

## BASE PROSPECTUS



### SAUDI ELECTRICITY SUKUK PROGRAMME COMPANY (incorporated as an exempted limited liability company in the Cayman Islands) Trust Certificate Issuance Programme

Under the trust certificate issuance programme (the "Programme") described in this base prospectus (the "Base Prospectus"), Saudi Electricity Sukuk Programme Company (in its capacities as issuer of the Trust Certificates (as defined below) and trustee for the Certificateholders (as defined below) (the "Trustee"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the "Trust Certificates") in any currency agreed between the Trustee and the relevant Dealer(s) (as defined below). Trust Certificates may only be issued in registered form.

The Trust Certificates may be issued on a continuing basis to one or more of the Dealers specified under "Overview Of The Programme" and any additional Dealer appointed under the Programme from time to time by the Trustee (each a "Dealer" and together the "Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the relevant Dealer(s) shall, in the case of an issue of Trust Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe for such Trust Certificates.

**The Trust Certificates will be limited recourse obligations of the Trustee. An investment in Trust Certificates issued under the Programme involves certain risks. For a discussion of these risks, see "Risk Factors".**

Each Tranche (as defined herein) of Trust Certificates issued under the Programme will be constituted by: (i) a master declaration of trust (the "Master Declaration of Trust") dated 31 March 2023 entered into between the Trustee, Saudi Electricity Company (the "Obligor" or "SEC") and HSBC Bank plc as delegate of the Trustee (in such capacity, the "Delegate"); and (ii) a supplemental declaration of trust (the "Supplemental Declaration of Trust") and, together with the Master Declaration of Trust, the "Declaration of Trust") in relation to the relevant Tranche. Trust Certificates of each Series (as defined herein) confer on the holders of the Trust Certificates from time to time (the "Certificateholders") the right to receive certain payments (as more particularly described herein) arising from the assets of a trust declared by the Trustee in relation to the relevant Series (the "Trust") over the relevant Trust Assets (as defined herein).

This Base Prospectus has been approved as a base prospectus by the Financial Conduct Authority (the "FCA"), as competent authority under Regulation (EU) 2017/1129 (the "Prospectus Regulation") as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA") (the "UK Prospectus Regulation"). The FCA only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the UK Prospectus Regulation. Such approval should not be considered as an endorsement of the Trustee or SEC or of the quality of the Trust Certificates that are the subject of this Base Prospectus. Investors should make their own assessment as to the suitability of investing in the Trust Certificates. Application has been made to the FCA for Trust Certificates issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the FCA (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Trust Certificates to be admitted to trading on the London Stock Exchange's main market. References in this Base Prospectus to Trust Certificates being "listed" (and all related references) shall mean that such Trust Certificates have been admitted to trading on the London Stock Exchange's main market and have been admitted to the Official List. The London Stock Exchange's main market is a UK regulated market for the purposes of Regulation (EU) No. 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the EUWA ("UK MiFIR"). Investors should also note that the Trust Certificates will be delisted from the London Stock Exchange's main market and/or any other of further stock exchanges following the occurrence of a Tangibility Event, see Condition 10.6 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).

**This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its date in relation to Trust Certificates which are to be admitted to trading on a regulated market in the United Kingdom. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.**

Notice of the aggregate face amount of the Trust Certificates, periodic distribution amounts (if any) payable in respect of the Trust Certificates, the issue price of the Trust Certificates and certain other information which is applicable to each Tranche will be set out in a final terms document (the "applicable Final Terms"). The requirement to publish a prospectus under the UK Prospectus Regulation only applies to Trust Certificates which are to be admitted to trading on a regulated market in the United Kingdom (the "UK") and/or offered to the public in the UK other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the UK Prospectus Regulation. References in this Base Prospectus to "Exempt Trust Certificates" are to Trust Certificates for which no prospectus is required to be published under the UK Prospectus Regulation or the FSMA, respectively, for the issue of Exempt Trust Certificates and, accordingly, the Exempt Trust Certificates issued are not required for, and do not, comply with the UK Prospectus Regulation or the FSMA. The FCA has neither reviewed nor approved the information contained in this Base Prospectus in relation to the Exempt Trust Certificates.

The Programme has been rated "A" by Fitch Ratings Ireland Limited ("Fitch") and "A1" by Moody's Investors Service, Inc. ("Moody's"). Fitch is established in the European Economic Area (the "EEA") and registered under Regulation (EC) No. 1060/2009, as amended (the "EU CRA Regulation"). The ratings assigned by Fitch have been endorsed by Fitch Ratings UK, which is established in the UK and registered under Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law of the UK by virtue of the EUWA (the "UK CRA Regulation"). Moody's is not established in the EEA and has not applied for registration under the EU CRA Regulation. The ratings assigned by Moody's have been endorsed by Moody's Investors Service Cyprus Limited, which is established in the EEA and registered under the EU CRA Regulation and Moody's Investors Service Limited, which is established in the UK and registered under the UK CRA Regulation. As such, Fitch and Moody's Investors Service Cyprus Limited are included in the list of credit rating agencies published by the European Securities and Markets Authority ("ESMA") on its website ([The Trust Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended \(the "Securities Act"\) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons \(as defined in Regulation S under the Securities Act \("Regulation S"\)\), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Trust Certificates may be offered or sold solely to persons who are not U.S. persons outside the United States in reliance on Regulation S. Each purchaser of the Trust Certificates is hereby notified that the offer and sale of any Trust Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S.](http://www.esma.europa.eu/page>List-registered-and-certified-CRAs</a>) in accordance with the EU CRA Regulation. Fitch Ratings Ltd and Moody's Investors Service Limited appear on the latest update of the list of registered credit rating agencies on the FCA's Financial Services Register. Trust Certificates issued under the Programme may be rated or unrated. Where a Tranche of Trust Certificates is rated, such rating will be disclosed in the applicable Final Terms or applicable Pricing Supplement (as the case may be). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p></div><div data-bbox=)

Each Series of Trust Certificates will be initially represented by interests in a global trust certificate in registered form (each, a "Global Trust Certificate"). The Global Trust Certificates will be deposited with, and registered in the name of a nominee of, a common depositary (the "Common Depositary") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"). Interests in the Global Trust Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Trust Certificates evidencing holdings of interests in the Trust Certificates will be issued in exchange for interests in the relevant Global Trust Certificate only in certain limited circumstances described therein.

The transaction structure relating to the Trust Certificates (as described in this Base Prospectus) has been approved by the Executive Shariah Committee of HSBC Saudi Arabia, the *Shari'a* advisers of J.P. Morgan Securities plc, the Global *Shari'ah* Supervisory Committee of Standard Chartered Bank and the *Shari'a* advisers of First Abu Dhabi Bank PJSC (together, the "Shari'a advisers"). Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Trust Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles. None of the Trustee, SEC, the Arrangers or the Dealers, the Agents or the Delegate makes any representation as to the *Shari'a* compliance of any Trust Certificates and/or any trading thereof.

#### ARRANGERS

HSBC

Standard Chartered Bank

J.P. Morgan

#### DEALERS

First Abu Dhabi Bank PJSC  
Mizuho  
MUFG

SMBC Nikko

HSBC  
J.P. Morgan  
Standard Chartered Bank

## IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the UK Prospectus Regulation. Each of the Trustee and SEC accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of each of the Trustee and SEC, the information contained in this Base Prospectus is in accordance with the facts and this Base Prospectus makes no omission likely to affect its import.

All references herein to "applicable Final Terms" shall, unless the context requires otherwise, be deemed to be references to the applicable pricing supplement (the "**applicable Pricing Supplement**") specific to the relevant Tranche of Exempt Trust Certificates.

This Base Prospectus should be read and construed together with any supplements hereto and, in relation to any Tranche of Trust Certificates, should be read and construed together with the applicable Final Terms.

This Base Prospectus must be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated By Reference*"). This Base Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Base Prospectus. Other than in relation to the documents which are deemed to be incorporated by reference in this Base Prospectus (see "*Documents Incorporated By Reference*"), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the FCA.

None of the Dealers, the Arrangers (each as specified under "*Overview Of The Programme*"), the Agents (as defined in the "*Terms And Conditions Of The Trust Certificates*") or the Delegate (as specified under "*Overview Of The Programme*") or their respective affiliates have independently verified the information contained herein. Accordingly, none of the Dealers, the Arrangers, the Agents, the Delegate or their respective affiliates accepts any responsibility or liability for and makes no representation, warranty or undertaking, express or implied, as to: (i) the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus; (ii) any acts or omissions of the Trustee, SEC or any other person in connection with this Base Prospectus or the issue and offering of the Trust Certificates; or (iii) any other information provided in connection with the Trustee, SEC, the Programme, any Trust Certificates issued thereunder or their distribution. Each Arranger, Dealer, Agent, the Delegate and their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any other information provided by the Trustee or SEC in connection with the Programme, the Trust Certificates or their distribution.

None of the Dealers or the Arrangers will regard any actual or prospective holders of Trust Certificates (whether or not a recipient of this Base Prospectus and/or the relevant Final Terms) as their client in relation to the offering described in this Base Prospectus and/or the relevant Final Terms and will not be responsible to anyone other than the Trustee for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Base Prospectus and/or the relevant Final Terms or any transaction or arrangement referred to herein or therein.

No person is or has been authorised by the Trustee or SEC to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the issue or sale of the Trust Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by SEC, the Trustee, the Delegate, the Arrangers, any Dealer or any Agent.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Trust Certificates: (a) is intended to provide the basis of any credit or other evaluation; or (b) should be considered as a recommendation by SEC, the Trustee, the Delegate, any Arranger, any Dealer, or any Agent that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Trust Certificates should purchase any Trust Certificates. Each investor contemplating purchasing Trust Certificates should determine for itself the relevance of the information contained in this Base Prospectus, make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Trustee and SEC and its purchase of any Trust Certificates should be based upon such investigation as it deems necessary. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Trust Certificates constitutes

an offer or invitation by or on behalf of SEC, the Trustee, the Delegate, the Arrangers, any Dealer or the Agents to any person to subscribe for or to purchase any Trust Certificates. None of the Dealers, the Arrangers, the Agents or the Delegate undertakes to review the financial condition or affairs of the Trustee or SEC during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or potential investor in the Trust Certificates of any information coming to the attention of any of the Dealers, the Arrangers, the Agents or the Delegate.

Neither the delivery of this Base Prospectus nor the offer, issue, sale or delivery of the Trust Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Trustee, SEC or SEC's subsidiaries and affiliates taken as a whole (the "**SEC Group**") since the date hereof or that the information contained or incorporated by reference herein concerning the Trustee and/or SEC and/or the SEC Group is correct as at any time subsequent to its date or that any other information supplied in connection with the offering of the Trust Certificates is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Trustee, SEC or the SEC Group during the life of the Trust Certificates or to advise any investor in the Trust Certificates of any information coming to their attention or that there has been no change in the affairs of any party mentioned herein since that date.

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Trust Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Trust Certificates may be restricted by law in certain jurisdictions. SEC, the Trustee, the Delegate, the Arrangers, the Dealers and the Agents do not represent that this Base Prospectus may be lawfully distributed, or that any Trust Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by SEC, the Trustee, the Delegate, the Arrangers, the Dealers or the Agents, which is intended to permit a public offering of any Trust Certificates or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Trust Certificates may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Trust Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Trust Certificates. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Trust Certificates in the United States, the UK, the EEA, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia (the "**Kingdom**"), the State of Qatar (including the Qatar Financial Centre), the Cayman Islands, the United Arab Emirates (the "**UAE**") (excluding the Dubai International Financial Centre (the "**DIFC**") and the Abu Dhabi Global Market (the "**ADGM**")), the DIFC, the State of Kuwait, Hong Kong, Singapore and Malaysia (and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Trust Certificates) (see "*Subscription And Sale*").

No comment is made or advice given by SEC, the Trustee, the Delegate, the Arrangers, any Dealer or the Agents in respect of taxation matters relating to any Trust Certificates or the legality of the purchase of Trust Certificates by an investor under applicable or similar laws.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS, *SHARI'A* AND RELATED MATTERS CONCERNING THE PURCHASE OF TRUST CERTIFICATES.**

The Trust Certificates are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Trust Certificates which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Trust Certificates will perform under changing conditions, the resulting effects on the value of such Trust Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

The Trust Certificates may not be a suitable investment for all investors. Generally, investment in emerging markets such as the Kingdom is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Each potential

investor in Trust Certificates must determine the suitability of an investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisors, whether it:

- (a) has sufficient knowledge and experience to make a meaningful evaluation of the Trust Certificates and the complex structure thereof, the merits and risks of investing in the Trust Certificates and the information contained in this Base Prospectus or any applicable supplement;
- (b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Trust Certificates and the impact the Trust Certificates will have on its overall investment portfolio;
- (c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Trust Certificates, including where the currency of payment is different from the potential investor's currency;
- (d) understands thoroughly the terms of the Trust Certificates and is familiar with the behaviour of any relevant indices and financial markets;
- (e) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks; and
- (f) is able to evaluate the compliance of the Trust Certificates with *Shari'a* principles.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Trust Certificates are legal investments for it; (2) the Trust Certificates can be used as collateral for various types of financing; and (3) other restrictions apply to its purchase or pledge of any Trust Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Trust Certificates under any applicable risk-based capital or similar rules.

None of the Trustee, SEC, the Dealers, the Delegate or any Agent makes any representation to any investor in the Trust Certificates regarding the legality of its investment under any applicable laws. Any investor in the Trust Certificates should be able to bear the economic risk of an investment in the Trust Certificates for an indefinite period of time. None of the Dealers makes any representation as to the suitability of any green Trust Certificates, including the listing or admission to trading thereof on any dedicated "green" or other equivalently-labelled segment of any stock exchange or securities market, to fulfil any green criteria required by any prospective investors. The Dealers have not undertaken, nor are they responsible for, any assessment of the eligibility criteria for Eligible Projects (as defined herein), any verification of whether the Eligible Projects meet such criteria, the monitoring of the use of proceeds of any green Trust Certificates (or amounts equal thereto) or the allocation of the proceeds by SEC to particular Eligible Projects. Investors should refer to the Green Sukuk Framework (as defined herein) which the SEC Group may publish from time to time, any second party opinion delivered in respect thereof, and any public reporting by or on behalf of the SEC Group in respect of the application of the proceeds of any issue of green Trust Certificates for further information. Any such framework and/or second party opinion and/or public reporting will not be incorporated by reference in this Base Prospectus and none of the Dealers makes any representation as to the suitability or contents thereof.

#### **NOTICE TO UK RESIDENTS**

Any Trust Certificates to be issued under the Programme which do not constitute "alternative finance investment bonds" ("AFIBs") within the meaning of Article 77A of the Financial Services and Markets Act 2000 (Regulated Activities) 2001 (SI 2001/544) as amended, will represent interests in a collective investment scheme (as defined in the FSMA) which has not been authorised, recognised or otherwise approved by the FCA. Accordingly, this Base Prospectus is not being distributed to, and must not be passed on to, the general public in the UK.

The distribution in the UK of this Base Prospectus, any applicable Final Terms and any other marketing materials relating to the Trust Certificates is being addressed to, or directed at: (A) if the distribution of the Trust Certificates (whether or not such Trust Certificates are AFIBs) is being effected by a person who is

not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (ii) persons falling within any of the categories of persons described in Article 49 (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the Trust Certificates are not AFIBs and the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22 (high net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be promoted. Persons of any other description in the UK may not receive and should not act or rely on this Base Prospectus, any applicable Final Terms or any other marketing materials in relation to any Trust Certificates.

Potential investors in the UK in any Trust Certificates are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in such Trust Certificates and that compensation will not be available under the United Kingdom Financial Services Compensation Scheme.

Any prospective investor intending to invest in any investment described in this Base Prospectus should consult its professional adviser and ensure that it fully understands all the risks associated with making such an investment and that it has sufficient financial resources to sustain any loss that may arise from such investment.

#### **EU MiFID II PRODUCT GOVERNANCE / TARGET MARKET**

The applicable Final Terms in respect of any series of Trust Certificates may include a legend entitled "EU MiFID II Product Governance" which will outline the target market assessment in respect of the Trust Certificates and which channels for distribution of the Trust Certificates are appropriate. Any person subsequently offering, selling or recommending the trust certificates (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**EU MiFID II**") is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance Rules under EU Delegated Directive 2017/593 (the "**EU MiFID Product Governance Rules**"), any Dealer subscribing for any Trust Certificates is a manufacturer in respect of such Trust Certificates, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the EU MiFID Product Governance Rules.

#### **UK MiFIR PRODUCT GOVERNANCE / TARGET MARKET**

The applicable Final Terms in respect of any Series of Trust Certificates may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Trust Certificates and which channels for distribution of the Trust Certificates are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the UK MiFIR Product Governance Rules is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR product governance rules set out in the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**"), any Dealer subscribing for any Trust Certificates is a manufacturer in respect of such Trust Certificates, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

#### **VOLCKER RULE**

The Trustee may be deemed to be a "covered fund" for purposes of Section 13 of the Bank Holding Company Act of 1956, as amended (in particular, by Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act 2010), and any implementing regulations and related guidance (the "**Volcker Rule**"). Further, the Trust Certificates may constitute an "ownership interest" for the purposes of the

Volcker Rule. As a result, the Volcker Rule may, subject to certain exemptions, prohibit certain banking institutions from, directly or indirectly, acquiring or retaining the Trust Certificates. This prohibition may adversely affect the liquidity and market price of the Trust Certificates. In addition, any entity that is a "banking entity" under the Volcker Rule and is considering an investment in the Trust Certificates should consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Trust Certificates issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors (each as defined by the Central Bank of Bahrain (the "CBB")) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Trust Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or any related offering documents and it has not in any way considered the merits of the Trust Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of Trust Certificates will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF THE SULTANATE OF OMAN**

The information contained in this Base Prospectus does not constitute an offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of the Sultanate of Oman (Royal Decree 4/74, as amended) (the "**Commercial Companies Law**") or Article 3 of the Capital Market Law of the Sultanate of Oman (Royal Decree 80/98, as amended) nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Oman Capital Market Authority (CMA Decision 3/2016). This Base Prospectus will only be made available to investors in the Sultanate of Oman in accordance with Article 139 of the Executive Regulations of the Capital Market Law (CMA Decision 1/2009, as amended) (the "**Executive Regulations**") by an entity duly licensed by the Oman Capital Market Authority to market non-Omani securities in the Sultanate of Oman.

This Base Prospectus has not been (and will not be) filed with the Oman Capital Market Authority (except in accordance with Article 139 of the Executive Regulations), the Central Bank of Oman or any other regulatory authority in the Sultanate of Oman and neither the Oman Capital Market Authority nor the Central Bank of Oman assumes responsibility for the accuracy and adequacy of the statements and information contained in this Base Prospectus and shall not have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

#### **KINGDOM OF SAUDI ARABIA NOTICE**

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Trust Certificates issued under

the Programme should conduct their own due diligence on the accuracy of the information relating to the Trust Certificates. If you do not understand the contents of this Base Prospectus, you should consult an authorised financial adviser.

#### **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

Any Trust Certificates to be issued under the Programme will not be offered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Trust Certificates are not and will not be traded on the Qatar Stock Exchange. The Trust Certificates and interests therein will not be offered to investors domiciled or resident in Qatar and do not constitute debt financing in the State of Qatar under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar.

#### **NOTICE TO RESIDENTS OF THE CAYMAN ISLANDS**

No invitation, whether directly or indirectly, may be made to any member of the public in the Cayman Islands to subscribe for any Trust Certificates issued under the Programme and this Base Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any Trust Certificates issued under the Programme.

#### **PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT 2001 (2020 REVISED EDITION) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME**

The applicable Final Terms in respect of any Series of Trust Certificates may include a legend entitled "Singapore Securities and Futures Act Product Classification" which will state the product classification of the Trust Certificates pursuant to section 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "SFA"). The Trustee will make a determination in relation to each issue about the classification of the Trust Certificates being offered for the purposes of section 309B(1)(a). Any such legend included on the relevant Final Terms will constitute notice to "relevant persons" for the purposes of section 309B(1)(c) of the SFA.

#### **STABILISATION**

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF TRUST CERTIFICATES, THE DEALER OR DEALERS (IF ANY) NAMED AS STABILISATION MANAGER(S) (OR ANY PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE TRUST CERTIFICATES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION ACTION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF TRUST CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF TRUST CERTIFICATES. ANY STABILISATION ACTION MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

#### **SUPPLEMENTARY BASE PROSPECTUS**

If at any time the Trustee and SEC shall be required to prepare a supplementary base prospectus, the Trustee and SEC will prepare and make available a supplement to this Base Prospectus.

Each of the Trustee and SEC has given an undertaking to the Arrangers and the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Trust Certificates and whose inclusion in or removal from this Base Prospectus is necessary for the

purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses (if applicable) and prospects of each of the Trustee and SEC, and the rights attaching to the Trust Certificates, the Trustee and SEC shall prepare a supplement to this Base Prospectus or publish a replacement base prospectus for use in connection with any subsequent offering of the Trust Certificates and shall supply to each Arrangers and Dealer such number of copies of such supplement hereto as such Arrangers or Dealer may reasonably request.

## MARKET AND INDUSTRY DATA

Information regarding market position, growth rates and other industry data pertaining to SEC's business contained in this Base Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources and on SEC's knowledge of its markets. This data is subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In many cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, so SEC relies on internally developed estimates. Where SEC has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, the Trustee and SEC accept responsibility for accurately reproducing such data. However, neither the Trustee, SEC nor the Dealers have independently verified that data and neither the Trustee, SEC nor the Dealers makes any representation regarding the accuracy of such data. Similarly, while SEC believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and neither the Trustee, SEC nor the Dealers can assure potential investors as to their accuracy.

Terms and definitions used in this Base Prospectus have the meanings set forth below.

**"Btu"** means British Thermal Unit, which is a standard unit of measurement used to denote the amount of heat energy in fuels, and is the amount of energy needed to heat one pound of water by one degree Fahrenheit;

**"c.km"** means circuit kilometres;

**"GW"** means gigawatt, which is equal to 1,000 MW;

**"GWh"** means gigawatt-hour, representing one hour of electricity consumption at a constant rate of 1GW;

**"KW"** means kilowatt, representing the rate at which energy is produced;

**"KWh"** means kilowatt-hour, representing one hour of electricity consumption at a constant rate of 1KW;

**"KVA"** means kilovolt-ampere, which is equal to 1,000 VA;

**"MMBtu"** represents one million Btu;

**"MVA"** means megavolt-ampere, which is equal to 1,000,000 VA;

**"MW"** means megawatt, which is equal to 1,000KW;

**"MWh"** means megawatt-hour, representing one hour of electricity consumption at a constant rate of 1MW;

**"Non-coincident peak demand"** means the sum of the peak demands of an individual customer or customer group at any time, as opposed to coincident peak demand which means the energy demand by an individual customer or customer group during periods of peak system demand; and

**"VA"** means volt-ampere, which is the unit used for apparent power in an electrical circuit.

## PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the SEC Group as at and for the financial years ended 31 December 2022 (the "**2022 Financial Statements**") and 31 December 2021 (the "**2021 Financial Statements**", and, together with the 2022 Financial Statements, the "**Financial Statements**") have each been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as endorsed in the Kingdom and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("**SOCPA**").

Unless otherwise indicated, the consolidated statements of financial position, statements of income and statements of cash flows included in this Base Prospectus relating to the SEC Group have been derived from the 2022 Financial Statements (including the comparative information as at and for the financial year ended 31 December 2021).

The Financial Statements are incorporated by reference in this Base Prospectus. See "*Documents Incorporated By Reference*".

The Financial Statements have been audited in accordance with International Standards on Auditing as endorsed in the Kingdom, in each case by KPMG Professional Services who have issued unqualified auditor reports thereon.

SEC's financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year.

SEC publishes audited consolidated financial statements on an annual basis and unaudited consolidated interim financial information on a quarterly basis in respect of each quarter ended 31 March, 30 June and 30 September.

Certain figures and percentages in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly, and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

## CURRENCY INFORMATION

In this Base Prospectus, references to:

- "**U.S.\$**" or "**U.S. dollars**" refer to the lawful currency of the United States of America; and
- "**SAR**" or "**Saudi riyals**" refer to the lawful currency of the Kingdom and "**Halalah**" refers to the sub-unit of the Saudi Arabian riyal. The reporting currency of SEC is Saudi riyals and its share capital is denominated in Saudi riyals.

The Saudi Arabian riyal has been pegged to the U.S. dollar at a fixed exchange rate of SAR 3.75 = U.S.\$1.00.

## ENFORCEMENT OF JUDGMENTS AND SERVICE OF PROCESS

SEC is incorporated pursuant to Royal Decree No. M/16 dated 06/09/1420H (corresponding to 13/12/1999G) as a joint stock company under the laws of the Kingdom. Its commercial registration number is 1010158683 and its headquarters is in Riyadh in the Kingdom. Its address is Saudi Electricity Company HQ, Al-Arid District, P.O. Box 22955, Riyadh, 11416, Kingdom of Saudi Arabia, and its telephone number is +966 11 8077202. The issuer is Saudi Electricity Sukuk Programme Company, a Cayman Islands exempted company with limited liability, which was incorporated on 20 December 2021 under the Companies Act (as amended) of the Cayman Islands. Its company registration number is 384957. The registered office of the Trustee is at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands, and its telephone number is +1 345 814 7600. A substantial portion of the Trustee's and SEC's assets are located in jurisdictions outside the UK. As a result, prospective investors may have difficulties effecting service of process in the UK upon SEC in connection with any arbitration process or lawsuits related to the Trust Certificates or the Transaction Documents (as defined below), including actions arising under the laws of England and Wales.

The Trust Certificates and any non-contractual obligations arising out of or in connection with them are governed by English law and disputes in respect of them may be settled through arbitration under the LCIA Rules in London, England. Whilst the option made in favour of the Trustee and the Delegate to elect for arbitration is valid under English law and is not restricted under Saudi Arabian law, investors should note that there are no Saudi Arabian court precedents confirming the validity of this option and as such there can be no assurance whether the Saudi Arabian courts will recognise and enforce any arbitral award made under this option.

The Kingdom is a signatory to the New York Convention on Recognition and Enforcement of Arbitral Awards (1958) and as such, any arbitral award could be enforceable in the Kingdom but subject to filing a legal action for recognition and enforcement of foreign arbitral awards with the Kingdom's enforcement courts (the "**Enforcement Courts**"), which can take considerable time. Enforcement in the Kingdom of a foreign arbitral award is not certain. For example, there are a number of circumstances in which recognition of an arbitral award under the New York Convention may be declined, including where the award is contrary to the public policy of the receiving state. As a consequence, any arbitral award deemed by a court in the Kingdom as contrary to the public policy of the Kingdom may not be enforceable in the Kingdom. Investors may have difficulties in enforcing any English arbitral awards against SEC in the relevant courts in the Kingdom; see also "*Risk Factors – Risk factors relating to enforcement – There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcement of foreign arbitral awards in the Kingdom*".

## DATA PROTECTION

Under the Cayman Islands Data Protection Act (as amended) and, in respect of European Union (the "EU") data subjects, the EU General Data Protection Regulation (together, the "**Data Protection Legislation**"), individual data subjects have rights and the Trustee as data controller has obligations with respect to the processing of personal data by the Trustee and its affiliates and delegates. Breach of the Data Protection Legislation by the Trustee could lead to enforcement action.

Prospective investors should note that personal data may in certain circumstances be required to be supplied to the Trustee in order for an investment in the Trust Certificates to continue or to enable the Trust Certificates to be redeemed. If the required personal data is not provided, a prospective investor will not be able to continue to invest in the Trust Certificates or to redeem the Trust Certificates.

The Trustee has published a privacy notice (the "**Data Privacy Notice**"), which provides prospective investors with information on the Trustee's use of their personal data in accordance with the Data Protection Legislation. The Data Privacy Notice can be accessed at <https://www.walkersglobal.com/external/SPVDPNotice.pdf>.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Base Prospectus contains "forward-looking statements". For the SEC Group, particular uncertainties arise from unanticipated loss of power generation and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature.

The words "anticipate", "estimate", "expect", "believe", "intend", "plan", "may", "will", "should" and any similar expressions to identify forward-looking statements may be used herein. Prospective purchasers of the Trust Certificates are cautioned that actual results could differ materially from those anticipated in forward-looking statements. The forward-looking statements contained in this Base Prospectus are largely based on SEC's expectations, which reflect estimates and assumptions made by SEC's management. These estimates and assumptions reflect SEC's best judgment based on currently known market conditions and other factors, some of which are discussed below. Although SEC believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond its control. In addition, assumptions about future events may prove to be inaccurate. SEC cautions prospective purchasers of the Trust Certificates that the forward-looking statements contained in this Base Prospectus are not guarantees of outcomes of future performance, and SEC cannot assure any prospective purchasers of the Trust Certificates that such statements will be realised or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond our control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those described in the section headed "*Risk Factors*", as well as those included elsewhere in this Base Prospectus, including:

- SEC's obligations under the Transaction Documents and other financing arrangements do not benefit from any direct or indirect government of the Kingdom (the "**Government**") guarantee or other legally enforceable Government backing;
- The SEC Group has benefitted from significant Government support, and any reduction or delay in the level of support provided to the SEC Group could significantly and adversely affect its business, results of operations and financial condition;
- SEC is majority-owned by the Government whose interests may, in certain circumstances, not be aligned with the interests of Certificateholders;
- Contracted capacity of SEC's power plants may not be achieved or maintained;
- SEC may not be able to obtain sufficient funding to finance, and may be subject to increased financing risk as a result of undertaking increased indebtedness in connection with, its planned capital expenditure programme;
- The SEC Group's capital expenditure programme is subject to various development and construction risks;
- The SEC Group is reliant upon skilled personnel in the engineering and technical fields and may not be able to recruit and retain qualified personnel;
- The SEC Group's counterparties may default on their contractual obligations which may result in materially increased costs or losses for the SEC Group;
- The SEC Group may encounter difficulties in implementing its overall strategy and capital expenditure programme going forward, or such strategy and expansion plans may ultimately be unsuccessful;
- The SEC Group's facilities and operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events over which the SEC Group has no control;
- The SEC Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business;

- The SEC Group companies may be subject to liabilities as a result of any violation of applicable regulations affecting the electricity industry in the Kingdom, including environmental and safety standards;
- The SEC Group may become subject to competition;
- The SEC Group may be involved in ongoing discussions, disputes and litigation with suppliers, regulators and other parties, and is also at risk of improper conduct of its employees, contractors, suppliers, service providers and other business partners, the ultimate outcome of which is uncertain;
- The SEC Group is subject to economic and political conditions in the Middle East, in general, and in the Kingdom, in particular;
- Legislative and regulatory changes in the Kingdom may adversely affect SEC's operations;
- The Kingdom's economy and the Government's budget are highly dependent upon revenues from oil; and
- The Government's efforts to diversify the Kingdom's economy and effect structural changes may have undesirable effects and there can be no assurance that these diversification efforts will be successful

Prospective purchasers of the Trust Certificates should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Prospective purchasers of the Trust Certificates should not place undue reliance on forward-looking statements and should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which SEC operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, none of the Trustee, SEC or the Dealers undertakes any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. None of the Trustee, SEC or the Dealers makes any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

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## OVERVIEW OF THE PROGRAMME

Words and expressions defined in the "*Terms And Conditions Of The Trust Certificates*" (the "**Conditions**") and elsewhere in this Base Prospectus shall have the same meanings in this overview.

<b>Issuer, Trustee, Purchaser and Lessor</b>	Saudi Electricity Sukuk Programme Company, an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act (as amended). The Trustee has been incorporated solely for the purpose of participating in the transactions contemplated by the Transaction Documents (as defined below) to which it is a party.
<b>Ownership of the Trustee</b>	The issued share capital of the Trustee is comprised of one hundred (100) ordinary shares with a par value of U.S.\$1.00 each. The Trustee's ordinary shares are 100 per cent. owned by SEC.
<b>Administration of the Trustee</b>	The affairs of the Trustee are managed by Walkers Fiduciary Limited (the " <b>Trustee Administrator</b> "), who will provide, amongst other things, corporate administrative services and director services pursuant to the corporate services agreement dated on or about 28 March 2023 between, <i>inter alia</i> , the Trustee and the Trustee Administrator (the " <b>Corporate Services Agreement</b> ").
<b>Trustee's Legal Entity Identifier (LEI)</b>	549300KZ4IZK3RMUO096
<b>Obligor, Seller, Lessee, Buyer, Servicing Agent and SEC</b>	Saudi Electricity Company
<b>Arrangers</b>	HSBC Bank plc, J.P. Morgan Securities plc and Standard Chartered Bank
<b>Dealers</b>	First Abu Dhabi Bank PJSC, HSBC Bank plc, J.P. Morgan Securities plc, Mizuho International plc, MUFG Securities EMEA plc, SMBC Nikko Capital Markets Limited and Standard Chartered Bank and any other Dealer appointed from time to time by the Trustee and SEC either generally in respect of the Programme or in relation to a particular Tranche of Trust Certificates.
<b>Delegate</b>	HSBC Bank plc
<b>Principal Paying Agent, Registrar and Transfer Agent</b>	HSBC Bank plc
<b>Programme amount</b>	The Programme size is U.S.\$3,000,000,000
<b>Negative Pledge</b>	The Purchase Undertaking contains a negative pledge given by SEC, as described in Condition 4.2.
<b>Trustee Covenants</b>	The Trustee has agreed to certain restrictive covenants as set out in " <i>Covenants</i> " in the Conditions.
<b>Status of the Trust Certificates</b>	Each Trust Certificate evidences an undivided ownership interest of the Certificateholders in the Trust Assets subject to the terms of the Declaration of Trust and the Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Trust Certificate will rank <i>pari passu</i> , without any preference or priority, with all other Trust Certificates.

**Further Issues**

On the relevant Issue Date of any additional Tranche of Trust Certificates issued in accordance with Condition 21 (*Further Issues*): (i) SEC (in its capacity as seller) and the Trustee (in its capacity as purchaser) may enter into a Supplemental Purchase Agreement for the sale, transfer and conveyance of the relevant Additional Assets; and (ii) **provided that** the value of Additional Asset(s) (if any) is less than the aggregate face amount of the additional Trust Certificates, or where no Additional Assets are being purchased by the Trustee (in its capacity as purchaser) from SEC (in its capacity as seller) in relation to any additional Tranche of Trust Certificates, on receipt of a purchase order from SEC (acting as buyer) and in accordance with the Master Murabaha Agreement, SEC may purchase commodities from Saudi Electricity Sukuk Programme Company at a Deferred Sale Price equal to the aggregate of: (i) the Murabaha Percentage of the aggregate face amount of the additional Trust Certificates; and (ii) the relevant Profit Amount (as defined in the Master Murabaha Agreement).

**Risk Factors**

There are certain factors that may affect the Trustee's ability to fulfil its obligations under the Trust Certificates issued under the Programme and SEC's ability to fulfil its obligations under the relevant Transaction Documents. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Trust Certificates issued under the Programme, and risks relating to the structure of a particular Series of Trust Certificates issued under the Programme. These risks may ultimately impact the Certificateholders' ability to receive payment under the Trust Certificates. All of these are set out under "*Risk Factors*".

**Issuance in Series**

Trust Certificates will be issued in Series. Each Series may comprise one or more Tranches issued on different Issue Dates. The Trust Certificates of each Series will have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts thereon and the date from which Periodic Distribution Amounts start to accrue.

**Distribution**

Trust Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

**Currencies**

Subject to any applicable legal or regulatory restrictions, any currency agreed between the Trustee, SEC and the relevant Dealer(s).

**Maturities**

The Trust Certificates will have such maturities as may be agreed between the Trustee, SEC and the relevant Dealer(s), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Trustee, SEC or the relevant Specified Currency.

**Denominations**

The Trust Certificates will be issued in such denominations as may be agreed between the Trustee, SEC and the relevant Dealer(s) save that the minimum denomination of each Trust Certificate will be £100,000 (or, if the Trust Certificates are

denominated in a currency other than pounds sterling, the equivalent amount in such currency as at the Issue Date of such Trust Certificates) or any laws or regulations applicable to the relevant Specified Currency at the issue date of the Trust Certificates (the "Issue Date").

<b>Issue Price</b>	Trust Certificates may be issued at any price on a fully paid basis, as specified in the applicable Final Terms. The price and amount of Trust Certificates to be issued under the Programme will be determined by the Trustee, SEC and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
<b>Form of Trust Certificates</b>	The Trust Certificates will be issued in registered form as described in " <i>Form Of The Trust Certificates</i> ".
<b>Clearing Systems</b>	Certificateholders must hold their interest in the relevant Global Trust Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg in relation to any Series, such other clearing system in which the relevant Global Trust Certificate is held. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.
<b>Periodic Distributions</b>	Certificateholders are entitled to receive Periodic Distribution Amounts calculated on the basis specified in the applicable Final Terms.
<b>Redemption of Trust Certificates on Scheduled Dissolution Date</b>	Unless the Trust Certificates are previously redeemed or purchased and cancelled, Trust Certificates shall be redeemed on the Scheduled Dissolution Date at the relevant Final Dissolution Amount specified in the applicable Final Terms.
<b>Optional Dissolution</b>	If so specified in the applicable Final Terms, a Series of Trust Certificates may be redeemed prior to its Scheduled Dissolution Date at the Optional Dissolution (Call) Amount or the Clean Up Call Right Dissolution Amount, as applicable, in the circumstances set out in " <i>Terms And Conditions Of The Trust Certificates – Dissolution At The Option Of SEC (Optional Dissolution Call Right)</i> " or " <i>Terms And Conditions Of The Trust Certificates – Dissolution At The Option Of SEC (Clean Up Call Right)</i> ", as applicable.
<b>Dissolution Events</b>	Upon the occurrence of any Dissolution Event, the Trust Certificates may be redeemed on the Dissolution Event Redemption Date at the Dissolution Event Amount (which shall include any accrued but unpaid Periodic Distribution Amount) and the Return Accumulation Period may be adjusted accordingly, as described in " <i>Terms And Conditions Of The Trust Certificates – Dissolution Events</i> ".
<b>Early Dissolution for Tax Reasons</b>	Where the Trustee has or will become obliged to pay any additional amounts in respect of the Trust Certificates pursuant to Condition 12 ( <i>Taxation</i> ) or SEC has or will become obliged to pay any additional amounts in respect of amounts payable under the Lease Agreement or the Purchase Undertaking as a result of a change in the laws of a Relevant Jurisdiction and where such obligation cannot be avoided by the Trustee or SEC, as applicable, taking reasonable measures available to it, the Trustee may, following receipt of an exercise notice from SEC pursuant to the Sale and

Substitution Undertaking, redeem the Trust Certificates in whole but not in part at their face amount together with any accrued but unpaid Periodic Distribution Amounts on the relevant Dissolution Date in accordance with Condition 10.2 (*Early Dissolution for Tax Reasons*).

#### **Certificateholder Put Right**

If so specified in the applicable Final Terms, Certificateholders may, in the circumstances set out in Condition 10.5 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*) elect to redeem their Trust Certificates on any Certificateholder Put Right Date(s), **provided that** such date is a Periodic Distribution Date, unless otherwise specified in the applicable Final Terms at the applicable Optional Dissolution Amount (Put) specified in, or determined in the manner specified in, the applicable Final Terms together with all accrued and unpaid Periodic Distribution Amounts in accordance with Condition 10.2 (*Early Dissolution for Tax Reasons*).

#### **Tangibility Event Put Right**

If a Tangibility Event occurs, Certificateholders may, in the circumstances set out in Condition 10.6 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) exercise their option to redeem their Trust Certificates on any Tangibility Event Put Right Date at the applicable Dissolution Amount by delivering a Tangibility Event Put Notice within the Tangibility Event Put Option Period, subject to and in accordance with Condition 10.6 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).

Following the occurrence of a Tangibility Event, as determined in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading.

