



GREEN SUKUK FRAMEWORK

June
2020

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1. Introduction to Saudi Electricity Company

Saudi Electricity Company ("SEC") and its subsidiaries and affiliates (taken as a whole, the SEC Group) is the Kingdom's leading producer of electricity and has a monopoly on the transmission and distribution of electric power in the Kingdom. As of the date of this Green Sukuk Framework, SEC is, indirectly, 81.1% owned by the Government, comprising a 74.3% share held by the PIF and a 6.9% share held by Saudi Aramco, with the remaining 18.8% being held by the general public. SEC has been rated A2 by Moody's, A- by Fitch and A- by S&P.

The SEC Group's principal business activities are the generation, transmission and distribution of electricity within the Kingdom, the largest economy in the GCC. In the year ending 31 December 2019, the SEC Group generated 68.5% of the total amount of electricity which it sold to customers in the Kingdom. In the year ending 31 December 2019, the SEC Group accounted for 69.7% of the electricity generation capacity in the Kingdom. The SEC Group's total sales of electricity were 279,678GWh in 2019, of which 128,141GWh (45.8%) was sold to residential customers, 49,436GWh (17.7%) was sold to industrial customers, 45,998GWh (16.4%) was sold to commercial customers and 40,337 GWh (14.4%) was sold to governmental customers. The balance of 15,766 GWh (5.6%) was sold to other customers, such as agricultural, health and education, and desalination customers.

SEC's strategy is focussed on implementing the Government's policy for the development of the electricity industry in the Kingdom, with the primary objective being the provision of a safe, reliable and cost-efficient supply of electricity to end-users. In addition, SEC's strategy includes significantly increasing the SEC Group's transmission and distribution business and enhancing its interconnectivity, both internationally and within the Kingdom. In line with the objectives of the Government's Vision 2030 and NTP 2020 initiatives, SEC is also focussing on research and development projects with a particular focus on the development of renewable energy projects.



2. SEC Sustainability Strategy

Sustainability at SEC is linked to our ability to deliver long-term value and growth to all our stakeholders. It is one of the key pillars of our business strategy that drives our value creation process. In 2020, we developed a sustainability framework to articulate and drive our ambition to create a sustainable future in line with the ambition to the Saudi Vision 2030 and the Sustainable Development Goals (SDGs).

SEC's sustainability framework is built upon three key ESG ambitions:

1. Facilitating transition to a low carbon economy and circular economy,
2. Empowering our people and communities, and
3. Enabling responsible business practices

1. Facilitating transition to a low carbon economy and circular economy

Objective 1: Mitigating climate change and ensuring transition to a low carbon economy.

SEC commits to reduce its emissions and energy intensity and ensure transition to a low carbon economy through enabling and integrating renewable energy projects to the grid. SEC has set target to reducing Scope 1 and 2 emissions by 25% by 2025, and will increase the level of commitment as it works alongside other stakeholders to bring targets in-line with the Kingdom's sustainable development objectives.

SEC commits to offtake the increased production of installed renewable energy capacities and to continuously work to integrate the largest possible amount of renewable energy into the grid under secure conditions, by leveraging

significant capital expenditure to connect these new renewable energy sources to the grid.

In 2020-2021, SEC plans to invest more than SAR 797 million to connect various renewable energy projects to the grid, and furthermore expects to invest approximately SAR 8.2 billion in renewable integration projects during the period 2022-2025, to grow the renewable capacity connected to the grid to 27.6 GW.

Objective 2: Managing our operations efficiently to avoid or minimise the use of resources and protecting biodiversity.

SEC commits to reduce its water use, minimise waste, and preserve biodiversity.



2. Empowering our people and communities

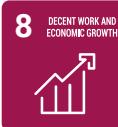
Objective 3: Creating a safe working environment for our employees and engaging them to grow and excel.

SEC commits to protect employees' safety and support them advance their careers through comprehensive development programmes while ensuring an equal opportunity work environment free of any form of discrimination.



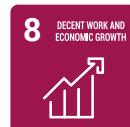
Objective 4: Contributing to the sustainable development of our communities and promoting access to energy.

