Madinah 3, Buraydah 2 and Tabuk 2 Independent Sewage Treatment Plants ("ISTPs")

The Sponsors: Acciona, Tawzea & Tamasuk

Green Loan Framework

March 2022

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1 Introduction to Independent Sewage Treatment Plant Projects

The three Independent Sewage Treatment Plants ("**ISTPs**") namely Madinah 3, Buraydah 2 and Tabuk 2 and their associated infrastructure ("**ISTP Projects**" or the "**Projects**") are being built to expand and improve wastewater and sewage treatment services in the Kingdom of Saudi Arabia ("**KSA**").

The three ISTPs will be owned by three Special Propose Vehicles (the "**Project Companies**" or the "**Borrowers**") with the following legal entity names:

(i) **ISTP Madinah ("Madinah"):** Arratil Independent Water Treatment Company
(ii) **ISTP Tabuk ("Tabuk"):** Aleqad Water Treatment Company
(iii) **ISTP Buraydah ("Buraydah"):** Desert Well Water Treatment Company

Each of the Project Companies will be structured in the same way, in terms of the stakeholders in the financing, the engineering, procurement and construction as well the operation and maintenance.

The three ISTPs will have separate financing arrangements comprising (for each Project) of a term loan and a standby facility (Islamic and conventional facilities) as well as a working capital facility and a value-added tax facility (the "**Facilities**").

The shareholders of the Project Companies are for all three ISTPs:

(i) Acciona Agua S.A ("**Acciona Agua**") – 35%
(ii) International Water Distribution Company ("**Tawzea**") – 35%
(iii) Tamasuk Holding Company ("**Tamasuk**") – 30%

Acciona Agua is part of the Acciona Group, a leader in providing sustainable solutions for infrastructure and renewable energy projects across the world and is IBEX 35-listed. Acciona Agua was formed in 2005 and is a leader in the water treatment sector and specialises in the design, construction and operation of waste water treatment plants, drinking water treatment plants, re-use and reverse osmosis desalination plants. It manages end-to-end services covering every stage in the water treatment process and provides waste water treatment plant solutions that optimise processes and minimise installation costs. It has been involved in a number of large scale WWTP or ISTP projects, including the design, construction and management of the world's largest WWTP in Atotonilco, Mexico which has a capacity of 4.3 million m^3/day.

Tawzea was founded as a joint venture in 2006 between Amiantit and the Saudi Industrial Services Company ("**SISCO**"), who both own a 50% share in Tawzea. Amiantit, established in 1968, is a listed Saudi company with a worldwide presence specialized in pipe manufacturing. SISCO, established in 1988, is a listed Saudi company investing in ports, concessions and infrastructure projects. Tawzea was one of the first Saudi companies who participated in the privatization of the water sector in KSA and now specializes in management of industrial cities and in operation and maintenance of water and wastewater facilities across the Kingdom. Tawzea's track record includes the management of 14 industrial cities in KSA including 5 concessions and 9 O&M projects servicing over 300,000 inhabitants.

Tamasuk is a diversified infrastructure development and investment company wholly owned by Al Blagha Holding for Investments Co ("**ABGI**"), a marine and industrial conglomerate with 30 years of history operating in the KSA. Tamasuk currently owns and operates, together with its partners, a portfolio of renewable energy (wind and solar) projects in the region. ABGI is the holding company for Al Blagha Group, and invests in all its infrastructure and energy projects through Tamasuk. Al Blagha Group is a Riyadh headquartered conglomerate which was established in 1990 with a focus on the shipping, maritime and logistics sectors in the region. The group currently employs around 4,000 employees

across the GCC and Egypt, and has interests in marine and industrial engineering services, maritime transportation, port services and development, construction, infrastructure development and general investment activities.

The plants are to be structured as standalone ISTPs and will be developed on a Build, Own, Operate, Transfer ("**BOOT**") basis. The Borrowers have significant experience in developing, investing in and raising finance for Build, Own, Operate ("**BOO**") and BOOT Projects.