On the date falling 15 days following the Tangibility Event Put Right Date, the Trust Certificates will be delisted from any stock exchange (if any) on which the Trust Certificates have been admitted to listing or if such date is not a business day, the next following business day ("business day" being, for this purpose, a day on which the stock exchange on which the Trust Certificates are admitted to listing is open for business).

#### **Change of Control Put Right**

Upon the occurrence of a Change of Control and provided that a Change of Control Exercise Notice has been served on the Trustee by Certificateholders of a Series holding at least 25 per cent. of the then aggregate face amount of the relevant Trust Certificates outstanding of that Series, Certificateholders may elect to redeem their Trust Certificates on the Change of Control Put Right Date at an amount equal to the applicable Dissolution Amount in accordance with Condition 10.7 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).

Under the terms of the Purchase Undertaking, SEC has granted to the Trustee the right, following the Change of Control and the service by Certificateholders of the relevant Series of a Change of Control Exercise Notice, to require SEC to purchase all of the Trustee's rights, title and interests in the relevant Lease Asset(s) at the applicable Dissolution

Amount specified in the Exercise Notice delivered to SEC by the Trustee.

A "**Change of Control**" shall occur if at any time: (i) the Government or any department or authority of the Government ceases to own, directly or indirectly more than 50 per cent. of the issued share capital of SEC or to control, directly or indirectly, SEC; or (ii) SEC ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of each Principal Subsidiary or to control, directly or indirectly, each Principal Subsidiary.

#### **Total Loss Event**

Save where the relevant Lease Asset(s) is/are replaced in accordance with the Servicing Agency Agreement by no later than the 60th day after the occurrence of a Total Loss Event, the occurrence of a Total Loss Event will result in the redemption of the Trust Certificates of that Series and the consequent dissolution of the relevant Trust no later than close of business in London on the 61<sup>st</sup> day after the occurrence of such Total Loss Event (being the Total Loss Dissolution Date) in accordance with Condition 10.4 (*Dissolution following a Total Loss Event*).

If a Total Loss Event occurs, the Servicing Agent shall be responsible for ensuring that all proceeds of Insurances in respect thereof (if any) are each paid in the Specified Currency directly into the Transaction Account by no later than the 60<sup>th</sup> day after the occurrence of the Total Loss Event.

If a Total Loss Event occurs and the relevant Lease Asset(s) is/are not replaced as discussed above, and the amount of the proceeds of Insurances (if any) paid into the Transaction Account is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount paid into the Transaction Account being the "**Loss Shortfall Amount**"), the Servicing Agent shall be responsible for paying the Loss Shortfall Amount directly into the Transaction Account by no later than close of business in London on the 61<sup>st</sup> day after the Total Loss Event has occurred, such that the amount standing to the credit of the Transaction Account on the Total Loss Dissolution Date represents the aggregate of the proceeds of Insurances payable in respect of a Total Loss Event (if any) and the Loss Shortfall Amount payable by the Servicing Agent in accordance with the terms of the Servicing Agency Agreement.

Rental payments under the Lease Agreement and, therefore, Periodic Distribution Amounts, shall cease to accrue with effect from the date on which a Total Loss Event occurs, and no additional rental payment shall be made in respect of the period between the date on which the Total Loss Event occurred and the Total Loss Dissolution Date

Upon the occurrence of a Total Loss Event and from the date of the Trading Notice and until any further notice from the Trustee stating otherwise, in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis).

**Partial Loss Event**

If a Partial Loss Event shall occur with respect to any of the Lease Assets: (a) *provided that* the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, within 30 days of the Partial Loss Event Date, the Lessee may deliver a Partial Loss Termination Notice to the Lessor and the Delegate that the Lease shall terminate on the 61st day after the Partial Loss Event Date; or (b) *provided that* the Lessee has not exercised, or has expressly waived, its rights to terminate the Lease under paragraph (a) above, if such Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, without prejudice to any right or remedy that the Lessor may have under any Transaction Document or by law, the Lease shall automatically terminate on the Partial Loss Termination Date and the Lessor will be entitled (in addition to any amounts payable pursuant to the Servicing Agency Agreement and the Purchase Undertaking) to any due and unpaid Rental up to the Partial Loss Event Date. The termination of the Lease on the 61<sup>st</sup> day after the Partial Loss Event Date as a result of either of the circumstances described in (a) or (b) above shall constitute an SEC Event as defined in Condition 14 (*Dissolution Events*).

**Substitution of Lease Asset(s)**

Pursuant to the Sale and Substitution Undertaking, SEC may, at any time, exercise its right to require the Trustee to substitute on any Substitution Date some or all of the relevant Lease Asset(s) with New Asset(s) (as specified in the relevant Substitution Notice, and each as defined in the Sale and Substitution Undertaking) having a value which is equal to or greater than the value of the relevant Lease Asset(s) being substituted.

**Taxation**

All payments in respect of Trust Certificates shall be made in the Specified Currency without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction, unless the withholding or deduction is required by law. In that event, the Trustee shall, save in the limited circumstances provided in Condition 12 (*Taxation*), be required to pay such additional amounts as will result in the receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required.

All payments by SEC (in any capacity) under the Transaction Documents to which it is a party shall be made in the Specified Currency without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction unless the withholding or deduction is required by law. In that event, SEC shall be required to pay such additional amounts as will result in the receipt by the Trustee or the Delegate (as applicable) of such amounts as would have been received by it, had no such deduction or withholding been required.

**Ratings**

The ratings assigned to each Series of Trust Certificates (if any) to be issued under the Programme will be specified in the applicable Final Terms. A rating is not a recommendation

to buy, sell or hold the Trust Certificates (or beneficial interests therein) and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Whether or not each any credit rating applied for in relation to the relevant Series of Trust Certificates will be issued by a credit rating agency established in the EEA or the UK and registered under the EU CRA Regulation or the UK CRA Regulation (as the case may be) will be disclosed in the applicable Final Terms.

**Listing and admission to trading**

Application has been made to the FCA for the Trust Certificates to be admitted to the Official List and to the London Stock Exchange for such Trust Certificates to be admitted to trading on the London Stock Exchange's main market.

The applicable Final Terms will state whether or not the relevant Trust Certificates are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Governing Law and Dispute Resolution**

The Trust Certificates shall be governed by, and construed in accordance with, English law.

The Master Declaration of Trust, each Supplemental Declaration of Trust, the Dealer Agreement, each Subscription Agreement, the Agency Agreement, the Master Murabaha Agreement, the Purchase Undertaking, the Sale and Substitution Undertaking and the Servicing Agency Agreement shall be governed by and construed in accordance with English law. In respect of any dispute under any such Transaction Document to which it is a party, SEC has consented to arbitration in London under the rules of arbitration of the London Court of International Arbitration ("LCIA") (with the seat in London).

The Master Lease Agreement, each Supplemental Lease Agreement, Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement will be governed by the laws of the Kingdom, and SEC has consented to arbitration in London under the rules of arbitration of the LCIA (with the seat in London).

**Waiver of Immunity**

Each of the Trustee and SEC has agreed in the Transaction Documents to which it is a party that to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal or arbitral proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it has agreed not to claim and irrevocably and unconditionally waives such immunity to the full extent permitted by the laws of that jurisdiction in relation to any proceedings or disputes.

**Limited Recourse**

Each Trust Certificate represents solely an undivided ownership interest in the Trust Assets of the relevant Series. No payment of any amount whatsoever shall be made in respect of the Trust Certificates of each Series except to the extent that funds for that purpose are available for the Trust Assets of that Series, as described in *"Terms And Conditions Of The Trust Certificates – Status and Limited Recourse"*.

**Selling Restrictions**

There are restrictions on the offer, sale and transfer of the Trust Certificates in the United States, the UK, the EEA, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom, the State of Qatar (including the Qatar Financial Centre), the Cayman Islands, the UAE (excluding the DIFC and the ADGM), the DIFC, the State of Kuwait, Hong Kong, Singapore and Malaysia such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Trust Certificates, see "*Subscription And Sale*" below.

**United States Selling Restrictions**

There are restrictions on the transfer of the Trust Certificates sold pursuant to Regulation S, Category 2. See "*Subscription And Sale*" below.

**Use of Proceeds**

The net proceeds of each Tranche of Trust Certificates issued under the Programme will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents on the relevant Issue Date in the following proportion: (A) the Ijara Percentage of the aggregate face amount of the Trust Certificates of such Tranche as specified in the applicable Final Terms towards the purchase from SEC of all of its rights, title and interests in, to and under (in the case of the first Tranche) the Asset(s) and, if applicable (in the case of each subsequent Tranche) the Additional Asset(s) pursuant to the relevant Purchase Agreement; and (B) if applicable, the Murabaha Percentage of the aggregate face amount of the Trust Certificates of such Tranche as specified in the applicable Final Terms towards the purchase of commodities to be sold to SEC pursuant to the Master Murabaha Agreement.

The proceeds of each Tranche issued subsequently received by SEC in consideration for the transactions entered into with the Trustee as set out above, as applicable, will be applied by SEC for: (i) its general corporate purposes, including capital expenditures; (ii) if so specified in the applicable Final Terms, to fund a portfolio of Eligible Projects as set out in the SEC Group's Green Sukuk Framework (see "*Description Of The SEC Group's Business – Green Sukuk Framework*"); or (iii) as otherwise described in the applicable Final Terms.

## RISK FACTORS

*An investment in the Trust Certificates involves risks. Accordingly, prospective investors should carefully consider, amongst other things, the risks described below, as well as the detailed information set out elsewhere in this Base Prospectus, and reach their own views before making an investment decision. The risks and uncertainties described below are not the only risks and uncertainties related to the Trustee, SEC and the Trust Certificates. Additional risks and uncertainties not presently known, or currently believed to be immaterial, could also impair the Trustee's ability to make payments on the Trust Certificates. If any of the following risks actually materialise, the financial condition and prospects of the Trustee and/or SEC could be materially adversely affected. If that were to happen, the trading price of the Trust Certificates could decline, and investors may lose all or part of their investment. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision. Words and expression defined elsewhere in this Base Prospectus (including in the Terms and Conditions) shall have the same meanings in this section.*

*Notwithstanding anything in these risk factors, these risk factors should not be taken as implying that the Trustee will be unable to comply with its obligations as a company with securities admitted to the Official List.*

### **Risk factors relating to the Trustee**

#### ***Factors that may affect the Trustee's ability to fulfil its obligations under or in connection with the Trust Certificates issued under the Programme***

*The Trustee has limited operating history and no material assets and will depend on receipt of payments from SEC to make payments to Certificateholders*

The Trustee was incorporated under the laws of the Cayman Islands on 20 December 2021 as an exempted company with limited liability. The Trustee has not and will not engage in any business activity other than the issuance of Trust Certificates under the Programme, the acquisition of Trust Assets as described herein, acting in the capacity as Trustee, the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents relating to each Series. Because the Trustee is a Cayman Islands company, it may not be possible for Certificateholders to effect service of process on it outside the Cayman Islands.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets relating to each Series of Trust Certificates, including the obligation of SEC to make payments to the Trustee under the relevant Transaction Documents to which it is a party relating to each Series. Therefore, the Trustee is subject to all the risks to which SEC is subject to the extent that such risks could limit SEC's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

The ability of the Trustee to pay amounts due on Trust Certificates of each Series will therefore be dependent upon receipt by the Trustee from SEC of amounts to be paid pursuant to the Transaction Documents applicable to the Series (which may not be sufficient to meet all claims under the Trust Certificates and the Transaction Documents applicable to the Series). As a result, the Trustee is subject to all the risks to which the SEC Group and its business are subject, as described below, to the extent such risks could limit SEC's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party.

Recourse to the Trustee in respect of the Trust Certificates of any Series is limited to the Trust Assets relating to that Series; see "*Risk factors relating to the Trust Certificates – The Trust Certificates are limited recourse obligations*".

### **Risk factors relating to the SEC Group and its business**

#### ***Risk factors relating to SEC's relationship with the Government***

*SEC's obligations under the Transaction Documents and other financing arrangements do not benefit from any direct or indirect Government guarantee or other legally enforceable Government backing*

Although the Government is a significant indirect shareholder of SEC, SEC's financial obligations (including its financial obligations under the Transaction Documents) are not directly or indirectly

guaranteed by the Government, the shareholders of SEC or any other person and do not benefit from any legally enforceable Government backing. Accordingly, SEC's financial obligations, including its obligations under the Transaction Documents, are not, and should not be regarded as, obligations of the Government.

SEC's ability to make the payments under the Transaction Documents that are necessary for the Trustee to pay amounts due on the Trust Certificates is solely dependent on SEC's ability to fund such obligations from its operating cash flows, borrowings and/or Government support. Therefore, any decline in such operating cash flows or any difficulty in securing external funding at a time when sufficient Government support is not available, may materially adversely affect SEC's ability to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay amounts due on the Trust Certificates.

*The SEC Group has benefitted from significant Government support, and any reduction or delay in the level of support provided to the SEC Group could significantly and adversely affect its business, results of operations and financial condition*

The SEC Group has historically benefitted from significant Government support in the form of subsidised loans, higher tariffs for electricity supplied to Governmental customers, the provision of subsidised fuel through Saudi Aramco, the assumption by the Government of certain payables due to Saudi Aramco in respect of supplied fuel, the granting of certain rights of way to SEC, the ability to defer significant payments to Saudi Aramco, Saline Water Conversion Corporation ("SWCC") and certain Government-related entities and the waiver of certain dividends (see "*Description Of The SEC Group's Business – Relationship With The Government*"). In November 2020, the Minister of Energy announced a set of structural, regulatory and financial reforms for the electricity sector (the "**Reforms**"). This included the implementation of the regulatory framework based on the RAB mechanism (see "*Description Of The SEC Group's Business – Regulatory And Financial Reforms*") and the cancellation of the Government fee as of 1 January 2021. The regulated revenues for the SEC Group were approved according to the minimum operating cost model for determining the required revenue for the fiscal year 2020, covering both operating and financing costs in addition to dividends owed to all shareholders including the PIF. As a result, the SEC Group recognised an amount of SAR 6.1 billion in the consolidated income statement under the item of other operating revenue for the year 2020. Starting 2021, in line with the regulatory reforms announced by the Government in November 2020, the SEC Group's revenue pertaining to the balancing account is based on the required revenue methodology with a specified weighted average cost of capital. As a result, the SEC Group recognised an amount of SAR 3.1 billion in operating revenue in the consolidated income statement under the sub-item of other operational revenue for the year 2022 (SAR 1.7 billion for the year 2021), which represents the difference between required revenue and actual revenue based on management's best estimate for the year ended 31 December 2022. For the year ended 2022, operating revenue also included an amount totalling SAR 210 million, being the required revenue correction for the year 2021, as approved by the regulator. Additionally, SEC entered into a sale and purchase agreement on 29 June 2022 to sell 100 per cent. of its share ownership in the Saudi Power Procurement Company ("SPPC") to the Government, represented by the Ministry of Finance and the Ministry of Energy. This is in line with the Government's plans to restructure the sector, and is an extension to the regulatory reforms announced by His Royal Highness, the Minister of Energy, in November 2020. See "*Description Of The SEC Group's Business – Regulatory And Financial Reforms*" for further information.

Although the Reforms and the implementation of the balancing account have significantly benefited the SEC Group to date, these arrangements may still be subject to change and there is no guarantee that this level of Government support will continue.

In addition, SEC's ratings are currently dependent, in significant part, on the support provided by the Government to SEC and there is no assurance that such support will continue at current levels, or at all. Any perception by a rating agency that such support has weakened, or is likely to weaken, could result in SEC's ratings being downgraded, which could adversely affect its ability to raise financing. In addition, certain of SEC's borrowings require it to maintain a rating from at least two of the three major rating agencies that are proximate to that of the Kingdom. A downgrading of SEC's rating to more than two rating levels below that of the Kingdom would breach this covenant, which could have materially adverse consequences for SEC. See "*Risk factors relating to the financing by SEC of its capital expenditure and operations*".

Given the importance of Government support to SEC's business, any change or delay in the level of Government support provided could result in a material adverse effect on the SEC Group's business, results

of operations and financial condition and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

*SEC is majority-owned by the Government whose interests may, in certain circumstances, not be aligned with the interests of Certificateholders*

SEC's issued share capital is 74.3 per cent. owned by the PIF, which is wholly owned by the Government, and 6.9 per cent. owned by Saudi Aramco, which is 98.2 per cent. directly and indirectly owned by the Government. Accordingly, the Government has the ability to significantly influence SEC's business through its ability to control decisions and actions of SEC that require shareholder approval as well as its ability to control the composition of SEC's board of directors (the "**Board**") and thus influence Board decisions. The interests of the Government may be different from those of SEC's creditors and other stakeholders (including the Certificateholders). As a result, the interests of the Government may conflict with SEC's objectives as a commercial enterprise, and there can be no assurance that the Government will not take any action to further its own objectives which may be in conflict with the interests of SEC or the Certificateholders. Any such actions by the Government may adversely affect the SEC Group's business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

*The contracted capacity of SEC's power plants may not be achieved or maintained*

On 29 June 2022, SEC and SPPC signed a Business Transfer Framework Agreement (the "**BTFA**"), which related to the sale and transfer of all business assets, liabilities and contracts related to SPPC, in its capacity as wholly owned subsidiary by SEC, to SPPC, in its capacity as an independent company wholly owned by the Government, and became immediately effective. On the same date, SEC and SPPC also entered into certain Energy Conversion Agreements ("**ECAs**"), a Bulk Supply Agreement ("**BSA**") and the novation of certain Fuel Supply Agreements and Fuel Transportation Agreements from SEC to SPPC which became effective from 1 July 2022. This establishes SPPC as the sole offtaker of electricity in the Kingdom. The ECAs set out the basis upon which SEC owns, operates and maintains generation plants and the terms and conditions upon which SEC sells, and SPPC as the offtaker purchases and pays for, the net electrical energy and the net dependable capacity. The BSA sets out the and the terms and conditions upon which SEC purchases from SPPC the power that it transmits and distributes to end customers. SPPC as the offtaker is responsible for, and takes risk on: (i) the supply of an adequate amount of fuel to SEC; and (ii) the cost of such fuel. SEC has contracted to supply its entire electricity power production to SPPC for the entirety of the remaining productive life of the plants. Nonetheless, SEC's inability to achieve or maintain the declared availability in any of its plants under the respective ECAs, for any reason other than natural and/or political force majeure (including change in law, fuel supply failure and transmission system failure), may adversely affect the SEC Group's business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

Furthermore, the operation of industrial facilities such as power generation plants means that the SEC Group's business is exposed to certain operating risks. Such risks can include, among other things, unplanned outages, equipment failure or facilities operating inefficiently or below capacity. In addition, SEC may need to temporarily shut down some of its power plants and incur expenses in connection with inspections, maintenance or repair activities in addition to those that the SEC Group currently conducts, including any additional activities required by SEC's regulators. Any such occurrences could affect SEC's ability to supply electricity at levels sufficient to meet demand. There is no assurance that any alternative sources, such as back up facilities maintained by SEC or the purchase of electricity from SPPC, will be available when needed or that such sources will be able to provide adequate amounts of electricity to meet any shortfalls in SEC's own supply. Any service disruption may cause loss in electricity generation, customer dissatisfaction and other unforeseen costs, expenses and other financial impacts which could have a material adverse effect on the SEC Group's reputation, business, results of operations and financial condition and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

The continual operation of power plants, as well as natural processes such as erosion and corrosion, has an impact on the condition of the equipment and components of SEC's power plants. The impact of such operation and processes tends to increase as the plant, equipment and components grow older, and as a

result, older plants and equipment generally require greater maintenance, operate less efficiently than more modern plant and equipment and, accordingly, are significantly more expensive to operate. SEC cannot give any assurance that it will be successful in its inspection and maintenance practices, including the proactive repair or replacement of equipment and components before they fail, which could have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

During the summer months of May to September, electricity use is at its highest in the Kingdom. Peak demand times within the different regions in the Kingdom do not usually coincide due to the relatively large geographical size of the Kingdom and the resulting differences in the time of day at which the sun is at its highest point and the time of sunrise and sunset. The Kingdom's four operating regions are also almost fully interconnected through the transmission network. However, as a result of congestion and the fact that some isolated areas in the Kingdom are not yet connected to the transmission network, this has resulted in some regions of the Kingdom experiencing power outages in recent years. To the extent that interconnection does not improve and such power outages continue to occur, this could result in customer dissatisfaction and unforeseen costs, expenses and other financial impacts, and, accordingly, have an adverse effect on the SEC Group's reputation, business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

In addition, the performance achieved by a new power plant could be below expected levels of output or declared availability targets due to issues such as those relating to its design or specifications. If a new power plant fails to achieve the required levels of performance, this could adversely affect the return on the SEC Group's investment in that plant which, in turn, may have an adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

#### ***Risk factors relating to the financing by SEC of its capital expenditure and operations***

*SEC may not be able to obtain sufficient funding to finance, and may be subject to increased financing risk as a result of undertaking increased indebtedness in connection with, its planned capital expenditure programme*

SEC needs to invest in fixed assets in order to provide electricity services to its customers. Such investments need to be financed through debt and equity funds. These funds have costs associated with them which are compensated through the cost of capital under the regulatory framework. See "*Description of the SEC Group's Business – Regulatory and Financial Reforms*" for further information.

SEC currently has significant liabilities principally consisting of bank loans and sukuk. As at 31 December 2022, SEC had SAR 66,113 million of outstanding bank loans in addition to SAR 33,742 million of sukuk in issue. SEC's significant level of indebtedness may require a substantial portion of cash flow from operations to be dedicated to the payment of principal, interest (to the extent payable) and other financing costs in respect of SEC's indebtedness (including the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates), thereby reducing its ability to use its cash flow to fund its operations and future business opportunities. This may also limit SEC's ability to raise capital to fund any future capital expenditure or operations and expose SEC to the risk of increased interest rates and/or increased costs to hedge interest rates.

SEC has raised financing from external sources in order to fund some of its capital expenditure. SEC's ability to obtain external financing and the cost of such financing are dependent upon numerous factors including general economic and market conditions in the Kingdom and internationally, international interest rates, credit availability from banks or other lenders, investor confidence in SEC and the success of SEC's business.

There can be no assurance that external financing or refinancing, either on a short-term or a long-term basis, will be available or, if available, that such financing will be obtainable on terms that are not onerous to SEC. Should SEC be unable to raise funds for its capital expenditures at any time, this could require it to scale back, defer or cancel existing projects which could have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flows. Any of the foregoing could have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash

flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The SEC Group's capital expenditure programme is subject to various development and construction risks***

The SEC Group is focused on completing a number of generation plants that are in various stages of development, construction and commissioning in addition to further optimising and upgrading its generation capacity in order to meet anticipated future demand and energy mix targets. Additionally, in line with its strategy to augment and optimise its generation portfolio, SEC plans to participate actively in SPPC's competitive tendering process for new projects. See "*– Business Units – Generation capacity*". Future capital expenditure is expected to be more in the areas of transmission and distribution. The SEC Group's larger projects are mostly outsourced to third-party contractors through "turnkey" contracts, meaning that each phase of such projects, including the planning, design and construction phases, are outsourced to third-party contractors. These projects typically require substantial capital expenditure and may take months or years before they become operational, during which time the SEC Group is subject to construction, operating and other risks, a number of which are beyond its control including:

- an inability to find a suitable contractor or sub-contractor either at the commencement of a project or following a default by an appointed contractor or sub-contractor;
- default or failure by its contractors or sub-contractors to finish projects or parts of projects on time, according to specifications or within budget;
- disruption in service and limited access to third parties, such as architects, engineers or other service providers;
- difficulties in connecting new generation plants to existing or new transmission and distribution networks;
- shortages or escalating costs of construction materials and increased global commodity prices;
- shortages or increases in the costs of equipment;
- breakdown or failure of equipment, processes or technology;
- delays due to adverse weather or other events beyond the SEC Group's control;
- environmental issues and costs;
- start-up and commissioning problems;
- onerous contract terms and/or disputes with contractors or sub-contractors; or
- work stoppages or labour disputes.

The occurrence of one or more of these events in relation to current or future projects may negatively affect the SEC Group's ability to complete such projects on schedule or within budget, if at all. In addition, this may also have a material impact on the SEC Group's ability to grow its required revenue based on the regulated asset base methodology. This may result in the SEC Group's inability to meet customer demand for electricity and accordingly may result in a material adverse effect on SEC's reputation, business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The SEC Group is reliant upon skilled personnel in the engineering and technical fields and may not be able to recruit and retain qualified personnel***

The SEC Group's business and operations are dependent upon its ability to recruit and retain skilled engineering personnel and other technical personnel. If the SEC Group is unable to retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional

qualifications, or fails to recruit skilled professional and technical staff to replace those who leave, the SEC Group's operations may be adversely affected. There is significant demand for experienced and capable personnel in the engineering and technical fields in the Kingdom reflecting both the increasing number of independent power producers ("IPP") and independent water and power producers ("IWPP") projects which require such staff. In addition, the Government's increasing focus on enforcing requirements for companies in the private sector in the Kingdom to employ a specified percentage of Saudi nationals as part of Vision 2030 may also increase competition for talent. Being indirectly owned by the Government, SEC already employs a high number of such personnel and is experiencing continued and increasing competition for their talents. Consequently, when talented and trained employees leave, SEC may have difficulty replacing them and may incur additional costs and expenses in securing such replacements.

In addition, the loss of any member of SEC's senior management team or the loss of any of the SEC Group's other key employees may result in a loss of organisational focus, poor execution of operations, or an inability to identify and execute potential strategic initiatives such as expansion of capacity. The occurrence of any of these events may have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The SEC Group's counterparties may default on their contractual obligations which may result in materially increased costs or losses for the SEC Group***

The SEC Group companies enter into contracts with a range of counterparties, including customers, contractors, sub-contractors, architects, engineers, operators, other service providers, suppliers and customers, and accordingly, the SEC Group is subject to the risk that a counterparty will be unable or unwilling to honour its contractual obligations and that any guarantee or performance bond in respect of such obligations will also not be honoured. The SEC Group's counterparties may default on their obligations for any number of reasons, including as a result of their bankruptcy, a lack of liquidity or operational failure. Such counterparty risk is more acute in difficult market conditions where there is an enhanced risk of default by counterparties.

For example, any failure of a material project counterparty or, where relevant, its guarantor, to fulfil its contractual obligations could adversely impact the SEC Group through delayed completion of the relevant project or through its impact on the operations of a completed project. Even though the arrangements entered into by SEC with its contractors may allocate some of the risk of delays or failure to the contractors through the use of performance bonds, SEC may not always be able to obtain indemnification from its contractors with respect to any breaches, failures or delays and accordingly, the SEC Group may have to bear the additional costs required to complete the project. This may result in a material adverse effect on the SEC Group's reputation, business, financial condition, results of operations and cash flows and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The SEC Group may encounter difficulties in implementing its overall strategy and capital expenditure programme going forward, or such strategy and expansion plans may ultimately be unsuccessful***

The SEC Group is focused on optimising its generation capacity in line with its strategy to augment and optimise its generation portfolio and investing in its transmission and distribution capabilities in order to meet the required growth in the grid and the demand for new connections, including improving the interconnectivity of its transmission network, both throughout the Kingdom and internationally. Additionally, there is also an ongoing process for the restructuring of the SEC Group's business, in connection with the Government's aim to develop the Kingdom's electricity industry and build a commercial electricity market (see "Description Of The SEC Group's Business – Restructuring Of The SEC Group").

There can be no assurance that SEC's strategy and/or restructuring plans will be successful, or that SEC will be successful in implementing all aspects of its strategy and restructuring plans without exposing the SEC Group to risk. Unexpected events related to both internal and external factors (many of which are described elsewhere in this section) may occur which could impair the SEC Group's ability to successfully implement any or a material part of its strategy and restructuring plans. Such events could have a material adverse effect on its reputation, business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The SEC Group's facilities and operations may be adversely affected by terrorist attacks, natural disasters or other catastrophic events over which the SEC Group has no control***

The Kingdom has experienced occasional terrorist attacks and other disturbances in recent years including incidents in Jeddah, Medina and Qatif in July 2016 and oil tanker sabotage and drone strikes on a crude oil pipeline in May 2019 and on a natural gas liquids facility in Shaybah in August 2019. In addition, on 14 September 2019, the Abqaiq processing facility and the Khurais processing facility in Saudi Arabia were damaged in a major act of sabotage which resulted in the temporary interruption of Saudi Arabia's oil and gas production. In December 2021, two people were killed in Jizan in a projectile attack blamed on Yemen's Al-Houthi rebels and in March 2022, oil facilities in Jeddah and Jizan were the subject of airborne attacks that were also claimed by the Al-Houthi rebels. While SEC maintains political violence insurance coverage for its power plants and sub stations across the Kingdom, in the event of any sabotage, act of terrorism, malicious damage, riots, strikes and/or civil commotion, no assurance can be given as to whether such insurance will be sufficient to cover all the losses, including business interruption losses, arising.

Further, the SEC Group's facilities and business operations could be adversely affected or disrupted by natural disasters (such as earthquakes, tsunamis or fires, among others) or other potentially catastrophic events that are beyond the SEC Group's control and which may not be covered by insurance, see "*The SEC Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business*". While no power plants, transmission cables or distribution lines owned by the SEC Group have been affected as a result of any seismic activity to date, the Western and Southern operating regions (see "*Description Of The SEC Group's Business – History*" for a description of SEC's operating regions) have been prone to seismic activity in the past. There can, therefore, be no assurance that the SEC Group's business operations will not, in the future, be disrupted by catastrophic events.

The occurrence of any of these events which results in material damage to one or more of SEC's key generation facilities or any of its significant transmission or distribution infrastructure would adversely affect the SEC Group's ability to supply electricity and therefore have a material adverse effect on its reputation, business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The SEC Group may not be able to maintain sufficient insurance coverage for the risks associated with the operation of its business***

The SEC Group's operations may be affected by a number of risks, including terrorist acts and war-related events. SEC maintains political violence insurance coverage for its power plants and sub stations across the Kingdom in the event of any sabotage, act of terrorism, malicious damage, riots, strikes and/or civil commotion, as well as subsequent business interruption loss. However, no assurance can be given as to whether such insurance will be sufficient and full insurance cover is generally either not available or not available on commercially reasonable terms. The severity and frequency of various events, such as accidents and other mishaps, business interruptions or potential damage to its facilities, property and equipment caused by inclement weather, human error, pollution, labour disputes and natural catastrophes, may result in losses, expose the SEC Group to liabilities in excess of its insurance coverage and result in significantly increased premiums or the inability to obtain cover in future periods. SEC cannot assure investors that its insurance coverage will be sufficient to cover losses arising from any, or all, of such events, or that it will be able to renew existing insurance cover on commercially reasonable terms, if at all.

In addition, the SEC Group's insurance policies are subject to commercially negotiated deductibles, exclusions and limitations, and the SEC Group will only receive insurance proceeds in respect of a claim made to the extent that its insurers have the funds to make payment. Therefore, insurance may not cover all losses incurred by the SEC Group and no assurance is given that the SEC Group will not suffer losses beyond the limits of, or outside the cover provided by, its insurance policies.

Should an incident occur in relation to which the SEC Group has no insurance coverage or inadequate insurance coverage, the SEC Group could lose the capital invested in, and anticipated future revenues relating to, any property that is damaged or destroyed and, in certain cases, the SEC Group may remain liable for financial obligations related to the impacted property. Similarly, in the event that any assessments are made against the SEC Group in excess of any related insurance coverage that it may maintain, its assets could be subject to attachment, confiscation or restraint under various judicial procedures. Any of these occurrences could have a material adverse effect on the SEC Group's business, financial condition and results of operations and may affect SEC's ability to satisfy its obligations to make the relevant payments

under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The SEC Group companies may be subject to liabilities as a result of any violation of applicable regulations affecting the electricity industry in the Kingdom, including environmental and safety standards***

The risks of environmental damage, such as pollution and leakage, are inherent in the electricity industry, and the use of machinery and high-voltage equipment may involve significant health and safety risks. Potential health, safety and environmental events that may materially impact SEC's operations include fires, flooding, explosions, light vehicle incidents, falls from height, electrocutions, incidents involving equipment and emissions of harmful gases or chemicals. Fatalities, or serious injury, to employees or site contractors may occur due to these or other factors. Such events have occurred in the past and may occur in the future.

The SEC Group is subject to an electricity law which was enacted in the Kingdom pursuant to Royal Decree No. (M/44) dated 16/05/1442H (corresponding to 31/12/2020G) including its implementing regulations (the "**Electricity Law**") and is regulated by the Water and Electricity Regulatory Authority ("**WERA**"). The Electricity Law sets out and regulates, among other things, the licensing requirements, and the role of WERA related to the setting, approving and reviewing of electricity tariffs for all categories of consumers. The SEC Group is also subject to applicable environmental and safety regulations in force in the Kingdom which set various standards for regulating certain aspects of health, safety, security and environmental quality and impose civil and criminal penalties and other liabilities for any violations. See "*Regulation – Environmental regulation*".

SEC has adopted environmental standards applicable to its operations and while SEC believes that the SEC Group is in compliance with all applicable environmental and safety regulations in force in the Kingdom, there can be no guarantee that it will continue to be in compliance in the future. Should any SEC Group company fail to comply with any such regulations, it may be liable for penalties and/or the consequences of default under any contractual obligations requiring it to comply with applicable regulations.

In addition, relevant authorities in the Kingdom may enforce existing regulations, including environmental and safety laws and regulations, more strictly than they have done in the past and may in the future impose stricter standards, or higher levels of fines and penalties for violations, than those which are in effect at present. Accordingly, SEC is unable to estimate the future financial impact of compliance with, or the cost of a violation of, any applicable regulations.

Any occurrence of environmental damage or loss of life or serious injury to its employees as a result of any breach of applicable safety legislation may result in a disruption of the SEC Group's services or cause reputational harm, and significant liability could be imposed on SEC for damages, clean-up costs and penalties and/or compensation as a result.

The occurrence of any of these events may also cause disruption to the SEC Group's projects and operations and result in additional costs to the SEC Group, which may have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flows may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The SEC Group may become subject to competition***

At the General Assembly held on 30 January 2022, SEC's shareholders agreed to sell and transfer all of SEC's shares in SPPC to the Government. On 29 June 2022, the SPPC transfer was formalised and SEC entered into a sale and purchase agreement with the Government (represented by the Ministry of Finance and the Ministry of Energy). SEC does not expect that the transfer of ownership of SPPC to the Government will have a material impact on its financial performance or the rights of its shareholders. The SEC Group has a dominant position in the generation segment through its directly owned power plants as well as its joint venture investments in IPPs/TWPPs. However, the Government's plans to create competition and encourage privatisation of the electricity sector may still have a material adverse effect on SEC's business, financial condition, results of operations, cash flows and affect its ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay amounts due on the Trust Certificates.

***The SEC Group may be involved in ongoing discussions, disputes and litigation with suppliers, regulators and other parties, and is also at risk of improper conduct of its employees, contractors, suppliers, service providers and other business partners, the ultimate outcome of which is uncertain***

In the ordinary course of its business, the SEC Group is subject to risks relating to discussions and disputes with suppliers, regulators and other parties, and legal and regulatory proceedings to which it or SEC Group companies are currently a party or which could develop in the future. Although a number of these disputes were resolved as part of the Reforms, the SEC Group continues to be involved in a dispute with Saudi Aramco, its sole supplier of fuel (see "*Description Of The SEC Group's Business – Litigation – Disputes with Saudi Aramco*"). Litigation, regulatory proceedings and disputes are unpredictable and legal or regulatory proceedings, or disputes in which the SEC Group is or becomes involved (or settlements thereof), could have a material adverse effect on its business, financial condition, results of operations and prospects and affect its ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay amounts due on the Trust Certificates.

In addition, the SEC Group is at risk of improper conduct of its employees, contractors, suppliers, service providers and other business partners engaging in improper conduct. The SEC Group has implemented and maintains corporate governance and compliance policies and procedures (including with respect to sanctions, anti-bribery and corruption, and anti-money laundering laws, rules and regulations), both to: (i) identify potential transactions or dealings with sanctioned parties and parties at risk of being subject to sanctions; and (ii) promote and monitor compliance with such sanctions, anti-bribery and corruption, and anti-money laundering laws, rules and regulations. However, no assurance can be given that the SEC Group's policies and procedures will always be successful in identifying such transactions or dealings or protecting it from any improper conduct of its employees, contractors, suppliers, service providers and other business partners. In the event of any such improper conduct or failure to identify any such transaction or dealing, this could result in the SEC Group being subject to regulatory investigations and proceedings, and may result in significant reputational harm to the SEC Group, as well as the imposition of fines or other penalties on the SEC Group.

#### **Risks relating to investments in companies operating in the Kingdom of Saudi Arabia**

***The SEC Group is subject to economic and political conditions in the Middle East, in general, and in the Kingdom, in particular***

The SEC Group's operations are exclusively located in the Kingdom. As a result, the SEC Group's operating results and growth are and will be affected by general financial, political, social and economic developments in or affecting the Kingdom and/or the Middle East and, in particular, by the level of economic activity in the Kingdom. Furthermore, while the Saudi riyal has been pegged to the U.S. dollar since 1986 and it continues to be the policy of the Government to maintain the currency peg at its existing level, there can be no assurance that future unanticipated events, including an increase in the rate of decline of the Government's reserve assets, will not lead the Government to reconsider its exchange rate policy. There can be no assurance that economic conditions in the Kingdom will not worsen further in the future, which may result in a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

Similar to other countries in the Middle East, the Kingdom could be affected by political and social unrest in the region. Several countries in the region are currently subject to armed conflicts and/or social and political unrest, including conflicts or disturbances in Yemen, Syria, Libya and Iraq, as well as the multinational conflict with 'Da'esh' (also referred to as the 'Islamic State'). In some instances, the recent and ongoing conflicts are a continuation of the significant political and military upheaval experienced by certain regional countries from 2011 onwards, commonly referred to as the 'Arab Spring', which gave rise to several instances of regime change and increased political uncertainty across the region. In addition, tensions have persisted between the Kingdom and Iran, as exemplified in January 2016 by the Kingdom recalling its ambassador to Iran. Furthermore, in March 2015, a coalition of countries, led by the Kingdom and supported by the international community, commenced military action against the Al-Houthi rebels in Yemen. Although the coalition scaled back its military operations in Yemen in March 2016 and a ceasefire was declared in April 2016, the conflict in Yemen is not yet fully resolved, military operations continue at a reduced scale. The Kingdom was targeted on several occasions by ballistic missiles fired by the Al-Houthi rebels in Yemen over the last several years, and oil and gas processing facilities in the Kingdom have been damaged, in major acts of sabotage.

More generally, since 2011, the prospect of a nuclear Iran has been at the centre of international geopolitical discourse. The comprehensive agreement between the UN Security Council's five permanent members plus Germany and Iran that was reached on July 2015 (the "**Joint Comprehensive Plan of Action**") provides for relief from international (mainly United States and EU) economic sanctions in return for a reduction by Iran in its nuclear capabilities, and supervision by the International Atomic Energy Agency (the "**IAEA**"). After the IAEA confirmed that Iran had met the relevant requirements of the Joint Comprehensive Plan of Action, certain economic sanctions were lifted on 16 January 2016 with a view to improving Iran's standing in the international community. However, certain other sanctions remain in place and the United States imposed certain additional sanctions on Iran in July 2017 relating to Iran's ballistic missile programme, human rights matters, arms sales and Iran's Revolutionary Guard Corps. On 8 May 2018, the United States announced its withdrawal from the Joint Comprehensive Plan of Action, reinstating U.S. sanctions on the Iranian regime. The United States also announced that it would not renew exceptional waivers for importing Iranian oil for several oil-importing countries from May 2019. Since May 2019, a number of incidents in and around the Gulf have occurred, including the alleged seizure of three oil tankers by Iran. On 2 January 2020, the United States carried out a military strike which killed a senior Iranian military commander. As a result of this military strike, Iran launched missiles at a U.S. base in Iraq. In the fourth quarter of 2020, prior to the inauguration of his presidency, U.S. President Joe Biden stated that the United States may re-join the Joint Comprehensive Plan of Action and lift the reinstated sanctions should Iran return to strict compliance with the terms of the Joint Comprehensive Plan of Action. On 3 December 2020, Iran announced that it would not accept these preconditions over its nuclear programme and that the United States must return to the position previously agreed under the Joint Comprehensive Plan of Action before further negotiation between the parties could take place. On 4 January 2021, the IAEA reported that Iran had begun retaliating against the continuing U.S. sanctions by resuming the process of enriching uranium to 20 per cent. purity, which can be used to create nuclear weapons, in breach of the Joint Comprehensive Plan of Action. Any continuation or increase in international or regional tensions regarding Iran, including further attacks on or seizures of oil tankers which disrupt international trade and any impairment of trade flow through the Strait of Hormuz, or any military conflict, could have a destabilising impact on the Gulf region, including with respect to the Kingdom and, in particular, its ability to export oil and maintain its security more generally.