As a key contributor to the economic vitality of the Kingdom of Saudi Arabia and the overall attainment of the Saudi Vision 2030, SEC commits to promote the social and economic development within the Kingdom by promoting access to energy, local employment, supporting local communities, and enhancing people's well-being and prosperity.



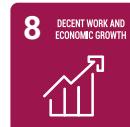
Objective 5: Providing transparent information to customers, ensuring their satisfaction and protecting their privacy.

SEC commits to attending to the needs of its customers and enhancing customer satisfaction, protecting their personal safety, and protecting their personal data and privacy. SEC strives to implement innovative technology and digital advancements to offer customers tools that support the creation of a sustainable future.



Objective 6: Promoting responsible supply chain practices and emphasising local procurement.

SEC ensures responsible supplier selection and emphasises the selection of local suppliers.



3. Enabling responsible business practices

Objective 7: Conducting our business with integrity, high ethical standards, and ensuring compliance with all legal requirements

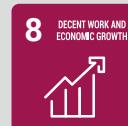
SEC commits to conduct its business with the maximum integrity, transparency, and accountability. SEC strives to continuously eliminate any form of bribery, corruption, and anti-competitive practices in alignment with international recommendations such as the OECD guidelines.

SEC also commits to promote human rights in alignment with international standards such as the ILO principles - as ratified by the Kingdom



Objective 8: Promoting good governance.

SEC commits to promote good corporate governance and sound risk management practices to ensure a long term sustainable economic and financial growth.



Sustainability governance at SEC

An environmental/ESG committee has been formed at the level of SEC's executive management to provide executive management oversight on implementing SEC's new sustainability framework, as well as creating consensus on operational and investment recommendations by the executive management team to the Board on key material issues related to environmental and ESG policy/strategy implementation. The day-to-day implementation of the sustainability framework is the responsibility of SEC's business lines.

In addition to SEC's sustainability framework, this work is also guided by SEC's Environmental Policy, which has been in place since 2009. The policy promotes reliance on clean energy sources, efficient resource consumption, reusing and recycling, waste reduction as well as compliance with environmental laws and regulations. SEC's Environmental Compliance Committee, which includes representatives from all of SEC's business lines, meets every three months to review performance on a company-wide level and report compliance levels to the Division of Environmental Protection & Development in the industrial security sector, who coordinates all Committee meetings.

As of 2019, 22 of out of 40 sites have obtained ISO 14001 or ISO 9001 or ISO 19600 certifications. Licenses for the remaining sites are being pursued, including ISO 45001 and EFQM. All of SEC's projects are designed to comply with the

environmental regulations and legislations that contribute to improving the environment of the Kingdom. 29 sites have obtained environmental licenses and certificates from the General Authority of Meteorology and Environmental Protection (GAMEP).

As of 2019 SEC has 107 Environmental Protection Coordinators at each of its project sites. These coordinators are tasked to monitor and manage compliance with environmental standards in all of the company's locations. In order to ensure that environmental awareness and compliance is cascaded throughout the company, environmental compatibility requirements are defined for sector heads and department managers on a regular basis. Dedicated environmental compliance workshops are held for department heads and managers in business areas where findings from environmental audits based on audit protocol compliant with ISO 19011:2011 need to be addressed to achieve compliance with environmental standards.

SEC published its first annual ESG report in September 2020. This report has been prepared in accordance with the GRI Standards. The report covers SEC's ESG performance throughout the year 2019 and efforts to promote transparency, integrity, operational excellence, and integrate sustainability in all our business-related matters, in order to reduce SEC's ecological footprint and contribute to local communities