The Saudi Water Partnership Company ("**SWPC**") will be the procurer and will enter into a Sewage Treatment Agreement ("**STA**") with the Project Companies with a 25yrs operations period from Project Commercial Operations Date ("**PCOD**") and will be the sole off-taker for the Projects. SWPC was established in 2003 as a LLC in order to facilitate the sale and purchase of water & electricity within the Kingdom. SWPC's payment obligations under the STA to the Project Companies will be guaranteed by the Ministry of Finance providing a sovereign guarantee. In addition, the scope of the Projects includes the design, development, financing, engineering, procurement, construction, commissioning, completion, testing, and transfer of:

- the Water Special Facilities[1] to National Water Company (in charge of water supply and sanitation throughout the Kingdom)
- the Treated Sewage Effluent ("**TSE**") Special Facilities (pipeline and equipment) to the Saudi Irrigation Organization (for Madinah 3 only) and
- the Electrical Special Facilities (electrical equipment of the Projects) to National Grid S.A..

The development, design, construction and operation and maintenance of the Madinah 3, Buraydah 2 and Tabuk 2 ISTPs are expected to have a Guaranteed Influent Treatment Capacity of 200,000 m^3/day[2], 150,000 m^3/day, and 90,000 m^3/day respectively in the cities of Madinah, Buraydah and Tabuk. Madinah 3 is the largest project with the longest timeline consisting of a 2.7 years construction period and 25 years operations. Buraydah 2 and Tabuk 2 are expected to have 2.3 year construction periods and 25 years operations. It is of note that these figures represent additional capacity in addition to the existing STPs.

All three Projects will start construction in Q1/2022 with the PCOD expected to be achieved no later than 1-Oct-24 for Madinah 3 and no later than 2-Jun-24 for Buraydah 2 and Tabuk 2.

[1] Interconnection pipe between the existing pumping station and the Influent Lifting Station to allow transfer of flow from the existing Madinah phase 1 and phase 2 STPs to the new Madinah 3 ISTP and vice versa.
[2] SWPC envisage that Madinah will have a capacity to treat 200,000 m^3/day initially which could be expanded up to an average daily flow of 375,000 m^3/day capacity at a later stage.

2 Sustainability at the ISTPs

The Projects are of strategic importance to KSA and align with a key ambition of the Kingdom's Vision 2030, which states: "*We will also promote the optimal use of our water resources by reducing consumption and utilizing treated and renewable water*." The Kingdom's demand for water is increasing steadily and this ambition places particular focus on optimising the use of renewable water resources for agriculture purposes, boost water storage resources and improve the efficiency of municipal and agricultural water consumption.

Some of the specific key environmental features and benefits of the ISTP Projects include:

1. **Recycling of wastewater for agricultural activities**

The use of treated sewage effluent will substitute the use of available fresh water for farming purposes, hence producing direct water savings. Annual water savings expected correspond roughly with the 95% of the wastewater treated (since that 5% corresponds to internal uses in the ISTP + evaporation during sludge drying processes).

The plants have been designed to comply with stringent technical requirements regarding the quality and quantity of discharged water to satisfy the needs of local farmers that will ultimately use the water.

2. **Treatment and reuse of sewage sludge ('zero-sludge-dispatch' method)**

All sewage sludge produced in the plants will be suitable for agricultural application and cement manufacturing. The plants will handle, transport, and deliver it to the designated Sludge Disposal Area (particular for each ISTP), so that **the amount of non-beneficial sludge that is removed or leaves the ISTPs Site equals zero**.

3. **Renewable electricity consumption**

28-57% of the daily electricity consumption for the different sites will be supplied from renewable energy sources on site (solar photovoltaic ("**PV**") electricity), resulting in a significant reduction of the greenhouse gas emissions generated by the ISTPs. This is the maximum renewable energy available from the extension of land available for the installed capacity of PV panels and the production of biogas derived from water treatment processes.