On 5 June 2017, three Gulf Cooperation Council (the "**GCC**") countries – Saudi Arabia, the UAE and Bahrain – as well as Egypt, Yemen and a number of African countries – severed diplomatic ties with Qatar, cut trade and transport links and imposed sanctions based on evidence of Qatar's support to terrorist and extremist organisations. Measures taken by the affected countries included the closure of land, sea and air links to Qatar, and requesting certain Qatari officials, residents and visitors to leave the territories of the affected countries. In January 2021, at the annual GCC summit, and further to diplomatic efforts led by Kuwait and the United States, among others, the leaders of the six members of the GCC signed the Al-Ula Declaration, a "solidarity and stability" agreement aimed at ending the diplomatic rift with Qatar, although diplomatic tensions with Qatar remain. Saudi Arabia and the UAE have announced the opening of air, land and sea entry points to Qatar. As part of the Al-Ula Declaration, the parties committed to the attempt to terminate all complaints and disputes between themselves by the end of the first year from the signing of the agreement. Bahrain re-opened its airspace to Qatar as of 11 January 2021.

These and any other similar geopolitical events may contribute to instability in the Middle East and surrounding regions (that may or may not directly involve the Kingdom) and may have a material adverse effect on the Kingdom's attractiveness for foreign investment and capital, its ability to engage in international trade and, subsequently, its economy and financial condition, which, in turn, could have a material adverse effect on the SEC Group's business, financial condition, results of operations and cash flow and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

Investors should also be aware that investing in emerging markets such as the Kingdom entails greater risks than investing in more developed markets, including risks such as:

- political, social and economic issues;
- external acts of warfare and clashes;
- governmental actions or interventions, including tariffs, protectionism, subsidies, expropriation of assets and cancellation of contractual rights;

- changes in, or in the interpretation, application or enforcement of, law and regulation;
- difficulties and delays in obtaining new permits and consents for the SEC Group's operations or renewing existing ones; and
- potential lack of reliability as to title to real property.

Accordingly, the market value of the Trust Certificates may fluctuate for reasons unrelated to the financial performance of SEC. Investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

***Legislative and regulatory changes in the Kingdom may adversely affect SEC's operations***

SEC's activities are subject to the laws of the Kingdom, including the Ministry of Energy's regulations. Laws and regulations that are applied in the Kingdom may change from time to time. The Kingdom is also involved in ongoing negotiations relating to an international agreement to lower greenhouse gas emissions.

Changes in such laws and regulations and the imposition of any international obligations or frameworks could impose restrictions on SEC, as well as result in unanticipated costs. The occurrence of any of the above could have a material adverse effect on SEC's business, financial condition, results of operations and affects its ability to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay amounts due on the Trust Certificates.

***The Kingdom's economy and the Government's budget are highly dependent upon revenues from oil***

The hydrocarbon industry is the single largest contributor to Saudi Arabia's economy and oil revenues account for a majority of the Government's total revenues and export earnings. According to the General Authority for Statistics, the oil sector accounted for 38.8 per cent. and 40.0 per cent. of the Kingdom's real gross domestic product ("GDP") and 29.4 per cent. and 22.9 per cent. of its nominal GDP in each of 2021 and 2020, respectively. In addition, oil exports accounted for 73.2 per cent. and 68.7 per cent. of the Kingdom's total exports by value in 2021 and 2020, respectively and oil revenues accounted for 58.2 per cent. and 52.8 per cent. of total Government revenue in 2022 and 2021, respectively.

Historically, the price of oil has been volatile and over the past two decades international oil prices have fluctuated significantly. The impact of the COVID-19 pandemic contributed to a steep fall in oil prices, with the monthly average OPEC Reference Basket price being U.S.\$17.66 in April 2020. Although prices subsequently recovered, the annual average OPEC Reference Basket price in 2020 was U.S.\$41.47. In 2022, the average OPEC Reference Basket price per barrel was U.S.\$100.08, principally driven by supply uncertainties caused by the conflict in Ukraine and sanctions imposed by major countries around the world on Russia. The average price per barrel of Arabian Light Crude Oil (which is produced by the Kingdom and constitutes part of the OPEC Reference Basket) has also moved in line with these trends.

Future volatility in the price of oil could adversely affect the Kingdom's economy and the Government's budget. As a recipient of significant support from the Government (see "*Risk factors relating to the SEC Group and its business - Risk factors relating to SEC's relationship with the Government – The SEC Group has benefitted from significant Government support, and any reduction or delay in the level of support provided to the SEC Group could significantly and adversely affect its business, results of operations and financial condition*"), any effect on the availability of financial support from the Government as a result of volatility in oil prices could have a material adverse effect on the SEC Group's business, financial condition and results of operations and may affect SEC's ability to satisfy its obligations to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay the amounts due under the Trust Certificates.

***The Government's efforts to diversify the Kingdom's economy and effect structural changes may have undesirable effects and there can be no assurance that these diversification efforts will be successful***

While the oil sector contributes to a significant portion of the Kingdom's economy, in recent years the Government has invested heavily in diversifying the Kingdom's economy to reduce its reliance on oil revenues and to diversify the Kingdom's economic base and sources of national income. In light of the low oil price environment, the objective of economic diversification in the Kingdom has taken on greater

significance for the Government, and the Government has recently announced various measures aimed at, among other things, achieving increased diversification of the Kingdom's economy.

While the contribution of the non-oil sector to the Kingdom's economy is gradually increasing on the basis of recent trends, oil exports and oil-related revenues still constitute a high proportion of the Kingdom's total export earnings and Government revenues, respectively. There can be no assurance that these trends will continue in the future or that they will continue to a sufficient extent to achieve effective and adequate diversification of the economy. In addition, the recent increase in the contribution of the non-oil sector to Government revenues and total exports can also be partially attributed to the decline in global oil prices since mid-2014 and the consequent significant decrease in Government revenues and export earnings attributable to the oil sector.

The Government is also seeking to implement far-reaching reforms of the Kingdom's economy and society, including through initiatives such as Vision 2030. Some of the measures envisaged include the greater participation of Saudi citizens in the private sector, a decrease in certain subsidies historically available to the fuel and energy sectors, as well as the imposition of new taxes and administrative fees. The implementation of these and other similar measures may be a lengthy and complex process, and there can be no assurance that these measures will not have unexpected or undesirable consequences in the Kingdom. The implementation of these and other similar measures, in whole or in part, may have a disruptive effect and consequently may have an adverse effect on the macroeconomic environment in the Kingdom, which could have a material adverse effect on SEC's business, financial condition, results of operations and affects its ability to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay amounts due on the Trust Certificates.

There can be no assurance that the Government will be able to successfully implement the objectives of Vision 2030, and any failure to do so, in whole or in part, may result in the Government being unable to achieve the diversification of the economy and its sources of revenue to the required extent. A failure to diversify Saudi Arabia's economy may result in its economy remaining susceptible to the risks associated with the oil sector, and downturns in the oil sector resulting in a slowdown of the entire economy, which, in turn, could have a material adverse effect on SEC's business, financial condition, results of operations and affects its ability to make the relevant payments under the Transaction Documents to which it is a party in order for the Trustee to pay amounts due on the Trust Certificates.

### **Risk factors relating to the Trust Certificates**

#### ***Limitations relating to the indemnity provisions under the Purchase Undertaking and the Master Declaration of Trust***

SEC has undertaken in the Purchase Undertaking and the Master Declaration of Trust that: (i) if, at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, SEC remains in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Certificateholder Put Right Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be; and (ii) if, following delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, SEC shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Certificateholder Put Right Trust Certificates, the Tangibility Event Certificateholder Put Right Trust Certificates or the Change of Control Put Right Trust Certificates (each as defined in the Purchase Undertaking), as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be.

Subject to the satisfaction of the conditions in (i) and (ii) as described above, if SEC fails to pay the Exercise Price in accordance with the Purchase Undertaking, the Delegate (on behalf of the Certificateholders) may, subject to the matters set out in Condition 14 (*Dissolution Events*) and the terms of the Master Declaration of Trust, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking and the Master Declaration of Trust against SEC by commencing legal or arbitral proceedings.

However, investors should note that, in the event that Saudi Electricity Company does not remain in actual or constructive possession, custody or control of all or any part of the Lease Assets at the time of delivery

of the exercise notice in accordance with the provisions of the Purchase Undertaking, the condition in (i) as described above will not be satisfied and, therefore, no amounts will be payable by SEC under the separate indemnity provisions. For the avoidance of doubt, no investigation has been or will be made by the Trustee, the Arrangers, the Dealers or the Delegate as to whether SEC has or will continue to have actual or constructive possession, custody or control of any Lease Assets.

Accordingly, in such event, the Delegate (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by SEC and prove for damages. Such breach of contract may be due to (i) a breach by SEC of the requirement to purchase the Trustee's rights, title, interests, benefits and entitlements in, to and under the Lease Assets on the relevant Dissolution Date pursuant to the provisions of the Purchase Undertaking; and/or (ii) a breach by SEC (acting in its capacity as Lessee pursuant to the provisions of the Master Lease Agreement) of its undertaking to maintain actual or constructive possession, custody or control of all of the Lease Assets.

As a result, the Delegate (on behalf of the Certificateholders) may not be able to recover, or may face significant challenges in recovering, an amount equal to the Exercise Price, and in turn, the amount payable to the Certificateholders upon redemption.

***A Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates***

If a Tangibility Event occurs, the Certificateholders will be promptly notified: (a) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence; (b) that as determined in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis); (c) that, on the date falling 15 days following the Tangibility Event Put Right Date, the Trust Certificates will be delisted from any stock exchange (if any) on which the Trust Certificates have been admitted to listing or if such date is not a business day, the next following business day ("business day" being, for this purpose, a day on which the stock exchange on which the Trust Certificates are admitted to listing is open for business); and (d) the Tangibility Event Put Option Period, during which period any Certificateholder shall have the option to require the redemption of all or any of its Trust Certificates. Upon receipt of such notice, the Certificateholders may elect to redeem all or any of their Certificates in accordance with the Conditions. Accordingly, a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates.

***The Trust Certificates are limited recourse obligations***

The Trust Certificates are not debt obligations of the Trustee. Instead, the Trust Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Trust Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Trust Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Delegate and, through the Delegate, the Certificateholders, will be against SEC to perform its obligations under the Transaction Documents to which it is a part. Certificateholders will have no recourse to any assets of the Trustee or SEC in respect of any shortfall in the expected amounts due under the Trust Assets. SEC is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Trustee, and the Delegate will have direct recourse against SEC to recover such payments due to the Trustee pursuant to the Transaction Documents to which it is a party. In the absence of default by the Delegate, investors have no direct recourse to SEC and there is no assurance that the net proceeds of any enforcement action with respect to the Trust Assets (which, as described above, will be by way of enforcing each of SEC's and the Trustee's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Trust Certificates. After enforcing the rights in respect of the Trust Assets (in the manner described above) and distributing the net proceeds of such Trust Assets in accordance with Condition 5.2 (*Application of Proceeds from the Trust Assets*), the obligations of the Trustee in respect of the Trust Certificates shall be satisfied and neither the Delegate nor any Certificateholder may take any further steps against the Trustee to recover any further sums in respect of the Trust Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets except pursuant to the Transaction Documents. The sole right of the Trustee, the Delegate and the Certificateholders against SEC shall be to enforce the obligation of SEC under the Transaction Documents to which it is a party.

### ***Consents to variation of the Conditions, the Trust Certificates and the Transaction Documents***

The Conditions, the Trust Certificates, the provisions of the Declaration of Trust or any other Transaction Document can only be amended by SEC and the Trustee with the prior written consent of the Delegate. The Delegate may agree, without the consent of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions, the Trust Certificates, the Declaration of Trust or any other Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event shall not be treated as such, if, in the opinion of the Delegate:

- (a) such modification is of a formal, minor or technical nature; or
- (b) such modification is made to correct a manifest error; or
- (c) such modification, waiver, authorisation or determination is not, in the sole opinion of the Delegate, materially prejudicial to the interests of Certificateholders and is other than in respect of a Reserved Matter,

***provided that***, in the case of (c) above, no such modification, waiver, authorisation or determination may be made in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of Trust Certificates.

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Delegate may determine, shall be binding upon the Certificateholders and shall as soon as practicable thereafter be notified by the Trustee to Certificateholders in accordance with Condition 17 (*Notices*). Further, any such modification, waiver, authorisation or determination in relation to any Trust Certificates may adversely affect their trading price.

### ***Credit ratings assigned to SEC or any Trust Certificates do not reflect all the risks associated with an investment in the Trust Certificates and may be subject to revision or withdrawal***

One or more independent credit rating agencies may assign credit ratings to SEC or the Trust Certificates issued under the Programme. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above and any other factors that may affect the value of the Trust Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The Trustee has no obligation to inform Certificateholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to SEC and/or the Trust Certificates may adversely affect the trading price of the Trust Certificates.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction may also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to: (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended; and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for

a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Trust Certificates changes, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Trust Certificates may have a different regulatory treatment. This may result in relevant regulated investors selling the Trust Certificates which may impact the value of the Trust Certificates and any secondary market.

#### ***Trust Certificates where denominations involve integral multiples***

In relation to any issue of Trust Certificates which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Trust Certificates may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds a face amount of less than the minimum Specified Denomination would need to purchase an additional amount of Trust Certificates such that it holds an amount equal to at least the minimum Specified Denomination to be able to trade such Trust Certificates.

A holder who holds an amount which is less than the minimum Specified Denomination in his or her account with the relevant clearing system at the relevant time may not receive a definitive Trust Certificate in respect of such holding (should definitive Trust Certificates be printed or issued) and would need to purchase a face amount of Trust Certificates at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination in order to be eligible to receive a definitive Trust Certificate.

If definitive Trust Certificates are issued, holders should be aware that definitive Trust Certificates which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### ***The Trust Certificates may be an ownership interest for the purposes of the Volcker Rule***

The Trustee may be a "covered fund" for the purposes of the Volcker Rule. Further, the Trust Certificates may constitute an "ownership interest" for the purposes of the Volcker Rule. As a result, the Volcker Rule may, subject to certain exemptions, prohibit certain banking institutions from, directly or indirectly, acquiring or retaining the Trust Certificates. This prohibition may adversely affect the liquidity and market price of the Trust Certificates. In addition, any entity that is a "banking entity" under the Volcker Rule and is considering an investment in the Trust Certificates should consider the potential impact of the Volcker Rule in respect of such investment and on its portfolio generally.

#### ***The Trust Certificates may be subject to early dissolution by SEC***

An early dissolution feature of any Trust Certificate is likely to limit its market value. During any period when SEC may elect to dissolve Trust Certificates, the market value of those Trust Certificates generally will not rise substantially above the dissolution amount payable. This also may be true prior to any dissolution period.

SEC may be expected to exercise an early redemption option when SEC's cost of financing is lower than the profit rate on the Trust Certificates. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Trust Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

In addition, if the amount payable on the Trust Certificates is required to be increased to include additional amounts in certain circumstances and/or SEC is required to pay additional amounts pursuant to certain Transaction Documents, in each case as a result of certain changes affecting taxation in the Cayman Islands or the Kingdom of Saudi Arabia or in each case any political subdivision or any authority thereof or therein having power to tax, the Trustee may redeem all but not some only of the Trust Certificates upon giving notice in accordance with the Conditions.

***There is no assurance that the Trust Certificates will be compliant with the principles of Islamic finance***

The *Shari'a* advisers have each confirmed that the Transaction Documents are, in their view, compliant with the principles of *Shari'a* as applicable to the Trust Certificates, and as interpreted by them. However, there can be no assurance that: (i) the Transaction Documents or any issue and trading of any Trust Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars; or (ii) any modifications to the transaction structure or any Transaction Document going forward would be deemed to be *Shari'a* compliant (including, without limitation, with respect to any Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") *Shari'a* Standards) by the aforementioned *Shari'a* advisers or any other *Shari'a* boards, advisers or scholars. None of the Trustee, SEC, the Delegate, the Arrangers, the Dealers or the Agents makes any representation to potential investors as to the *Shari'a* compliance of any Trust Certificates and/or any trading thereof, the Transaction Documents or the above pronouncements and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible. In addition, none of the Delegate, the Arrangers, the Dealers or the Agents will have any responsibility for monitoring or ensuring compliance with any *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) referred to in Conditions 10.4 (*Dissolution following a Total Loss Event*) or 10.6 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) nor shall it be liable to any Certificateholder or any other person in respect thereof. Potential investors should not rely on the above pronouncements in deciding whether to make an investment in the Trust Certificates and should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and whether the Trust Certificates will meet their individual standards of compliance and the issue and trading of the Trust Certificates with *Shari'a* principles, including the tradability of the Trust Certificates on any secondary market. Questions as to the *Shari'a* compliance of the Transaction Documents or the *Shari'a* permissibility of the issue and the trading of the Trust Certificates may limit the liquidity and adversely affect the market value of the Trust Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents or the Trust Certificates shall be, if in dispute, be referred to, and finally resolved by, arbitration under the Arbitration Rules of the London Court of International Arbitration (the "LCIA"), in London, England. In such circumstances, the arbitrator or court will apply the relevant law of the relevant Transaction Document and/or the Trust Certificates in determining the obligations of the parties.

***Shari'a requirements in relation to interest awarded by a court***

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive all and any entitlement it may have to interest awarded in its favour by an arbitrator as a result of any arbitration and/or by a court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment or arbitral award given against SEC, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

***The use of proceeds of Trust Certificates issued under the Programme may not meet investor expectations or requirements, including the expectations and requirements of environmentally focused investors***

The Final Terms relating to any specific Tranche of Trust Certificates may provide that it will be the Trustee's intention to apply the proceeds or an amount equal to the proceeds from an offer of those Trust Certificates specifically for assets and projects that promote climate-friendly, environmental and other sustainable purposes ("Eligible Projects"). The use of proceeds of the Trust Certificates subsequently received by SEC may not meet investor expectations or requirements. SEC will exercise its judgement and sole discretion in determining the businesses and projects that will be financed by the proceeds of the Trust Certificates. If the use of the proceeds of the Trust Certificates is a factor in an investor's decision to invest in the Trust Certificates, they should consider the disclosure in the section of this Base Prospectus entitled "Use Of Proceeds", and consult with their legal or other advisers before making an investment in the Trust Certificates. There can be no assurance that any of the businesses and projects funded with the proceeds from the Trust Certificates will meet the Green Sukuk Framework or an investor's expectations or requirements. Furthermore, there is no contractual obligation to investors to allocate the proceeds of the Trust Certificates to finance eligible businesses and projects or to provide annual progress reports as described in the section of this Base Prospectus entitled "Use Of Proceeds". SEC or any other company controlled by SEC's failure to so allocate or report the failure of any of the businesses and projects funded

with the proceeds from the Trust Certificates to meet the Green Sukuk Framework will not constitute a Dissolution Event with respect to the Trust Certificates and may affect the value and/or the trading price of the Trust Certificates and/or have adverse consequences for certain investors with portfolio mandates to invest in green assets.

Furthermore, it should be noted that there is currently no clearly-defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or "sustainable" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or "sustainable" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors (whether by the Trustee, SEC, the Dealers, the Agents or any other person) that any projects or uses the subject of, or related to, any of the businesses and projects funded with the proceeds from the Trust Certificates will meet any or all investor expectations regarding such "green", "sustainable" or other equivalently-labelled performance objectives, including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "**EU Taxonomy Regulation**") or Regulation (EU) 2020/852 as it forms part of domestic law in the United Kingdom by virtue of the EUWA, or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any of the businesses and projects funded with the proceeds from the Trust Certificates.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by SEC or any other company controlled by SEC) which may be made available in connection with the issue of the Trust Certificates and in particular with any of the businesses and projects funded with the proceeds from the Trust Certificates to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Trustee, SEC, the Dealers, the Delegate, the Agents or any other person to buy, sell or hold the Trust Certificates. Any such opinion or certification is only current as at the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Trust Certificates. The providers of such opinions and certifications are not currently subject to any specific regulatory or other regime or oversight.

If the Trust Certificates are at any time listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Trustee, SEC, the Dealers, the Agents or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own bylaws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from the Trust Certificates. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Trustee, SEC, the Dealers, the Delegate, the Agents or any other person that any such listing or admission to trading will be obtained in respect of the Trust Certificates or, if obtained, that any such listing or admission to trading will be maintained during the life of the Trust Certificates.

### **Risk factors relating to the Lease Assets**

#### ***The occurrence of a Partial Loss Event could result in the Trust Certificates of the relevant Series being redeemed early***

If a Partial Loss Event occurs with respect to the Lease Assets of a Series, the Lessee may within 30 days after the Partial Loss Event (and *provided that* the relevant Lease Assets have not already been replaced in accordance with the Servicing Agency Agreement), deliver to the Lessor a Partial Loss Termination Notice, pursuant to which the Lease shall terminate on the 61<sup>st</sup> day after the date of the Partial Loss Event. If the Lessee does not serve a termination notice on or before the 30<sup>th</sup> day after the Partial Loss Event but fails to replace the relevant Lease Assets by no later than the 60<sup>th</sup> day after the date of the Partial Loss Event, the Lease shall automatically terminate on the 61<sup>st</sup> day after the Partial Loss Event occurred and such

termination of the Lease in either of the circumstances set out in this paragraph shall constitute an SEC Event, following which the Trust Certificates of the relevant Series may be redeemed in full in accordance with the Conditions.

### **Risk factors relating to enforcement**

#### ***There are uncertainties around the choice of English law as the governing law of certain Transaction Documents and around enforcement of foreign arbitral awards in the Kingdom***

The Trust Certificates and certain of the Transaction Documents are expressed to be governed by English law as set out below and provide for the resolution of disputes by arbitration under the Arbitration Rules of the London Court of International Arbitration. Despite this, the courts and judicial committees of the Kingdom may not recognise the choice of English law. In addition, whilst the option made in favour of the Trustee and the Delegate to elect for arbitration is valid under English law and is not restricted under Saudi Arabian law, investors should note that SEC is not aware of Saudi Arabian court precedents confirming the validity of this option and as such there can be no assurance whether the Saudi Arabian courts will recognise and enforce any arbitral award made under this option. Accordingly, in any proceedings relating to the Trust Certificates in the Kingdom, *Shari'a*, as interpreted in the Kingdom, may be applied by the relevant court or judicial committee. The courts and judicial committees of the Kingdom have the discretion to deny the enforcement of any contractual or other obligations, if, in their opinion, the enforcement thereof would be contrary to the principles of *Shari'a*. Moreover, provisions of foreign law may not be enforceable in the Kingdom.

Further, a new Bankruptcy Law was issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G) (as amended, the "**Bankruptcy Law**"), which came into effect on 18 August 2018. The Bankruptcy Law has transferred the jurisdiction to supervise insolvency and bankruptcy proceedings of commercial entities from the Board of Grievances to the Commercial Courts. The Bankruptcy Law remains relatively new and several provisions are untested or are subject to different interpretations. Therefore, there is some uncertainty as to the practical application of certain provisions under the Bankruptcy Law. Further, the application of the Bankruptcy Law may adversely impact the performance of certain obligations and the enforceability of certain provisions under the Transaction Documents.

The Enforcement Courts have jurisdiction over the enforcement of enforcement instruments as defined in the Enforcement Law (Royal Decree No. M/53 dated 13/08/1433H corresponding to 03/07/2012G) (the "**Enforcement Law**") as amended. The Enforcement Courts may enforce all or any part of a foreign arbitral award **provided that**: (a) there is reciprocity in the enforcement of Saudi Arabian judgements or arbitral awards in the courts of the relevant jurisdiction; (b) the courts of the Kingdom do not hold exclusive jurisdiction over the dispute and the foreign arbitral award was issued in accordance with the jurisdictional rules of that country; (c) the respective parties to the foreign arbitral award were present, duly represented and able to defend themselves; (d) the arbitral award is final; (e) the arbitral award does not conflict with any ruling or order issued by a court of competent jurisdiction on the same matter in the Kingdom; and (f) the arbitral award is not contrary to any public policy of the Kingdom. Reciprocity may be demonstrated by way of the existence of a treaty or protocol between the Kingdom and the relevant jurisdiction or by virtue of a plaintiff providing evidence that the relevant foreign judicial body has recognised and enforced a Saudi Arabian judgment on a previous occasion. In the case of an English judgment, there is no relevant treaty and, accordingly, Certificateholders seeking to enforce an English judgment might be required to adduce other evidence of such reciprocity. No assurance can be given that investors would be able to meet the requirements of reciprocity of enforcement. Even if Certificateholders were able to meet this requirement, they should be aware that if any terms of the Trust Certificates or the Transaction Documents (including any provisions relating to the payment of profit) were found to be inconsistent with *Shari'a*, they would not be enforced by the Enforcement Courts.

#### ***Arbitration awards relating to disputes under certain of the Transaction Documents may not be enforceable in the Kingdom***

The parties to the Transaction Documents have agreed to refer any unresolved dispute in relation to such Transaction Documents to arbitration under the Arbitration Rules of the London Court of International Arbitration. Although the Kingdom is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958 (the "**New York Convention**"), enforcement in the Kingdom of a foreign arbitration is not certain. For example, there are a number of circumstances in which recognition of an arbitral award under the New York Convention may be declined, including where the

award is contrary to the public policy of the receiving state. As a consequence, any arbitral award deemed by a court in the Kingdom as contrary to the public policy of the Kingdom may not be enforceable in the Kingdom. As such, Certificateholders may ultimately not be able to enforce the Trustee's and/or SEC's obligations under the Transaction Documents.

*The terms of the Declaration of Trust may not be enforceable in the Kingdom*

The laws of the Kingdom do not recognise the concept of a trust or beneficial interests in connection with trusts. Accordingly, there is no certainty that the terms of the Declaration of Trust (which is governed by English law) would be enforced by the courts of the Kingdom and as such, there can be no assurance that the obligations of the Trustee under the Declaration of Trust to act on behalf of the Certificateholders in accordance with their instructions (given in accordance with the terms and conditions of the Trust Certificates) are enforceable as a matter of contract under the laws of the Kingdom or that the courts of the Kingdom would recognise any claim of the Delegate on behalf of Certificateholders under the Transaction Documents pursuant to the Declaration of Trust.

*There are concerns as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in the Kingdom to a Saudi Arabian company on behalf of foreign nationals unless a corporate presence is formed in the Kingdom and the relevant licensing requirements have been met*

The Foreign Investment Law issued under Royal Decree No. M/1 dated 5/1/1421H (corresponding to 10/4/2000G) as amended and the Anti-Cover Up Regulations issued pursuant to Royal Decree No. M/4 dated 1/1/1422H (corresponding to 20/8/2020G) prohibits Kingdom companies from doing business in the Kingdom on behalf of foreign nationals unless a corporate presence is formed in the Kingdom and the relevant licensing requirements have been met. The Trustee could be interpreted as contravening this prohibition by entering into each Purchase Agreement and the other relevant Transaction Documents to which it is a party.

On the basis of the foregoing, prospective investors should note that there is uncertainty as to the effectiveness under Saudi Arabian law of any transfer of an interest in an asset in the Kingdom pursuant to the Transaction Documents, absent compliance with the matters specified above. As a result, if SEC fails to comply with its obligations under the Transaction Documents, a Saudi Arabian court or judicial or administrative tribunal is likely proceed in one of the following two ways:

- (a) a Saudi Arabian court or judicial or administrative tribunal may consider the Transaction Documents as a whole and give effect to the commercial intention of the parties to treat the arrangements set out therein as a financing transaction without requiring compliance with the Foreign Investment Law (and as not being in breach of the Anti-Cover Up Regulations), and subject to the other risks described in this "*Risk factors relating to enforcement*" section may enforce the payment obligations set out in the relevant Transaction Documents; or
- (b) a Saudi Arabian court or judicial or administrative tribunal may characterise the transactions contemplated by each Purchase Agreement and the other relevant Transaction Documents as an unlawful investment which is void as a result of non-compliance with any of the matters specified above. If that is the case, a Saudi Arabian court or judicial or administrative tribunal is likely to require that SEC return to the Trustee the relevant proceeds of the issuance of the Trust Certificates of the relevant Series less any rental amounts already paid, and may appoint an expert to determine the amount of damages (if any) to which the parties may be entitled to.

Claims for specific performance under the Transaction Documents may not be granted and there can be no assurances as to the level of damages that may be awarded in the event of a breach under the Transaction Documents.

In the event that SEC fails to perform its obligations under any Transaction Document, the potential remedies available to the Trustee and the Delegate include obtaining an order for specific performance of the relevant obligations or a claim for damages. On the basis of the above, there can be no assurance that a court will provide an order for specific performance which is a discretionary matter. Furthermore, the amount of damages which a court in the Kingdom may award in respect of a breach will depend upon a number of possible factors including an obligation on the Trustee, SEC or the Delegate to mitigate any loss arising as a result of the breach. No assurances can be provided as to the level of damages a court may award in the event of a failure by SEC to perform its obligations as set out in the Transaction Documents, and therefore prospective Certificateholders should note that, if damages are awarded, they may receive

less than they would had an order for specific performance been granted, therefore leaving them in a detrimental position.

*Courts and judicial committees in the Kingdom may not give effect to an SEC Event*

Prospective Certificateholders should note that the courts and judicial committees of the Kingdom may not give effect to any of an SEC Event (as set out in the Purchase Undertaking) other than those SEC Events relating to the non-payment of amounts due under the Transaction Documents.

*Courts and judicial committees of the Kingdom will not give effect to penalties and certain types of indemnities*

Prospective Certificateholders should note that should any provision of the Transaction Documents be construed by a court or judicial committee in the Kingdom to be an agreement to pay a penalty rather than a genuine estimate of loss incurred, such provision may not be enforced in the Kingdom. Further, any indemnity provided by SEC pursuant to the Transaction Documents or in relation to any Series may not be enforceable under the laws and regulations of the Kingdom to the extent that it: (a) purports to be effective notwithstanding any judgment or order of a court to the contrary; or (b) is contrary to any applicable law or public policy relating thereto. As such, Certificateholders may ultimately not be able to enforce the Trustee's and/or SEC's relevant obligations under the Transaction Documents.

*Compliance with bankruptcy laws in the Kingdom may affect SEC's ability to perform its obligations under the Transaction Documents*

In the event of SEC's insolvency, bankruptcy laws in the Kingdom may adversely affect SEC's ability to perform its obligations under the Transaction Documents to which it is a party and, in turn, affect the Trustee's ability to perform its obligations in respect of the Trust Certificates. There is little precedent to predict how claims by or on behalf of the Certificateholders and/or the Delegate would be resolved in the event of SEC's bankruptcy and accordingly it is uncertain exactly how and to what extent the Transaction Documents would be enforced by a Saudi Arabian adjudicatory body if such Saudi Arabian adjudicatory body were to void or otherwise cause such document, or any part thereof, to be void or ineffective and therefore there can be no assurance that Certificateholders will receive repayment of their claims in full or at all in these circumstances.

The Bankruptcy Law provides various procedures with respect to protective settlement, financial restructuring, liquidation, and administrative liquidation and provides, among other things, that insolvency-related contract termination triggers are generally void with exceptions stipulated in relation to government contracts. Further exceptions in relation to finance transactions are to be determined by the Kingdom's Central Bank and the Capital Market Authority after liaising and agreeing with the Saudi Arabian Ministry of Commerce. The Bankruptcy Law also provides that a trustee may terminate a contract if such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) is necessary to implement the relevant proposal. The Bankruptcy Law repealed articles 103-137 of the Commercial Court Law issued pursuant to Royal Decree No. 32 dated 15/1/1350H (corresponding to 1/06/1931G), the Law on Settlements for the Avoidance of Bankruptcy pursuant to Royal Decree No. M/16 dated 4/9/1416 H (corresponding to 24/01/1996G) as well as any other provision that contradicts the Bankruptcy Law.

The implementing regulations to the Bankruptcy Law issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4/09/2018G) and published in the official gazette on 30/12/1439H (corresponding to 10/09/2018G) (the "**Bankruptcy Law Implementing Regulations**") further provide for the bankruptcy rules and procedures in the Kingdom. The Bankruptcy Law Implementing Regulations provide that a debtor (in respect of a protective settlement) may request that the court terminates any contract that such debtor is a party to by submitting a report issued by a registered custodian that proves that such termination: (a) is in the interest of the majority of the relevant creditors; (b) would not harm the counterparty; and (c) will protect the business of the debtor.

A court may, after accepting a request to open any of the liquidation procedures set out in the Bankruptcy Law, take certain precautionary measures, at its own discretion or upon a request by an interested party, such as seizing the assets of the debtor whether such assets are held by the debtor or by third parties.

The Bankruptcy Law and its implementing regulations are relatively recent and hence their application, and how the Saudi Arabian courts and judicial committees will apply them, is yet to be seen in full effect in practice.

*The interpretation of the compliance of the Trust Certificates and Transaction Documents with Shari'a principles may differ amongst the Kingdom's courts and judicial committees*

The Master Lease Agreement, each Supplemental Lease Agreement, Master Purchase Agreement, each Supplemental Purchase Agreement and each Sale Agreement will be governed by, and will be construed in accordance with, the laws of the Kingdom. Prospective Certificateholders should note that the various courts and judicial committees of the Kingdom applying Saudi law, and, in particular, the relevant principles of Islamic law are generally construed and applied pursuant to the teachings of the Hanbali school of jurisprudence, which may interpret or enforce, or reinterpret, any Kingdom-law governed Transaction Document other than in accordance with its terms. There are majority and minority views within the Hanbali school of jurisprudence either of which may be applied in any particular case. In this regard, the courts and judicial committees of the Kingdom may decline to enforce any contractual or other obligations (including any provisions relating to the payment of profit) if it is their view that the enforcement thereof would be contrary to principles of *Shari'a*.

Prospective Certificateholders should note that to the best of the Trustee's and SEC's knowledge, no securities of a similar nature to the Trust Certificates have previously been the subject of adjudicatory interpretation or enforcement in the Kingdom. Accordingly, it is uncertain exactly how and to what extent the Transaction Documents to which SEC is a party (or any of them), would be enforced by the Committee or any other adjudicatory authority in the Kingdom.

Prospective Certificateholders should note that different *Shari'a* advisers and courts and judicial committees in the Kingdom may form different opinions on identical issues and therefore prospective Certificateholders should consult their own legal and *Shari'a* advisers to receive an opinion, as to the compliance or otherwise of the Trust Certificates and the Transaction Documents with *Shari'a* principles. Prospective Certificateholders should also note that each of the *Shari'a* advisers have confirmed that the Trust Certificates and the Transaction Documents are in compliance with *Shari'a* principles, such approvals and confirmations would not bind a court or judicial committee in the Kingdom, including in the context of any insolvency or bankruptcy proceedings relating to SEC, and any court or judicial committee in the Kingdom will have the discretion to make its own determination about whether the Transaction Documents comply with the laws of the Kingdom and *Shari'a* principles and therefore are enforceable in the Kingdom.

*Courts and judicial committees in the Kingdom may not give effect to unilateral promises*

Under Islamic law there are different opinions amongst scholars with respect to the enforceability of a unilateral promise which can be divided into three distinct positions: (i) a unilateral promise will be enforceable in all circumstances; (ii) a unilateral promise will not be enforceable in any circumstances; and (iii) a unilateral promise will be enforceable where a breach would cause harm to the promisee. In addition, the absence of both a doctrine of binding precedent in the Kingdom and a public centralised index of previous judgments of courts and judicial committees allow judges notable interpretative discretion and thus render it difficult to predict which of the above positions would be followed by a court or judicial committee in the Kingdom. As a result, such a unilateral promise may not create an obligation which would be enforceable before the courts and judicial committees of the Kingdom. The Purchase Undertaking is a unilateral promise from SEC to the Trustee and the Delegate. Accordingly, prospective Certificateholders should be aware that its terms may not be enforceable before the courts and judicial committees of the Kingdom and, as a consequence, Certificateholders may not receive the relevant Dissolution Amounts due to them under the Trust Certificates.

***Shari'a requirements in relation to interest***

In accordance with applicable *Shari'a* principles, each of the Trustee and the Delegate will waive any entitlement it may have to interest awarded in connection with a dispute under the Transaction Documents and accordingly Certificateholders will not be entitled to receive any such interest. No such waiver constitutes a waiver of rights in respect of rental or revenues under the Transaction Documents or from the Lease Assets, or in respect of any Periodic Distribution Amounts or profit or principal of any kind howsoever described payable by SEC (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or the Conditions. However, Certificateholders should be aware that they will

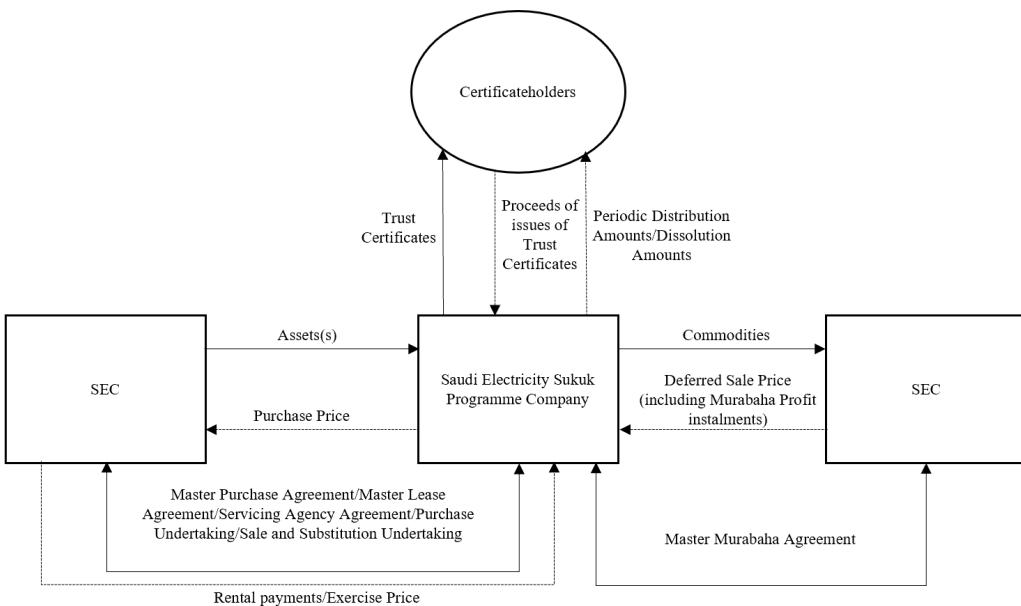
not be entitled to receive the same amounts as they would in respect of a transaction in which the Trustee and the Delegate have not waived any right to receive interest.

***There can be no assurance as to whether the waiver of immunity provided by SEC will be valid and binding under the laws of the Kingdom***

SEC has agreed, in the Transaction Documents to which it is a party, that it will not claim and has waived, to the fullest extent possible under applicable law, immunity from suit, execution before judgment or otherwise or other legal process. However, there can be no assurance as to whether such waivers of immunity from execution or attachment or other legal process by it under Transaction Documents to which SEC is a party are valid and binding under the laws of the Kingdom. If the waiver is not valid and binding, there is a risk that the waiver may not be able to be enforced against SEC. As such, Certificateholders may ultimately not be able to enforce SEC's relevant obligations under the Transaction Documents.

## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Series of Trust Certificates to be issued under the Programme. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this document for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.



### Cashflows

#### *Payments by the Certificateholders and the Trustee*

On the Issue Date of each Tranche of Trust Certificates, the relevant Certificateholders will pay the issue price (the "**Issue Proceeds**") in respect thereof to the Trustee, and the Trustee will pay:

- (a) the Ijara Percentage of the aggregate face amount of the relevant Trust Certificates as specified in the applicable Final Terms (which, in the case of the first Tranche of a Series of Trust Certificates, shall be at least 55 per cent.) as the purchase price (the "**Purchase Price**") payable under the relevant Supplemental Purchase Agreement for the relevant asset(s) comprising certain asset(s) located in the Kingdom (in the case of the first Tranche of a Series of Trust Certificates, the "**Asset(s)**" or, if applicable, (in the case of each subsequent Tranche of such Series) the "**Additional Asset(s)**"); and
- (b) the remaining portion of the Issue Proceeds (if any) equal to the Murabaha Percentage of the aggregate face amount of the relevant Trust Certificate as specified in the applicable Final Terms (which, in the case of the first Tranche of a Series of Trust Certificates, shall be no more than 45 per cent.) in the purchase of commodities to be sold to SEC on a deferred payment basis for an amount specified in a letter of offer and acceptance (the "**Deferred Sale Price**") pursuant to the Master Murabaha Agreement.

#### *Periodic Payments by the Trustee*

On each Periodic Distribution Date, the Servicing Agent (on behalf of the Trustee) will apply amounts standing to the credit (or equivalent) of a collection account (comprised of a rental payment (pursuant to the relevant Lease Agreement) and an instalment payment of any Profit Amount (as defined in the Master Murabaha Agreement) each as paid by SEC (acting in its relevant capacities under the Lease Agreement and the Master Murabaha Agreement, as applicable, into the Collection Account)) in payment into the relevant Transaction Account of an amount which is intended to be sufficient to fund the Periodic

Distribution Amount payable by the Trustee under the Trust Certificates and shall be applied by the Trustee for that purpose.

***Dissolution Payments***

On the Scheduled Dissolution Date:

- (a) the aggregate amounts of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable by SEC; and
- (b) the Trustee and the Delegate will have the right under the Purchase Undertaking to require SEC (in its capacity as obligor) to purchase all of its rights, title and interests in, to and under the relevant Lease Asset(s) for an amount equal to the Exercise Price.

The Exercise Price payable by SEC (in its capacity as purchaser) to the Trustee (in its capacity as seller), together with the aggregate amounts of the Deferred Sale Price then outstanding, if any, are intended to fund the relevant Final Dissolution Amount payable by the Trustee under the Trust Certificates.

The Trust may be dissolved prior to the Scheduled Dissolution Date for a number of reasons including: (i) unless the relevant Lease Assets have been replaced in accordance with the Servicing Agency Agreement, upon the occurrence of a Total Loss Event; (ii) upon the occurrence of a Tax Event; (iii) upon the occurrence of a Dissolution Event; (iv) where so specified in the applicable Final Terms, at the option of SEC; (v) where so specified in the applicable Final Terms at the option of any Certificateholder; (vi) where so specified in the applicable Final Terms, if 75 per cent. or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled; (vii) upon the occurrence of a Tangibility Event; (viii) upon the occurrence of a Change of Control. In the case of (ii), (iii), (iv), (v), (vi), (vii) and (viii) above, the relevant Dissolution Amount will be funded by SEC (A) purchasing the relevant Lease Asset(s) and pay the relevant Exercise Price (or Certificateholder Put Right Exercise Price, Tangibility Event Certificateholder Put Right Exercise Price or Change of Control Exercise Price, as the case may be) and (B) paying the aggregate amounts (or, as the case may be, a portion) of the Deferred Sale Price then outstanding, if any, in each case to or to the order of the Trustee (pursuant to the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, and the Master Murabaha Agreement, if applicable).

In the case of (i) above, the Dissolution Amount will be funded using (a) any proceeds of Insurances and/or (if applicable) the Loss Shortfall Amount payable in respect of the Total Loss Event, and (b) the aggregate amounts of the Deferred Sale Price then outstanding.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published, and have been filed with the FCA, shall be incorporated in, and form part of, this Base Prospectus:

- the 2022 Financial Statements, together with the auditors' report thereon and the notes thereto (available at: <https://www.se.com.sa/en-us/Lists/AnnualFinancialReports/Attachments/42/SEC%20FY%202022%20PSRF%20English%20law.pdf>); and
- the 2021 Financial Statements, together with the auditors' report thereon and the notes thereto (available at: [https://www.se.com.sa/en-us/Lists/AnnualFinancialReports/Attachments/34/SECEnglish\\_year\\_end\\_FS\\_2021.pdf](https://www.se.com.sa/en-us/Lists/AnnualFinancialReports/Attachments/34/SECEnglish_year_end_FS_2021.pdf)).

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Following the publication of this Base Prospectus a supplement may be prepared by the Trustee and SEC and approved by the FCA in accordance with Article 23 of the UK Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

## USE OF PROCEEDS

The net proceeds of each Tranche of Trust Certificates issued under the Programme will be applied by the Trustee pursuant to the terms of the relevant Transaction Documents on the relevant Issue Date in the following proportion: (A) the Ijara Percentage of the aggregate face amount of the Trust Certificates of such Tranche as specified in the applicable Final Terms towards the purchase from SEC of all of its rights, title and interests in, to and under (in the case of the first Tranche) the Asset(s) and, if applicable (in the case of each subsequent Tranche) the Additional Asset(s) pursuant to the relevant Purchase Agreement; and (B) if applicable, the Murabaha Percentage of the aggregate face amount of the Trust Certificates of such Tranche as specified in the applicable Final Terms towards the purchase of commodities to be sold to SEC pursuant to the Master Murabaha Agreement.

The proceeds of each Tranche issued subsequently received by SEC in consideration for the transactions entered into with the Trustee as set out above, as applicable, will be applied by SEC for: (i) its general corporate purposes, including capital expenditures; (ii) if so specified in the applicable Final Terms, to fund a portfolio of Eligible Projects as set out in the SEC Group's Green Sukuk Framework (see "*Description Of The SEC Group's Business – Green Sukuk Framework*"); or (iii) as otherwise described in the applicable Final Terms.

## **DESCRIPTION OF THE TRUSTEE**

### **General**

Saudi Electricity Sukuk Programme Company, an exempted company incorporated on 20 December 2021 with limited liability under the Companies Act (as amended) of the Cayman Islands with registered number 384957 whose registered office is at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands, and whose telephone number is +1 345 814 7600.

The Trustee has no subsidiaries. The issued share capital of the Trustee is comprised of one hundred (100) ordinary shares with a par value of U.S.\$1.00 each. The Trustee's ordinary shares are 100 per cent. owned by SEC.

### **Business of the Trustee**

The Trustee has limited operating history or prior business and does not and will not have any substantial liabilities other than in connection with Trust Certificates that will be issued under the Programme. The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association, as registered or adopted on 20 December 2021.

### **Financial Statements**

Since the date of its incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law to publish audited financial statements.

### **Directors of the Trustee**

The Directors of the Trustee are as follows:

<b>Name:</b>	<b>Principal Occupation:</b>
Aaron Bennett	Senior Vice President
Karen Ellerbe	Senior Vice President

The business address of Karen Ellerbe is at c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands.

The business address of Aaron Bennett is at c/o Walkers Professional Services (Middle East) Limited, PO Box 506513, Level 14, Burj Daman, Dubai International Financial Centre, Dubai, United Arab Emirates.

There are no conflicts of interest between the private interests or other duties of the Directors of the Trustee listed above and their respective duties to the Trustee other than in their capacities as employees of Walkers Fiduciary Limited, the corporate services administrator of the Trustee.

The Trustee has no employees and is not expected to have any employees in the future.

### **The Administrator**

Walkers Fiduciary Limited will also act, or procure that a subsidiary acts, as the corporate service provider of the Trustee. The office of the Trustee Administrator will serve as the general business office of the Trustee. Through the office, and pursuant to the terms of the Corporate Services Agreement, the Trustee Administrator will perform in the Cayman Islands various administrative functions on behalf of the Trustee, including engaging in communications with shareholders and the general public, and the provision of certain clerical, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Trustee Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses. The terms of the Corporate Services Agreement provide that the Trustee may terminate the appointment of the Trustee Administrator by giving one month's notice to the Trustee Administrator or without notice upon the happening of certain stated events, including any breach by the Trustee Administrator of its obligations under the Corporate Services Agreement. In addition, the Corporate Services Agreement provides that the Trustee Administrator shall be entitled to retire from its appointment by giving at least one month's notice in writing.

The Trustee Administrator will be subject to the overview of the Trustee's Directors.

The Trustee Administrator's principal office is c/o Walkers Fiduciary Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008, Cayman Islands. The Directors of the Trustee are all employees or officers of the Trustee Administrator. The Trustee has no employees and is not expected to have any employees in the future.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated historical financial information as at and for the years ended 31 December 2021 and 2022 has been derived from the 2022 Financial Statements, prepared in accordance with IFRS as endorsed in the Kingdom and other standards and pronouncements that are issued by SOCPA and audited by KPMG Professional Services in accordance with International Standards on Auditing as endorsed in the Kingdom and which are included elsewhere in this document.

Prospective investors should read the following selected consolidated financial information in conjunction with the information contained in "*Presentation of Financial Information*", "*Risk Factors*", "*Financial Review*", "*Description Of The SEC Group's Business*" and the Financial Statements (including the related notes thereto).

### STATEMENT OF INCOME

The following table shows SEC's consolidated statement of income data for the years ended 31 December 2022 and 2021.

	Year ended 31 December (audited)	
	2022	2021
	(SAR million)	
Operating revenue .....	72,079	69,338
Cost of revenue .....	(52,320)	(48,796)
<b>Gross profit</b> .....	<b>19,759</b>	<b>20,542</b>
Other Income / (Expenses), net .....	1,214	(813)
Provision for receivable from consumption of electricity and other receivables, net...	(1,378)	(1,075)
General and administrative expenses.....	(1,610)	(885)
Fuel settlement expense .....	-	(208)
<b>Operating income for the year</b> .....	<b>17,985</b>	<b>17,561</b>
Finance income .....	61	33
Finance expense .....	(2,741)	(2,592)
<b>Finance costs, net</b> .....	<b>(2,680)</b>	<b>(2,559)</b>
Share of gain/(loss) from equity accounted investees.....	308	(10)
<b>Income for the year before zakat</b> .....	<b>15,613</b>	<b>14,992</b>
Zakat expenses .....	(417)	(456)
<b>Profit for the year from continued operations</b> .....	<b>15,196</b>	<b>14,536</b>
Loss for the year from discontinued operations.....	(61)	(145)
<b>Profit for the year</b> .....	<b>15,135</b>	<b>14,391</b>
Earnings per share (expressed in SAR):		
Basic and diluted earnings per share from continuing operations	1.81	1.65
Basic and diluted earnings per share .....	1.79	1.62

## STATEMENT OF FINANCIAL POSITION

The following table shows SEC's consolidated statement of financial position data as at 31 December 2022 and 31 December 2021, respectively.

	31 December	
	2022	2021
	(audited) (SAR million)	
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment, net.....	438,083	438,731
Right of use assets, net.....	90	64
Investment properties.....	447	449
Intangible assets, net .....	353	409
Equity accounted investees .....	4,623	1,470
Financial assets at amortised cost.....	29	31
Financial assets through other comprehensive income.....	359	353
Derivative financial instruments.....	210	16
<b>Total non-current assets .....</b>	<b>444,194</b>	<b>441,523</b>
<b>Current assets</b>		
Inventories, net.....	3,378	3,321
Receivables from sale of electricity, net.....	24,896	20,779
Loans and advances.....	1,177	544
Prepayments and other receivables.....	2,674	1,687
Cash and cash equivalents.....	3,163	6,243
Assets held for sale.....	-	785
<b>Total current assets .....</b>	<b>35,288</b>	<b>33,359</b>
<b>Total assets.....</b>	<b>479,482</b>	<b>474,882</b>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital.....	41,666	41,666
Statutory reserve .....	7,106	5,592
General reserve .....	702	702
Other reserves .....	514	(639)
Contractual reserve – Mudaraba instrument.....	861	861
Retained earnings.....	38,281	35,521
<b>Total equity before Mudaraba instrument (1) .....</b>	<b>89,130</b>	<b>83,703</b>
Fair value for Mudaraba instrument .....	159,169	159,169
Fair value adjustment of Mudaraba instrument .....	8,752	8,751
<b>Mudaraba instrument (2) .....</b>	<b>167,921</b>	<b>167,920</b>
<b>Total equity (1+2) .....</b>	<b>257,051</b>	<b>251,623</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Long-term loans .....	50,827	50,872
Sukuk .....	29,991	33,741
Employees' benefits obligation.....	8,304	7,938
Non-current portion of deferred revenue .....	68,830	63,854
Deferred government grants.....	1,399	1,526
Derivative financial instruments.....	80	490
Asset retirement obligations.....	-	270
Non-current portion of lease liabilities .....	60	56
<b>Total non-current liabilities .....</b>	<b>159,491</b>	<b>158,747</b>
<b>Current liabilities</b>		
Short term loans and facilities .....	15,286	13,850
Sukuk .....	3,751	10,419
Trade payables .....	3,189	2,988
Accruals and other payables.....	15,286	14,798
Provision for other liabilities and charges .....	1,506	1,493
Refundable deposits from customers.....	1,999	1,999
Payable to the government .....	-	4,571
Advances from subscribers .....	19,331	11,915
Current portion of deferred revenue .....	2,572	2,281
Current portion of lease liabilities .....	20	13
Derivative financial instruments.....	-	104
Liabilities related to assets held for sale .....	-	82
<b>Total current liabilities .....</b>	<b>62,940</b>	<b>64,512</b>
<b>Total liabilities.....</b>	<b>222,431</b>	<b>223,259</b>
<b>Total equity and liabilities .....</b>	<b>479,482</b>	<b>474,882</b>

## STATEMENT OF CASH FLOWS

The following table shows SEC's summary of the statement of cash flows data for the years ended 31 December 2022 and 2021.

	Year ended 31 December (audited)	
	2022	2021
Net cash generated from operating activities.....	42,435	46,284
Net cash used in investing activities.....	(30,012)	(26,060)
Net cash used in financing activities .....	(15,503)	(18,520)
Net change in cash and cash equivalents.....	(3,080)	1,704
Cash and cash equivalents at the beginning of the year.....	6,243	4,539
<b>Cash and cash equivalents at the end of the year.....</b>	<b>3,163</b>	<b>6,243</b>

## **FINANCIAL REVIEW**

The following discussion and analysis should be read in conjunction with the information set out in *"Presentation of financial information"*, *"Selected consolidated financial information"* and the Financial Statements.

The discussion of the SEC Group's financial condition and results of operations is based upon the Financial Statements. This discussion contains forward-looking statements that involve risks and uncertainties. The SEC Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings *"Cautionary Statement Regarding Forward-Looking Statements"* and *"Risk Factors"*.

See *"Presentation of financial information"* for a discussion of the source of the numbers presented in this section.

## OVERVIEW

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 at the date of this Base Prospectus, SEC is, indirectly, 81.1 per cent. owned by the Government, comprising a 74.3 per cent. share held by the Public Investment Fund ("PIF") and a 6.9 per cent. share held by Saudi Aramco, with the remaining 18.8 per cent. being held by the general public. SEC is rated A1 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. The SEC Group's total sales of electricity were 299,073 GWh in 2022, of which 142,648 GWh (47.7 per cent.) was sold to residential customers, 53,176 GWh (17.8 per cent.) was sold to industrial customers, 49,845 GWh (16.7 per cent.) was sold to commercial customers and 36,026 GWh (12.0 per cent.) was sold to governmental customers. The balance of 17,378 GWh (5.8 per cent.) was sold to other customers, such as agricultural, health and education, and desalination customers.

For the year ended 31 December 2022, the SEC Group's total consolidated operating revenue was SAR 72,079 million (compared to SAR 69,338 million for the year ended 31 December 2021) and its profit for the year was SAR 15,135 million (compared to SAR 14,391 million for the year ended 31 December 2021). As at 31 December 2022, the SEC Group's total assets were SAR 479,482 million (compared to SAR 474,883 million as at 31 December 2021).

## PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

The following is a discussion of the principal factors that have affected, or are expected to affect, the SEC Group's results of operations.

### Change in customer demand

Total energy consumption by the SEC Group's customers increased from 292,683 GWh in 2021 to 299,073 GWh in 2022 (an increase of 2.2 per cent. in 2022).

The increase in overall demand for electricity in the Kingdom in 2022 was primarily driven by growth in the commercial and industrial segments, the Kingdom's vibrant economic activity during 2022 and a continued growth in the subscriber base. Since the SEC Group was established in 2000, the number of its distribution customers has increased each year, reaching 10.5 million at 31 December 2021 and 10.9 million at 31 December 2022 (an increase of 3.9 per cent. in 2022).

### Reforms

In line with the objectives of Vision 2030, in November 2020, His Royal Highness Prince Abdulaziz bin Salman, the Minister of Energy and Chairman of the Ministerial Committee for Restructuring the Electricity Sector, announced a comprehensive reform package aimed at ensuring the sustainability and efficiency of the electricity sector. The introduction of a robust regulatory framework reinforces the commitment and transparency of the Government's support to SEC, providing clear mechanisms to support SEC. The regulatory and financial reforms approved by Royal orders included the following:

- cancelling the Government fee imposed on SEC, under Royal order No. 14006 dated 1 January 2021 (23/03/1439 AH);
- adopting the regulation of SEC's revenue according to the minimum operating costs model to determine the required revenue for the fiscal year 2020, covering both operating and financing costs, including the distribution of dividends due to all shareholders, including the PIF;
- adopting the regulation of SEC's revenue according to the Regulatory Asset-Based Model, starting from the fiscal year 2021; and
- a re-classification of the net financial obligations owed to the Government by SEC (See "*See Conversion of net Government liabilities into a Mudaraba perpetual equity-like instrument*").

Additionally, SEC entered into a sale and purchase agreement on 29 June 2022 to sell 100 per cent. of its share ownership in SPPC to the Government (represented by the Ministry of Finance and the Ministry of Energy). This step comes within the comprehensive regulatory framework to restructure the electricity

sector, and is an extension to the regulatory reforms announced in November 2020. These reforms aimed to address a number of financial challenges that the electricity sector and SEC faced in the past, and to lay the foundation for a sustainable and attractive financial structure for investment in the electricity sector in the future. SEC remains the key beneficiary of these measures, which have enabled SEC to strengthen its balance sheet and cash flows, as well as recover operational costs, earn a fair rate of return on investment, and fulfil all financial and operational obligations, including energy cost, and distribute dividends to its shareholders. See "*Description Of The SEC Group's Business – Regulatory And Financial Reforms*" for further details.

### **Relationship with the Government**

The Government owns, indirectly through the PIF and Saudi Aramco, 81.1 per cent. of SEC's issued share capital. The Government is also the SEC Group's largest customer as well as its offtaker, regulator and policy maker. On 29 June 2022, SEC Group entered into a sale and purchase agreement to sell its shares in SPPC to the Government (represented by the Ministry of Finance and the Ministry of Energy), followed by the transfer of certain power purchase agreements with independent power producers by SEC to SPPC, effective 1 July 2022. This sale aims to establish transparency in commercial relationships between parties operating in the electricity sector and to activate economically viable work mechanisms, which contributes towards achieving the objectives of the electricity sector in the Kingdom. SEC sells the power that it generates to SPPC under ECAs and buys the power that it transmits and distributes from SPPC as per the BSA to sell to its transmission and distribution customers. Consequently, SEC has contracted to supply its entire electricity power production to SPPC for the remaining periods of the entire productive life of its generation plants. The Government has, in the past, provided, and is expected to continue in the future to provide by way of a supportive regulatory regime and the balancing account, significant financial support to the SEC Group. For example, SEC recognised SAR 3.1 billion as other operational income for the year ended 31 December 2022 (SAR 1.7 billion for the year ended 31 December 2021), which represents the difference between required revenue and actual revenue based on the management's best estimate for the year ended 31 December 2022. For the year ended 2022, operating revenue also included an amount totalling SAR 210 million, being the required revenue correction for the year 2021, as approved by the regulator. See "*Description Of The SEC Group's Business – Regulatory And Financial Reforms*" for further details regarding the SEC Group's relationship with the Government.

### **Seasonality**

The operations and revenues of the SEC Group are affected by seasonal weather changes during the year. Revenues are materially lower during the winter months due to lower consumption of electricity whereas higher revenues are earned during summer months due to the increase in consumption of electricity as a result of high temperatures.

### **Significant capital expenditure programme**

The SEC Group is currently undertaking a significant capital expenditure programme which is described under "- *Liquidity And Capital Resources – Capital expenditure*". The increased capital expenditure has resulted and is expected to continue to result in a material increase in the SEC Group's fixed assets and, as a result, the SEC Group's depreciation charge has increased and is expected in future years to continue to increase. Under the new regulatory framework, the SEC Group is incentivised to incur capital expenditure as it is entitled to earn a fair return on its investments in regulated activities while the depreciation on RAB is also recovered as part of the SEC Group's required revenues. Furthermore, indebtedness undertaken in connection with the capital expenditure programme has increased the SEC Group's finance costs and any further indebtedness incurred will also increase its finance costs. SEC needs to invest in fixed assets to provide services to its customers, which, in turn, needs to be financed through debt and equity funds. These funds have costs associated with them which are compensated through the cost of capital under the regulatory framework. See "*Description Of The SEC Group's Business – Regulatory And Financial Reforms*" for further information.

## **SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In preparing the SEC Group's financial statements, management is required to make certain estimates, judgements and assumptions. These affect the reported amounts of the SEC Group's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its

estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements.

Certain of the significant accounting policies applied by the SEC Group are described below. For a summary of other significant accounting policies applied by the SEC Group, see note 6 to the 2022 Financial Statements and for a discussion of the SEC Group's use of estimates, assumptions and judgements, see note 5 to the 2022 Financial Statements (which includes a discussion as to the depreciation in useful life of the SEC Group's property machinery and equipment, except for lands, which resulted in adjusting the useful life of those assets leading in their depreciation of SAR 859 million for the year ended 31 December 2022).

## RESULTS OF OPERATIONS

### Comparison of the years ended 31 December 2022 and 31 December 2021

#### *Operating revenue*

The table below shows the breakdown of the SEC Group's operating revenue for each of 2021 and 2022.

	Year ended 31 December		Change (SAR million)	(% change)
	2021 (SAR million)	2022 (SAR million)		
Sales of electricity .....	60,989	88.0	62,334	86.5
Electricity service connection fees .....	2,184	3.1	2,449	3.4
Meter reading, maintenance and bills preparation fees .....	1,443	2.1	1,454	2.0
Transmission system revenues .....	1,581	2.3	1,380	1.9
Other operational revenue .....	3,141	4.5	4,462	6.2
<b>Total operating revenues .....</b>	<b>69,338</b>	<b>100.0</b>	<b>72,079</b>	<b>100.0</b>
			<b>2,741</b>	<b>4.0</b>

The SEC Group's operating revenues principally comprise its revenues from the sale of electricity to its customers. Electricity sold is either self-generated or purchased from SPPC. The table below shows the proportion of electricity sales by each customer segment for each of 2021 and 2022.

	Year ended 31 December		(% change)
	2021 (SAR million)	2022 (SAR million)	
Residential.....	26,389	26,460	0.3
Commercial.....	11,259	12,668	12.5
Government.....	12,183	11,526	(5.4)
Industrial.....	9,209	9,572	3.9
Others.....	1,949	2,108	8.2
<b>Total electricity sales.....</b>	<b>60,989</b>	<b>62,334</b>	<b>2.2</b>

In 2021 and 2022, the SEC Group generated 63.8 per cent. and 67.8 per cent. of the electricity which it sold to its distribution customers in the Kingdom. In 2022, the SEC Group accounted for 65.3 per cent. of the electricity generation capacity in the Kingdom. Additionally, SEC has equity stakes in IPPs and IWPPs, in the range of 5 to 50 per cent. Prior to 1 July 2022, the SEC Group owned, or was the sole off-taker under long-term power purchase agreements in respect of, all of the traded generation capacity in the Kingdom other than certain capacity utilised principally for its own use by Saudi Aramco, Ma'aden, Marafiq and SADAF. On 29 June, 2022, SEC entered into a sale and purchase agreement to sell its share in SPPC to the Government (represented by the Ministry of Finance and the Ministry of Energy). SEC and SPPC also signed the Business Transfer Framework Agreement. As part of this agreement, SEC and SPPC also entered into certain ECAs and a BSA as well as novation of fuel supply agreements, and fuel transportation agreements from SEC to SPPC, effective from 1 July 2022. This sets up the SPPC as a sole offtaker of electricity in the Kingdom. Pursuant to the carve-out of SPPC, SEC sells the power that it generates to SPPC under the ECAs and buys the power that it transmits and distributes to end customers from SPPC under the BSA. The SEC Group also derives operating revenue from the monthly tariff charged for meter reading, maintenance and bills preparation and a one-off tariff charged for making initial electricity

connections. The monthly tariff is determined by reference to the capacity of the meter used by each customer, whereas the one-off tariff is paid by the customer at the time of connecting to the grid but deferred by SEC and recognised in its accounts on a straight-line basis over the 35-year estimated average useful life of the equipment being installed.

The tariff-balancing account, which was implemented in 2021 (with effect from 2019), compensates the SEC Group for the difference between the regulatory-determined required revenue and the SEC Group's actual revenues. The SEC Group's required revenue is determined by the regulator. The difference between the required revenue and the forecasted actual revenue is defined as the "balancing account". This is recorded under other operational revenue of the Group. The SEC Group reassesses the reasonableness of the balancing account revenue and adjusts it accordingly, when required. Any difference arising from the re-assessment is adjusted to other operational revenue, and a receivable or payable is recognised for that amount. Interest income or expense on such receivable or payable balance is recognised based on the rate determined by WERA. WERA reassess the required revenue on an "ex-post basis", based on actual performance during subsequent years, and the SEC Group adjusts its assessment accordingly. SEC recognised an amount of SAR 3.1 billion for the year ended 31 December 2022 (SAR 1.7 billion for the year ended 31 December 2021), which represents the difference between required revenue and actual revenue based on management's best estimate for the year ended 31 December 2022. For the year ended 2022, operating revenue also included an amount totalling SAR 210 million, being the required revenue correction for the year 2021, as approved by the regulator.

The SEC Group's total operating revenue for 2022 amounted to SAR 72,079 million compared to SAR 69,338 million for 2021. The increase in the SEC Group's total operating revenues of SAR 2,741 million, or 4.0 per cent., in 2022 compared to 2021 principally reflected growth in demand for electric power, an increase in balancing account amounts recognized during 2022 and higher fiber optic rental revenues. Starting 2021, SEC's revenue pertaining to the balancing account is being calculated using the regulated asset base model with a specified weighted average cost of capital, has been approved. SEC recognised an amount of SAR 3.1 billion as the difference between required revenue and actual revenue based on the management's best estimate for the year ended 31 December 2022 other operating revenue for the period ended 31 December 2022 compared to SAR 1.7 billion for the period ended 31 December 2021. For the year ended 2022, operating revenue also included an amount totalling SAR 210 million, being the required revenue correction for the year 2021, as approved by the regulator.

The increase in the SEC Group's revenues from electricity sales principally reflected the Kingdom's vibrant economic activity in 2022, growth in commercial and industrial segments and continued growth in subscriber base. Other operating revenues jumped by 42.1 per cent. in 2022 compared to 2021 mainly due to recognition of higher balancing account and increase in, fiber optic lease revenue.

#### *Costs of revenue*

The table below shows the breakdown of the SEC Group's costs of revenue for each of 2021 and 2022.

	For the year ended 31 December				Change	% change
	2021		2022			
	(SAR million)	(% of total)	(SAR million)	(% of total)		
Fuel .....	7,682	15.7	3,736	7.1	(3,946)	(51.4)
Power purchased .....	9,710	19.9	24,056	46.0	14,346	147.7
Operation and maintenance expenses.....	12,073	24.7	14,114	27.0	2,041	16.9
Depreciation of operation and maintenance assets.....	19,267	39.5	18,876	36.1	(391)	(2.0)
Depreciation of right of use assets.....	63	0.1	16	0.0	(47)	(74.6)
Less: Power supplied to SPPC under Energy Conversion Agreement	-	-	(8,479)	(16.2)	-	-
<b>Total cost of sales.....</b>	<b>48,795</b>	<b>100.0</b>	<b>52,319</b>	<b>100.0</b>	<b>3,524</b>	<b>7.2</b>

The SEC Group's costs of revenue principally comprise depreciation in respect of its operation and maintenance assets, operation and maintenance expenses, the cost of the power purchased from SPPC (which, since 1 July 2022, has been offset by a credit for power supplied to SPPC under the ECAs) and fuel cost.

The increase in the SEC Group's costs of revenue of SAR 3,524 million, or 7.2 per cent., in 2022 compared to 2021 principally reflected increases in: (i) power purchased costs; and (ii) operation and maintenance expenses, which were offset by a reduction in fuel cost.

The SEC Group's purchased power costs increased by SAR 14,346 million, or 147.7 per cent., in line with higher electricity demand as well as the implementation of BSA effective from 1 July 2022, although this increase was offset by the SAR 8,479 million credit for power supplied to SPPC from 1 July 2022 under the ECAs.

The SEC Group's operation and maintenance expenses increased by SAR 2,041 million, or 16.9 per cent., in 2022 compared to 2021, mainly driven by input driven costs including labour, material and contracts costs.

Prior to 1 July 2022, the SEC Group purchased fuel from Saudi Aramco and power from Saline Water Conversion Corporation and other power generators, at rates set by Governmental resolutions. On 29 June 2022, SEC entered into a sale and purchase agreement to sell its shares in SPPC to the government represented by the Ministry of Finance and the Ministry of Energy. SEC and SPPC also entered into ECAs and a BSA as well as novation of fuel supply agreements and fuel transportation agreements from SEC to SPPC, all effective from 1 July 2022. See "*Description of the SEC Group's Business – Regulatory and Financial Reforms*" for further details. As a result, the SEC Group's fuel costs reduced by SAR 3,946 million, or 51.4 per cent., in 2022 compared to 2021.

#### ***Gross profit***

The SEC Group's gross profit for the year was SAR 19,759 million in 2022 compared to SAR 20,542 million in 2021, a decrease of SAR 783 million, or 3.8 per cent. This decrease reflected the fact that the SEC Group's operating revenue increased by less than its costs of revenue for the reasons discussed above.

#### ***Other income or expense, net***

The SEC Group's other income (net) for the year was SAR 1,214 million in 2022 compared to other expenses (net) of SAR 813 million in 2021, an increase of 249.4 per cent. This change mainly reflected the absence of provisions pertaining to disputed claims with third parties, increased deferred government grants, higher dividend income from investments and a change in joint operations treatment. From July 2022, SEC's interest in IPPs, previously accounted as joint operations under IFRS, have been de-consolidated and SEC now recognizes these investments in IPPs under equity accounting as joint ventures.

#### ***General and administrative expenses***

The SEC Group's general and administrative expenses principally comprise the cost of its general and administrative staff, communication, depreciation (operations and maintenance) and materials costs charged under this heading. The SEC Group's general and administrative expenses were SAR 1,610 million in 2022 and SAR 885 million in 2021. This reflected increase in contract cost, direct material cost, productivity programme and employee benefits.

#### ***Fuel settlement expense***

For the year ended 31 December 2022, the SEC recorded a one-off settlement of fuel due differences of nil compared to SAR 208 million for the year ended 31 December 2021.

#### ***Provision for receivable from the consumption of electricity and other receivables, net***

For the year ended 31 December 2022, the SEC Group's provision for receivable from the consumption of electricity and other receivables, net was SAR 1,378 million compared to SAR 1,075 million for the year ended 31 December 2021, an increase of 28.2 per cent. This increase reflected the movement in ageing of certain categories of receivables into higher buckets.

#### ***Operating income for the year***

The SEC Group's operating income for the year was SAR 17,985 million in 2022 compared to SAR 17,561 million in 2021, an increase of 2.4 per cent.

### ***Finance costs, net***

The SEC Group's finance costs principally comprise expenses relating to bank borrowings (less capitalised interest) and unwinding of discounts on employees' benefits obligations and asset retirement obligations. The SEC Group's finance income comprises interest income.

The SEC Group's net finance costs for the year were SAR 2,680 million in 2022 compared to SAR 2,559 million in 2021, an increase of 4.8 per cent., which principally reflected the high interest rate environment and lower capitalization of interest cost.

### ***Share of gain/profit or loss on equity accounted investees***

The SEC Group's share of gain/profit on equity accounted investees for the year was SAR 308 million in 2022 compared to loss on equity accounted investees for the year of SAR 10 million in 2021. This increase for the year ended 31 December 2022 reflected the impact of change in accounting treatment of joint operations.

### ***Zakat expenses***

The SEC Group's Zakat expense for the year was SAR 417 million in 2022 compared to SAR 456 million in 2021. This decrease is due to lower assessment of Zakat expense for 2022.

### ***Profit for the year***

The SEC Group's profit for the year was SAR 15,135 million in 2022 compared to SAR 14,391 million for 2021, an increase of 5.2 per cent. This increase reflected higher operating revenues mainly due to higher electricity sales as well as higher other operating revenues as a result of the balancing fund, a reduction in asset depreciation, higher other income mainly due to an absence of provisions pertaining to disputed claims with third parties and higher income from equity accounted investees mainly due to the change in classification of SEC's interest in IPPs, from being accounted as joint operations to joint ventures.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Overview**

The SEC Group's principal cash requirements are to fund its significant and ongoing capital expenditure programme, the principal elements of which are discussed further below. In past years the SEC Group's operating cash flow has been insufficient to fund the entirety of its capital expenditure programme and, as a result, proceeds from borrowings and from securities issued have been an important source of funds for the SEC Group. With the SEC Group's capital expenditure programme expected to remain at significant levels for the foreseeable future, proceeds from borrowings are expected to continue to form an important source of funding for the SEC Group in future years. SEC needs to invest in fixed assets in order to provide services to its customers, which, in turn, needs to be financed through debt and equity funds. These funds have costs associated with them which are compensated through the cost of capital under the new regulatory framework. See "*Description Of The SEC Group's Business – Regulatory And Financial Reforms*" for further information.

The SEC Group expects to meet its future financial obligations without being affected by a shortfall in working capital, through cash receipts from receivables and through facilities and bank loans. The SEC Group expects to meet its financial obligations without working capital deficit effects through cash collections of receivables and through bank facilities and loans.

### **Budgeting and planning**

Typically, SEC's annual budgeting process is managed by the financial planning department based on the demand projections, which are prepared by the Projects Approval and Awarding Committee in conjunction with the Ministry of Energy. SEC is required to submit its capital demand projections to WERA for approval. The demand projection is typically based on a long-term forecast, which is subject to periodic review and updating. The SEC Group's business units develop a budget and spending plan for investment based on such demand projection and also takes into consideration the spending requirements to improve security of supply, reliability, operational excellence and sustainability of the supply of electricity to end-users as well as enhancing the quality of service and coverage. Any project that has been approved in a prior budget is generally treated as committed capital expenditure. The SEC Group's corporate and strategic

planning department coordinates the investment plan and budget by the business units. Based on this approved budget, the SEC Group develops its funding plan for the year. To the extent the SEC Group's operating cash flow is expected to be insufficient to fund the entirety of its capital expenditure programme, the SEC Group then evaluates financing options, including borrowings and capital markets transactions. In the event that the SEC Group's internal cash flows and external borrowings are insufficient to fund its planned capital expenditure programme, SEC would defer these planned capital expenditures.

### Cash flow

The table below shows a summary of the SEC Group's cash flow from operating activities, investing activities and financing activities for each of 2021 and 2022.

	Year ended 31 December	
	2021	2022
	(SAR million)	
Net cash generated from operating activities.....	46,284	42,435
Net cash used in investing activities.....	(26,060)	(30,012)
Net cash used in financing activities .....	(18,520)	(15,503)
Cash and cash equivalents at end of the year.....	6,243	3,163

The SEC Group's net cash generated from operating activities in 2021 was SAR 46,284 million compared to SAR 42,435 million in 2022. This decrease principally reflected lower net income and changes in working capital mainly driven by increased outflows for receivables and lower inflows for deferred revenue offset by higher inflows related to advances from customers.

The SEC Group's net cash used in investing activities in 2021 was SAR 26,060 million compared to SAR 30,012 million in 2022. This increase almost entirely reflected increased purchases of property, plant and equipment in 2022 in relation to the SEC Group's capital expenditure programme, see "*Capital expenditure*". In 2021 and 2022, the SEC Group's purchase of property, plant and equipment totalled SAR 26,164 million and SAR 29,802 million, respectively

The SEC Group's net cash used in financing activities in 2021 was SAR 18,520 million compared to SAR 15,503 million in 2022. In 2021, the SEC Group's principal financing cash outflows were: (i) repayments on borrowings of SAR 19,575 million; a (ii) a payment of the Mudaraba coupon of SAR 7,728 million (referred to as a payment for contractual reserve); (iii) net finance costs paid of SAR 3,632 million and (iv) dividends of SAR 2,932 million and its principal financing cash inflow was proceeds from borrowings of SAR 14,910 million. In 2022, the SEC Group's principal financing cash outflows were; (i) repayments of borrowings of SAR 34,149 million; (ii) a payment of the Mudaraba coupon of SAR 7,661 million; (iii) net finance costs paid of SAR 3,714 million; and (iv) dividends of SAR 2,903 million and its principal financing cash inflow was proceeds from borrowings of SAR 32,958 million.

### Capital expenditure

As noted above, under "*Budgeting and planning*", SEC's capital expenditure is based on meeting anticipated future demand for electricity in the Kingdom and also takes into consideration the spending requirements to improve reliability and sustainability of the supply of electricity to end-users as well as enhancing the quality of service and coverage. Although SEC may prepare long-term demand forecasts and preliminary capital expenditure plans based on these forecasts, these plans are subject to material change from year to year.

The table below shows the SEC Group's capital expenditure on construction work in progress for each of 2021 and 2022.

	Year ended 31 December	
	2021	2022
	(SAR million)	
Generation projects .....	1,076	1,558
Transmission projects.....	6,776	7,602
Distribution projects.....	11,144	15,657
General property .....	2,717	2,571
Joint operations .....	6	0
<b>Total additions to projects under construction*</b> .....	<b>21,719</b>	<b>27,388</b>

\* Additions to projects under construction include capitalised interest

## Financial liabilities

The table below sets out the SEC Group's non-derivative financial liabilities split out into relevant maturity groupings based on the remaining period as at 31 December 2022 to the contract maturity date, noting all current financial liabilities fall within a maturity period of one year or less.

	31 December 2022				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
<b><i>Non-derivative financial liabilities:</i></b>					
Loans.....	15,286	3,703	39,815	7,309	66,113
Sukuk .....	3,751	13,124	2,429	14,437	33,742
Trade payables .....	3,189	-	-	-	3,189
Accrued expenses and other liabilities .....	15,286	-	-	-	15,286
Obligation lease.....	19	11	25	25	80
<b>Total .....</b>	<b>37,531</b>	<b>16,838</b>	<b>42,269</b>	<b>21,771</b>	<b>118,409</b>

## ANALYSIS OF SEC'S MATERIAL BORROWINGS

### Liabilities

The SEC Group's most significant liabilities are its borrowings (including term loans and facilities and sukuk) and its deferred revenue.

The table below shows a breakdown of SEC's borrowings as at 31 December 2022.