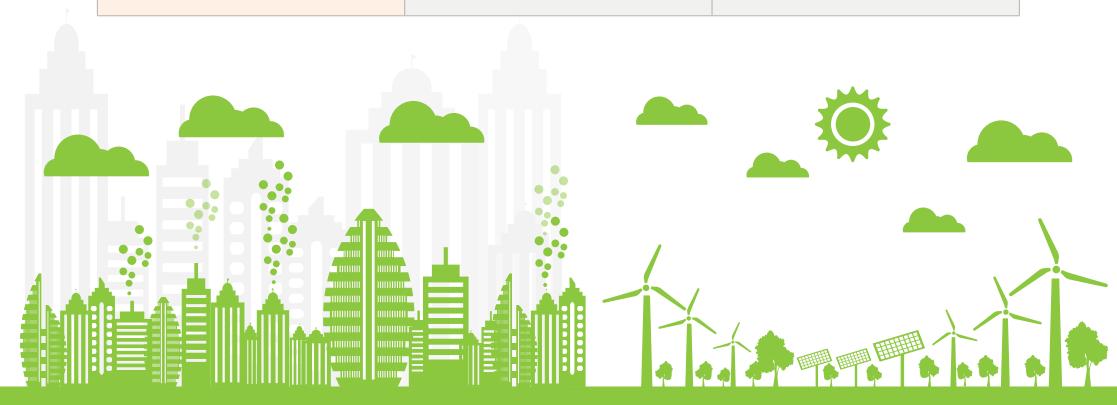
SEC's GHG emissions reduction strategy

As part of SEC's GHG emissions reduction ambitions, the company has set the following targets:

GHG emissions reduction targets	Approach	Examples
<ul style="list-style-type: none"> Reduce our scope 1 and scope 2 emissions by 25% by 2025 (2016 baseline), and increase the level of commitment as we work through the stages of setting the emissions targets in-line with the Kingdom's sustainable development objectives in alignment with the Paris agreement 	<ul style="list-style-type: none"> Investing in renewable energy capacity 	<ul style="list-style-type: none"> Investment in wind power (Huiamla wind turbine) Investment in solar photovoltaic energy (Farsan Island solar PV project)
<ul style="list-style-type: none"> Increase our renewable capacity to 27.6GW by 2025 Align to the Kingdom's targets of renewable share of total installed capacity by 2030 	<ul style="list-style-type: none"> Diversification and deployment of an efficient generation mix 	<ul style="list-style-type: none"> Investments in integrated solar concentrated with combined cycle capacity (Duba Al-Khadra or Waad Al-Shamal projects) Conversion of simple cycle power plants to combined cycle power plants (Hail Power Plant, PP9, PP10, PP12, QCPP)
<ul style="list-style-type: none"> Support the Kingdom's efforts in achieving its sustainable development objectives in alignment with the Paris agreement 	<ul style="list-style-type: none"> Converting to a cleaner fuel mix and growing utilization of gas as a feedstock 	<ul style="list-style-type: none"> Fuel conversion in power plants from crude oil to natural gas (PP7, PP8, PP10, PP9) Replacement of diesel fuel Injection of combustion catalyst in crude oil GT10# (Tihama power plant)



	<ul style="list-style-type: none"> Investing in highly efficient technology 	<ul style="list-style-type: none"> Investing in IPPs/IWPPs highly efficient Combined Cycle Power Plants, sub critical boiler (PP11, Qurayyah, Rabigh 1, Rabigh 2, Fadhili, Shuqaiq) Committing to output off-take PPA Agreements: Saudi Power Purchase Company (SPPC), which was established as a wholly owned subsidiary by SEC in 2017, signed the first -25year power purchase agreement (PPA) with ACWA Power
	<ul style="list-style-type: none"> Minimizing fugitive emissions 	<ul style="list-style-type: none"> Reduction of SF6 losses in the national grid through leak detection (using IR cameras and LDS), troubleshooting, maintenance and proper storage of gas cylinders, resulting in a 50% reduction over the last 4 years A fugitive emission management plan (FEMP) Ozone Depleting Substances (ODS) management



	<ul style="list-style-type: none">• Supporting demand side energy efficiency	<ul style="list-style-type: none">• Deploying smart meters• Building thermal insulation program• Energy self-consumption savings
	<ul style="list-style-type: none">• Carbon Emission Reduction Management	<ul style="list-style-type: none">• Signed a partnership agreement with the Petroleum Chemicals & Mining Company to establish the Saudi Green Carbon Services Company, which will develop and manage Carbon Emission Reduction (CER) programs and Clean Development Mechanism (CDM) projects• The Laila Al-Aflaj 10 MW solar energy project was registered at the United Nations to obtain carbon reduction certificates for each ton of carbon dioxide



3. SEC Green Sukuk Framework

SEC has established this Green Sukuk Framework, under which SEC and its subsidiaries can raise Green Sukuk, in conjunction with SEC's sustainability strategy outlined above. The projects financed under the Green Sukuk Framework are targeting the first of SEC's three key ESG ambitions (Facilitating transition to a low carbon economy and circular economy), with clear benefits towards mitigating climate change, transitioning to a low carbon economy and managing resources efficiently.