Table1: Environmental performance indicators of the ISTPs

	Madinah 3	**Buraydah 2**	**Tabuk 2**
Annual Wastewater Treated (m^3/year)	73,000,000	54,750,000	32,850,000
Annual Water Recycled (m^3/year)	69,350,000	52,012,500	31,207,500
Daily Electricity Consumption (kwh/m^3)	0.47	0.62	0.57
Renewable Energy Consumption (%)	28	47	57

3 Green Loan Framework

Alignment with the Green Loan Principles

The Project Companies have developed this Green Loan Framework (the "**Framework**") in accordance with the Green Loan Principles 2021[3] (the "**GLP**"), administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Associations, under which the Project Companies are intending to raise Green Loans specifically to finance expenditures related to the Projects.

For any Green Loan raised, the Project Companies will adopt the following as set out in this Framework:

1. **Use of Proceeds**
2. **Project Evaluation and Selection Process**
3. **Management of Proceeds**
4. **Reporting**

The Framework also describes the approach to Second Party Opinion.

3.1 Use of Proceeds

The net proceeds of the Green Loans will be applied solely to finance expenditures related to the ISTP projects, in line with the eligibility criteria described below ("**Eligible Green Projects**") and the permitted use of proceeds will be defined in the loan documentation for such Green Loans.

Eligible Green Project Category	Eligible Project	Alignment with the EU Environmental Objective[4]	Alignment with the UN SDG targets[5]
Sustainable water and wastewater management	**ISTP Projects** Financing of the expenditure and project costs, specifically associated with the development, design, construction and operation and maintenance of the following three ISTPs: • **Madinah 3** located near the city of Madinah in Saudi Arabia with expected treatment capacity of up to 200,000m^3/day (with the option to expand up to 375,000 m^3/day). PCOD expected to be achieved no later than 1-Oct-24. • **Buraydah 2** located near the city of Buraydah, in north-central Saudi Arabia, approximately 400km from Riyadh with expected treatment capacity of up to 150,000 m^3/day. PCOD expected to be achieved no later than 2-Jun-24. • **Tabuk 2** located near the city to Tabuk in north-	**Sustainable use and protection of water and marine resources**[6]	

[3] https://www.lma.eu.com/application/files/9716/1304/3740/Green_Loan_Principles_Feb2021_V04.pdf

[4] The Project Companies have additionally included a high level alignment with the list of activities included in the EU Taxonomy Climate Delegated Act (Annex 1): https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

[5] UN Sustainable Development Goals https://www.un.org/sustainabledevelopment/sustainable-development-goals

[6] This project category aligns with "12.1 Sewerage - Urban Wastewater Treatment", as defined by the draft report by the Platform on Sustainable Finance on preliminary recommendations for the technical screening criteria for the EU Taxonomy - Annex Part B[6] section 12.1 as of the date of this Framework - https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/210803-sustainable-finance-platform-report-technical-screening-criteria-taxonomy-annex_en.pdf

Eco-efficient and/or circular economy adapted products, production technologies and processes	western Saudi Arabia with treatment capacity of up to 90,000 m^3/day. PCOD expected to be achieved no later than 2-Jun-24. The three ISTPs will recycle at least 95% of the treated wastewater for agricultural uses, representing a circular economy approach.		
Renewable energy	Financing related to the procurement, installation and operation of onsite solar panels The costs related to solar PV prior to PCOD is expected to be approximately 1-2% of the each individual ISTP Projects cost. A proportion of the daily electricity consumption for the different sites will be supplied from renewable energy sources on site (solar PV electricity), resulting in a significant reduction of the greenhouse gas emissions generated by the ISTPs. Renewable energy will make up 28% of daily energy consumption for Madinah 3, 47% for Buraydah 2 and 57% for Tabuk 2.	**Climate Change Mitigation** 4.1 Electricity generation using solar photovoltaic technology	

In terms of the Facilities, each drawdown made under the

- Term Facilities may only be used for the purposes of (i) financing Project Costs; and (ii) in respect of the Final Advance, the items specified in the definition of Final Advance Amount;
- Stand-By Facilities may only be used for the purposes of (i) financing Project Costs, but only after the Term Facilities have been fully utilised; and (ii) financing Approved Stand-By Costs;
- Working Capital Facility may only be used for the Company's general working capital requirements in relation to the Project.