	Bank loans (Audited)	Sukuk (Audited)	Total (Audited)
		(SAR million)	
Non-current.....	50,827	29,991	80,818
Current.....	15,285	3,751	19,036
	<b>66,112</b>	<b>33,742</b>	<b>99,854</b>

The table below shows a breakdown of SEC's borrowings as at 31 December 2021.

	Bank loans (Audited)	Sukuk (Audited)	Total (Audited)
		(SAR million)	
Non-current.....	50,872	33,741	84,613
Current .....	13,849	10,419	24,268
	<b>64,721</b>	<b>44,160</b>	<b>108,881</b>

The table below shows a breakdown of the movements in borrowings during the year as follows (see note 33.2 of the 2022 Financial Statements for further details).

	Bank loans	Sukuk	Total
		(SAR million)	
<b>As at 1 January 2021 (audited).</b>	69,559	44,160	113,719
Proceeds.....	14,910	-	14,910
Repayments.....	(19,575)	-	(19,575)
Additions to deferred costs.....	(172)	(1)	(173)
 <b>As at 31 December 2021 (audited).</b>	<b>64,722</b>	<b>44,159</b>	<b>108,881</b>
Proceeds from borrowings.....	32,958	-	32,958
Repayments of borrowings.....	(23,744)	(10,405)	(34,149)
	(7,556)	-	(7,557)

Derecognition of joint operation loan

	Bank loans	Sukuk (SAR million)	Total
Additions to deferred costs.....	(267)	(13)	(280)
<b>As at 31 December 2022 (audited).....</b>	<b>66,113</b>	<b>33,742</b>	<b>99,854</b>

### Shareholders' equity

The table below shows SEC's shareholders' equity as at 31 December 2022 and 31 December 2021.

	As at 31 December	
	2022 (SAR million)	2021
Share capital.....	41,666	41,666
Statutory reserve .....	7,106	5,592
General reserve .....	702	702
Other reserves .....	514	(639)
Contractual reserve – Mudaraba instrument.....	861	861
Retained earnings.....	38,281	35,521
<b>Total equity before Mudaraba instrument (1).....</b>	<b>89,130</b>	<b>83,703</b>
Fair value for Mudaraba instrument.....	159,169	159,169
Fair value adjustment of Mudaraba instrument .....	8,752	8,752
<b>Mudaraba instrument (2).....</b>	<b>167,921</b>	<b>167,921</b>
<b>Total shareholders' equity (1+2).....</b>	<b>257,051</b>	<b>251,624</b>

As at 31 December 2022, SEC's share capital was divided into 4,166,593,815 shares with a par value of SAR 10 each. SEC is required to make a transfer equal to 10.0 per cent. of its annual net income in each year into its statutory reserve until the reserve reaches 30.0 per cent. of its paid-up share capital, at which point the shareholders may discontinue the transfers. SEC's general reserve comprises the balance of the reserves of Saudi Electricity Company at 5 April 2000, the date of its merger into SEC, and electricity surcharges collected from individual customers after 31 December 2001.

Principally reflecting its net profits less dividends paid in each year, the SEC Group's retained earnings have increased from SAR 35,521 million as at 31 December 2021 to SAR 38,281 million at December 2022. Historically, SEC paid dividends only to its minority shareholders. In past, the Government agreed, pursuant to the Council of Ministers' Resolution No. 169 dated 11/08/1419H (corresponding to 30/11/1998G), to waive its share of distributed profits for a period of ten years from SEC's establishment, so long as the distributed profits do not exceed 10.0 per cent. of an SEC share's nominal value. Following a request by SEC for an extension to this period, the Council of Ministers issued Resolution No. 327 dated 24/09/1430H (corresponding to 14/09/2009G) approved the extension of the Government's waiver of its share of profits distributed by SEC for an additional period of ten years starting from 30/12/1430H (corresponding to 18/12/2009G), with such waiver further extended in respect of the PIF's shares in SEC for the 2019 financial year pursuant to a letter from the PIF dated 27/08/1441H (corresponding to 20/04/2020G). The waiver was not extended for the 2020 financial year as 2020 balancing account also covered the dividends owed to all shareholders including the PIF. Consequently, at SEC's annual general meeting held on 27 April 2021, the shareholders approved a dividend of 7.0 per cent. of the par value of the share for the year ended 2020 to all shareholders of SEC, amounting to SAR 2,917 million, at a rate of SAR 0.7 per share. At SEC's annual general meeting held on 17 May 2022, the shareholders approved a dividend of 7.0 per cent. of the par value of the share for the year ended 2021 to all shareholders of SEC, at a rate of SAR 0.7 per share. The Board, in its meeting held on 14 March 2023, recommended to the General Assembly of Shareholders to distribute cash dividends to all shareholders of SEC for the year ended 2022, at a rate of SAR 0.7 per share.

See "- *Conversion of net Government liabilities into a Mudaraba perpetual equity-like instrument*" for a discussion on the conversion of net Government liabilities into a Mudaraba perpetual equity-like instrument.

### RELATED PARTY TRANSACTIONS

The SEC Group is ultimately controlled by the Government through the ownership of its main shareholder (PIF). Saudi Aramco and the General Corporation for Desalination of Saline Water Conversion Corporation are companies under common control by the Government. Prior to 1 July 2022, the SEC Group purchased

fuel from Saudi Aramco and power from Saline Water Conversion Corporation and other power producer companies at rates stipulated by Governmental resolutions. On 29 June 2022, SEC entered into a sale and purchase agreement to sell its shares in SPPC to the Government represented by the Ministry of Finance and the Ministry of Energy. SEC and SPPC also entered into ECAs and a BSA as well as novation of fuel supply agreements and fuel transportation agreements from SEC to SPPC, all effective from 1 July 2022. Details of related party transactions are set out in note 39 to each of the Financial Statements.

## **CONTINGENT LIABILITIES**

SEC's contingent liabilities as at 31 December 2022 principally related to ongoing disputes with Saudi Aramco (see note 36 to the 2022 Financial Statements). In addition, the SEC Group has contingent liabilities under certain guarantees amounting to SAR 56 million and SAR 62 million as at 31 December in each of 2022 and 2021, respectively. There are also some contingent liabilities related to claims filed by contractors.

## **DISCLOSURES ABOUT RISK**

SEC's financial risk management policies are described in note 46 to the 2022 Financial Statements. The SEC Group is exposed to a range of financial risks in its business activities, including market risks, liquidity risk and credit risk. SEC seeks to manage its market risks through the use of hedging instruments which convert a portion of its floating rate exposure into a fixed rate exposure, and which fixed the euro/U.S. dollar exchange rate to protect it against fluctuations in the exchange rate.

## **OPERATING SEGMENTS AND THE FUTURE RESTRUCTURING OF THE SEC GROUP'S ACTIVITIES**

The main operating activities of the SEC Group are: (i) generation; (ii) transmission; and (iii) distribution and subscriber services, which activities have all complemented each other in the production and delivery of electricity to the SEC Group's customers. Almost all of the SEC Group's revenue has historically been derived from the sale of electricity to its customers. The SEC Group is the major provider of electricity all over the Kingdom, serving governmental, industrial, agricultural, commercial, and residential consumers.

SEC is currently working on implementing an integrated plan to split its main activities into separate companies as a part of Government plan to restructure the electricity sector in the Kingdom. As part of this process, these activities are first being transferred into separate wholly owned subsidiaries of SEC, with the transmission business having been transferred into a separate wholly owned subsidiary, National Grid S.A. ("National Grid"), with effect from 1 January 2012. A power generation subsidiary has also been established, but no generation assets have transferred to this subsidiary as of the date of this Base Prospectus. SEC anticipates that as part of this restructuring a distribution subsidiary will also be created to hold its distribution assets.

SPPC was established as a wholly owned subsidiary of SEC for the purchase and sale of electricity and the performance of the related agreements. On 29 June 2022, the SPPC transfer was formalised and SEC entered into a sale and purchase agreement with the Government (represented by the Ministry of Finance and the Ministry of Energy). On 1 July 2022, the power purchase agreements that SEC had entered into with IPPs were transferred to SPPC.

See note 8 to the 2022 Financial Statements for the SEC's Group's segmental reporting as at, and for the years ended, 31 December 2022 and 31 December 2021.

## DESCRIPTION OF THE SEC GROUP'S BUSINESS

### INTRODUCTION

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 at the date of this Base Prospectus, SEC is, indirectly, 81.1 per cent. owned by the Government, comprising a 74.3 per cent. share held by the PIF and a 6.9 per cent. share held by Saudi Aramco, with the remaining 18.8 per cent. being held by the general public. SEC is rated A1 by Moody's, A by Fitch and A by S&P. SEC's Legal Entity Identifier is 549300FXO4ZXUIAXGP41.

The SEC Group's principal business activities are the generation, transmission and distribution of electricity within the Kingdom, the largest economy in the GCC. The SEC Group's total sales of electricity were 299,073 GWh in 2022, of which 142,648 GWh (47.7 per cent.) was sold to residential customers, 53,176 GWh (17.8 per cent.) was sold to industrial customers, 49,845 GWh (16.7 per cent.) was sold to commercial customers and 36,026 GWh (12.0 per cent.) was sold to Governmental customers. The balance of 17,378 GWh (5.8 per cent.) was sold to other customers, such as agricultural, health and education, and desalination customers.

### HISTORY

In 1975, the Government created the Ministry of Industry and Electricity (now known as the Ministry of Energy) to organise and regulate the Saudi electricity sector. As part of this initiative, the Kingdom was divided into five operating regions (the Western, Eastern, Central, Southern and Northern Regions). Within each of the Western, Eastern, Central and Southern Regions, the various private and semi-private electricity companies that had previously provided electricity were consolidated into four majority state-owned utilities known collectively as the Saudi Consolidated Electricity Companies ("SCECOs"). Within the Northern Region, the General Electricity Corporation ("GEC") (which had previously operated certain plants within the Northern Region) was given responsibility for supervising the electricity companies operating within that region.

Subsequent reform of the electricity sector resulted in the formation of SEC, which was incorporated as a joint stock company pursuant to Royal Decree No. M/16 dated 06/09/1420H (corresponding to 13/12/1999G) pursuant to Council of Ministers' Resolution No. 153 dated 05/09/1420H (corresponding to 12/12/1999G), with its headquarters located in Riyadh. Following the formation of SEC, GEC was dissolved and the four SCECOs, GEC's projects and the various electricity companies in the Northern region operating under the supervision of GEC were merged into SEC and SEC assumed all their operations, rights and liabilities.

SEC subsequently reduced the number of operating regions to four. As of the date of this Base Prospectus, these regions are the Western Region (consisting of five electricity departments covering Makkah, Jeddah, Madinah, Tabuk and Taif), the Eastern Region (consisting of five electricity departments covering Dammam and Al Ahsa, the Northern province, the Al-Jouf province, Al-Hudood and the northern border), the Central Region (consisting of six electricity departments covering Riyadh city and the Riyadh, Qassim, Alkharj, Dawadme and Hail provinces) and the Southern Region (consisting of four electricity departments covering the Asir, Jizan, Najran and Baha provinces).

### CAPITAL STRUCTURE

As at 31 December 2022, SEC had an authorised share capital of SAR 41,665,938,150, divided into 4,166,593,815 shares with a par value of SAR 10 each, all of which are fully paid. Its issued share capital is 74.3 per cent. owned by the PIF, which is wholly owned by the Kingdom, and 6.9 per cent. owned by Saudi Aramco, which is 98.2 per cent. directly and indirectly owned by the Kingdom. The remaining 18.8 per cent. of SEC's shares are held by the general public. As at the date of this Base Prospectus, no shareholder other than the PIF and Saudi Aramco holds more than 5.0 per cent. of SEC's share capital. Since SEC's incorporation its shares have been listed on the Saudi Stock Exchange.

On 16 November 2020, SEC's legacy obligations owed to the Government were converted into an equity-like Mudaraba instrument, amounting SAR 167.9 billion as at 31 December 2022.

## **RELATIONSHIP WITH THE GOVERNMENT**

### **Government as the indirect majority shareholder**

As at the date of this Base Prospectus, the Government currently owns, indirectly through the PIF and Saudi Aramco, 81.1 per cent. of SEC's issued share capital.

The Government has waived its share of distributed profits up to and including the distribution for 2019. This waiver was not extended for 2020 onwards and the balancing account starting 2020 also covered the dividends owed to all shareholders including the PIF. Consequently, at SEC's annual general meeting held on 17 May 2022, the shareholders approved a dividend for the year ended 2021 to all shareholders of SEC, at a rate of SAR 0.7 per share. The Board, in its meeting held on 14 March 2023, recommended to the General Assembly of Shareholders to distribute cash dividends to the shareholders for the year ended 2022, at a rate of SAR 0.7 per share.

### **Government as consumer of electricity**

In 2021 and 2022, the SEC Group sold a total of 38,067 GWh and 36,026 GWh, respectively, of electricity to the Government and Government-related entities, and as a result, the Government is the SEC Group's single largest customer. Historically, the SEC Group has recorded significant Government receivables, principally representing amounts owed to the SEC Group by the Government in respect of electricity supplied to it. As part of the regulatory reforms, the public sector electricity consumption bill mechanism has also been implemented to ensure the timely payment of Government consumption to SEC.

Under the current tariff system for electricity that took effect on 1 January 2018, the Government and Governmental users pay a flat rate of SAR 0.32/KWh and industrial, health and education users pay a flat rate of SAR 0.18/KWh. By way of comparison, the variable tariffs for residential users range between SAR 0.18/KWh and SAR 0.30/KWh, for agricultural and charitable users range between SAR 0.16/KWh and SAR 0.20/KWh and for commercial users range between SAR 0.20/KWh and SAR 0.30/KWh.

### **Government as offtaker**

Prior to 1 July 2022, the SEC Group purchased fuel from Saudi Aramco and power from SWCC and other power producer companies at rates stipulated within the respective Governmental resolutions. On 29 June 2022, SEC entered into a sale and purchase agreement to sell its share in SPPC to the Government represented by the Ministry of Finance and the Ministry of Energy. SEC and SPPC also signed the Business Transfer Framework Agreement. As part this agreement, SEC and SPPC also entered into ECAs and a BSA as well as novation of fuel supply agreements and fuel transportation agreements from SEC to SPPC, all effective from 1 July 2022. This sets up the SPPC as the sole offtaker of electricity in the Kingdom. Pursuant to the carve-out of SPPC, SEC sells the power that it generates to SPPC under the ECAs and buys the power that it transmits and distributes from SPPC under the BSA to sell to end customers. Consequently, SEC has contracted to supply its entire electricity power production to SPPC for the remaining periods of the entire productive life of its plants. Moody's Investors Service has given SPPC a credit rating of A1 with a stable outlook, which is with the same as the sovereign credit rating of the Kingdom.

### **Government as policy maker and regulator**

SEC is regulated by WERA (see "*Regulation*"). The Ministry of Energy is the Governmental entity which sets the policies, programmes and development plans that govern the electricity sector within the Kingdom.

Since November 2020, a set of structural, regulatory and financial reforms for the electricity sector have been approved and implemented by the Government. The intention of these reforms is to enhance the sustainability of the Kingdom's electricity sector, bringing it in line with the ambitions of Vision 2030. The expected outcomes include more efficient power generation, lower usage of liquid fuels for electricity production, and increased environmental protection. Moreover, the reforms aim to increase the reliability of the Kingdom's electricity transmission network and facilitate the production of electricity from renewable energy sources as the Kingdom seeks to optimise its generation mix for electricity production. These will be supplemented by improved distribution networks that will ultimately enhance supply reliability to consumers.

Pursuant to the Electricity Law, an electricity tariff provides the approved fee for the provision of a service or product defined as an "electricity activity". The electricity consumption tariff that is charged by SEC to

end-users for electricity supplies was historically determined by the Council of Ministers. Pursuant to the Electricity Law's implementing regulations, reviewing, amending and approving the tariff and its components are performed according to a governance guide.

Pursuant to the Electricity Law issued by Royal Decree No. (M/44) dated 16/05/1442H (corresponding to 31/12/2020G), an electricity tariff is defined as the approved fee for the provision of a service or product defined as an "electricity activity". The electricity consumption tariff that is charged by SEC to end-users for electricity supplies was historically determined by the Council of Ministers. Pursuant to the Electricity Law's implementing regulations, reviewing, amending and approving the tariff and its components are performed according to a governance guide.

The SEC Group is also subject to certain environmental laws and their implementing rules within the Kingdom, as enacted by Royal Decree No. M/165 dated 19/11/1441 (corresponding to 10/07/2020G) and Royal Decree No. M/3 dated 5/1/1443 (corresponding to 13/08/2021G) (the "**Environmental and Waste Management Laws**"). See "*– Regulation – Environmental regulation*". These laws set out wide-ranging prohibitions on the pollution and contamination of air, land and water. Prior to the initiation of a project, an environmental impact assessment study, identifying: (i) potential environmental impacts; (ii) appropriate actions and means to prevent or reduce negative impacts; or (iii) appropriate actions to increase the project's positive returns to the environment, must be completed in accordance with the relevant environmental specifications and standards.

Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (the "**Companies Law**") came into force on 26/6/1444 H (corresponding to 19/1/2023G). For certain provisions of the Companies Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19/1/2023G). SEC is in process of assessing the impact of the Companies Law and will amend its by-laws, in order to align its articles of association to the provisions of the Companies Law, if needed. If this is the case, SEC shall present its amended by-laws to its shareholders at the next relevant General Assembly meeting for their ratification.

### **Government as grantor of land and rights of way**

SEC rents land from the Government on which to construct generation plants and transmission and distribution lines for a nominal rent. The Government also grants rights of way to SEC for fixed assets, such as overhead and underground transmission lines.

### **BUSINESS STRENGTHS**

The SEC Group's principal business strengths comprise:

- The SEC Group is a vertically integrated utility company in the Kingdom**

SEC is a vertically integrated utility company involved in the generation, transmission and distribution of electricity to over 10.9 million customers in the Kingdom. The SEC Group has a dominant position in the generation segment through its directly owned power plants as well as its joint venture investments in IPP/IWPPs. The SEC Group has a regulated monopoly position in respect of both the transmission of electric power and the distribution of electricity to consumers in the Kingdom. SEC operates under a supportive regulatory regime implemented by the Government and is a key supporter of the goals established by the Kingdom's Vision 2030. Working in collaboration with the Ministry of Energy and other local authorities, SEC is also a key enabler for implementing the Kingdom's national energy strategy to create a sustainable electricity sector.

Additionally, with its objectives of improving its asset utilisation and leveraging on its leading market position, SEC is maximising non-regulated growth opportunities in complementary segments to its business, including wholesale fibre optic telecom services, ICT services, project supervision and management and energy services.

- Government support**

As at the date of this Base Prospectus, the Government, which indirectly owns 81.1 per cent. of SEC's issued share capital (see "*– Capital Structure*" above), has historically been supportive in ensuring that the SEC Group can adequately meet the electricity demands of the Kingdom. Such

support by the Government currently includes a supportive regulatory regime and the provisioning of a balancing account. SEC views these forms of Government support as critical elements of its competitive strength. The reforms demonstrate the Government's continuous support to the electricity sector and its endeavours to raise the overall level of service to its citizens and residents across the Kingdom in line with the Vision 2030 objectives. The reforms reinforce the commitment and transparency of the Government support to SEC, providing clear mechanisms to support SEC. SEC expects these reforms to play a key role in restructuring and strengthening its financial position and its ability to provide its services with higher levels of efficiency and reliability. See "*Regulatory And Financial Reforms*" below for further information.

- **Role within the Saudi economy**

The SEC Group has a significant economic and policy role within the Saudi economy in terms of meeting the continuing increases in demand for electricity stemming from Government-sponsored industrialisation and population growth. According to the International Monetary Fund (the "IMF") World Economic Outlook database for October 2022, the Kingdom's population is projected to grow 2019 to 2027, from 34.2 million to 39.9 million people. According to the Ministry of Economy and Planning in its Tenth Development Plan, the consumption of electricity between 2010 and 2017 was estimated to have grown by 5.85 per cent. and was forecasted to grow at an average annual rate of 2.55 per cent. between 2018 and 2023. SEC believes that the anticipated population growth will lead to an increase in demand for electricity by residential users, in addition to an increase in industry and economic activity and, as a result, demand and consumption of electricity by non-residential end-users. SEC's position as the Kingdom's primary electricity provider positions it to capitalise on this growth in demand. SEC will also play a key role in the Government's Vision 2030. See "*Industry Overview – The Government's development strategy*" below for further discussion.

## **STRATEGY**

SEC's strategy is focused on delivering best-in-class customer experience, adding value to its stakeholders while investing in people, protecting the environment and endorsing digitalisation in the power sector and beyond. SEC's key strategic objectives are: (i) contributing and ensuring the security and reliability of electricity supply in the Kingdom; (ii) pursuing and delivering operational excellence; (iii) implementing safety and ESG standards; (iv) pursuing and achieving financial sustainability; (v) promoting local content and localisation; and (vi) ultimately raising the quality and reliability of service. This strategy reflects the goals of Vision 2030 relating to economic diversification, urbanisation and sustainability.

In order to attain its strategic objectives, SEC leverages a series of key strategic enablers, including digitalisation, data and innovation, research and development, strategic partnerships, human capital and best in class regulatory models and governance.

SEC is aligned to the Kingdom's target energy mix for electricity generation of 50 per cent. renewables and 50 per cent. gas thermal by 2030. Accordingly, SEC is focusing on increasing integrated renewable capacity to the grid and bolstering its extra high voltage lines and transformers capacities as well as developing energy transfers and interconnection projects within the MENA region. Following the successful rollout of over 10.9 million smart meters across the Kingdom, SEC is ramping-up the installation of automation equipment in its distribution network. The automation aims to: (i) reduce interruptions through self-healing equipment; (ii) facilitate faster power restoration through remote control from SEC's control centres; (iii) minimise commercial energy losses "power not-sold"; and (iv) reduce the carbon-footprint of SEC's fleet as engineers will not have to travel to the location to restore power.

### **Generation capacity**

SEC is taking a number of steps to optimise the SEC Group's generation capacity to meet anticipated future demand, including expanding existing power plants, completing plants under construction, raising the thermal efficiency and availability level of power plants, reducing the use of liquid fuels and raising the level of environmental compliance.

The SEC Group's total generation capacity remained stable at 54,533 MW at the end 2022 compared to 54,871 MW at the end of 2021. Following the SPPC's carve-out effective from 1 July 2022, SEC has contracted to supply its entire electricity power production to SPPC for the remaining periods of the entire productive life of its plants. Initially, SEC developed its own IPP programme which was intended to

encourage private sector investment in its power generation business. SEC has contributed a portion of the initial equity investment in the majority of its IPPs and IWPPs, in the range of 5 to 50 per cent. For further information about the IPP programme, see "*– Business Units – Electricity generation – IPPs and IWPPs*". Due to the transfer of ownership of SPPC to the Government on 29 June 2022 and the subsequent successful implementation of the SPPC's carve-out effective from 1 July 2022, SEC has novated all PPAs related to IPPs and IWPPs to SPPC, while continuing to retain the same ownership percentages in those companies without change. Additionally, in line with its strategy to augment and optimise its generation portfolio, SEC plans to actively participate in SPPC's competitive tendering process for new projects. In the year ended 31 December 2022, SEC purchased 142,008 GWh of additional electricity from third-party suppliers, which constituted approximately 39.5 per cent. of total energy transmitted to the network during the year.

### **Improve transmission network**

The SEC Group is planning to continue the extension of its transmission network in order to minimise congestion, interconnect isolated regions and connect new power plants to the grid.

In addition to expanding network capacity, the SEC Group is focusing on improving the reliability of the network system, reducing the number of interruptions and benchmarking network performance to international standards. The SEC Group has taken (and continues to take) a number of measures to improve the reliability of its transmission network, including:

- carrying out periodic studies and analyses of the major transmission faults and identifying the causes and the possible remedies;
- performing routine maintenance of all transmission assets;
- implementing reinforcement projects and commissioning new transmission projects well in advance of periods where demand is at its peak;
- providing mobile reserve transformers in all strategic locations; and
- improving the performance efficiency of its grid transmission technicians through continuous training and education programmes.

During the medium-to long-term (covering a period of five to 25 years) the SEC Group also aims to improve the overall "capacity factors" (that is, the ratio of a power plant's output over a period of time as compared to its output if it had operated at full capacity) of the generation business through further investment in the transmission network.

The SEC Group's four operating regions for its transmission business are now almost fully interconnected (with interconnectivity of the transmission network within Saudi Arabia at approximately 99.0 per cent. as at 31 December 2022), although significant work remains in terms of increasing the capacity of certain of the major interconnection links and this is a significant focus of the SEC Group's capital expenditure programme in the transmission business in order to enhance efficiency of operations in the future.

To improve the reliability of the Kingdom's power supply, reduce costs and promote energy trading, SEC has also developed connections with transmission networks in the neighbouring GCC countries. The GCCIA, a joint stock company incorporated under the regulations of the Kingdom, was formed in 2001 by the member states of the GCC to interconnect the electricity transmission networks of the member states. In addition to the GCC countries, SEC intends to develop interconnection projects with other countries in the MENA region. In particular, in October 2021, SEC and Egyptian Electricity Transmission Company signed the contracts for the electricity link-up project between the Kingdom and the Arab Republic of Egypt. In January 2022, the Saudi Ministry of Energy and the Ministry of Electricity of the Republic of Iraq signed a memorandum of understanding to interconnect their power grids.

The SEC Group expects to realise a number of economic and operational gains as a result of enhancing interconnectivity and increasing capacity factors, including:

- increasing the overall reserve capacity for the entire network;
- improved utilisation of the SEC Group's power plants leading to a reduction in operating costs and capital expenditure costs; and

- enhancement of the reliability and security of the transmission network.

### **Distribution and customer service**

The SEC Group will continue the extension of its distribution network in order to meet the growth in electric service. Furthermore, SEC is focussing on transforming the distribution network to a smart and resilient network enabling digital transformation and integration with other systems in the electricity ecosystem. SEC has achieved 100 per cent. penetration of smart meters and is planning to increase the automation of the distribution grid through procurement and installation of smart power switches. SEC endeavours to improve automation and smartification of the distribution network, and downstream components are expected to contribute to advanced grid control, decrease power losses, improve grid overall reliability and reduce outage restoration time and hence improve customer satisfaction.

SEC is implementing a customer experience transformation programme to fulfil its vision to become customer-centric, providing uniform customer experience across all platforms and customer touch points, improving communication and responsiveness to tailored customer needs, expanding service offerings and improving technology. The programme aims to advance and implement state-of- the-art digital channels, improving data structures and governance, by and employing and deploying artificial intelligence tools

### **Diversification**

As part of its attempts to diversify its business, SEC has established the following companies:

- Saudi Electricity for Projects Development Company, the principal activities of which are the management of construction projects, the making of detailed design work, the procurement of materials and executing projects in the energy sector;
- Solution Valley Company (formerly named as Saudi Energy Services Company), a wholly owned limited liability company which was established by SEC in 2021, which provides specialised energy services, such as operation and maintenance, energy efficiency services, and smart solutions, to SEC's current and prospective customers;
- Dawiyat Telecom Company, which is a wholly owned telecom subsidiary of SEC established in 2009 to lease fibre optic networks to telecommunications companies and which is responsible for the construction, rental, management and operation of the fibre optic networks owned by SEC; and
- Dawiyat Integrated Company for Telecommunications and Information Technology, which is a company that provides wholesale services for fibre-optic infrastructure in conjunction with Dawiyat.

### **REGULATORY AND FINANCIAL REFORMS**

The intention of the Reforms is to ensure the long-term health, sustainability and efficiency of the Kingdom's electricity sector in line with the objectives of Vision 2030. The expected outcomes include more efficient power generation, complete displacement of liquid fuels by gas and renewable capacities in electricity production and increased environmental protection. Moreover, the Reforms aim to increase the reliability of the Kingdom's electricity transmission network to facilitate the production of electricity from renewable energy sources as the Kingdom seeks to continuously optimise its energy mix. The Reforms are expected to be supplemented by improved distribution networks that will ultimately enhance supply reliability to underlying consumers.

The reforms are aimed at achieving the foundations of the Kingdom's electric power sector strategy, which include:

- that all customers should have access to a safe, adequate, high-quality and efficient supply of electricity;
- increasing efficiency to ensure reduced costs of providing electrical services;
- raising the quality of electrical services and focusing on the satisfaction of the Kingdom's customers when providing them with services;

- creating a stimulating and attractive environment for investment in the electricity sector which will contribute to the economic development that will keep pace with the requirements of the Kingdom's Vision 2030;
- being a leader in environmental compliance and enabling the Kingdom to achieve its sustainable development goals; and
- ensuring the sector's contribution to the development of local content, the localisation of national industries, and the development of national capacities.

The Reforms are part of the Kingdom's electricity sector's restructuring programme and are aimed at reinforcing transparent commercial relations amongst the participants in the Kingdom's electricity system as well as ensuring the sound economic functioning of the Kingdom's electric sector. Strengthening SEC's balance sheet and cash flow sustainability have been at the centre of the Reforms, which also enable SEC to recover its operational costs, earn a fair rate of return on its investments and fulfil all of its financial obligations, including energy cost as well as distributing dividends to all shareholders.

The Reforms principally comprise:

- the conversion of the SEC Group legacy obligations (being Government payables and soft loans) to an equity-like Mudaraba instrument, simplifying SEC's capital structure and improving its capitalisation and leverage;
- cancelling the government fee owed by SEC, enabling SEC to retain all revenues generated from applicable electricity consumption tariffs;
- establishing a transparent and supportive required revenue framework which balances the interest of key stakeholders and allows the SEC Group to generate commercial returns; and
- implementing a balancing account mechanism to cover the difference between required and actual revenues, where the balancing account payment to the SEC Group from the Government comprises the difference between the SEC Group's required revenue and the revenue it actually receives from approved tariffs, providing a clear mechanism for the Government support.

#### **Conversion of net Government liabilities into a Mudaraba perpetual equity-like instrument**

Pursuant to the letter received by SEC from the Minister of Energy, chairman of the ministerial committee for the restructuring of the electrical sector (No. 01-2057-1442H dated 29/03/1442H corresponding to 15/11/2020), regarding the issuance of a royal order No. 16031, SEC has also converted SAR 167.9 billion in net Government liabilities owed by SEC, as of 31 December 2019, into an equity-like non-dilutive financial instrument executed in a Mudaraba format (the "**Instrument**").

The Instrument includes Government loans and net Government payables and accruals after offsetting for outstanding amounts owed to SEC by the Government, in accordance with SEC's financial statements as at the end of fiscal year 2019. In addition, it includes an amount of SAR 3.4 billion total dividends owed to Saudi Aramco since SEC's inception until 1439H or 2017G, the book value of which was previously transferred to the Ministry of Finance.

The Instrument has no fixed repayment date and therefore, like common equity, is perpetual in nature. It is deeply subordinated and ranks ahead of common equity only. The Instrument bears a fixed profit rate until 31 December 2023 and thereafter at a rate determined by reference to the regulatory weighted average cost of capital ("WACC") less a margin, but the payment of profit on the Instrument is discretionary, non-cumulative and is directly linked to the payment of dividends and the balancing account.

The General Assembly, held on 12/05/1442H (corresponding to 27 December 2020), approved the creation of a contractual reserve for the purpose of the payment of the Instrument's profit. Furthermore, the General Assembly also authorised the Board to transfer the relevant profit amount from SEC's retained profits to the contractual reserve and use the agreed reserve to pay the Mudaraba profits in accordance with the provisions of the Mudaraba agreement.

## **Required revenue framework**

As of 2021, the SEC Group is operating under a robust regulatory regime that is transparent as well as supportive. The required revenues for SEC's transmission and distribution segments are based on a regulated asset based ("RAB") Model. Subsequent to the SPPC carve-out effective from 1 July 2022, SEC's generation segment entered into long-term "take-or-pay" offtake agreements with SPPC. In financial terms, the Reforms have:

- enabled SEC to be financially sustainable and meet its operational expenses, financial obligations to stakeholders and equity returns to all the shareholders;
- insulated SEC from multiple risks such as demand, tariff and energy cost, given the presence of pass-through and revenue-correction mechanisms with the balancing account compensating SEC for any difference between required and actual revenues;
- incentivised the SEC Group to incur capital expenditure on regulatory assets and to maintain service reliability;
- set operating expenditure metrics to enable the SEC Group to provide benchmark quality service;
- incentivised efficiency through various parameters relating to the SEC Group's capital and operating expenditure;
- removed any potential exposure from a default by an IPP in its obligations under its PPAs with SEC, as these PPAs have been novated to SPPC with effect from 1 July 2022;
- made SEC's capital structure more sustainable, as the net financial obligations owed to the Government were refinanced by converting them to a financial instrument at an amount of SAR 167.9 billion, representing approximately 35.0 per cent. of the total size of the SEC Group's total assets as at 31 December 2022, within the equity of the shareholders, without any impact on the ownership percentage of the ordinary shareholders of SEC; and
- enabled SEC to augment its cash flows from operations, which improves SEC's debt coverage ratios and credit profile and thus its ability to finance its future projects.

Reflecting the above, SEC's credit rating was upgraded in November 2020, following the announcement of the Reforms, by Moody's, to A1 from A2, at par with Kingdom's sovereign credit rating. In addition, SEC's standalone rating (excluding the impact of Government support) was upgraded by Standard & Poor's to investment grade after the announcement of the Reforms. In January 2022, Fitch upgraded SEC's credit rating to A from A-, driven by an upward revision in SEC's standalone credit profile on the back of improved business-risk and financial profile as a result of Reforms.

## **Required revenues mechanism**

The tariff-balancing account, which was implemented in 2020 (with effect from 2019), compensates the SEC Group for the difference between the regulatory-determined required revenue and the SEC Group's actual revenues. Starting 2021, the SEC Group's required revenue is determined by the regulator and calculated based upon the "General Framework of Revenue Requirement Determination Methodology", as published by the regulator. The difference between "allowed required revenue" and the forecasted actual revenue is defined as the "balancing account" by the regulator. This is recorded under "other operational revenue" (within operating revenue) by the SEC Group. The SEC Group reassesses the reasonableness of the balancing account revenue and adjusts it accordingly, when required. Any difference arising from the re-assessment is adjusted to other operational revenue, and a receivable or payable is recognised for that amount. Interest income or expense on such receivable or payable balance is recognised based on the rate determined by WERA. WERA reassess the required revenue on an "ex-post basis", based on actual performance during subsequent years, and the SEC Group adjusts its assessment accordingly. SEC recognised an amount of SAR 3.1 billion as other operational revenue for the year ended 31 December 2022 (SAR 1.7 billion for the year ended 31 December 2021), which represents the difference between required revenue and actual revenue based on the management's best estimate for the year ended on 31

December 2022. For the year ended 2022, operating revenue also included an amount totalling SAR 210 million, being the required revenue correction for the year 2021, as approved by the regulator.

## INDUSTRY OVERVIEW

### Overview

The Saudi electricity market is the largest in the Arab world, with a peak load estimated to be approximately 65,302 MW in 2022 for the Kingdom. Demand for electricity is expected to increase in the short to medium term as a result of increased Government-sponsored industrialisation and population growth (see "*– The Government's development strategy*" below).

In the year ended 31 December 2022, the SEC Group generated 67.8 per cent. of the total amount of electricity which it sold to customers in the Kingdom. In the year ended 31 December 2021, the SEC Group directly owned and operated 65.3 per cent. of the electricity generation capacity in the Kingdom. Additionally, SEC has equity stakes in IPPs and IWPPs, in the range of 5 to 50 per cent. All the generation capacity in the Kingdom to July 2022, other than certain capacity utilised principally for its own use by Saudi Aramco, SWCC, IWPP (SWPC), Ma'aden, Marafiq and SADAF, was either owned by the SEC Group or was committed to SEC under long-term take or pay contracts. Due to the transfer of ownership of SPPC to the Government on 29 June 2022 and the subsequent successful implementation of the SPPC carve-out effective from 1 July 2022, SEC has novated all its PPAs with IPPs to SPPC.

Transmission from the generation plants to the consumption areas is through high voltage overhead lines and underground lines that had a combined total length of 92,999 c.km as at 31 December 2022. At present, the SEC Group has a monopoly on transmission of electric power in the Kingdom. The SEC Group's distribution network consisted of 349,720 c.km of overhead lines and 432,642 c.km of underground lines as at 31 December 2022, and the SEC Group also has a monopoly on electricity distribution to consumers in the Kingdom.

The total number of the SEC Group's electricity customers as at 31 December 2021 and 31 December 2022 was 10.5 million and 10.9 million, respectively, representing increases of 3.7 per cent. in 2021 and 3.9 per cent. in 2022. The table below shows the distribution of SEC's customers classified by consumption type as at 31 December 2022 along with the amount of consumption for the year ended 31 December 2022.

Type	Number of subscribers (million)	Consumption (GWh)	Per cent. of total consumption
Residential.....	8.78	142,648	47.7%
Government.....	0.28	36,026	12.0%
Commercial.....	1.70	49,845	16.7%
Industrial.....	0.01	53,176	17.8%
Other .....	0.13	17,378	5.8%
<b>Total .....</b>	<b>10.91</b>	<b>299,073</b>	<b>100.0%</b>

In 2021 and 2022, the SEC Group sold a total of 292,683 GWh and 299,073 GWh of electricity, respectively, representing an increase of 2.2 per cent. in 2022.

The table below shows the electricity generated by the SEC Group, the electricity imported by the SEC Group from other producers and the total quantity of electricity sold by the SEC Group as at 31 December 2021 and 31 December 2022.

	31 December 2021 (GWh)	31 December 2022 (GWh)
Electricity generated at the SEC Group plants <sup>(1)</sup> .....	186,834	202,704
Power purchased from third party producers <sup>(2)</sup> .....	149,885	142,008
<b>Total Energy sold .....</b>	<b>292,683</b>	<b>299,073</b>
<b>Total Energy transmitted to networks<sup>(3)</sup> .....</b>	<b>348,616</b>	<b>359,960</b>

<sup>(1)</sup> Gross electricity generated at SEC.

<sup>(2)</sup> Third party producers include IPPs, IWPPs, rented diesel engines and GCCIA and excludes wheeled energy.

<sup>(3)</sup> Includes wheeled energy.

## The Government's development strategy

In 2016, the Kingdom released a strategic development programme ("Vision 2030") aimed at reducing the Kingdom's dependence on oil and reinforcing economic and investment activities. As part of Vision 2030, the Kingdom has launched a national renewable energy programme ("NREP"), which aims to significantly increase the clean energy sector while supporting economic diversification in addition to complete liquid fuel displacement by gas by 2030. NREP sets out a target for increasing renewable capacity to 27.3 GW by 2024 and 58.7 GW by 2030. SEC's strategy is focussed on implementing the Government's policy for the development of the electricity industry in the Kingdom and responding to the Vision 2030 objective of providing a reliable, sustainable and cost-efficient supply of electricity to end-users, in addition to enhancing the quality of its service and coverage.

## BUSINESS UNITS

The SEC Group's business is organised into three main business units: generation, transmission and distribution and customer services. These units are supported by finance, technical services, human resources, corporate communication and marketing, digital transformation and technology, strategic planning and business development, legal affairs, chief engineering, HSSE (health and safety, security and environment), internal auditing and risk management and compliance.

### Electricity generation

#### *Total generation capacity*

As at 31 December 2022, the SEC Group had 41 power plants (of which 10 are considered key plants) with an actual generation capacity of 54,533 MW.

These plants are powered by a mix of gas, crude oil, diesel and heavy fuel oil. SEC prefers the use of natural gas for its conventional generation plants since it is the most environmentally friendly and efficient fossil fuel and causes less damage to plants and equipment relative to other fossil fuels, although these generation plants can generally operate on other fuels and fuel oil. The fuel that is ultimately used is largely dependent on the types of fuel that SPPC (previously Saudi Aramco) is able to supply to the relevant location.

