group, shares the same ideals as the entire group, bringing companies from across the Sultanate of Oman together under one clear vision for sustainability in the energy sector. As such Nama Group's Sustainability Committee drives sustainability strategy across all the group entities, including NDS. Nama Group's Sustainability Committee includes members from all the group entities, as outlined below. We are committed to a triple bottom line approach that focuses on Social, Environmental and Economic impact of our activities.



Social Objectives:

- We aim to encourage our staff to spend at least one work day per annum on volunteering activities.
- We aim to spend some annual amount on contributions to charitable causes in Oman.
- We aim to ensure that all customers have access to safe and reliable electricity throughout the country.
- We aim to reduce the Lost Time Injury Frequency (LTIF) to our staff and contractor to less than 1 per million work hours.

Environmental Objectives:

- Annual Investment on campaigns to encourage residential customers to reduce electricity consumption.
- We aim to understand and reduce carbon footprint per MW of electricity and water produced to international standards.
- Comply with the environmental standards in the Sultanate of Oman

As part of our COVID-19 response, NDS was part of Nama Group's initiative for Safety house campaign that involved increasing the awareness of all customers and school students towards the safety of using electricity. The Company also lead many campaigns related to electricity and water efficient utilization to capitalized on the electricity and water service reliability. We conducted multiple campaign related to the health and Safety to increase the customer awareness to avoid environmental Hazards and increase the social responsibilities to report any hazards. This is driven by the social responsibility and to protect the Company assets.

As part of the responsibility towards the service reliability the company proceeding with rapid change of automatic meter reading. The National Transformation Program for Smart & Prepaid Meters envisages the rollout of more than 200,000 smart meters across Dhofar Governorate over the next two years and is considered a leading national digital transformation project. NDS is contributing to 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. The Company is aiming to increase customer satisfaction through this initiative. This shall increase the meter reading accuracy and will reduce the complaint percentage. In addition, this initiative expected to reduce the water and electricity system loss which will introduce reduction to the Government subsidy which will subsequently enhance the sovereign income.

Starting 2022 the Company commenced it Geographic Information Systems (GIS) project related to the Electricity sector that aims to cover all customers' meter's details. With the introduction of GIS, the company shall reduce the percentage of outages and increase the level of service provided to the customer. In addition, the GIS expected to reduce the response time will support addressing customers calls efficiently. In addition, second phase of GIS which is related the water business drive this to target issuing single bill to the customers. The issuance of single bill will improve the service and introduce cost efficiency since the service shall be do collectively by one team. The company is planning to complete the single bill project after three years.

1.4 ESG Risks Management

The Company is dedicated to improving the overall awareness towards the safety of the environment and people.

We comply with Oman's Law on Environmental Protection and Pollution Control¹ ("Environmental Law"), which require Environmental Permits to be obtained from the Environmental Authority to confirm the environmental safety of any project carried out in Oman prior to its execution. During 2022, NDS has maintained the overall Compliance with Environmental Authority standard with respect to Treated Effluent.

In addition, the Company obtained 39 environmental licenses and permits from the environmental authority of Oman and as well as environmental permits for hazardous chemical substances.

We comply with the Water and Wastewater Law² published in 2023 to ensure that our water and wastewater related projects meet the best/latest environmental standards in the country. We are also aligned with the standards included in the forthcoming law on the management, organization and privatization of the waste sector, demonstrating that NDS takes the best measures to reduce the production of waste, and is committed to sort waste, minimize risk of waste and safely dispose hazardous waste.

We are in alignment with the Oman's new Labour Law³ that was issued on 25th July 2023. The New Law introduced provisions explicitly prohibiting the termination of an employee as a result of their gender, ethnicity, race, language, religion, creed, social status, disability, pregnancy, having a child or need to breastfeed. In addition, a new Social Protection Law⁴, developed with the support of the International Labour Organisation (ILO), was also launched in July 2023, both of which became effective from 1st January 2024. Among other changes the law now includes definitive steps towards extending migrant workers' rights to social protection.

1.5 Rationale for this Framework

NDS aims to reinforce its commitment to sustainability and considers the issuance of sustainable financing instruments under this Sustainable Finance Framework as an important element to support its efforts and ambitions, while providing national and international investors with greater transparency over the use of proceeds and environmental/social impacts of the projects financed.

NDS believes that sustainable financing instruments (as defined below) are an effective tool to channel investments to projects that demonstrate climate and/or social benefits, and thereby contribute to the achievement of the UN Sustainable Development Goals (SDGs).

By issuing these sustainable financing instruments, NDS intends to align its funding strategy with its mission, sustainability and climate strategy and targets.