This Green Sukuk Framework has been established in line with the most recent available version of the Green Bond Principles issued by the International Capital Market Association (ICMA) in June 2018¹, and hence will communicate on the following pillars:

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

SEC will aim to adhere to best practices in the market and will review the Framework's alignment to updated versions of the Green Bond Principles as and when they are released. As such, this Framework may be updated and amended in the manner described in Section 4 ("Amendments to this Framework") below.

3.1 Use of Proceeds

The amount equal to the net proceeds of Green Sukuk issued by SEC will be exclusively used to finance and/or refinance, in whole or in part, eligible projects ("Eligible Green Projects") in the eligible categories, together forming the "Eligible Green Project Portfolio".

The Eligible Green Project Portfolio may include projects funded no more than 12 months before the issuance of each Green Sukuk.

The Eligible Green Projects will help contribute to the following environmental objective² – Climate Change Mitigation.



¹In alignment with ICMA Green Bond Principles, June 2018,

<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

²In alignment with EU Taxonomy Regulation Environmental Objectives – Political Agreement reached by EU co-legislators on 17 December 2019 on a Proposal for a Regulation of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment 0178/2018 (COD), see:<https://www.consilium.europa.eu/en/press/press-releases/18/12/2019/sustainable-finance-eu-reaches-political-agreement-on-a-unified-eu-classification-system/>

ICMA GBP Category	Eligible Green Project Description	Alignment with UN SDGs
Energy Efficiency	<p>Procurement and installation of Smart Meters</p> <p>Smart Meters are an accepted method of creating potential energy consumption savings and potentially reducing and/or avoiding CO₂ emissions. Smart Meters will additionally significantly reduce the travel related to manual meter reading trips.</p> <ul style="list-style-type: none"> SEC's large scale roll-out of approximately 10 million Smart Meters is part of SEC's effort to increase the reliability of distribution networks, achieve the highest accuracy in monitoring consumption, improve service quality, enhance customer satisfaction and optimize the use of natural and financial resources The 10 million Smart Meters will considerably contribute to optimal usage of energy in the Kingdom, as well as improving networks in terms of demand-size management and overall access to electricity The target milestones for the Smart Meter roll out which started in January 2020 is for 35% implementation by 30 April 2020, 50% implementation by 30 September 2020, 80% implementation by 31 December 2020 and 100% implementation by 31 March 2021 	 <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>13 CLIMATE ACTION</p>
Renewable Energy	<p>Capital expenditure for construction and/or operation of the transmission and/or distribution infrastructure for connecting renewable energy sources to the grid</p> <p>SEC supports the increase in the amount of electricity generated from renewable energy sources and is responsible for the capital expenditure required to connect these new renewable energy sources to the grid.</p> <p>SEC is expecting to complete the following projects in 2020-2021:</p> <ul style="list-style-type: none"> Connecting renewable energy (wind) – Dumat Al Jandal Connecting the renewable energy plant – Rabigh Connecting the renewable energy plant – Al Faisaliah Connecting the renewable energy station in Qurayyat Connecting the renewable energy plant in Rafha Connecting the renewable energy plant in southern Jeddah Connecting the renewable energy plant in Medina Connecting the renewable energy plant in Sudair Connecting the renewable energy plant in Sakaka (operational since December 2019) 	 <p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>13 CLIMATE ACTION</p>

3.2 Process for Project Evaluation and Selection

SEC has setup a 'Green Financing Committee' which is responsible for the evaluation and selection of the projects to be financed and/or refinanced through the proceeds of Green Financing. The Committee is headed by the Treasury Executive Director and comprises of representatives from the Strategic Transformation, Capital Planning, Corporate Finance and other members from business units or external sustainability expert, on a case by case basis, nominated as subject matter experts. Strategic Transformation is responsible for developing, integrating and implementing SEC's sustainability strategy in alignment with SEC's strategy.

SEC's Green Financing Committee meets at least on a semi-annual basis.