The SEC Group employs steam turbine, diesel engine and gas turbine (both "single cycle" and "combined cycle") technology in its power plants to generate electricity. Steam turbines and gas turbines account for the majority of the SEC Group's generation capacity, with steam turbines having a total generation capacity of 22,205 MW as at 31 December 2022 (accounting for 40.7 per cent. of the SEC Group's total generation capacity) and gas turbines having a total generation capacity of 17,160 MW as at 31 December 2022 (accounting for 31.5 per cent. of SEC's total generation capacity). The remaining power generation capacity is made up of combined cycle generators with a total generation capacity of approximately 15,032 MW (accounting for 27.6 per cent. of the SEC Group's total generation capacity), diesel generators with an actual generation capacity of approximately 133 MW (accounting for 0.2 per cent. of the SEC Group's total generation capacity) and renewable energy with a total generation capacity of 3 MW, in each case as at 31 December 2022. The share of power supplied by different power plants varies from year to year depending upon maintenance schedules and load profiles arising out of customer demand.

Gas and steam turbines generate electricity through different processes. Gas turbines compress the atmospheric air to a high pressure, with the resulting hot compressed air flowing into the combustion chamber into which natural gas or fuel oil is fired. The high-pressure hot gases from the combustion chamber expand through the gas turbine consisting of various stages of fixed and rotating blades converting thermal energy to mechanical energy to drive the gas turbine. The gas turbines, in turn, drive the generator coupled to the turbine, thereby generating electricity. In the combined cycle power plants, the heat waste product from the exhaust of the gas turbines can be utilised by passing it through a heat recovery steam generator to produce steam. This steam is then expanded through a steam turbine consisting of several stages of both fixed and rotating blades converting thermal energy to mechanical energy to drive the steam turbine which then drives the electrical generator attached to it, thereby generating electricity.

In the conventional steam turbines, thermal power is generated by firing natural gas or fuel oil into steam generators in order to generate high-pressure, high-temperature steam. This steam is then expanded through a steam turbine consisting of several stages of both fixed and rotating blades which converts thermal energy to mechanical energy to drive the steam turbine. The steam turbine drives the electrical generator coupled

to it, thereby generating electricity. Part of the steam produced by the steam turbines can also be extracted and used in a desalination process if the plant also produces desalinated water.

The decision to use a particular technology depends on a range of factors, principally the location of the plant and the type of fuel available. Typically, plants that are inland, where gas supplies are available, use gas turbines, and coastal plants use steam turbines, since they are able to capitalise on the abundant supply of sea water as a condenser to increase the efficiency of the steam turbines, which use steam from boilers fired by heavy crude oil or fuel oil.

### ***Generation capacity***

The SEC Group's total generation capacity has increased from 22,060 MW as at 31 December 2000 to 54,533 MW as at 31 December 2022 (an increase of 147.2 per cent.). This growth in generation capacity has been achieved through the expansion of existing power plants, construction of new power plants and making improvements to the operational performance of existing power plants. Additionally, SEC has equity stake in IPPs and IWPPs, in the range of 5 to 50 per cent.

The SEC Group's generation capacity in the Eastern and Western regions, when combined with the generation capacity provided by other generators, in effect gives an overall positive capacity margin in both of these regions. The positive capacity margin in these regions also permits power to be transferred from them to other regions whenever it is economical to do so (the transfer of power in this manner is also called "economic energy interchange"). At present, the principal economic energy interchanges are between the Eastern and Central regions as the interconnection lines between these two operating regions have the greatest capacity. Although the other regions are all interconnected, the number and capacity of the interconnection lines varies and increasing the number and capacity of these interconnections as well as connecting currently isolated areas within regions is a major goal of the SEC Group's capital expenditure programme in the transmission business.

Based on SEC's installed capacity and the additional electricity that SEC is able to purchase from SPPC, SEC believes that there will be sufficient generation capacity to meet peak demand in the Kingdom during the next three to four years. Overall, the total generation capacity connected to the grid (including IPP capacity and other sources) in the Kingdom was estimated to be approximately 83,539 MW at the end of 2022, and the overall peak load in the Kingdom was estimated to be approximately 65,302 MW in 2022.

The table below contains a breakdown by region of the SEC Group's actual generation capacity as at 31 December 2022.

<b>Province</b>	<b>Actual capacity (MW)</b>	<b>Generation Units</b>	<b>% of total capacity</b>
Eastern .....	14,309	121	26.2%
Western .....	18,852	136	34.6%
Central.....	16,093	211	29.6%
Southern.....	5,279	63	9.6%
<b>Total .....</b>	<b>54,533</b>	<b>531</b>	<b>100%</b>

### ***Peak demand***

Driven by a combination of population and economic growth, the non-coincident peak demand for electricity in the Kingdom has grown from 21,673 MW in 2000 to 65,302 MW in 2022, representing an average annual growth of 5.1 per cent. during this period. Peak load typically builds up during the summer months (May to September) because of increased usage of air conditioners and is also significantly influenced by the timing of Ramadan and the school exam period.

The relatively large geographic size of the Kingdom means that peak demand levels of each region do not usually coincide (because of factors such as different sunrise and sunset times across the various regions of the Kingdom) and national peak demand therefore tends to be lower than the sum of peak demand levels in each region. This means that the effective capacity margin for each region may actually prove to be lower than the capacity margin calculated above the national peak demand. In light of the fact that the effective capacity margin for each region tends to be lower than the "national" capacity margin, some regions of the Kingdom have experienced power outages in recent years and the elimination of these outages is another major goal of the SEC Group's capital expenditure programme within the generation sector.

At times of peak demand, SEC has needed to purchase additional electricity from third parties to meet demand. In 2022, SEC purchased 142,008 GWh of additional electricity from other third-party suppliers, which constituted 39.5 per cent. of total electricity transmitted to networks during the year. The SEC Group is able to recover the cost of these purchases as pass-through costs under the required revenue mechanism and activation of the balancing account.

Following the carve-out of SPPC on 29 June 2022, SEC now sells its generated power to SPPC as per its energy conversion agreements. In addition, it procures all electricity from SPPC under the BSAs. SPPC acts as an independent and Government-owned sole-off taker of all generated electricity in the Kingdom.

#### *Generation power plants*

The table below sets out SEC's 10 most significant power plants, in terms of generation capacity, all of which are fully owned by SEC, and their actual generation capacity percentage as at 31 December 2022.

<b>Generation power plant</b>	<b>Generation capacity (MWh)</b>	<b>% of generation capacity</b>
Sha'iba.....	5,460	10.0%
Ghazlan .....	4,424	8.1%
Qurayyah.....	4,026	7.4%
PP9 .....	3,598	6.6%
Rabigh.....	3,574	6.6%
PP10.....	3,565	6.5%
Shuqaiq .....	2,879	5.3%
Jeddah South .....	2,796	5.1%
Rabigh 2.....	2,680	4.9%
Qurayyah -Steam.....	2,500	4.6%

#### **Depreciation**

Depreciation is calculated from the date the item of property, plant and equipment is available for their intended use or in respect of self-constructed assets from the date such assets are completed and ready for the intended use. Depreciation on assets is calculated on a straight-line basis over the useful life of the asset.

With appropriate maintenance, power plants may continue to be fully operational beyond the end of their anticipated useful life.

As at 31 December 2022, the SEC Group's power plants had a total generation capacity of 54,533 MW of which 40,135 MW (74 per cent.) related to power plants with an age of 20 years or less.

The table below gives a breakdown of the SEC Group's power plants by age as at 31 December 2022.

<b>Age of power plant</b>	<b>Capacity (MW)</b>
0 to 5 years	8,153
More than 5 years up to 10 years.....	12,574
More than 10 years up to 20 years.....	19,407
More than 20 years up to 25 years.....	5,020
More than 25 years.....	9,290
<b>Total .....</b>	<b>54,445<sup>(1)</sup></b>

<sup>(1)</sup> This figure does not include generation capacity of 88.4 MW of generation through isolated units and wind energy

#### *Electricity generated and generation capacity factors*

In 2021, the SEC Group generated a total of 186,834 GWh, which it supplemented by a further 149,885 GWh purchased from third-party producers. In 2022, the SEC Group generated a total of 202,704 GWh, which it supplemented by a further 142,008 GWh purchased from third-party producers.

Historically throughout the last three years, the SEC Group's power plants have operated at an average gross capacity factor of approximately 36.3 per cent. This is due to both an increase in energy contributions from other electricity providers, and seasonality of demand, which impacts the annual capacity figures. Technically, the SEC Group's most modern plants are capable of running at capacity factors of around 80.0 to 85.0 per cent. of generation capacity. In the medium- to longer-term (covering a period of 15 to 20 years),

SEC believes that it should be possible to increase the average capacity factor by reinforcing the electricity transmission grid to allow for more economic and efficient utilisation of plants.

### **IPPs and IWPPs**

The SEC Group has contributed a portion of the initial equity investment in the majority of thermal IPPs and IWPPs, in the range of 5 to 50 per cent., with the balance funded by local or international investors. In November 2021, SEC announced that it would be transferring the ownership of SPPC to the Government, as part of the Kingdom's electricity sector's general restructuring programme. At the General Assembly held on 30 January 2022, SEC's shareholders agreed to sell and transfer all of SEC's shares in SPPC to the Government. On 29 June 2022, the SPPC transfer was formalised and SEC entered into a sale and purchase agreement with the Government (represented by the Ministry of Finance and the Ministry of Energy). On 1 July 2022, the power purchase agreements that SEC had entered into with the relevant IPPs were transferred to SPPC. SEC's interest in IPPs, previously accounted as joint Operations under IFRS, has been de-consolidated and, starting from the third quarter of 2022, SEC recognises these investments in IPPs under equity accounting as joint ventures.

The table below summarises the SEC Group's interest in IPPs and IWPPs.

Type	Name	SEC ownership interest (as at 31 December 2022)
IWPPs	Jubail Water and Power Company	5 per cent.
	Shuqaiq Water and Electricity Company	8 per cent.
	Shuaibah Water and Electricity Company	8 per cent.
	Shuaibah Expansion Holdings Company	8 per cent.
IPPs	Rabigh Electricity Company	20 per cent.
	Dhuruma Electricity Company	50 per cent.
	Hajr for Electricity Production Company	50 per cent.
	Al Mourjan for Electricity Production Company	50 per cent.
	Al Fadhl Co-Generation Company	30 per cent.

### **Transmission**

All electricity produced by the SEC Group is transmitted in the Kingdom through the SEC Group's high-tension high voltage transmission grid, which is owned and operated by SEC's wholly-owned subsidiary, National Grid; see "*– Restructuring Of The SEC Group*". Electricity is carried through a network of overhead transmission lines connected to substations set up in regions across the Kingdom. Electricity is then distributed to customers within those regions through SEC's distribution network. To provide transmission coverage to relatively widely scattered areas throughout the Kingdom, the SEC Group has expanded its transmission network from 36,652 c.km of power lines at the end of 2006 to 92,999 c.km as at 31 December 2022. The transmission network comprises both underground and overhead cables rated from 110kV to 380kV. The transmission network consisted of 83,454 c.km of overhead lines and 9,545 c.km of underground lines as at 31 December 2022.

The table below shows the classification of the SEC Group's transmission lines and the related number of sub- stations and transformers as at 31 December 2021 and 31 December 2022.

Voltage of transmission lines	Amount of transmission lines (c.km)							
	No. of sub-stations		No. of transformers		Capacity (MVA)			
	2021	2022	2021	2022	2021	2022	2021	2022
380kv .....	192	195	527	539	244,563	250,265	41,551	43,013
230kv .....	38	39	104	105	23,236	23,639	4,425	4,164
132kv .....	500	516	1,474	1,525	103,301	106,657	27,346	27,748
115kv .....	174	175	509	513	29,153	29,369	8,412	8,429
110kv .....	286	284	1,033	1,037	61,248	61,562	9,690	9,536
<110kv	-	-	-	138	-	2,772	-	110

Voltage of transmission lines	No. of sub-stations		No. of transformers		Capacity (MVA)		Amount of transmission lines (c.km)	
	As at 31 December				2021	2022	2021	2022
	2021	2022	2021	2022	2021	2022	2021	2022
Total .....	1,190	1,209	3,647	3,857	461,501	474,263	91,424	92,999

To enable the transmission network to cope with higher peak loads, SEC plans to expand the network coverage, add extra high voltage lines and improve network reliability (see "*– Strategy – Improve Transmission Network*"). Overall transmission capacity increased between 2014 and 2015 and, installation of additional capacity in the extra high voltage lines is intended to increase the efficiency of the SEC Group's transmission network and lower the transmission loss rate. The Kingdom's four operating regions are almost fully interconnected through the transmission network, reflecting the historic development of the country's power industry on separate regional lines. As at 31 December 2022, interconnectivity of the transmission network was approximately 99 per cent. with the major grids in all four regions connected.

The SEC Group is also installing capacitors with a view to reducing transmission losses (excluding own consumption) across the system to average international levels.

### **Distribution and customer service**

The SEC Group's distribution business is responsible for the medium and low voltage power lines that connect high voltage transmission sub-stations to local sub-stations and the low voltage lines that provide electricity from local sub-stations to end-users. The distribution business is also responsible for metering, billing, collection of payments and electrical service connections in respect of electricity supplied to end-users. SEC plans to establish a wholly owned distribution company to operate its distribution business, see "*– Restructuring Of The SEC Group*".

The SEC Group has completed the installation and replacement of more than 10 million smart electricity meters, a major national project enabling SEC to increase the reliability of distribution networks, achieve the highest accuracy in monitoring consumption, improve service quality, enhance customer satisfaction and optimise the use of natural and financial resources. About 10.9 million smart meters have been installed at 31 December 2022, providing 100 per cent. coverage of all Kingdom regions.

To facilitate bill payment, SEC also offers online, mobile and SMS services that allow customers to pay their bills online and monitor their consumption. SEC's billing system technology is a sales and information system that supports utility business function such as meter reading, meter data management, scheduling, billing, invoicing, accounting, customer service and integration to customer relations management. See "*Information Technology*" below.

#### *Improvements*

To improve the quality of energy supply and meet the requirements of its customers, the SEC Group added a total of 36,034 c.km of power lines to its distribution network during the course of 2021 and 44,207 c.km of power lines to its distribution network during the course of 2022. This increased the total circuit lengths of its distribution power lines to 782,361 c.km as at 31 December 2022. As at 31 December 2021 and 31 December 2022, the SEC Group's distribution network comprised a total of 374,292 c.km and 393,095 c.km, respectively, of medium voltage power lines (13.8kv-69kv), an increase of 3.8 per cent. in 2021 and 5.0 per cent. in 2022, respectively. As at 31 December 2021 and 31 December 2022, the total length of SEC's low voltage lines (127v-400v) was 363,863c.km and 389,267 c.km, respectively, an increase of 6.5 per cent. in 2021 and 7.0 per cent. in 2022, respectively. The SEC Group also installed 28,314 distribution transformers with a total capacity of 17,570 MVA into its distribution networks during 2022. Over the period 2000 to 2022, the average annual growth in the number of transformers was 5.8 per cent. and transformer capacity reached 320,659 MVA at 31 December 2022 compared to 303,089 MVA at 31 December 2021.

The focus of the investment in improving the distribution network is the development of a smart grid, with a number of successful pilot projects having already been completed and replacement of older equipment, such as transformers and cables, to improve the efficiency of the network.

### *Connection charge*

In addition to the capacity tariff charged to customers (see “*Tariffs*”), SEC also charges customers an initial connection fee for those connected to distribution networks, which is based on the capacity of the electricity meter. This ranges from SAR 60 per KVA (for a meter with a capacity range of more than 1 KVA up to 30 KVA) to SAR 250 per KVA (for a meter with a capacity range of more than 500 KVA up to 4,000 KVA).

### *Customers*

At 31 December 2021 and 31 December 2022, the SEC Group supplied electricity to 10.5 million customers and 10.9 million customers, respectively, representing a 3.7 per cent. increase in customer numbers during 2021 and a 3.9 per cent. increase in customer numbers during 2022.

The SEC Group divides its customers into seven main categories: residential; commercial; industrial; governmental; agricultural; health and education; and desalination. The table below shows the number of customers across the customer segments for 2021 and 2022.

	Year ended 31 December			
	2021		2022	
	million	(% change)	million	(% change)
Residential.....	8.41	4.5	8.78	4.4
Commercial.....	1.67	0.9	1.80	1.7
Government.....	0.28	0.1	0.28	0
Industrial .....	0.01	3.4	0.01	0
Other categories .....	0.12	2.8	0.02	8.33
<b>Total .....</b>	<b>10.50</b>	<b>3.7</b>	<b>10.91</b>	<b>3.9</b>

The quantity of electricity sold by the SEC Group in 2021 and 2022 was 292,683 GWh and 299,073 GWh, respectively, representing a decrease of 2.2 per cent. in 2022.

The table below shows the distribution of electricity sales across the customer segments for each of 2021 and 2022.

	Year ended 31 December		
	2021	2022	(% change)
	GWh	GWh	
Residential.....	142,139	142,648	0.4
Commercial.....	44,919	49,845	11.0
Governmental.....	38,067	36,026	-5.4
Industrial .....	51,680	53,176	2.9
Other categories .....	15,877	17,378	9.5
<b>Total .....</b>	<b>292,683</b>	<b>299,073</b>	<b>2.2</b>

Most of SEC's residential customers are located in the Central and Western regions, which together accounted for approximately 67 per cent. of all electricity sales made by SEC to residential customers in 2022. The bulk of SEC's industrial customers are located in the Eastern region, which accounted for approximately 68 per cent. of all electricity sales to SEC's industrial customers in 2022.

## **RESTRUCTURING OF THE SEC GROUP**

The main operating activities of the SEC Group are divided into generation, transmission, distribution and subscriber services which are complementary to each other in the production and delivery of electricity to the consumer. The SEC Group is working on implementing an integrated plan aimed at segregating the activities into independent separate companies, as part of the Kingdom's plan to restructure the electricity sector. SEC's restructuring plan aims to develop the electricity market in the Kingdom and to increase competitiveness in the economic operation of the electrical system, which will contribute to an improvement in operational efficiency, reducing costs and increasing the reliability of the network.

SEC has entered into agreements with its subsidiaries to lease electricity, create transmission networks and buy and sell energy in respect of both generation and distribution activities. This will enable various stakeholders to measure the performance and results of the separate companies. Following completion of the restructuring, SEC will act as the holding company for the SEC Group and may also provide certain

shared services to the new subsidiaries (such as finance, digital transformation and technology and human resources). SEC also expects to be responsible for determining the SEC Group's overall strategy.

### **Generation**

As at 31 December 2022, the SEC Group had a total actual electricity generation capacity of 54,533 MW and owned and operated 41 power plants (of which 10 are considered key plants) throughout the Kingdom, employing largely gas turbines (both single and combined cycle) and steam turbines, with the remaining capacity comprising combined cycle generators and diesel generators.

The Government's decision to carve-out SPPC from the SEC Group was part of the Kingdom's electricity sector's restructuring programme and a continuation of the Reforms. The carve-out became effective on 1 July 2022.

Pursuant to the carve-out of SPPC, SEC sells power to SPPC under ECAs and buys power from SPPC as per the BSA to sell to end customers. Consequently, SEC has contracted to supply its entire electricity power production to SPPC for the remaining periods of the entire productive life of the plants. Moody's Investors Service has given SPPC a credit rating of A1 with a positive outlook, which is on par with the sovereign credit rating of the Kingdom. The carve-out of SPPC, as part of a comprehensive reform of the electricity sector in the Kingdom, aims to improve the efficiency and quality of the electricity sector, which is expected to benefit both consumers and producers alike.

### **Transmission**

As at 31 December 2022, the SEC Group's electricity transmission network comprised 92,999 c.km of overhead and underground cable and covered all four operating regions of the Kingdom (see "*– History*" for a description of the four current operating regions). This business is owned and operated by National Grid, a wholly owned subsidiary of SEC.

National Grid leases its transmission network to SEC. The lease agreement incentivises National Grid to operate efficiently by setting out a range of performance-related and financial key performance indicators against which its performance is measured.

National Grid also has the capacity to generate external revenues through other ancillary services. National Grid has assumed responsibility for the construction of new high voltage transmission lines (being those between 110 KV and 230 KV) but SEC has retained responsibility for the construction of strategic extra high voltage lines (being those greater than 230 KV).

### **Distribution**

The SEC Group supplies electricity through the medium- and low-voltage power lines that connect its high voltage transmission sub-stations to local sub-stations and, ultimately, to its customers. SEC has seven principal customer categories: residential, commercial, industrial, governmental, agricultural, health and education and desalination. The distribution business also deals with customer services, including metering, billing, payment collection and electrical service connections for electricity supplied to its customers.

SEC is currently working with all stakeholders in the development of a sustainable electricity sector in the Kingdom which incorporates the vision of the Government for the power sector to increase competition and efficiency.

### **FUEL SUPPLY**

Prior to 1 July 2022, the SEC Group purchased fuel from Saudi Aramco and power from SWCC and other power generation companies at rates stipulated by Governmental resolutions. The carve-out of SPPC included the novation of the SEC Group's fuel supply agreements and, since 1 July 2022, all of the SEC Group's fuel has been supplied by SPPC.

### **TARIFFS**

Tariffs for non-residential consumption categories are set by WERA (subject to a limit of SAR 0.26/KWh without the approval of the Council of Ministers) and tariffs in respect of residential customers are set directly by the Government (see "*– Relationship with the Government – Government as regulator*" above). Depending upon the relevant sector, tariffs are either based on a set price per KWh or, alternatively, are

based on a tiered billing system whereby the price per KWh increases incrementally based on the volume of electricity consumed.

WERA announced in December 2017 that, in accordance with the Council of Ministers' Resolution No. 166 dated 24/3/1439H (corresponding to 12/12/2017G), revised energy prices in the Kingdom would take effect on 1 January 2018. The table below sets out the current applicable tariffs.

Consumption range (Kw/h)	Sector					Private educational facilities, private medical facilities
	Governmental	Residential	Commercial	Agriculture & Charities	Industrial	
				(Halalah per KWh)		
1 – 6000 .....	32	18	20	16	18	18
More than 6000 .....	32	30	30	20	18	18

SEC believes that any future amendments to the electricity tariff structure are likely to be implemented in a manner designed to ensure the stability of supply and a viable electricity sector.

SEC also charges a tariff for meter reading, maintenance and bill preparation, and a further tariff for electrical service connections all of which are subject to VAT, which is currently charged at 15 per cent. These tariffs are also set by the Council of Ministers based on WERA recommendations.

## HEALTH AND SAFETY

The SEC Group is working diligently to safeguard people, assets and the environment through applying strict health and safety standards that are observed throughout its operations. The SEC Group is applying a risk-based, management-led and audit-driven safety management system with an ambition to achieve the highest level of excellence in health, safety and environment ("HSE") standards.

The SEC Group conducts its operations and activities in line with its HSE policies and in a manner designed to ensure compliance with applicable law, using commercially reasonable endeavours to minimise the impact on the environment of its activities and operations through prevention and control of emissions and the efficient use of natural resources. The SEC Group's Health, Safety, Security and Environment business line monitors the implementation of HSE standards throughout the business, and provides enablers for positive culture and learning organisation, where SEC learns from the past, focuses on the present, and plans for the future.

## SUBSIDIARIES AND PRINCIPAL INVESTMENTS

SEC currently has the following subsidiaries: National Grid S.A. Company, Dawiyat Telecommunication Company, Electricity SUKUK Company, Saudi Electricity Global SUKUK Company, Saudi Electricity Global SUKUK Company 2, Saudi Electricity Global SUKUK Company 3, Saudi Electricity Global SUKUK Company 4, Saudi Electricity Global SUKUK Company 5, Saudi Electricity Sukuk Programme Company, Saudi Electricity for Projects Development Company, Dawiyat Integrated Company for Telecommunications and Information Technology, Saudi Energy Production Company and Solution Valley Company.

### National Grid S.A. Company

National Grid is a wholly owned subsidiary of SEC. The transmission business of SEC was formally transferred to National Grid with effect from 1 January 2012 (see "*– Restructuring Of The SEC Group*"). Since that date, National Grid has been leasing its transmission network to SEC. All electricity produced by the SEC Group is transmitted in the Kingdom through the SEC Group's high tension high voltage transmission grid, which is owned and operated by National Grid.

### Dawiyat Telecommunication Company

Dawiyat is a wholly owned telecom subsidiary of SEC established with the aim of optimising investment in SEC's fibre optic systems to lease fibre optic networks to telecommunications companies. Dawiyat services are rendered over a state-of-the-art fibre optic network with more than 80,000 km of fibre optic cables across the Kingdom including villages, hamlets and borders, for which, Dawiyat has obtained a number of licenses such as Infrastructure Wholesale Services (IWS), Internet Service Provider (ISP), and recently IoT-VNO licenses.

Offering open access fibre optic infrastructure to all operators on an equal basis assists in the provision of integrated telecommunications services and improves the quality and speed of internet access in the Kingdom. This is in line with Vision 2030 and the NTP 2020, which includes many initiatives in this respect, the most prominent of which is the initiative of deploying broadband fibre-optic systems to homes in the Kingdom.

Dawiyat plays a key role in Vision 2030 as part of the NTP 2020 and is in the process of connecting a total of 744,500 households across Saudi Arabia to its fibre optic network, where a total of 700,000 households have been connected as at the end of 2022. This is intended to drive growth in the Saudi economy and increase its competitiveness across different sectors.

Dawiyat has entered into a number of key partnerships to support its development objectives, which include entering into a long-term concession agreement with King Salman Energy Park "SPARK" to operate, maintain and commercialise its digital infrastructure and to provide smart services to contribute to the acceleration of the deployment of the fourth industrial revolution environment of the city.

In addition, Dawiyat has been awarded the exclusive right by the Saudi Authority for Industrial Cities and Technology Zones (MODON) to deploy fibre optic infrastructure for five industrial cities under MODON. This is intended to provide neutral access to all operators within the Kingdom in offering their services to their end customers. Dawiyat has also leased part of its fibre optic network to a number of telecommunications companies, to enable them to enhance their network footprint and service coverage.

Dawiyat also operates a Tier III carrier-neutral data centre in partnership with Gulf Data Hub in the Kingdom. The data centre is located in King Abdullah University for Science & Technology, serving the university and the tenants of the nearby research park in addition to serving customers across the Kingdom.

### **Electricity SUKUK Company**

Electricity SUKUK Company is a special purpose vehicle which was established in the Kingdom of Saudi Arabia in connection with issuance of sukuk within the Kingdom by SEC.

### **Saudi Electricity Global SUKUK Company**

Saudi Electricity Global SUKUK Company is a special purpose vehicle which was incorporated in the Cayman Islands in connection with the issuance of U.S.\$1,250 million 4.211 per cent. certificates which matured in 2022. Saudi Electricity Global SUKUK Company is currently dormant.

### **Saudi Electricity Global SUKUK Company 2**

Saudi Electricity Global SUKUK Company 2 is a special purpose vehicle incorporated in the Cayman Islands in connection with the issuance of U.S.\$1,000 million 3.473 per cent. certificates, maturing in 2023 and U.S.\$1,000 million 5.06 per cent. certificates, maturing in 2043.

### **Saudi Electricity Global SUKUK Company 3**

Saudi Electricity Global SUKUK Company 3 is a special purpose vehicle incorporated in the Cayman Islands in connection with the issuance of U.S.\$1,500 million 4.00 per cent. certificates, maturing in 2024 and U.S.\$1,000 million 5.50 per cent. certificates, maturing in 2044.

### **Saudi Electricity Global SUKUK Company 4**

Saudi Electricity Global SUKUK Company 4 is a special purpose vehicle incorporated in the Cayman Islands in connection with the issuance of U.S.\$800 million 4.222 per cent. certificates, maturing in 2024 and U.S.\$1,000 million 4.723 per cent. certificates, maturing in 2028.

### **Saudi Electricity Global SUKUK Company 5**

Saudi Electricity Global SUKUK Company 5 is a special purpose vehicle incorporated in the Cayman Islands in connection with the issuance of: (i) U.S.\$650,000,000 Green Certificates, maturing in 2025; and (ii) U.S.\$650,000,000 Green Certificates, maturing in 2030.

### **Saudi Electricity Sukuk Programme Company**

Saudi Electricity Sukuk Programme Company is a special purpose vehicle incorporated in the Cayman Islands with purpose of issuing the Trust Certificates. See "*Description Of The Trustee*".

### **Saudi Electricity for Projects Development Company**

The principal activities of Saudi Electricity for Projects Development Company are the management of construction projects, the making of detailed design work, the procurement of materials and executing projects in the energy sector.

### **Dawiyat Integrated Company for Telecommunications and Information Technology**

Dawiyat Integrated Company for Telecommunications and Information Technology provides wholesale services for fibre-optic infrastructure in conjunction with Dawiyat. Dawiyat Integrated Company for Telecommunications and Information Technology has obtained from the Communications and Information Technology Commission a license to provide wholesale services for the infrastructure.

### **Saudi Energy Production Company**

The main activity of Saudi Energy Production Company is the production of electricity and the conclusion of the necessary agreements.

### **Solution Valley Company**

The main activity of Solution Valley Company is the provision of electricity services and the conclusion of the necessary agreements.

### **Principal investments**

As at 31 December 2022, SEC has equity investments in a number of companies (all of which are incorporated in the Kingdom), and the principal investments are summarised in the table below.

<b>Company name</b>	<b>Objective</b>	<b>Percentage shareholding</b>
Gulf Corporation Council Interconnection Authority	Interconnecting the electricity transmission networks of the member states of the GCC	31.6
Gulf Laboratory Company for Electrical Equipment Inspection	Examination of electrical and transmission equipment	25.0
Al Fadly Co-Generation Company	Engage in production of steam and mineral free water for industrial purpose	30.0
Saudi Green Company for Carbon Services	Developing a system for carbon emission. Creating awareness for the decrease in carbon emission along with training to be given to other companies. Certifying the compliance of carbon emission by other companies	51.0
Hajr for Electricity Production Company	Developing and owning the Qurayyah IPP	50.0
Rabigh Electricity Company	Developing and operating the Rabigh IPP	20.0
Dhuruma Electricity Company	Developing and operating the Riyadh IPP	50.0

<b>Company name</b>	<b>Objective</b>	<b>Percentage shareholding</b>
Al Mourjan for Electricity Production Company	Developing and operating the Rabigh II IPP	50.0
Shuaibah Water and Electricity Company	Developing and operating the Shuaibah IWPP	8.0
Shuqaiq Water and Electricity Company	Developing and operating the Shuqaiq IWPP	8.0
Al-Jubail Water and Electricity Company	Developing and operating Al-Jubail IWPP	5.0
Shuaibah Expansion Holding Company	Developing projects for the dual production of water and electricity	8.0
Global Data Hub Company	Extension of networks, extension and installation of computer networks, communications, operating systems, computer consultancy and computer facilities management services and information technology	50.0

## **RENEWABLE ENERGY**

SEC is a key enabler for implementing the Kingdom's national energy strategy to create a sustainable electricity sector. By the year 2030, the Kingdom is aiming to have 50 per cent. of its electricity generated from renewable energy sources and the remaining 50 per cent. generated from thermal energy, as well as completely displacing liquid fuel for gas.

In alignment with the Saudi Green Initiative, an ambition which aims to achieve a reduction in carbon emissions by more than 278 Mtpa by 2030, as well as achieve net zero emissions by 2060 through five key initiatives, SEC has been supporting the development and deployment of renewable energy throughout the Kingdom. In the past, SEC has commissioned various renewable energy projects, and it will continue to support the development of electric power plants with integrated renewable energy. In 2011, SEC commissioned the first ever grid-connected and solar photovoltaic (SPV) project with Showa Shell in Farsan. In 2017, SEC commissioned a 2.75-MW wind turbine with General Electric in Huriamla. Two Engineering, Procurement and Construction (EPC) contracts have been entered into by SEC to develop electric powerplants integrated with solar thermal energy. These include Duba Al-Khadra (Green Duba) powerplant, which is intended to produce a total of 605 MW of power, including 50 MW of solar capacity, and the Waad Al-Shamal Industrial City powerplant, which will produce a total of 1,390 MW and 43 MW of solar capacity.

SEC has committed or planned over U.S.\$3 billion in investments (spending budget) in the period to 2026 for 25 renewable interconnection projects, integrating a total capacity of 15,994 megawatts with the potential to avoid 33.5 Mt CO<sup>2</sup>e in emissions each year. Most of these renewable interconnection projects are currently under construction, and two are already operational. Many of these projects have already been included in and are supported by the Kingdom's National Renewable Energy Programme.

SEC's smart meter project, valued at over U.S.\$2.4 billion and responsible for successfully implementing over 10.1 million smart meters throughout the Kingdom, has the potential to avoid 1.8 million tons of CO<sup>2</sup>e emissions each year, as well as helping to promote grid digitisation and creating multiple other benefits for the SEC Group's customers.

## **RESEARCH, DEVELOPMENT & INNOVATION**

In line with the establishment of the Supreme Committee for Research, Development, and Innovation ("RDI") and the Research, Development, and Innovation Authority ("RDIA") in the Kingdom, SEC has started to develop research projects related to the employment of local resources as well as the development

of carbon capture technologies and other research projects that are carried out in co-operation with Saudi universities, international companies and research centres.

SEC has the following R&D initiatives and projects currently in development:

- collaboration with King Abdullah University for Science and Technology (“KAUST”) to build pilot plants for cryogenic carbon capture with capacity of 30 tons/day at Green Duba power plant;
- collaboration with KAUST to develop and build pilot plants for cryogenic carbon capture and other pollutants such as (sulphur dioxide, nitrogen oxides and particulate matter) with capacity of 1 ton/day at Rabigh Power plant;
- launch initiatives with its strategic partners aimed at utilising hydrogen fuel in gas turbines and developing ammonia as an environmentally friendly fuel;
- working on a number of projects related to the development of energy conservation such as developing vanadium removal from crude oil and using artificial intelligence to develop load forecast platforms;
- collaboration with Taqnia Energy Company and NDC Polish Company to validate technology of sorption cooling at power plant No.9 (PP9);
- collaboration with King Saud University on renewable energy research to build and demonstrate phase-II of concentrated solar on sands to produce electricity at Waad Al-Shamal;
- cooperation with the King Abdulaziz City for Science and Technology to support the localisation of technologies by establishing joint research centres in the fields of smart grids, energy storage, and cooling;
- establishment of a dedicated research and development centre in Dhahran Techno Valley for real time digital simulation, which is one of the largest digital simulation centres in the world;
- providing advanced technical studies services to SEC business lines and in addition to external customers;
- cooperation with local universities, research centres, institutes and industrial firms to take research outcomes from pilot-scale to commercial stage; and
- collaboration with the Electric Power Research Institute in the United States to improve the availability, efficiency, stability and reliability of SEC's generation fleet, transmission grid and distribution networks.

SEC is also undertaking research and development projects with strategic partners, both locally and internationally, focusing on the following five domains: (i) energy efficiency, (ii) system stability and reliability; (iii) smart uses, (iv) renewable and energy storage, and (v) safety and environment.

In line with that, SEC has the following innovation initiatives and projects:

- innovating an Internet of Things device (KASHIF) that detects and monitors electrical shorting in lighting poles wirelessly without any electrical connections. The product will be piloted at the holy sites in Makkah in coordination with Kidana Development Company;
- innovating an Internet of Things device (MANAKH) that monitors environmental signs inside industrial facilities, especially sensitive sites such as control rooms that require permanent monitoring. The product is under testing at Qurayyah Power Plant;

- innovating an Internet of Things (Relay Pioneer) device that reads, monitors and relays settings and its ecosystem in transmission stations, which has been successfully field tested at a National Grid substation;
- launching the second phase of the technical loss reduction system in the distribution network (DISTRIMOD) in Qassim, which uses artificial intelligence technology to provide network operators with the optimal operating points suitable for the network to achieve the lowest possible technical loss;
- prototyping a set of innovative solutions to find technological solutions supported by artificial intelligence and the Internet of Things to enable business owners, mosques and residential and commercial complexes to intelligently control electric power loads, taking weather and prayer times into consideration;
- innovating a smart device to address security and safety issues (called smart lock) and reaching an agreement with Kidana Development Company to test the device in the sub-distribution boards within the tents of Mash'ar Mina. In addition, it is planned to install the product in various areas at the SEC Group; and
- holding an innovation camp to develop innovative solutions aimed at solving the technical challenges of the SEC Group in addition to the Holy Sites and the Oil Sustainability Program. Also, students and professors from Al-Faisal University participated in the camp. Eight solutions out of 25 proposed solutions were approved as potential projects.

## INSURANCE

SEC maintains comprehensive insurance coverage in respect of loss or damage to property (including its power plants, sub-stations, business administration buildings, controls and communications centers). This coverage includes, but is not limited to, fire, explosion, lightning, windstorms, hurricanes, vandalism, malicious damage, riots, strikes, locked out workmen, labour disturbances, civil unrest, electrical damage and theft. SEC also maintains a comprehensive general liability policy with a loss limit of SAR 18 million per claim, which provides coverage against legal liability for causing any accidental bodily injury or death to third parties or damage to their property. SEC further maintains motor vehicle insurance for its general fleet with a combined loss limit of SAR 10 million per claim.

The SEC Group's exposures are monitored through periodic risk surveys and seminars by its underwriters and reinsurers in conjunction with SEC's management and engineers.

SEC maintains political violence insurance coverage, which covers against loss or damage to its power plants, sub-stations, business administration buildings, controls and communications centers across the Kingdom in event of any sabotage, act of terrorism, malicious damage, riots, strikes and /or civil commotion, as well as subsequent business interruption loss.

SEC maintains directors and officers ("D&O") liability insurance which is designed to protect the people who serve as directors or officers from personal losses if they are sued by the organisation's employees, vendors, customers or other parties. D&O insurance can cover defence costs, settlements and other costs associated with wrongful act allegations and lawsuits.

SEC maintains owner-controlled insurance programmes for its power plants under construction. This programme is a complex insurance product that can offer opportunities for cost savings, superior risk management, and streamlined insurance claims processing for property owners and/or construction project managers.

## INFORMATION TECHNOLOGY

The SEC Group uses the following IT systems in order to facilitate its operations:

- **Unified Distribution System:** a system that manages the components of the grid and acts as a tracking monitor in respect of each customer, from the time that a customer applies for the service until the installation and operation of the service.

- **Enterprise Resource Management ("ERP"):** A centralised system that manages company business resources and transactions, such as planning, inventory, transportation, finance, plant maintenance and human resources.
- **Customer Relationship Management:** A central customer service system that manages customers' electricity requests, complaints and other queries.
- **Billing System:** A sales and information system that supports utility business functions such as meter reading, meter data management, scheduling, billing, invoicing, dunning and collection strategy, accounting, customer service and integration to customer relationship management and ERP.
- **Supplier Relationship Management:** A system that manages the contracts lifecycle with suppliers of the SEC Group.
- **Business Intelligence:** A system designed to make data available anytime and anywhere: the system facilitates fact-enabled business decision-making and promotes advanced analytics and artificial intelligence capabilities for forecasting and prediction.
- **Electronic Services (Web and Mobile):** A system that uses the latest technologies to deal with customers and provide certain services through the SEC Group's electronic channels, such as SEC's website and its smart phone applications.
- **Geographical Information System ("GIS"):** A system that creates, manages, analyses, and maps all types of data. GIS connects data to a map, integrating location data with all types of descriptive information to understand patterns, relationships and geographic context.
- **Field Force Management System:** A system that maintains the whole grid in connection with smart electronic devices used by the SEC fields teams on the ground for outages, maintenance and reconnection requests, with the provision to monitor/control by dispatchers in SEC offices.
- **CYME International T&D & Power Simulation System for Engineers ("PSSE"):** A system used to perform analysis in respect of the distribution network which provides effective analytical readings for the network. The PSSE system is used to perform analysis in respect of the transmission network.
- **Revenue System:** A system used to manage and issue bills for non-power consumption billing using the "SADAD" gateway to integrate with all banks.
- **Document Management System:** An enterprise system used to store, manage and track electronic documents and images.
- **Health and Safety System:** An enterprise solution to manage safety related processes and monitor their status.