3.2 Process for Project Evaluation and Selection & Management of Proceeds

The proceeds of the Green Loans issued under this Framework will be solely used to finance expenditure related to the projects, specifically associated with the development, design, construction and operation and maintenance of the ISTP Projects.

Proceeds of the Green Loans will be credited to a dedicated account, there will be earmarked project finance SPV account structure and structured drawdown requirements.

In connection with this Framework, the Project Companies expect that all proceeds will be fully utilized for expenditures related to the projects at closing of the Green Loans or during the 2.3-2.7yrs construction period.

The loans will be drawn down in stages throughout the construction phase as determined by the financial documents. In the event of unallocated proceeds having been drawn down such moneys will be temporarily be held by the Project Companies in the Project Companies' ordinary bank accounts or short-term money markets until deployed to the Projects. For the avoidance of doubt, any net proceeds will not be invested in fossil fuel related projects.

The plants have been designed to comply with stringent technical requirements regarding the quality and quantity of discharged water to satisfy the needs of local farmers that will ultimately use the water.

The Company will carry out baseline environmental surveys and develop a full Environmental and Social impact assessment ("**ESIA**") and initial environmental baseline studies to support the ESIA. The ISTPs

will also face revenue deductions for Environmental Persistent Breach Events. Such events are not expected to occur under the work conditions detailed in the Request for Proposal (RFQ) documentation. However, the following management actions have been considered to mitigate possible breaches (beyond defined thresholds):

(i) noise; The main noise control measures have been considered as part of in the design of the plant, particularly in the early stages of the design. Other mitigation measures are the installation of acoustic hoods/silencers.

(ii) odour; Includes coverage of the main source elements as well as odour removal based on the use of Biotrickling Filters for H2S. In case of peak conditions, a tandem Biotrickling Filters-chemical scrubber has been designed to tackle a wide range of different air compositions to be deodorized.

(iii) by-products; The design of the automatic screening channels (with one channel in stand by and another channel protected with a manual screen as extra redundancy) provides extra protection against breach events.

Other potential additional social/ environmental risks not included within the persistent breach events will be covered with the following surveys/technical studies:

- Environmental and Social Impact Assessment and ESIA and GAMEP (or its successor) approval;
- Health & Safety study;
- Operational Safety (HAZOP) study for all areas and systems;
- The Construction Environmental Management; and
- Surveys related to the HCIS requirements in accordance with the local regulations.

To demonstrate the performance of the EPC Contract scope and matching of all of the STA's functional performance, environmental and reliability requirements, testing will be carried out as a key commercial requirement. The Project Companies are also required to perform an environmental study to evaluate the anticipated environmental risks by a consultant certified by the NCEC/GAMEP and obtain the required permits from the Authority.

3.3 Reporting

Allocation Reporting

The Project Companies will make and keep readily available for the relevant parties up to date information on the use of proceeds to be renewed annually until fully drawn down, and as necessary after that in the event of material developments. Should that not for any reason be the case, the Project Companies will provide a separate Allocation Report(s) disclosing the amount of any unallocated proceeds, and subsequently a confirmation that the proceeds of any loan have been allocated to expenditures related to the ISTP Projects.

Subject to the terms of each Facility Agreement, each Advance made under the Term Loan may only be used for the purposes of financing Project Costs and in respect to the Final Advance, the items specified in the definition of "Final Advance Amount", as defined in the Common Terms Agreement.

For each drawdown under the Senior Facilities (Term Loan, Standby Facility and Working Capital Facility), the Company is required to provide the funders with a certificate from Artelia or such other independent external advisor (the "**Technical Advisor**") in relation to the proposed Advance stating that:

(i) the payment of the Project Costs for which the proceeds of the Advance will be used is in accordance with the then current Construction Budget;

(ii) the Advance(s) (if any) previously advanced were applied in payment of the Project Costs as set out in the then current Construction Budget.

The Technical Adviser is appointed in relation to the Project by the Global Facility Agent following consultation with the Project Companies.