¹ <https://decree.om/2001/rd20010114/>

² <https://decree.om/2023/rd20230040/>

³ <https://decree.om/2023/rd20230053/>

⁴ <https://decree.om/2023/rd20230052/>



2

Sustainable Finance Framework

NDS Sustainable Finance Framework

NDS has established this Sustainable Finance Framework (“Framework”) under which it intends to issue the following Sustainable Financing Instruments:

- Green Bond(s)/Sukuk(s)/Loan(s) - where proceeds are used to finance/refinance projects under ‘Eligible Environmental Green Categories’
- Social Bond(s)/Sukuk(s)/Loan(s) - where proceeds are used to finance/refinance projects under ‘Eligible Social Categories’
- Sustainability Bond(s)/Sukuk(s)/Loan(s) - where proceeds are used to finance/refinance projects under ‘Eligible Green Categories’ and ‘Eligible Social Categories’

NDS’ Framework is aligned with the International Capital Market Association (ICMA) Green Bond Principles (GBP) 2021 (with June 2022 Appendix I)⁵, ICMA Social Bond Principles (SBP) 2023, ICMA Sustainability Bond Guidelines (SBG) 2021⁷, Loan Market Association (LMA) Green Loan Principles (GLP) 2023⁸ and LMA Social Loan Principles (SLP) 2023⁹ (together “ICMA/LMA Principles”).

The Framework is structured according to the following 4 core components of the ICMA/LMA principles and guidelines as well as the recommendations to appoint external review provider(s):

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of proceeds
4. Reporting; and
5. External Review

2.1 Use of Proceeds

NDS commits to allocate an amount equivalent to the net proceeds of Sustainable Financing Instruments issued by NDS under this Framework to finance and/or re-finance, in whole or in part, Eligible Green and/or Social projects (collectively “Eligible Projects”) which meet the eligibility criteria of the following Green and Social Project categories as defined below.

Projects that are refinanced up to 36 months prior to the date of issuance of any Sustainable Financing Instrument will be eligible.

⁵ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-100621.pdf>

⁶ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

⁷ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁸ <https://www.lsta.org/content/green-loan-principles/#>

⁹ <https://www.lsta.org/content/social-loan-principles-slp/#>

To avoid double counting of any projects and their environmental and/or social impact, where NDS does not have complete ownership, NDS will only allocate pro-rata to our share of financing in the project. All eligible projects will be under NDS' entire ownership.

Eligible Category per ICMA/LMA Principles	Green Assets Eligibility Criteria	Alignment with the UN SDG targets
Renewable Energy	Investments dedicated to transmission and distribution of energy generated from solar power.	SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix
Sustainable Water and Wastewater Management	Investments in projects related to construction, upgrades, renovations or improvements for transportation and treatment of wastewater, including: water and wastewater treatment plants (WWTP), reuse of WWTP effluents, sewer systems and pumping stations. Investments in projects that enhance water-use efficiency, such as water recycling, reuse and reclamation projects, water saving systems, technologies and water metering.	SDG 6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Climate Change Adaptation	Investments in projects related to reduction of flood risk and extreme weather events like storm water plans, smart metering and automation and improving the resilience of sites which are at the risk of flooding.	SDG 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Eligible Category per ICMA Social Bond Principles	Social Assets Eligibility Criteria	Alignment with the UN SDG targets
Affordable basic infrastructure	Projects that increase access to clean drinking water, sanitation facilities, including construction of public sanitation stations. Target population: underserved people defined as those who have not previously had access to basic infrastructure, clean water and sanitation, such as people living away from the cities.	SDG 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix
Sustainable Water and Wastewater Management	Investments that enhance access to public, not-for-profit, free or subsidized essential services, including: i. Infrastructure for public hospitals, laboratories, clinics, healthcare, childcare and elder care centers. ii. Infrastructure for the provision of child, youth or adult education and vocational training services. Target Population: i. Unemployed ii. Young people iii. Underserved people defined as those who have not previously had access to healthcare and educational services	SDG 3.C: Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States SDG 4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes

Exclusions:

Any financing and/or re-financing related to the following projects will be excluded:

- Fossil fuel extraction, processing and distribution
- Fossil fuel transportation
- Fossil fuel related power generation
- Alcohol
- Gambling
- Tobacco
- Weaponry and defense related equipment

2.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any sustainable financing instrument issued under this framework are allocated to new or existing expenditures that meet the criteria set out above in section 2.1 ('Use of Proceeds'). NDS will establish a Sustainable Finance Working Group (SFWG) for the evaluation and selection process for Eligible Projects, which will be made up of representatives from the below departments/team:

- Treasury department
- NDS CEO
- Project department
- Assets and Planning department
- Any other relevant departments \a\ required depending on the selected projects

The SFWG will be chaired by the Treasury department. On a biannual basis, the SFWG will consult with other departments (as necessary) to identify and recommend eligible projects or expenditures for inclusion as Eligible Use of Proceeds. The SFWG will work on the basis of a detailed process from project identification, thorough project evaluation until project validation (to include or exclude from the portfolio of Eligible Green/Social Projects). The SFWG will evaluate to what extent core minimum environmental, social and governance (ESG) requirements, as well as those clear criteria set out in the 'use of proceeds' section, are incorporated and acted upon in the project design and subsequent process. Based on a thorough analysis and interaction with the responsible project teams, the SFWG will be able to ensure whether the project can be classified as an Eligible Green/Social Project. On a biannual basis, the SFWG will review all proposed Eligible Projects to determine their compliance with this Framework in order to approve the allocation of proceeds.