## LITIGATION

SEC and certain of its subsidiaries are currently involved in a number of legal proceedings, including those described below.

While SEC cannot predict the final outcome of its legal proceedings, SEC has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SEC is aware) during the last 12 months preceding the date of this Base Prospectus which may have, or have had, a significant effect on its financial position or profitability.

## Zakat Liabilities

The SEC Group filed its zakat returns until 2021. On 29 April 2021, a claim was received from ZATCA for the modification of the zakat returns for the years from 2015 to 2018, amounting to SAR 730 million. SEC has submitted an objection to the claim resulting from the amendment of the declaration for those financial years, within the requisite statutory period. SEC's management believes that SEC's position in this objection is supported by sufficient documents. This is based on ZATCA's practice of considering the

difference between the credit current account and debit in accordance with the executive regulations for levying zakat issued by Ministerial Resolution No. 2082. SEC does not expect any future obligations as a result of the ZATCA claim.

### **Disputes with Saudi Aramco**

There is a dispute between the SEC Group and Saudi Aramco over the supply of light fuel oil rather than heavy fuel oil, as per the SEC Group's requirements, resulting in a cumulative difference as at 31 December 2022 of SAR 2.6 billion.

According to the Council of Ministers resolution No. 216 dated 16 January 2018, an agreement was signed with Saudi Aramco regarding the recognition of handling fees as of 1 June 2018, whereby the total disputed amount from the beginning of SEC's incorporation on 5 April 2000 until 30 May 2018 amounted to SAR 6.1 billion.

The SEC Group does not expect that this dispute will result in any additional commitments.

### **GREEN SUKUK FRAMEWORK**

The SEC Group has broadly defined its three key ESG ambitions as follows:

- facilitating transition to a low carbon economy and circular economy;
- empowering people and communities; and
- enabling responsible business practices.

The SEC Group's 2021 ESG Report on SEC's website expands on these ambitions.

In order to meet these ESG ambitions, from time to time and pursuant to the Programme, the Trustee intends to issue securities ("Green Sukuk") whose net proceeds would be used to finance and/or refinance eligible projects ("Eligible Green Projects") with clear benefits towards mitigating climate change, transitioning to a low carbon economy and managing resources efficiently. Details on the eligible categories (Renewable Energy and Energy Efficiency) are set out in the SEC Group's green sukuk framework (the "Green Sukuk Framework") on SEC's website. The Green Sukuk Framework has been established in line with the Green Bond Principles issued by the International Capital Market Association (ICMA) in June 2018 and may be updated from time to time.

Starting one year from an issuance of "green" trust certificates until the full allocation of the net proceeds, the SEC Group will publish a Green Sukuk report, including details of the allocation of green sukuk proceeds and the impact of the Eligible Projects (the "Report"). For the avoidance of doubt, finance provided to any business or project that is not eligible under the criteria set out in the Green Sukuk Framework will not be considered as the use of proceeds of a Green Sukuk issued under this framework.

Up to 100 per cent. of the proceeds of any Green Sukuk issue may be applied to fund existing Eligible Projects. SEC will ensure that an Eligible 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 Project for substitution has been identified by the SEC Green Financing Committee.

The SEC Group has published the Green Sukuk Framework on its website. Further, the SEC Group has appointed Vigeo Eiris to provide an external review of the SEC Group's Green Sukuk Framework (the "Second Party Opinion"). The Green Sukuk Framework and the Second Party Opinion have each been published, and the first Report has been, and future Reports will be, published (on an annual basis), on the SEC Group's website at the following address:

<https://www.se.com.sa/en-us/invshareholder/Pages/GreenSukuk.aspx>.

For the avoidance of doubt, the information contained on the websites referred to in this paragraph is not incorporated by reference into, or otherwise included in, this Base Prospectus.

## REGULATION

### Regulatory authorities

#### *The Ministry of Energy*

The Ministry of Energy is the governmental entity which sets out the policies, strategies and long-term plans of the electricity sector within the Kingdom.

The Electricity Law sets out the principal tasks which fall under the Ministry of Energy's responsibility. These include:

- preparing and submitting policies and strategies related to the Kingdom's electricity sector in preparation for approval;
- preparing the necessary plans, studies, and development programmes for the Kingdom's electricity sector in coordination with the relevant entities as well as issuing and updating them and ensuring their implementation;
- supervising all concerned entities in implementing their part of the policies and strategies pertaining to the Kingdom's electricity sector;
- preparing a long-term plan for the Kingdom's electricity activity and adopting it in accordance with the approved policies and strategies;
- representing the Kingdom and protecting its interests in domestic, regional, and international organisations and bodies relevant to the Kingdom's electricity sector;
- taking necessary actions in emergency cases affecting fuel or electricity supply, in coordination with related parties;
- establishing a long-term programme to support the Kingdom's electricity sector, utilising modern technology and developing human resources;
- conducting studies and research, and supporting research and development activities related to the Kingdom's electricity sector;
- coordinating with relevant entities to supervise the implementation of programmes to rationalise and improve the efficiency of production and consumption of electric energy once they have been approved; and
- working on providing, developing and documenting databases, statistical data, and technical information related to the electricity sector; conducting the necessary survey.

#### *Water and Electricity Regulatory Authority (WERA)*

WERA is a government agency which regulates the electricity and co-generation industries in the Kingdom with a mission to allow for the provision of adequate, high quality and reliable electricity services at a reasonable price. WERA's roles and responsibilities include the following:

- issuing regulations regarding its duties;
- taking necessary measures in the public interest to provide supplemental sources of generation in the event of significant anticipated shortages in the supply of electricity, and informing the concerned authority;
- taking necessary measures to manage the Kingdom's electricity activity in the necessary cases that require it, in accordance with the provisions of the Kingdom's laws and in accordance with the rules, procedures and controls set by WERA;
- adjudicating on complaints related to the Kingdom's electricity sector raised by the concerned parties;

- taking necessary measures to implement the provisions of the relevant laws related to Kingdom's electricity sector;
- monitoring the implementation of the Kingdom's relevant laws and rules relating to administrative, accounting and investment activities conducted by licensees;
- approving documents and mechanisms related to the qualification and procurement of electricity activity projects in accordance with the rules and procedures that WERA sets;
- approving implementation plans prepared by licensees, in accordance with the long-term plan approved by the Ministry of Energy; and
- in coordination with the Ministry of Energy, ensuring the most appropriate utilisation of fuel resources so that the best possible return for the Kingdom's economy is realised.

The Electricity Law states that persons are not allowed to carry out electricity activities without first obtaining a license, and that WERA shall prepare and issue a licensing framework which shall cover all aspects of the licensing of the Kingdom's electricity activities. Pursuant to such provisions, the SEC Group is required to obtain and maintain valid licences in relation to its main activities, being the transmission, distribution and generation of electricity.

The Ministerial Committee for the Restructuring of the Electricity Sector and the Saudi Electricity Company was formed by Royal Decree No. (41156), dated 7/23/1440H (corresponding to 30/03/2019G). This sets out the principal tasks which fall under the committee's responsibility. These include approving the following activities:

- the cost of electricity service without subsidy between the services produced or provided; and
- the amount of the deficit resulting from the difference between the assumed income of electrical sector – which is estimated by WERA based on commercial bases – and the real income realised from the approved tariff for as long as the electricity sector's need for financial support through the budget account remains.

Royal Decree No. (M/159) dated 11/11/1441H (corresponding to 02/07/2020G) sets out the principal tasks which fall under the Ministry of Environment, Water and Agriculture's responsibility. The Ministry of Environment, Water and Agriculture is currently conducting the responsibilities of WERA related to the Kingdom's water sector for a period of three years. After this period elapses, the Ministry of Environment, Water and Agriculture will evaluate whether this responsibility should be returned to WERA.

### **Environmental regulation**

The SEC Group is subject to the Environmental and Waste Management Laws. The Ministry of Environment, Water and Agriculture is the governmental entity responsible for the administration and policies of environmental affairs in the Kingdom.

The Environmental and Waste Management Laws set out wide-ranging prohibitions on pollution and contamination of air, land and water, and environmental noise with particular reference to all parties involved in services, industry or other economic activities.

New projects undertaken by the SEC Group require an environmental permit prior to their construction, operation and closure. In accordance with the Environmental and Waste Management Laws, any authority responsible for issuing a permit to any new projects with an impact on the environment must ensure that an environmental impact assessment study ("EIA") is prepared by the proponent during the feasibility study of any such project.

In practice, the EIA is usually submitted to the National Center for Environmental compliance ("NCEC") for approval. Following their review and evaluation of the application and the documentation provided, NCEC may reject the permit application, grant unconditional NCEC consent, or grant NCEC consent subject to such conditions as it considers necessary to address its concerns. Where conditional NCEC consent is granted, the applicant must undertake to fulfil such conditions as a prerequisite to the granting of any such environmental permit.

Pursuant to CMR 170, the SEC Group is required to conduct its operations in line with environmental guidelines set by the Government. NCEC inspectors periodically inspect the SEC Group's facilities to ensure compliance with these guidelines. SEC has also initiated a system of internal audits at the SEC Group's facilities to monitor compliance with applicable environmental laws and standards.

The SEC Group has taken a number of environmental measures, such as utilising natural gas instead of crude oil and installing continuous emissions monitoring systems for the pollutants emitted from power plant stacks so as to monitor and evaluate emissions in order to control environmental pollution. In addition, hazardous industrial waste resulting from the burning of heavy fuel oil is processed in dedicated hazardous waste containment sites or reused in cement factories. Adherence to high specifications during design and construction also reduces the level of environmental noise caused by power generation, transmission and distribution equipment.

SEC has signed a memorandum of understanding (MOU) with General Electric Company (GE) to develop a decarbonization roadmap to explore pathways to the reduction of carbon emissions from the operations of SEC's fleet of gas turbines. Under the MOU, the two organizations will explore hydrogen-fueled power production, carbon capture solutions, and R&D initiatives to potentially reduce carbon emissions from power generation.

Also, SEC is taking a step forward toward the establishment of a cryogenic carbon capture technology pilot project by partnering up with King Abdullah University of Science and Technology (KAUST), ENOWA and NEOM's Energy & Water companies. The pilot project is expected to capture 30 tonnes of carbon dioxide per day from SEC's Green Duba Integrated Solar Combined Cycle (ISCC) power plant at NEOM. The project demonstrates a call to action echoed at both COP27 and SGI for more collaborations between private and public sectors. In addition, SEC's strategy aims at raising the efficiency of power plants and transitioning towards a cleaner energy mix, including the full displacement of liquid fuel by 2030.

## MANAGEMENT AND EMPLOYEES

### MANAGEMENT STRUCTURE

SEC's main management structure consists of a board of directors (the "**Board**"), an audit committee and an executive committee consisting of a team of executive officers (the "**Executive Management**").

There are a number of other committees within SEC, in addition to the audit committee, that report to the Board or the Executive Management and are responsible for dealing with a range of operational and business matters including risk, human resources, and remuneration and nominations. For a description of these committees, see "*Management And Employees – Board Committees*".

Managing the day-to-day operations of SEC is the responsibility of the President and Chief Executive Officer of SEC (the "President and CEO"), Khaled bin Hamad Al-Gnoon, and other senior members of the Executive Management to whom the Board has delegated executive powers.

### BOARD OF DIRECTORS AND SECRETARY TO THE BOARD

The Board consists of nine members, five of whom (including the Chairman) are currently Government representatives, the remaining three members are independent. The constitution of the Board complies with Saudi company law.

As of the date of this Base Prospectus, the Board consists of the following members (with the addition of the Secretary of the Board):

Name	Title
H.E. Dr. Khaled bin Saleh Al Sultan	Chairman – Non – Executive
Dr. Najm bin Abdullah Al-Zaid	Vice Chairman – Non – Executive
Eng. Nabil bin Abdulaziz Al-Naim	Board Member – Non – Executive
Eng. Scott Prochazka	Board Member – Independent
Mr. Mohammed bin Abdulrahman Albalaied	Board Member – Non-Executive
Dr. Raed bin Nasser Al-Rayes	Board Member – Non-Executive
Mr. Walid Ibrahim Shukri	Board Member – Independent
Eng. Isam bin Alwan AlBayat	Board Member – Non-Executive
Eng. AbdulKarim bin Ali Al-Ghamdi	Board Member – Independent
Feras Hasan Al-Mulla	Secretary of the Board

Each of the members of the Board (including the Chairman) have disclosed their outside interests in entities other than SEC, including employment and/or directorships with third parties (as further described in the paragraphs below). Certain Board members also serve with Governmental bodies and, in that capacity, could be involved in formulating or implementing Government policy which affects SEC's operations (see "*Description Of The SEC Group's Business – Strategy*" for a description of how Government policy affects SEC's strategy) and in a manner contrary to the approach they may otherwise take if acting in their capacity as directors of SEC. Although the SEC team has recently implemented its regulatory framework which aims to provide transparency in terms of corporate governance and fair returns, there is still a risk that those Board members who serve with Governmental bodies may act in a manner contrary to the approach they may otherwise take if acting in their capacity as directors of SEC. This could give rise to a potential conflict of interest in situations where they are involved in formulating or implementing any Government policy which is not necessarily in the interests of SEC. Except as disclosed in this paragraph, no member of the Board has any actual or potential conflict of interest between his duties to SEC and his private interests and/or other duties.

*H.E. Dr. Khaled bin Saleh Al Sultan, Chairman of the Board – Non-Executive*

Dr. Al-Sultan was elected as the Chairman of the Board by the Ordinary General Assembly and appointed as the Chairman of the Board. He has served on the Board since 2018. He is currently the President of King Abdullah City for Atomic and Renewable Energy and a part time consultant at the Royal Commission for Jubail and Yanbu. He is a former Rector of King Fahd University of Petroleum and Minerals and served as the Deputy Minister of Higher Education. Dr. Al-Sultan obtained a Bachelor's Degree in System Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia in 1985 and a PhD in Industrial Engineering and Operations Research from the University of Michigan in Ann Arbor, United States of America in 1990.

*Dr. Najm bin Abdullah Al-Zaid, Vice Chairman – Non-Executive*

Dr. Al-Zaid was elected to the Board by the Ordinary General Assembly in January 2021 and became Vice Chairman. He has served on the Board since 2018. He serves as a member of the board of directors of the National Privatization Centre, a member of the board of directors of Gulf International Bank (Bahrain & Saudi Arabia), a member of the supervision and policies committee of the Saudi Stock Exchange (Tadawul) and a member of the audit committee of the Saudi Agricultural and Livestock Investment Company. Dr. Al-Zaid is the former chief executive of the Governance and Legal Group of Al Rajhi Bank. He also served as a board member of the board of the Capital Market Authority. Dr. Al-Zaid obtained a Bachelor's Degree in Justice from Umm Al-Qura University, Saudi Arabia in 1994 and an S.J.D. from the George Washington University, United States of America in 2010.

*Eng. Nabil bin Abdulaziz Al-Naim Board Member – Non-Executive*

Eng. Nabil Abdulaziz Al-Naim was elected to the Board by the Ordinary General Assembly in January 2021. He is also on the Board and Remuneration Committee of Marafiq, a board member in Saudi Aramco Entrepreneurship Center (Wa'ed) and a board member in Saudi Aramco Energy Ventures (SAEV). Eng. Nabil holds a Vice President position in Saudi Aramco. He obtained a Bachelor's Degree in Electrical Engineering from King Fahad University of Petroleum and Minerals in 1991 and a Master's in Electrical Engineering from Texas University in 1996. He also holds a Master in Business Administration degree from the MIT Sloan School of Management in 2011.

*Eng. Scott Prochazka, Board Member – Independent*

Eng. Scott is a seasoned professional with over 30 years of experience in key leadership, business, financial management, governance and strategic roles. He has served in prominent positions at CenterPoint Energy and Dow Chemical, and now focuses on consulting, governance, and investing in startup organizations. Scott currently serves as a director in the boards of two public companies, Black Hills Energy and Li-Cycle Corp. He previously served as a director on CenterPoint Energy and Enable Midstream. He is also chairman for two private companies, FireFly LLC and Good Charlie. Scott's experience extends to leadership roles in various industry organizations, such as Central Houston Inc., American Gas Association, Southeastern Electric Exchange, Gridwise Alliance, and Texas Gas Association. Furthermore, his prior board service includes United Way of Greater Houston, Edison Electric Institute, Electric Power Research Institute and the Texas Economic Development Corporation. He remains actively engaged in the community as an executive committee board member of Junior Achievement of Southeast Texas and Central Houston Inc.

*Mohammed bin Abdulrahman Albalaihed, Board Member – Non-Executive*

Mr. Albalaihed was appointed as a replacement for the previous member, Mr. Rashid Sharif, in August 2021. He is also on the executive committee of JADA, the Saudi Investment Recycling company and TAQA. He is also on the remuneration, nomination committee of Marafiq. He is also on the committee of the Saudi Jordanian Investment Fund and a member of the board of directors of a multitude of companies. Mr. Albalaihed obtained a Bachelor's Degree in finance from Prince Sultan University, Saudi Arabia in 2009 and an MBA from London Business School, London in 2019.

*Dr. Raed bin Nasser Al-Rayes, Board Member – Non-Executive*

Dr. Al-Rayes was elected to the Board by the Ordinary General Assembly in January 2021. He has served on the Board since 2018. Dr. Al-Rayes serves as a member of the audit committee of the Saudi Industrial Development Fund and as a board member of Awqaf Investment Company and General Electric Saudi Advanced Turbines (GESAT). Dr. Al-Rayes obtained a Bachelor's Degree of Islamic Economics from

Imam Muhammad bin Saud Islamic University, Saudi Arabia in 1999, and a PhD in Philosophy in Business Management from Bradford University, United Kingdom in 2006.

*Mr. Walid Ibrahim Shukri, Board Member – Independent*

Mr. Shukri was elected to the Board by the Ordinary General Assembly in January 2021. He is presently a board member of Kanoo Group (Bahrain), Mepco and a multitude of other companies. He also serves as an audit committee member of SEC and Maaden. Mr. Walid obtained a Bachelors Degree in Accounting in 1989 from King Fahad University and SOCPA in 1992. He holds a CPA (US) obtained in 1994. From 1995 to 1999 he was a Senior Manager at Deloitte and was a member of the senior leadership team at PWC from 2006 to 2009. During this time from 2008 until 2010 he was also a Partner in PWC.

*Eng. Isam bin Alwan Al-Bayat, Board Member – Non-Executive*

Eng. Al-Bayat was elected to the Board by the Ordinary General Assembly in January 2021. He has served on the Board since 2006. He served as the vice president of the electricity division of Saudi Aramco. Eng. Al-Bayat was also the vice president of the engineering division of Saudi Aramco. He was vice president of New Business Development of Saudi Aramco. He is a former president and chief executive officer of Saudi Refining Inc. in Houston, Texas, United States of America. Eng. Al-Bayat obtained a Bachelor's Degree in Electrical Engineering from the University of Basra, Iraq in 1973 and a Master's Degree in Electrical Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia in 1981.

*Eng. AbdulKarim bin Ali Al-Ghamdi, Board Member – Independent*

Mr. Al-Ghamdi was elected to the Board by the Ordinary General Assembly in January 2021. He has served on the Board since 2018. He was the budget manager and executive assistant at Petron Corporation and a member of the Strategic Transformation Office of Saudi Aramco. He is a board member of Sadara Chemical Company and Jazan Integrated for Gasification and Power Company (JIGPC). Mr. Al-Ghamdi obtained a Bachelor's Degree in Chemical Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia and a Master's Degree in Chemical Engineering from Pittsburgh University, United States of America.

## **BOARD COMMITTEES**

### ***Audit committee***

Based on nominations by the Board, the Ordinary General Assembly appoints the members of the audit committee, which consists of five members who are not executive members of the Board but who can be shareholders of SEC except for the chairman, who must be independent. The audit committee is responsible for monitoring the financial affairs of SEC and its internal corporate governance. The audit committee reports to the Board and met eight times in 2022.

### ***Executive committee***

The executive committee comprises five members who are selected by the Board. The executive committee is responsible for reviewing plans and studies in relation to the restructuring of SEC's activities, reviewing annual budgets and reports, reviewing project proposals submitted by SEC's executive management and the studies, plans, and financing aspects relating to them, routinely reviewing SEC's performance against previous forecasts, and looking into all matters delegated to it by the Board. The executive committee reports to the Board and meets once every two months in ordinary circumstances and, upon the chairman's or President and CEO's request, in emergency or extraordinary circumstances. The executive committee met six times in 2022.

### ***Remuneration and nomination committee***

The remuneration and nomination committee comprises five members who are selected by the Board. The remuneration, nomination and human resources committee is responsible for annually reviewing the required skills for Board membership and recommending new membership nominations to the Board in accordance with approved policies, reviewing the Board's organisational structure, ensuring that there are no conflicts of interest in the event that a Board member is also a board member or shareholder of another company which provides services to SEC and developing clear policies for the compensation and remuneration of Board members and senior executives. The committee is also responsible for reviewing SEC's human resources policies and regulations, including SEC's salary structure, benefits and allowances

and recruitment standards and for nominating SEC's President and CEO and vice presidents and appointing sector heads. The committee reports to the Board and met sixteen times in 2022.

#### ***Risk and compliance committee***

The risk and compliance committee comprises five members who are selected by the Board. The risk committee is responsible for supervising the preparation and adoption of a suitable structure for SEC's risk management, defining and adopting management tasks and preparing rules and regulations that enable the risk committee to effectively perform its role. The risk committee also identifies the main risks relating to SEC's operation, applies suitable systems for managing risks, sets policies and takes decisions relating to matters of financial or other risks and informs the Board of the risks facing SEC's operation. The risk committee conducts a periodic review of performance quality, safety and the effectiveness of risk management and ensures that the strategy of SEC includes defining and understanding the main risks SEC may face as it strives to achieve its goals through strategies and work plans. The risk committee met six times in 2022.

#### ***Health, Safety, Security, Environment and Sustainability Committee***

The health, safety, security, environment and sustainability ("HSSES") committee comprises five members. It is the Board's responsibility to appoint three HSSES committee members and it directs the appointment of the two remaining members from outside the Board. The HSSES committee assists the Board in its oversight role of monitoring, supervising and directing the Executive Management. The HSSES committee also carries out supervision and direction: reviewing and approving leadership processes and behaviours, reviewing and approving internal HSSES standards and procedures and updating them in accordance with legal requirements and reviewing and approving the implementation of the HSSE Strategic Transformation Project. The HSSES committee also identifies and monitors new and emerging HSSES risks; monitors compliance with the HSSES policies and evaluates HSSES' performance on a quarterly basis. The HSSES committee also carries out recommendations and counselling. The HSSES committee met two times in 2022.

### **EXECUTIVE MANAGEMENT**

The table below sets out details of SEC's executive management team.

<b>Name</b>	<b>Title</b>
Khaled bin Hamad Al-Gnoon	President and Chief Executive Officer
Ibrahim Mohammed I Alkhenizan	Executive Vice President, Distribution and Customer Services
Ibrahim Fahad Al-Jarbou	Executive Vice President, Generation
Manish Manchandy	Executive Vice President & Chief Financial Officer
	Executive Vice President, Strategic Planning & Investments (acting)
Khalid Salem Alghamdi	Executive Vice President, Technical Services
	Senior Vice President, Digital & Technology (acting)
Sultan Rashid Almahasheer	Senior Vice President, HSSE
Feras Hasan Al-Mulla	Senior Vice President, Legal Affairs & BoD Trustee
Abdulkarim Abdulaziz Al-Rasheed	Senior Vice President, Human Resources & Corporate Services

Name	Title
Peter John Chambers	Chief Audit Executive (CAE), Internal Auditing
Thair Mahmood	Vice President, Risk Management & Compliance
Sami Abdullah Alkaoud	Senior Vice President, Corporate Communications and Marketing (acting)

As at the date of this Base Prospectus, there are no potential or actual conflicts of interest between the private interests and other duties of executive management listed above and their duties to SEC.

*Khaled bin Hamad Al-Gnoon, President & CEO*

Eng. Al-Gnoon is the President and Chief Executive Officer of SEC. He holds a Bachelor's Degree in Electrical Engineering, King Fahd University of Petroleum and Minerals, Saudi Arabia (1987) and a Master's degree in Business Administration University of Dublin, Ireland (1995). In 2018, he was appointed as Executive Vice President of SEC for Distribution and Customer Services and Acting CEO in June 2021. He is a present Member of the Board and Executive Committees of Government commissions, including the board of directors of the Saudi Center for Energy Efficiency and the Executive Committee of the Saudi Center for Energy Efficiency. He is also the Chairman of the board of directors of Dawiyat Integrated Company for Telecom & Information Technology, Saudi Energy Production Company and Saudi Project Development Company. Eng. Al-Gnoon is also a former Member of the Board and Executive Committees of several Government commissions, including the Saudi Authority for Industrial Cities and Technology Zones - MODON, the Development and Utilities Committee of Riyadh Region's Council, the Projects Coordination Committee of Riyadh Region's Council, the Royal Commission of Riyadh – Urban Observatory Committee, the Civil Defense Committee in Riyadh and the High Commission for the Development of the Hail Region representing Hail Citizens and the Arab Operations and Maintenance Council.

*Ibrahim Mohammed I Alkhenizan, Executive Vice President, Distribution and Customer Services*

Eng. Al Khenizan Joined SEC in 2004 and is currently the Executive Vice President of Distribution and Customer Services, and a member of the board of directors of the following companies; Dawiyat Telecoms Co., Saudi Electricity for Projects Development Co., Electric Vehicle Infrastructure Company, and Solution Valley Company. He previously held senior leadership positions such as Executive Director of Central Sector of Distribution and Customer Services and Acting CEO of 'Saudi Electricity for Projects Development Co. Eng.' Al Khenizan holds Master's in Business Administration and a Bachelor's Degree in Electrical Engineering from King Saud University.

*Ibrahim Fahad Al-Jarbou, Executive Vice President, Generation*

Eng. Al-Jarbou is the Executive Vice President for Generation. He previously held the positions of CEO of the National Grid Company, Vice President Grid Maintenance, Vice President – HV Projects and Department Manager – Projects Central at National Grid Company. He also worked for SEC as Division Manager – Construction in Riyadh City, Division Manager – Budgets and Forecasting COA, O&M Support Section Head and Electrical Design Engineer. He also worked at Schneider Company as a Project Planner. Eng. Al-Jarbou is a board member of GCCI and a board member of Dawiat Integrated Company. He holds a Bachelor's Degree in Electrical Engineering from King Saud University.

*Manish Manchandy, Senior Vice President & Chief Financial Officer*

Mr. Manchandy is currently the SVP and Chief Financial Officer and acting as EVP, Strategic Planning & Investments. Prior to being appointed as Chief Financial Officer, he held various positions at SEC within the Treasury and Finance teams since joining SEC in 2008, with the most recent being the Executive Director of Treasury. Mr. Manchandy has extensive experience in Treasury related matters and has been actively involved in the corporate financing activities of SEC. He is also part of various committees within SEC, with the most notable being Chairman of the Investment Committee. Mr. Manchandy completed his Executive Program in General Management from MIT Sloan School of Business and holds an ACE certificate from MIT Sloan. He also holds an MBA in Finance from ICFAI Business School.

*Khaled Salim Al-Ghamdi, Executive Vice President, Technical Services*

Mr. Al-Ghamdi is currently the Executive Vice President of Technical Services and acting as Senior Vice President, Digital & Technology. Mr. Al-Ghamdi has 20 years' worth of diverse and cross-functional experience, where in his previous role he led the Corporate Digital Strategy, Investments and Growth department at Saudi Aramco and held several leadership positions in Saudi Aramco, including: Project Manager for Saudi Aramco 4<sup>th</sup> Industrial Revolution Center, Head of Advanced Process Solutions and Head of Process Automation Systems at Saudi Aramco Corporate Engineering. Mr. Al-Ghamdi has attended several leadership development programs, including at Harvard Business School. He holds a Bachelor's Degree in Systems Engineering from KFUPM and a Masters of Information Systems from the University of Phoenix, USA.

*Sultan Rashid Almahasheer, Senior Vice President, HSSE*

Mr. Almahasheer is the Senior Vice President for Health, Safety, Security and Environment. He has held several positions at Saudi Aramco, most notably as Director of Facilities Services in Dhahran, and Chief Operating Officer at John Hopkins Aramco Healthcare Hospital. Mr. Almahasheer holds a Master of Science degree in Strategic Business Administration and Information Systems from Hertfordshire University.

*Feras H. Al-Mulla, Senior Vice President, Legal Affairs*

Mr. Al-Mulla is the Senior Vice President of Legal Affairs and a Board trustee of SEC. During his career spanning over 20 years, Mr. Al-Mulla has held several leadership positions in many high-profile companies. He joined SEC in 2017 as the Executive Director of Legal Affairs with the objective to oversee the Consultation and Investigation departments and represent SEC in legal matters. In January 2021, Mr. Al-Mulla became the senior vice president of Legal Affairs and a Board trustee. Previously, Mr. Al-Mulla served as the Director of Legal and Corporate Affairs of Microsoft Arabia, the Head of Legal in the Saudi Stock Exchange (Tadawul), and the Contracts Director in the Communications and Information Technology Commission. Mr. Al-Mulla received a Master's degree from Southern Methodist University, Dallas and a Bachelor's in Law degree from King Saudi University.

*Abdulkarim Bin Abdulaziz Al-Rasheed, Senior Vice President, Human Resources & Corporate Services*

Mr. Al-Rashaid joined SEC in 2021 as Senior Vice President, Human Resources & Corporate Services where he is responsible for organization and human resource planning, human resource development, human resource services, and facilities & transportation. Mr. Al-Rashaid has more than 24 years of experience in the human resources management of well-known global and national companies where he worked as a Human Resources Vice President in the Dr. Sulaiman Al-Habib Medical Group, Business & Distribution Sector Vice President and Human Resources Vice President in Olayan Group, Human Resources General Director in PepsiCo International Refreshment Company, Support & Coordination Executive Director in L'azurde Co., and Human Resources in Charge, SABB in Alawwal Bank. In addition to his extensive experience, Mr. Al-Rashaid has served as a Board Member for multiple well-known global and national companies such as Cummins Arabia, Olayan Energy, and Atos Saudi Company. Mr. Al-Rashaid holds a Bachelor's Degree in Computer Science from King Saud University.

*Peter John Chambers, General Auditor, Internal Auditing*

Mr. Chambers is SEC's General Auditor. Previously, Mr. Chambers spent six years as the Director of Quality, Excellence and Operations for the Internal Audit Division of Mubadala Investment Company in the UAE, where he also served on three audit, risk and compliance committees. Mr. Chambers began his career in the UK, where he spent 23 years with PwC, including seven as partner. In 2013, Mr. Chambers moved to the UAE to join BDO as lead partner for the firm's Abu Dhabi office and lead partner for risk management and internal audit services across the UAE. Mr. Chambers is a Certified Fraud Examiner, a member of the Chartered Institute of Public Finance & Accountancy (UK) and holds a Bachelor's Degree in Management.

*Tahir Mahmood, Vice President, Risk Management & Compliance*

Prior to joining SEC, Mr. Mahmood was the Head of Risk, Compliance and Internal Audit at UK Power Networks (Electricity Distribution) in London, where he was a member of the Risk & Compliance and Audit Committees. In a career spanning over 27 years, Mr. Mahmood has worked exclusively in the energy

sector, having held various senior positions in Finance, Regulatory and Assurance (Risk, Compliance and Internal Audit) at National Grid Plc, Centrica Plc, and latterly at UK Power Networks (part of the CKI Group) covering the UK and the US. He holds a Bachelor's degree in Finance, is a Certified Systems Auditor (CISA) and member of the Chartered Global Management Accountants.

*Sami Abdullah Alkaoud, Senior Vice President, Corporate Communications and Marketing (acting)*

Mr. Alkaoud has held several positions at Saudi Electricity Company with nearly 25 years of experience, including Head of Distribution Services Sector, Director of Distribution Engineering Department in the Central Sector, Director of Commitment Management, Quality of Performance and Risk, in addition to membership of the Board of Directors at Solutions Valley Company, and the Executive Sponsors Board of the Youth Executive Council. Mr. Alkaoud holds a Bachelor's degree in Electrical Engineering from King Saud University in Riyadh.

## APPOINTMENT OF DIRECTORS AND PRESIDENT AND CEO

The representatives of the Government on the Board of SEC are initially nominated by the PIF and thereafter elected by the Ordinary General Assembly for a period of three years.

The CEO is appointed by the Board, which also determines his remuneration and the terms of his appointment.

## EMPLOYEES

As at 31 December 2021, the SEC Group had a workforce of 32,295, of which 93.75 per cent. are Saudi Arabian nationals. The following table sets out the SEC Group's employees by category of activity as at 31 December 2022.

Position	Number of employees
Senior-level executive positions.....	63
Mid-level manager positions.....	1,096
Other positions.....	31,136
<b>Total positions .....</b>	<b>32,295</b>

For the purpose of the above table:

"**Senior-level leader positions**" include the President and CEO, Executive Vice President, Senior Vice President and Executive Directors;

"**Mid-level manager positions**" include all managers, section heads and superintendents; and

"**Other positions**" include any job title not in Senior-level leader positions or Mid-level manager positions.

### *Saudisation*

In order to increase the Saudisation level of its workforce, SEC has established numerous training centres geared to enhancing the skills of its Saudi Arabian employees.

## CORPORATE GOVERNANCE REGULATIONS

SEC has implemented all of the mandatory rules of the Corporate Governance Regulations issued by the Capital Market Authority (the "**Corporate Governance Regulations**"). SEC has also implemented the majority of the advisory guidelines set out in the Corporate Governance Regulations.

The Nomination and Remuneration Committee has passed a resolution pursuant to which Legal Affairs has been assigned responsibility for quarterly reporting on the implementation of SEC's corporate governance rules which complies the Corporate Governance Regulations issued by the Capital Market Authority.

## COMPENSATION OF DIRECTORS AND EXECUTIVE MANAGEMENT

The remuneration of the members of the Board is set by a proposal made by the Board to the general meeting of the shareholders of SEC, which has the power to either approve or reject the Board's proposal.

For the years ended 2021 and 2022, the compensation paid to the members of the Board and executive management was SAR 38.3 million and SAR 22.0 million, respectively.

## **EMPLOYEE BENEFITS**

### **Savings scheme**

SEC operates an elective savings scheme as an incentive for its employees and to further attract qualified Saudi personnel. This programme aims to motivate Saudi employees and allows them to benefit from their savings at retirement or at the end of their service.

Under the savings programme, SEC extracts a portion of the participating employee's salary and invests it for the employee's benefit in low-risk investment funds, in accordance with Islamic investment conditions. SEC proportionally matches each employee's contribution on a sliding scale based on years of membership in the savings scheme and fully matches the employee's monthly contribution once the employee has participated in the savings scheme for ten years or more.

### **Loans scheme**

SEC provides its Saudi employees with real estate support as part of a *Shari'a*-compliant (contracted) bank financing programme that enables employees to own, construct or continue to build a home. This support is provided on the profit margin for a financing amount with a maximum ceiling of 1.5 million Saudi riyals and a maximum of twenty years. SEC contributes to the loan scheme by bearing 100 per cent. of the profit margin for this financing, and this contribution ends on the early payment of this financing or when the employee's service ends for any reason.

## FORM OF THE TRUST CERTIFICATES

Words and expressions defined in the Conditions shall have the same meanings in this section, "*Form of the Trust Certificates*".

The Trust Certificates of each Tranche will be in registered form. Trust Certificates will be issued and sold outside the United States in reliance on the exemption from registration provided by Regulation S.

The Trust Certificates of each Series will initially be represented by beneficial interests in a global trust certificate in registered form (a "**Global Trust Certificate**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Series of Trust Certificates, beneficial interests in a Global Trust Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Global Trust Certificate will bear a legend regarding such restrictions on transfer.

Global Trust Certificates will be deposited with the Common Depository for Euroclear and Clearstream, Luxembourg and will be registered in the name of a nominee for the Common Depository. Persons holding beneficial interests in Global Trust Certificates will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Trust Certificates in fully registered form.

Payments of any amount in respect of each Global Trust Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register as the registered holder of the relevant Global Trust Certificate. None of the Trustee, the Delegate or any Agent will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Trust Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payment of any amounts in respect of Trust Certificates will, in the absence of any provision to the contrary, be made to the persons shown on the relevant Register on the relevant Record Date immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in a Global Trust Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Trust Certificates only upon the occurrence of an Exchange Event. The Trustee will promptly give notice to Certificateholders in accordance with Condition 17 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (i) the Delegate has given notice in accordance with Condition 14 (*Dissolution Events*) that a Dissolution Event has occurred and is continuing; or (ii) the Trustee, SEC and the Delegate have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Trust Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (ii) above, the Trustee may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

For so long as any of the Trust Certificates is represented by a Global Trust Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Trustee, the Delegate, SEC and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to any payment in respect of such Trust Certificates, for which purpose the registered holder of the Global Trust Certificate shall be treated by the Trustee, the Delegate, SEC and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate and the expressions "**Certificateholder**" and "**holder**" in relation to any Trust Certificates and related expressions shall be construed accordingly.

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche is issued (in accordance with "*Further Issues*", as set out in the Conditions) which is intended to form a single Series with an existing Tranche at a point after the Issue Date of the further Tranche, the Trust Certificates of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Trust Certificates of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series.

Interests in a Global Trust Certificate may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Global Trust Certificate. No beneficial owner of an interest in a Global Trust Certificate will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, to the extent applicable.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

## FORM OF FINAL TERMS

*The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:*

**[EU MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Trust Certificates has led to the conclusion that: (i) the target market for the Trust Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "EU MiFID II"); and (ii) all channels for distribution of the Trust Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Trust Certificates (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPs ONLY TARGET MARKET** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Trust Certificates has led to the conclusion that: (i) the target market for the Trust Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018; and (ii) all channels for distribution of the Trust Certificates to eligible counterparties and professional clients are appropriate. [A distributor]/[Any person subsequently offering, selling or recommending the Trust Certificates (a "distributor")] should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Trust Certificates (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

**[SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION** – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "SFA"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Certificates are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]

**Final Terms dated [•]**

**Saudi Electricity Sukuk Programme Company**  
**Legal Entity Identifier (LEI): 549300KZ4IZK3RMUO096**  
**Issue of [Aggregate Face Amount of Tranche] [Title of Trust Certificates]**  
**under the Trust Certificate Issuance Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the base prospectus dated 31 March 2023 [and the supplement[s] to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the UK Prospectus Regulation. This document constitutes the Final Terms relating to the issue of Trust Certificates described herein for the purposes of the UK Prospectus Regulation and must be read in conjunction with the Base Prospectus, in order to obtain all the relevant information.

Full information on the Trustee, Saudi Electricity Company (the "SEC") and the offer of the Trust Certificates described herein is only available on the basis of the combination of these Final Terms Final Terms and the Base Prospectus. [The Base Prospectus and these Final Terms have been published on the website of the Regulatory News Service operated by the London Stock Exchange at [<http://www.londonstockexchange.com/exchange/news/market-news/home.html>]].