The Green Financing Committee receives a pre-approved project list from the 'Investment Committee'. The Green Financing Committee reviews the project list and assesses project eligibility for Green financing, in accordance with the pre-determined Eligibility Criteria set out in Section 3.1 Use of Proceeds of this Framework. Projects that meet the Green financing criteria are included in SEC's eligible Green Project portfolio.

The Green Finance Committee will monitor that Eligible Projects continue to meet the Eligibility Criteria set in the Framework until the proceeds have been allocated.

3.3 Management of Proceeds

SEC intends to allocate 100% of an amount equal to the net proceeds of a Sukuk issuance to funding Eligible Green Projects and will, on an ongoing basis, monitor the allocated funds as a part a formal internal process thereafter.

The net proceeds will be moved to a dedicated sub-account, and an amount equivalent to the net proceeds of each Green Sukuk will be earmarked for allocation to the sub-portfolio, in accordance with the SEC Green Sukuk Framework. SEC will ensure that an Eligible Green Project will be earmarked for allocation only once. If for any reason some projects are no longer eligible, SEC will use its best efforts to substitute such projects as soon as is practical, once an appropriate Eligible Green Project for substitution has been identified by the Green Financing Committee.

If for any reason SEC or SEC's projects get exposed to any material ESG allegations or controversies, SEC will investigate the allegations and provide corrective measures if required. SEC will also report on their position to the allegations and provide details about corrective measures on their website and reporting.

Pending the full allocation of the net proceeds to Eligible Green Projects, any unallocated funds will be held in cash, short term deposits or marketable Sovereign securities, within SEC's Treasury liquidity policy, at its own discretion.

3.4 Reporting

SEC plans to disclose the allocation of the amount equal to the net proceeds, on an annual basis starting one year from the first Green Sukuk issuance, until the full allocation of the net proceeds to Eligible Green Project Portfolio, and as necessary in the event of any material changes.

SEC plans on reporting on the associated environmental and social benefits on an annual basis starting one year from the first Green Sukuk issuance, in the first year as a standalone report, after which it will be integrated into SEC's ESG report.

The report(s) will be made available to investors on the Investor Relations section of SEC's website.

Allocation Reporting

Where feasible, SEC will aim to report the following information:



- The percentage of an amount equal to the net proceeds allocated to Eligible Green Projects
- The percentage of financing/refinancing
- A breakdown of allocated amounts to Eligible Green Projects



Impact Reporting

Where feasible, SEC will aim to report on the following impact metrics:

Energy Efficiency – Smart Meters:



Environmental:

- Ex-ante estimates of annual GHG emissions avoided (in tCO₂e)
- Ex-ante estimates of annual energy savings



Social:

- Number of smart meters installed
- Number of people that benefits from the technology

Renewable Energy – Connection of Renewable Energy Sources to the Grid:



Environmental:

- Ex-ante estimates of annual GHG emissions avoided (in tCO₂e)
- Renewable energy generation (MWh)



Social:

- Number of people that benefit from the grid

In case of co-financing, SEC will report on the pro rata share of impact or provide the share of financing from Green Sukuk proceeds as a percentage of total project financing if total project impact is being reported.

The impact reporting will also provide information on the methodology and assumptions used for calculation of the impact metrics.

3.5 External Review

3.5.1 Second Party Opinion

SEC has obtained a Second Party Opinion from Vigeo Eiris, an internationally recognised external verifier. The Second Party Opinion by Vigeo Eiris will be made available to investors on the Investor Relations section of SEC's website.

3.5.2 Annual Review

SEC's annual allocation reporting will also be subject to external verification by an External Auditor. The auditor will verify the following, until the full allocation of the proceeds:

- The compliance of assets financed by the Green Sukuk proceeds with eligibility criteria defined in Section 3.1 Use of Proceeds of this Framework
- Allocated amount related to the Eligible Green assets financed by the Green Sukuk proceeds
- The management of proceeds and unallocated proceeds amount

The external auditor's report will be made available to investors on the Investor Relations section of SEC's website.

4. Amendments to the Framework

The Green Financing Committee will review this Framework on a regular basis, including its alignment to updated versions of the Green Bond 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 SEC and Vigeo Eiris. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures. The updated Framework, if any, will be published on the Investor Relations section of SEC's website and will replace this Framework.



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