On a biannual basis, the SFWG will review the allocation of the proceeds to the Eligible Projects and determine if any changes are necessary (for instance, in the event that projects or expenditures have been cancelled, sold or otherwise become ineligible).

The SFWG will also review the management of proceeds (as described in Section 2.3) and facilitate reporting (as described in Section 2.4).

Eligible projects will be aligned with our internal guidelines, policies and risk management procedures, in addition to applicable social and environmental standards and regulations, to ensure stringent management of any potential negative social and environmental impacts.

2.3 Management of Proceeds

The net proceeds will be allocated to the new projects and / or refinancing of existing projects identified under the use of proceeds section above. To manage the proceeds of our sustainable financing instruments, we will establish a Sustainable Financing Register. The proceeds of each sustainable financing instrument will be earmarked against the pool of eligible projects and expenditures identified in the Sustainable Financing Register. At the end of each year the net proceeds will be reduced by the amounts invested in eligible green projects within the annual period.

The Treasury department has set-up a dedicated tracking process in the internal information systems and database to monitor and account for the allocation of the proceeds.

The Green Financing Register will be reviewed annually by the Treasury team to account for any re-allocation, repayments or drawings on the eligible projects and expenditures within the pool. The Sustainable Financing Register will contain relevant information including:

(1) Details of the Transaction(s):

key information including transaction date, principal amount of proceeds, settlement date, maturity date, and interest margin or coupon, ISIN number etc.;

(2) Details of Use of Proceeds, including:

- Amount of allocation made;
- Summary detail of Eligible Projects to which the proceeds of the sustainable financing instrument have been earmarked in accordance with this Framework;
- Any unallocated proceeds yet to be earmarked against Eligible Projects;
- Estimated environmental and social impact, where available;
- Other necessary information.

In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in line with NDS' Treasury Policy until allocation to Eligible Green/Social Projects, and will not be allocated to any of the excluded sectors mentioned above in 'Exclusions'. NDS intends to allocate the proceeds of a given sustainable financing instrument to Eligible Green/Social Projects originated no more than three years prior to the issuance. The proceeds will be allocated within two years from the date of issuance.

2.4 Reporting

On an annual basis, NDS will publish an allocation report and an impact report on its sustainable financing instruments issued, 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

NDS will provide information on the Eligible Green and/or Social Projects Portfolio on our website. The information will contain at least the following details:

- The total amount of proceeds allocated to the Eligible Green and/or Social Projects;
- Breakdown of allocation by eligible project category;
- Allocation by geographic location;
- Refinancing versus new financing; and
- The balance of unallocated proceeds (if any)

2.4.2 Impact Reporting

Where feasible, NDS will provide reporting on relevant potential impact metrics for Eligible Green and Social projects including:

The report may also provide information on the methodology and assumptions used for the calculation of the impact metrics. Where feasible, the impact report may include:

Eligible Project Category	Impact Reporting Metrics
Green Project Categories	
Renewable Energy	<ul style="list-style-type: none"> • Total installed capacity (MW) • Annual renewable energy generated (MWh/GWh) • Annual GHG emissions avoided or reduced (tCO₂e)
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Annual absolute (gross) water use before and after the project in m³ /a, reduction in water use in % • Annual absolute (gross) amount of wastewater treated, reused or avoided before and after the project in m³ /a and p.e./a and as %
Sustainable Water and Wastewater Management	<ul style="list-style-type: none"> • Reduction in flood damage costs • Reduction in number of operating days lost to floods • Reduced/avoided water loss (in reservoirs/waterways/natural habitats etc.) in m³ • Reduction in system outages due to floods
Soical Project Categories	
Affordable basic infrastructure	<ul style="list-style-type: none"> • Number of water infrastructure projects built/upgraded • Number of new household water connections • Number of people provided with adequate and equitable sanitation
Access to Essential Services	<ul style="list-style-type: none"> • Number of hospital and other healthcare facilities built/upgraded • Number of health checks provided • Number of residents benefitting from healthcare which is otherwise not accessible



3

External Review

External Review

3.1 Second-Party Opinion (SPO)

NDS has appointed DNV to provide an external review on this Sustainable Finance Framework and confirm its alignment with the ICMA/LMA Principles. This Second Party Opinion document will be made available on our website.

3.2 Post issuance external verification

NDS' annual reporting will also be subject to external verification by an independent and external party. The external reviewer will verify:

- The compliance of assets financed by the proceeds of any sustainable financing instrument issued under this Framework with the eligibility criteria defined in the use of proceeds section of this Framework;
- Allocated amount related to the eligible Green and/or Social projects financed by the proceeds of sustainable financing instruments; and
- The management of proceeds and unallocated proceeds amount (if any)

The external reviewer's report will be published on NDS' website along with the annual allocation reporting.



4

Amendments to this Framework

Amendments to this Framework

4. Amendments to this Framework

The Treasury team will review this Framework on a regular basis, including its alignment to updated versions of the ICMA/LMA 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 NDS and as well as the review of SPO provider for updates required to the SPO, if any. 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 NDS' website and will replace this Framework.



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www.dhofarservices.nama.om