The Project Companies shall also deliver to the Technical Adviser as soon as practicable, and, in any event within thirty days after the end of each quarter of its financial years, a Project Development Report for certification. This will include setting out reasonable details of the work carried out and the Project Costs incurred during the relevant period, and also giving confirmation of compliance with the Environmental and Social Management Plan and Environmental Laws.

Impact Reporting

The net proceeds of the Green Loans raised with this Framework will be fully used to finance expenditures related to the ISTP Projects. The expected impact of the projects is outlined below.

Once completed, Madinah 3 will have the capacity to treat an average daily influent of 200,000 m^3/day initially which could be expanded up to 375,000 m^3/day capacity, to serve mostly existing and future residential areas near the city of Madinah. Buraydah 2 will have the capacity to treat an average daily influent of 150,000 m^3/day to support the projected growth of Buraydah and additional house connections expected from nearby town Ash Shimasiya. Tabuk 2 will have the capacity to treat an average daily influent of 90,000 m^3/day to serve mostly existing and future residential areas in conjunction with Tabuk 1 ISTP which is currently operational.

The use of treated sewage effluent will substitute the use of available fresh water for farming purposes, hence producing direct water savings. Daily water savings are expected to amount to 190,000 m^3/day from sewage effluent treated at Madinah 3, 142,500 m^3/day from Buraydah 2 and 85,500 m^3/day from Tabuk 2. Water savings expected correspond roughly with the 95% of the wastewater treated (since that 5% corresponds to internal uses in the ISTP + evaporation during sludge drying processes).

All sewage sludge produced in the plants will be suitable for agricultural application and cement manufacturing. The plants will handle, transport, and deliver it to the designated Sludge Disposal Area (particular for each ISTP), so that the amount of non-beneficial sludge that is removed or leaves the ISTPs Site equals zero.

A proportion of the daily electricity consumption for the different sites will be supplied from renewable energy sources on site (solar PV electricity), resulting in a significant reduction of the greenhouse gas emissions generated by the ISTPs. Renewable energy will make up 28% of daily energy consumption for Madinah 3, 47% for Buraydah 2 and 57% for Tabuk 2.

The Project Companies will share with the relevant parties annually from PCOD an Impact Report, which will outline information on the progress and positive impact delivered by the ISTP Projects.

The reporting may include:

i) a general description of the ISTP Projects;
ii) the EU Taxonomy Environmental Objective pursued with the ISTP Projects;
iii) a breakdown of what is being financed (assets, capital expenditures, operating expenditures, etc.);
iv) the respective shares of financing amongst the ISTP Projects;
v) information on the impact delivered by the ISTP Projects and when possible, reporting of quantitative impact metrics (e.g. annual wastewater treated in m^3/year, annual water recycled in m^3/year, electricity consumption in kwh/m^3, percentage of renewable energy consumption and avoided GHG emissions) and
vi) information on the methodology and assumptions used to evaluate the impact of the ISTP Projects.

The Impact Report will include information on the methodology and assumptions used to evaluate the impact of the ISTP Projects. The Project Companies intend to align, on a best effort basis, the reporting

with the portfolio approach described in the ICMA Harmonised Framework for Impact Reporting[7]. The reporting is also informed by the GRI Standards for sustainability reporting[8] and the Sustainability Accounting Standards Board (SASB)[9] – (Waste Management / Water Utilities & Services standards).

3.4 External Review

The Project Companies have obtained a Second Party Opinion from S&P, an internationally recognised external verifier, confirming the alignment of the Green Loan Framework with LMA GLP.

The Second Party Opinion will in addition be made available to the funders of the Projects and published.

The Second Party Opinion and the Green Loan Framework will be made available to the funders of the Projects and published in their respective corporate websites.

[7] https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2021-100621.pdf
[8] https://www.globalreporting.org/standards/
[9] https://www.sasb.org/wp-content/uploads/2018/11/Waste_Management_BFC_2018.pdf; https://www.sasb.org/wp-content/uploads/2018/11/Water_Utilities_Services_Standard_2018.pdf/