1. (a) Trustee and Lessor: Saudi Electricity Sukuk Programme Company

(b) Seller, Obligor, Lessee and Saudi Electricity Company Servicing Agent:

2. (a) Series Number: [•]

(b) Tranche Number: [•] / [Not Applicable]

(c) Date on which the Trust Certificates become fungible: [The Trust Certificates will be consolidated and form a single Series with *[identify earlier Tranche(s)]* on *[insert date/the Issue Date]*] [Not Applicable]

3. Specified Currency: [•]

4. Aggregate Face Amount:

(a) Series [•]

(b) Tranche [•]

5. Issue Price: [•] per cent. of the Aggregate Face Amount

6. (a) Specified Denominations: [•]

(b) Calculation Amount: [•]

7. (a) Issue Date: [•]

(b) Return Accumulation Commencement Date: [[•] / Issue Date]

8. Scheduled Dissolution Date: [•]

9. Periodic Distribution Amount Basis: Fixed Rate Trust Certificates (further particulars specified below in paragraph 14)

10. Dissolution Basis: The Trust Certificates will be redeemed at 100 per cent. of the Aggregate Face Amount

11. Put/Call Rights: [Clean Up Call Right]  
 [Optional Dissolution Call Right]  
 [Certificateholder Put Right]  
 [Change of Control Put Right]

12. Status The Trust Certificates are direct, unsecured, unsubordinated and limited recourse obligations of the Trustee

13. Date of Trustee's approval and date of SEC's approval for issuance of Trust Certificates: [•] and [•], respectively

**Provisions relating to profit payable (if any)**

14. Fixed Periodic Distribution Provisions:

(a) Rate[(s)]: [•] per cent. per annum payable [annually/semi-annually/quarterly/monthly/[•]] [in arrear on each Periodic Distribution Date]

(b) Return Accumulation Period: [[•]/[Not Applicable]]

(c) Periodic Distribution Date(s): [[•] in each year up to and including the Scheduled Dissolution Date]

(d) Fixed Amount(s) for Trust Certificates in definitive form (and in relation to Trust Certificates in global form, see Condition 7 (*Fixed Periodic Distribution Provisions*)): [•] per Calculation Amount

(e) Broken Amount(s): [[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [•] / Not Applicable]

(f) Day Count Fraction: [30/360 / Actual/Actual / Actual/Actual (ICMA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360]

(g) Determination Date(s): [[•] in each year/Not Applicable]

(h) Additional Business Centre(s): [Not Applicable/give details]

**Provisions relating to dissolution**

15. Optional Dissolution Call Right: [Applicable/Not Applicable]

(a) Optional Dissolution Date(s): [•]

(b) Optional Dissolution Amount (Call): [[•] / As per Condition 10.3 (*Dissolution at the Option of SEC (Optional Dissolution Call Right)*)]

(c) Notice periods: [[•] / As per Condition 10.3 (*Dissolution at the Option of SEC (Optional Dissolution Call Right)*)]

16. Certificateholder Put Right: [Applicable/Not Applicable]

(a) Optional Dissolution Amount (Put): [[•] / As per Condition 10.5 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*)]

(b) Certificateholder Put Right Date(s): [•]

(c) Notice period: [[•] / As per Condition 10.5 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*)]

17.	Clean Up Call Right:	[Applicable/Not Applicable]
	(a) Clean Up Call Right in respect of Condition 10.5 ( <i>Dissolution at the Option of the Certificateholders (Certificateholder Put Right)</i> ):	[Applicable/Not Applicable]
	(b) Clean Up Call Right in respect of Condition 10.6 ( <i>Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)</i> ):	[Applicable/Not Applicable]
	(c) Clean Up Call Right in respect of Condition 10.7 ( <i>Dissolution at the Option of the Certificateholders (Change of Control Put Right)</i> ):	[Applicable/Not Applicable]
	(d) Clean Up Call Right Dissolution Amount:	[[•] / As per Condition 10.8 <i>Dissolution at the Option of SEC (Clean Up Call Right)</i> ]
	(e) Notice period:	[[•] <sup>1</sup> / As per Condition 10.8 <i>Dissolution at the Option of SEC (Clean Up Call Right)</i> ]
18.	Dissolution Event Amount:	[•]
19.	Final Dissolution Amount:	[•]
20.	Other Dissolution Amount:	[[•] / Not Applicable]

#### **General provisions applicable to the Trust Certificates**

21.	Form of Trust Certificates:	Trust Certificates in registered form:  Global Trust Certificate registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and exchangeable for Trust Certificates in definitive registered form in the limited circumstances specified in the Global Trust Certificate.
		Reg S Compliance Category 2
22.	Additional Financial Centre(s):	[Not Applicable / [•]]

<sup>1</sup> Such notice being 30 days after the Certificateholder Put Right Date, the Tangibility Event Put Right Date or the Change of Control Put Right Date.

## Provisions in respect of the Trust Assets

23.	Trust Assets:	Condition 5.1 ( <i>Trust Assets</i> ) applies
24.	On the Issue Date:	
	(a) Ijara Percentage:	[•]
	(b) Murabaha Percentage:	[•]
25.	(a) Details of Transaction Account (to be held in London):	[Transaction Account No: [•] with [•] for Series No.: [•]]
	(b) Supplemental Declaration of Trust:	Supplemental Declaration of Trust dated [•] between the Trustee, SEC and the Delegate
	(c) Supplemental Purchase Agreement:	Supplemental Purchase Agreement dated [•] between the Trustee and SEC
	(d) Supplemental Lease Agreement	Supplemental Lease Agreement dated [•] between the Trustee, the Lessor, the Lessee and the Delegate
	(e) [Purchase Order and Letter of Offer and Acceptance:	Purchase Order dated [•] from SEC (as " <b>Buyer</b> ") to the Trustee (as " <b>Seller</b> ") and Letter of Offer and Acceptance dated [•] from the Seller to the Buyer.]
	(f) Declaration of Commingling of Assets:	[Declaration of Commingling of Assets dated [•] executed by the Trustee] [Not Applicable]

Signed on behalf of **SAUDI ELECTRICITY SUKUK PROGRAMME COMPANY**

By .....  
*Duly authorised*

Signed on behalf of **SAUDI ELECTRICITY COMPANY**

By .....  
*Duly authorised*

## PART B – OTHER INFORMATION

### 1. Listing and Admission to Trading

(a) Listing and Admission to trading: [Application has been made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to trading on the London Stock Exchange's main market with effect from [•].]  
[Application is expected to be made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to trading on the London Stock Exchange's main market with effect from [•].]

*(where documenting a fungible issue indicate that original Trust Certificates are already admitted to trading)*

(b) Estimate of total expenses related to admission to trading: [•]

### 2. Ratings

Ratings:

The Trust Certificates to be issued [have been/are expected to be/will not be] rated.

[Fitch: [•]]

[Moody's: [•]]

[[•]: [•]]

[[•] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended. [[•] appears on the latest update of the list of registered credit rating agencies (as of [insert date of most recent list]) on the ESMA website <http://www.esma.europa.eu.>].] [The rating [•] has given to the Trust Certificates is endorsed by [•], which is established in the UK and registered under Regulation (EU) No. 1060/2009 (as amended) as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018.]

### 3. Interests of Natural and Legal Persons involved in the Issue

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and SEC is aware, no person involved in the issue of the Trust Certificates has an interest material to the offer. The [Managers/Dealer] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, SEC and/or the Trustee (and each of their affiliates) in the ordinary course of business for which they may receive fees.]

### 4. Yield:

[•] per cent. per annum.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5.	<b>Estimated Net Proceeds:</b>	[•]
<b>6. Operational Information</b>		
(a)	ISIN:	[•]
(b)	Common Code:	[•]
(c)	[FISN:]	[As set out on the website of the Association of Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [Not Applicable]]
(d)	[CFI Code:]	[As set out on the website of the Association of Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [Not Applicable]]
(e)	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/give name(s), address(es) and number(s)]
(f)	Delivery	Delivery [against/free of] payment
(g)	Names and addresses of additional Paying Agent(s) (if any):	[•]
(h)	Stabilisation Manager(s):	[•]
<b>7. Reasons for the Offer</b>		
Reasons for the offer/use of proceeds:		[As specified in " <i>Use Of Proceeds</i> "] / [To fund a portfolio of Eligible Projects within Eligible Categories as set out in the SEC Group's Green Sukuk Framework] / [•]

## FORM OF PRICING SUPPLEMENT

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

**[MIFID II/UK MIFIR product governance / target market - [appropriate target market legend to be included].]**

**[SINGAPORE SECURITIES AND FUTURES ACT PRODUCT CLASSIFICATION** – Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "SFA"), the Trustee has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Certificates are ["prescribed capital markets products"]/[capital markets products other than "prescribed capital markets products"] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).]]

### Pricing Supplement dated [•]

**Saudi Electricity Sukuk Programme Company**  
**Legal Entity Identifier (LEI): 549300KZ4IZK3RMUO096**  
**Issue of [Aggregate Face Amount of Tranche] [Title of Trust Certificates]**  
**under the Trust Certificate Issuance Programme**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the base prospectus dated 31 March 2023 [and the supplement[s] to it dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**"). This document constitutes the Pricing Supplement relating to the issue of Trust Certificates described herein and must be read in conjunction with the Base Prospectus, in order to obtain all the relevant information. Trust Certificates that are the subject of this Pricing Supplement are not compliant with the UK Prospectus Regulation. As such, the FCA has neither reviewed nor approved the information contained in this Pricing Supplement.

Full information on the Trustee, Saudi Electricity Company (the "SEC") and the offer of the Trust Certificates described herein is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. [The Base Prospectus and this Pricing Supplement have been published on the website of the Regulatory News Service operated by the London Stock Exchange at [<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>]].

1. (a) Trustee and Lessor: Saudi Electricity Sukuk Programme Company
- (b) Seller, Obligor, Lessee and Saudi Electricity Company Servicing Agent:
2. (a) Series Number: [•]
- (b) Tranche Number: [•] / [Not Applicable]
- (c) Date on which the Trust Certificates become fungible: [The Trust Certificates will be consolidated and form a single Series with [identify earlier Tranche(s)] on [insert date/the Issue Date]][Not Applicable]
3. Specified Currency: [•]
4. Aggregate Face Amount:
  - (a) Series [•]
  - (b) Tranche [•]

5.	Issue Price:	[•] per cent. of the Aggregate Face Amount
6.	(a) Specified Denominations:	[•]
	(b) Calculation Amount:	[•]
7.	(a) Issue Date:	[•]
	(b) Return Accumulation Commencement Date	[[•]/Issue Date]
8.	Scheduled Dissolution Date:	[•]
9.	Periodic Distribution Amount Basis:	Fixed Rate Trust Certificates (further particulars specified below in paragraph 14)
10.	Dissolution Basis:	The Trust Certificates will be redeemed at 100 per cent. of the Aggregate Face Amount
11.	Put/Call Rights:	[Clean Up Call Right] [Optional Dissolution Call Right] [Certificateholder Put Right] [Change of Control Put Right]
12.	Status	The Trust Certificates are direct, unsecured, unsubordinated and limited recourse obligations of the Trustee
13.	Date of Trustee's approval and date of SEC's approval for issuance of Trust Certificates:	[•] and [•], respectively

#### **Provisions relating to profit payable (if any)**

14.	Fixed Periodic Distribution Provisions:	
	(a) Rate[(s)]:	[•] per cent. per annum payable [annually/semi-annually/quarterly/monthly / [•]] [in arrear on each Periodic Distribution Date]
	(b) Return Accumulation Period:	[[•] / [Not Applicable]]
	(c) Periodic Distribution Date(s):	[[•] in each year up to and including the Scheduled Dissolution Date]
	(d) Fixed Amount(s) for Trust Certificates in definitive form (and in relation to Trust Certificates in global form, see Condition 7 ( <i>Fixed Periodic Distribution Provisions</i> )):	[•] per Calculation Amount

(e)	Broken Amount(s):	[[•] per Calculation Amount, payable on the Periodic Distribution Date falling [in/on] [•]/Not Applicable]
(f)	Day Count Fraction:	[30/360 / Actual/Actual / Actual/Actual (ICMA) / Actual/365 (Fixed) / Actual/365 (Sterling) / Actual/360]
(g)	Determination Date(s):	[[•] in each year/Not Applicable]
(h)	Additional Business Centre(s):	[Not Applicable/give details]

#### **Provisions relating to dissolution**

15.	Optional Dissolution Call Right:	[Applicable/Not Applicable]
	(a) Optional Dissolution Date(s):	[•]
	(b) Optional Dissolution Amount (Call):	[[•]/As per Condition 10.3 ( <i>Dissolution at the Option of SEC (Optional Dissolution Call Right)</i> )]
	(c) Notice periods:	[[•]/As per Condition 10.3 <i>Dissolution at the Option of SEC (Optional Dissolution Call Right)</i> ]
16.	Certificateholder Put Right:	[Applicable/Not Applicable]
	(a) Optional Dissolution Amount (Put):	[[•]/As per Condition 10.5 ( <i>Dissolution at the Option of the Certificateholders (Certificateholder Put Right)</i> )]
	(b) Certificateholder Put Right Date(s):	[•]
	(c) Notice period:	[[•]/As per Condition 10.5 ( <i>Dissolution at the Option of the Certificateholders (Certificateholder Put Right)</i> )]
17.	Clean Up Call Right:	[Applicable/Not Applicable]
	(a) Clean Up Call Right in respect of Condition 10.5 ( <i>Dissolution at the Option of the Certificateholders (Certificateholder Put Right)</i> ):	[Applicable/Not Applicable]
	(b) Clean Up Call Right in respect of Condition 10.6 ( <i>Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)</i> ):	[Applicable/Not Applicable]
	(c) Clean Up Call Right in respect of Condition 10.7 ( <i>Dissolution at the Option of the Certificateholders (Change of Control Put Right)</i> ):	[Applicable/Not Applicable]

(d)	Clean Up Call Right Dissolution Amount:	[[•]/As per Condition 10.8 ( <i>Dissolution at the Option of SEC (Clean Up Call Right)</i> )]
(e)	Notice period:	[[•] <sup>2</sup> /As per Condition 10.8 ( <i>Dissolution at the Option of SEC (Clean Up Call Right)</i> )]
18.	Dissolution Event Amount:	[•]
19.	Final Dissolution Amount:	[•]
20.	Other Dissolution Amount:	[[•]/Not Applicable]

#### **General provisions applicable to the Trust Certificates**

21.	Form of Trust Certificates:	Trust Certificates in registered form:
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Global Trust Certificate registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg and exchangeable for Trust Certificates in definitive registered form in the limited circumstances specified in the Global Trust Certificate.

Reg S Compliance Category 2

22.	Additional Financial Centre(s):	[Not Applicable / [•]]
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#### **Provisions in respect of the Trust Assets**

23.	Trust Assets:	Condition 5.1 ( <i>Trust Assets</i> ) applies
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24.	On the Issue Date:	
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(a)	Ijara Percentage:	[•]
(b)	Murabaha Percentage:	[•]
25.	(a) Details of Transaction Account (to be held in London):	[Transaction Account No: [•] with [•] for Series No.: [•]]
	(b) Supplemental Declaration of Trust:	Supplemental Declaration of Trust dated [•] between the Trustee, SEC and the Delegate

<sup>2</sup> Such notice being 30 days after the Certificateholder Put Right Date, the Tangibility Event Put Right Date or the Change of Control Put Right Date.

(c)	Supplemental Purchase Agreement:	Supplemental Purchase Agreement dated [•] between the Trustee and SEC
(d)	Supplemental Lease Agreement	Supplemental Lease Agreement dated [•] between the Trustee, the Lessor, the Lessee and the Delegate
(e)	[Purchase Order and Letter of Offer and Acceptance:	Purchase Order dated [•] from SEC (as " <b>Buyer</b> ") to the Trustee (as " <b>Seller</b> ") and Letter of Offer and Acceptance dated [•] from the Seller to the Buyer.]
(f)	Declaration of Commingling of Assets:	[Declaration of Commingling of Assets dated [•] executed by the Trustee] [Not Applicable]

Signed on behalf of **SAUDI ELECTRICITY  
SUKUK PROGRAMME COMPANY**

By.....

*Duly authorised*

Signed on behalf of **SAUDI ELECTRICITY  
COMPANY**

By.....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. Listing and Admission to Trading

(a) Listing and Admission to trading: [Application has been made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to trading on the [Other] with effect from [•].] [Application is expected to be made by the Trustee (or on its behalf) for the Trust Certificates to be admitted to trading on the [Other] with effect from [•].]

[Not Applicable]

*(where documenting a fungible issue indicate that original Trust Certificates are already admitted to trading)*

(b) Estimate of total expenses related to admission to trading: [•]

### 2. Ratings

Ratings:

The Trust Certificates to be issued [have been/are expected to be/will not be] rated.

[Fitch: [•]]

[Moody's: [•]]

[[•]: [•]]

### 3. Interests of Natural and Legal Persons involved in the Issue

[Save for any fees payable to the [Managers/Dealer], so far as each of the Trustee and SEC is aware, no person involved in the issue of the Trust Certificates has an interest material to the offer. The [Managers/Dealer] and [its/their] affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, SEC and/or the Trustee (and each of their affiliates) in the ordinary course of business for which they may receive fees.]

### 4. Yield:

[•] per cent. per annum.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. Estimated Net Proceeds:

[•]

### 6. Operational Information

(a) ISIN: [•]

(b) Common Code: [•]

(c) [FISN: [As set out on the website of the Association of Numbering Agencies (ANNA) or alternatively

sourced from the responsible National Numbering Agency that assigned the ISIN] / [Not Applicable]]

(d) [CFI Code: [As set out on the website of the Association of Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN] / [Not Applicable]]

(e) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]

(f) Delivery Delivery [against/free of] payment

(g) Names and addresses of additional Paying Agent(s) (if any): [•]

(h) Stabilisation Manager(s): [•]

## 7. Reasons for the Offer

Reasons for the offer/use of proceeds: [As specified in "*Use Of Proceeds*"] / [To fund a portfolio of Eligible Projects within Eligible Categories as set out in the SEC Group's Green Sukuk Framework]/[•]

## TERMS AND CONDITIONS OF THE TRUST CERTIFICATES

*The following is the text of the Terms and Conditions of the Trust Certificates, which (save for the text in italics and subject to completion in accordance with the provisions of Part A of the relevant Final Terms) will be endorsed on each Trust Certificate in definitive registered form issued under the Programme and will apply to each Global Trust Certificate.*

*In the case of a Tranche of Trust Certificates which will not be admitted to listing, trading on a UK regulated market as defined in Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 and/or quotation by any competent authority, stock exchange and/or quotation system ("Exempt Trust Certificates") and, accordingly, for which no base prospectus is required to be published under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 or the Financial Services and Markets Act 2000, as amended, respectively, a pricing supplement (a "Pricing Supplement") will be issued describing the final terms of such Tranche of Exempt Trust Certificates. Each reference in these terms and conditions to "Final Terms" shall, in the case of a Tranche of Exempt Trust Certificates, be read and construed as a reference to such Pricing Supplement unless the context requires otherwise.*

Saudi Electricity Sukuk Programme Company (in its capacity as issuer of the Trust Certificates (as defined below) and as trustee for the Certificateholders (as defined below), the "Trustee"), has established a programme (the "Programme") for the issuance of trust certificates (the "Trust Certificates").

As used herein, "Tranche" means Trust Certificates which are identical in all respects (including as to listing and admission to trading) and "Series" means a Tranche of Trust Certificates together with any further Tranche or Tranches of Trust Certificates which: (a) are expressed to be consolidated and form a single series; and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of Periodic Distribution Amounts (as defined herein) thereon and the date from which Periodic Distribution Amounts start to accrue.

The final pricing terms for this Trust Certificate (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Trust Certificate which complete these Terms and Conditions (these "Conditions"). References to the "applicable Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Trust Certificate (save where otherwise expressed herein).

Each of the Trust Certificates will represent an undivided ownership interest in the Trust Assets (as defined below) which are held by the Trustee on trust (the "Trust") for, *inter alia*, the benefit of the holders of the Trust Certificates pursuant to: (i) a master declaration of trust (the "Master Declaration of Trust") dated 31 March 2023 and made between the Trustee, Saudi Electricity Company ("SEC") and HSBC Bank plc (the "Delegate"); and (ii) a supplemental declaration of trust (the "Supplemental Declaration of Trust" and, together with the Master Declaration of Trust, the "Declaration of Trust") having the details set out in the applicable Final Terms.

In these Conditions, references to "Trust Certificates" shall be references to the Trust Certificates of the Series which are the subject of the applicable Final Terms only, not to all Trust Certificates that may be issued under the Programme (whether in global form as a Global Trust Certificate or in definitive form as definitive Trust Certificates), which are the subject of the applicable Final Terms.

Payments relating to the Trust Certificates will be made pursuant to a paying agency agreement dated 31 March 2023 (the "Agency Agreement") made between the Trustee, the Delegate, SEC and HSBC Bank plc in its capacity as principal paying agent (in such capacity, the "Principal Paying Agent", which expression shall include any successor), the other paying agents named therein (in such capacity, the "Paying Agents"), the transfer agent (in such capacity, and together with HSBC Bank plc, in its capacity as transfer agent, the "Transfer Agents", which expression shall include any successor) and the registrar (in such capacity, the "Registrar", which expression shall include any successor). The Principal Paying Agent, the Paying Agents, the Transfer Agents and the Registrar are together referred to in these Conditions as the "Agents".

The holders of the Trust Certificates (the "Certificateholders") are bound by, and are deemed to have notice of, all of the provisions applicable to them in the documents set out below, copies of which are available for inspection and/or collection by Certificateholders during normal business hours on any

weekday (excluding Saturdays, Sundays and public holidays) at the specified office for the time being of the Principal Paying Agent:

- (a) a master purchase agreement between the Trustee (in its capacity as purchaser), SEC (in its capacity as seller) and the Delegate dated 31 March 2023 (the "**Master Purchase Agreement**");
- (b) the supplemental purchase agreement (the "**Supplemental Purchase Agreement**" and, together with the Master Purchase Agreement, the "**Purchase Agreement**") having the details set out in the applicable Final Terms;
- (c) a master lease agreement between the Trustee (in such capacity as lessor), SEC (in its capacity as lessee) and the Delegate dated 31 March 2023 (the "**Master Lease Agreement**");
- (d) the supplemental lease agreement (the "**Supplemental Lease Agreement**" and, together with the Master Lease Agreement, the "**Lease Agreement**") having the details set out in the applicable Final Terms;
- (e) a purchase undertaking executed by SEC (in its capacity as obligor) as a deed dated 31 March 2023 (the "**Purchase Undertaking**"), containing the form of sale agreement (the "**Sale Agreement**") to be executed by SEC (in its capacity as purchaser) and the Trustee (in its capacity as seller) on the Scheduled Dissolution Date, the Dissolution Event Redemption Date, the Certificateholder Put Right Date, the Tangibility Event Put Right Date, the Change of Control Put Right Date, as the case may be (each such expression having the meaning given to it in the Purchase Undertaking);
- (f) a sale and substitution undertaking executed by the Trustee as a deed dated 31 March 2023 (the "**Sale and Substitution Undertaking**") containing the form of sale agreement (the "**Sale Agreement**") to be executed by the Trustee (in its capacity as seller) and SEC (in its capacity as purchaser) on the Tax Dissolution Date, the Clean Up Call Right Dissolution Date, the Optional Dissolution Date, the Cancellation Date or the Substitution Date, as the case may be (each such expression having the meaning given to it in the Sale and Substitution Undertaking);
- (g) a servicing agency agreement between the Trustee (in its capacity as lessor), SEC (in its capacity as servicing agent, the "**Servicing Agent**") and the Delegate dated 31 March 2023 (the "**Servicing Agency Agreement**");
- (h) a master murabaha agreement between the Trustee (in such capacity as seller), SEC (in such capacity as buyer) and the Delegate dated 31 March 2023 (the "**Master Murabaha Agreement**"), together with the purchase order, the letter of offer and acceptance and all other offers, acceptances and confirmations delivered pursuant thereto in connection with the relevant Series;
- (i) a declaration of commingling of assets entered into by the Trustee as a deed pursuant to the Declaration of Trust;
- (j) the Declaration of Trust;
- (k) the Agency Agreement; and
- (l) the applicable Final Terms,

(a) to (k) together being the "**Transaction Documents**".

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents.

Each initial Certificateholder, by its acquisition and holding of its interest in a Trust Certificate, shall be deemed to authorise and direct the Trustee to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions and to apply the sums paid by it in respect of its Trust Certificates in accordance with the terms of the Transaction Documents.

## 1. Interpretation

### 1.1 Definitions

Words and expressions defined in the Declaration of Trust and the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and **provided that**, in the event of inconsistency between any such document and the applicable Final Terms, the applicable Final Terms will prevail. In addition, in these Conditions the following expressions have the following meanings:

**"Accrual Period"** has the meaning given in Condition 7.2 (*Determination of Periodic Distribution Amount*);

**"Additional Business Centre(s)"** means the city or cities specified as such in the applicable Final Terms;

**"Additional Financial Centre(s)"** means the city or cities specified as such in the applicable Final Terms;

**"Bankruptcy Law"** means the Bankruptcy Law issued pursuant to Royal Decree No. M/50 dated 28/05/1439H (corresponding to 14/02/2018G) and its implementing regulations issued pursuant to the Council of Ministers Resolution No. 622 dated 24/12/1439H (corresponding to 4/09/2018G) and published in the official gazette on 30/12/1439H (corresponding to on 10/09/2018G) as amended, supplemented or restated from time to time;

**"Business Day"** means a day which is:

- (a) either: (i) a day on which commercial banks and foreign exchange markets are open for general business (including dealing in foreign exchange and foreign currency deposits) and settle payments in the Specified Currency in the Additional Business Centre(s); (ii) or, if no Specified Currency is indicated, generally in each Additional Business Centre specified in the applicable Final Terms; or (iii) in relation to any sum payable in USD, if applicable, London; and
- (b) either: (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the Additional Business Centre); or (ii) in relation to any sum payable in euro, a TARGET2 Settlement Day;

**"Cancellation Date"** means the date on which Trust Certificates are to be cancelled as specified in the Cancellation Notice;

**"Cancellation Notice"** means a notice substantially in the form set out in Schedule 2 to the Sale and Substitution Undertaking;

**"Cancelled Lease Asset(s)"** means the assets to be sold by the Trustee (in its capacity as seller) to SEC (in its capacity as purchaser) in accordance with the Sale and Substitution Undertaking following the delivery of, and as specified in, an applicable Cancellation Notice;

**"Calculation Amount"** has the meaning given in the applicable Final Terms;

**"Certificateholder Put Right"** means the right exercisable by the Trustee at the request of Certificateholder pursuant to Condition 10.5 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*);

**"Certificateholder Put Right Date"** means the date on which the relevant Trust Certificates are to be redeemed in accordance with Condition 10.5 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*), as specified in the relevant Exercise Notice,

**provided that** such date is a Periodic Distribution Date, unless otherwise specified in the applicable Final Terms;

**"Certificateholder Put Right Exercise Price"** has the meaning given to it in the Purchase Undertaking;

a "Change of Control" shall occur if at any time: (i) the Government of the Kingdom of Saudi Arabia or any department or authority of the Government of the Kingdom of Saudi Arabia ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of SEC or to control, directly or indirectly, SEC; or (ii) SEC ceases to own, directly or indirectly, more than 50 per cent. of the issued share capital of each Principal Subsidiary or to control, directly or indirectly, each Principal Subsidiary;

**"Change of Control Exercise Notice"** has the meaning given to it in Condition 10.7 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

**"Change of Control Exercise Price"** has the meaning given to it in the Purchase Undertaking;

**"Change of Control Notice"** has the meaning given to it in Condition 10.7 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

**"Change of Control Put Right"** has the meaning given to it in Condition 10.7 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

**"Change of Control Put Right Date"** shall be the tenth Payment Business Day after the expiry of the Change of Control Put Period;

**"Change of Control Put Period"** has the meaning given to it in Condition 10.7 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

**"Clean Up Call Right Dissolution Amount"** has the meaning given to it in Condition 10.8 (*Dissolution at the Option of SEC (Clean Up Call Right)*);

**"Clean Up Call Right"** means the right exercisable by the Trustee at the request of SEC pursuant to Condition 10.8 (*Dissolution at the Option of SEC (Clean Up Call Right)*);

**"Clean Up Call Right Dissolution Date"** has the meaning given to it in Condition 10.8 (*Dissolution at the Option of SEC (Clean Up Call Right)*);

**"Clearstream, Luxembourg"** means Clearstream Banking S.A.;

**"Day Count Fraction"** has the meaning given to it in Condition 7.2 (*Determination of Periodic Distribution Amount*);

**"Deferred Sale Price"** has the meaning given to it in the Master Murabaha Agreement;

**"Determination Date"** means the date(s) specified as such in the applicable Final Terms or, if none is so specified, the Periodic Distribution Date(s);

**"Determination Period"** has the meaning given in Condition 7.2 (*Determination of Periodic Distribution Amount*);

**"Dispute"** has the meaning given in Condition 23.2 (*Arbitration*);

**"Dissolution Amount"** means, as appropriate, the Final Dissolution Amount, the Dissolution Event Amount, the Tax Dissolution Amount, the Optional Dissolution Amount (Call), the Total Loss Dissolution Amount, the Optional Dissolution Amount (Put), the Clean Up Call Right Dissolution Amount, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, which shall, unless otherwise specified in the applicable Final Terms, in each case, be equal to the sum of:

(a) the outstanding face amount of the relevant Trust Certificates being redeemed; and

- (b) any due and unpaid Periodic Distribution Amounts of such Trust Certificates; or
- (c) such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms (and any other amount payable following a Total Loss Event pursuant to the Servicing Agency Agreement);

**"Dissolution Date"** means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) the Tax Dissolution Date;
- (c) the Dissolution Event Redemption Date;
- (d) the Optional Dissolution Date;
- (e) the Total Loss Dissolution Date;
- (f) the Certificateholder Put Right Date;
- (g) the Tangibility Event Put Right Date;
- (h) the Clean Up Call Right Dissolution Date; and
- (i) the Change of Control Put Right Date on which the outstanding Trust Certificates are redeemed in full;

**"Dissolution Event"** has the meaning given to it in Condition 14 (*Dissolution Events*);

**"Dissolution Event Amount"** has the meaning given to it in Condition 10.9 (*Dissolution following a Dissolution Event*);

**"Dissolution Event Redemption Date"** has the meaning given to it in Condition 14 (*Dissolution Events*);

**"Dissolution Notice"** has the meaning given to it in Condition 14 (*Dissolution Events*);

**"Euroclear"** means Euroclear Bank SA/NV;

**"Exercise Notice"** means a notice substantially in the form set out in Schedule 1 to the Sale and Substitution Undertaking or the Purchase Undertaking, as applicable;

**"Exercise Price"** has the meaning given to it in the Sale and Substitution Undertaking or the Purchase Undertaking, as applicable;

**"Extraordinary Resolution"** has the meaning given to it in the Master Declaration of Trust;

**"Final Dissolution Amount"** shall have the meaning given to it in Condition 10.1 (*Scheduled Dissolution*);

**"Fixed Amount"** means the amount specified as such in the applicable Final Terms;

**"Full Reinstatement Value"** has the meaning given to it in the Servicing Agency Agreement;

**"Global Trust Certificate"** means the Trust Certificates of each Series offered and sold in reliance on Regulation S, which will be sold to Persons who are not U.S. persons (as defined in Regulation S) outside the United States, in registered form;

**"Ijara Percentage"** means the percentage specified hereon which, except when Trust Certificates are issued pursuant to Condition 21 (*Further Issues*), shall be no less than 55 per cent.;

**"Indebtedness"** means any indebtedness or guarantee or indemnity in respect of indebtedness for monies borrowed or raised (whether or not evidenced by bonds, debentures, notes or other instruments and including any obligations incurred in respect of Islamic financing arrangements);

**"Insurances"** means the insurances in respect of the Lease Asset(s), as provided for in the Servicing Agency Agreement;

**"Issue Date"** has the meaning given to it in the applicable Final Terms;

**"Joint Venture Company"** means an entity which is, at any particular time, jointly controlled (whether directly or indirectly) by SEC and any other Person or Persons;

**"LCIA"** means the London Court of International Arbitration;

**"Lease"** has the meaning given to it in the Lease Agreement;

**"Lease Asset(s)"** has the meaning given to it in the Lease Agreement;

**"Loss Shortfall Amount"** has the meaning given to it in the Servicing Agency Agreement;

**"Material Subsidiary"** means, at any relevant time, a Subsidiary of SEC:

- (a) whose gross revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of SEC and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated gross revenues of SEC, or, as the case may be, consolidated total assets, of SEC and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of SEC and its Subsidiaries, *provided that* in the case of a Subsidiary of SEC acquired after the end of the financial period to which the then latest audited consolidated accounts of SEC and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of SEC and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by SEC;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of SEC which immediately prior to such transfer is a Material Subsidiary, *provided that* the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this Subparagraph (b) on the date on which the consolidated accounts of SEC and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of Subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of SEC and its Subsidiaries relate, generate gross revenues equal to) not less than 10 per cent. of the consolidated gross revenues of SEC, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of SEC and its Subsidiaries taken as a whole, all as calculated as referred to in Subparagraph (a) above, *provided that* the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid,

generate gross revenues equal to) not less than 10 per cent. of the consolidated gross revenues of SEC, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of SEC and its Subsidiaries taken as a whole, all as calculated as referred to in Subparagraph (a) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this Subparagraph (c) on the date on which the consolidated accounts of SEC and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of Subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Declaration of Trust;

**"Murabaha Percentage"** means the percentage specified hereon which, except when Trust Certificates are issued pursuant to Condition 21 (*Further Issues*), shall be no more than 45 per cent.;

**"nominee"** shall have the meaning given to it in Condition 2.1 (*Form and Denomination*);

**"Non-recourse Financing"** means any indebtedness where:

- (a) any Security Interest created by SEC or a Subsidiary in respect of such indebtedness is limited solely to specific property;
- (b) the relevant creditors in respect of such indebtedness expressly agree to limit their recourse to such property and the revenues derived from such property or, in the case of any such indebtedness for the financing of all or part of the costs of the acquisition, construction or development of any project, to the project financed and the revenues derived from such project as the sole source of repayment in respect of such indebtedness; and
- (c) there is no other recourse to SEC or any Subsidiary in respect of any default by any Person in respect of such indebtedness;

**"Optional Dissolution Amount (Call)"** has the meaning given to it in Condition 10.3 (*Dissolution at the Option of SEC (Optional Dissolution Call Right)*);

**"Optional Dissolution Amount (Put)"** has the meaning given to it in Condition 10.5 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*);

**"Optional Dissolution Call Right"** means the right exercisable by the Trustee at the request of SEC pursuant to Condition 10.3 (*Dissolution at the Option of SEC (Optional Dissolution Call Right)*);

**"Optional Dissolution Date"** means the date on which Trust Certificates are to be redeemed in accordance with Condition 10.3 (*Dissolution at the Option of SEC (Optional Dissolution Call Right)*), as specified in the relevant Exercise Notice;

**"Partial Loss Dissolution Event"** means, in relation to any Series, the termination of the Lease on the 61<sup>st</sup> day after the Partial Loss Event Date as a result of either: (a) the delivery by SEC of a Partial Loss Termination Notice to the Trustee within 30 days after the Partial Loss Event Date in accordance with the terms of the Lease Agreement; or (b) the failure by SEC to replace the Lease Assets within 60 days after the Partial Loss Event Date in accordance with the terms of the Servicing Agency Agreement;

**"Partial Loss Event"** means the partial impairment of one or more Lease Assets in a manner that substantially deprives the Lessee from the benefits expected from the whole of the Lease Assets, as determined by the Lessee and the occurrence of which: (a) has been certified in writing by a recognised independent industry expert; (b) has not arisen as a result of the Lessee's negligence or misconduct; and (c) does not constitute a Total Loss Event.

**"Partial Loss Event Date"** has the meaning given to it in the Lease Agreement;

**"Partial Loss Termination Notice"** has the meaning given to it in the Lease Agreement;

**"Payment Business Day"** means:

- (a) either: (i) a day on which banks in the relevant place of surrender (as required) of the definitive Trust Certificate are open for payment of registered securities and for dealings in foreign currencies; or (ii) if the currency of payment is USD, if applicable, London; and
- (b) in the case of payment by transfer to an account:
  - (i) if the currency of payment is euro, a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
  - (ii) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Periodic Distribution Amount"** means, in relation to a Trust Certificate and a Return Accumulation Period, the amount of profit payable in respect of that Trust Certificate for that Return Accumulation Period which amount may be a Fixed Amount, a Broken Amount or an amount otherwise calculated in accordance with Condition 7 (*Fixed Periodic Distribution Provisions*) (as the case may be);

**"Periodic Distribution Date"** means the first Periodic Distribution Date and any other date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms;

**"Permitted Reorganisation"** means any amalgamation, reorganisation, restructuring, merger, consolidation or similar arrangement, whereby the assets or undertakings of SEC or any Material Subsidiary are transferred to or otherwise vested in SEC or any other Material Subsidiary or the terms of which are approved by an Extraordinary Resolution;

**"Permitted Security Interest"** means:

- (a) any Security Interest on assets or property existing at the time SEC or any Subsidiary acquired such assets or property **provided that** such Security Interest was not created in contemplation of such acquisition;
- (b) any Security Interest securing Relevant Indebtedness of a Person existing at the time that such Person is merged into or consolidated with SEC or a Subsidiary **provided that** such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of SEC or any Subsidiary;
- (c) any Security Interest created to secure a Non-recourse Financing;
- (d) any Security Interest incurred in connection with a Securitisation **provided that** the aggregate Relevant Indebtedness incurred in connection with such Securitisations shall not exceed at any time 15 per cent. of the consolidated total assets of SEC and its Subsidiaries, as shown in the Relevant Accounts; and
- (e) any renewal of or substitution for any Security Interest permitted by any of the preceding subclauses (a) through (d), **provided that** with respect to any such Security Interest, the principal amount secured has not increased and the Security Interest has not been extended to any additional property (other than the proceeds of such property);

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Subsidiary"** means any Subsidiary of SEC to which all or a substantial part of SEC's electricity generation, transmission or distribution assets are transferred, excluding any Lease Assets;

**"Profit Amount"** has the meaning given to it in the Master Murabaha Agreement;

**"Profit Amount Instalment"** has the meaning given to it in the Master Murabaha Agreement;

**"Rate"** means the rate or rates specified in the applicable Final Terms;

**"Record Date"** means: (i) in respect of a Global Trust Certificate, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant Periodic Distribution Date or the relevant Dissolution Date, as the case may be; and (ii) in respect of Trust Certificates in definitive form, the date falling on the seventh day before the relevant Periodic Distribution Date or the Dissolution Date, as the case may be;

**"Register"** has the meaning given in Condition 2.2 (*Register*);

**"Regulation S"** means Regulation S under the Securities Act;

**"Relevant Accounts"** means, at any time, the most recently available audited consolidated financial statements of SEC;

**"Relevant Date"** means, in relation to any payment, the date on which the payment in question first becomes due or if the full amount payable has not been received in the principal financial centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which the full amount has been so received or (if earlier) the date seven days after that on which notice is duly given to Certificateholders in accordance with Condition 17 (*Notices*) that, upon further presentation or surrender, as applicable, of the Trust Certificate being made in accordance with these Conditions, such payment will be made, ***provided that*** payment is in fact made upon such presentation or surrender, as applicable;

**"Relevant Indebtedness"** means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, sukuk obligations in respect of trust certificates, loan stock or other securities which for the time being are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**"Relevant Jurisdiction"** means the Cayman Islands, the Kingdom of Saudi Arabia or any political subdivision or authority thereof or therein having the power to tax;

**"Relevant Sukuk Obligation"** means any Sukuk Obligation where the trust certificates or other instruments, as the case may be, are, or are intended to be, or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**"Rentals"** has the meaning given to it in the relevant Supplemental Lease Agreement;

**"Required Amount"** has the meaning given to it in the Servicing Agency Agreement;

**"Reserved Matter"** has the meaning given in Condition 18 (*Meetings of Certificateholders; Modification*);

**"Return Accumulation Commencement Date"** means the Issue Date or such other date as specified in the applicable Final Terms;

**"Return Accumulation Period"** means the period from (and including) a Periodic Distribution Date (or the Return Accumulation Commencement Date) to (but excluding) the next (or first) Periodic Distribution Date;

**"Rules"** has the meaning given in Condition 23.2 (*Arbitration*);

**"Scheduled Dissolution Date"** means the date on which Trust Certificates are to be redeemed in accordance with Condition 10.1 (*Scheduled Dissolution*);

**"SEC Event"** has the meaning given to it in Condition 14 (*Dissolution Events*);

**"Securities Act"** means the United States Securities Act of 1933;

**"Securitisation"** means any securitisation (*Shari'a*-compliant or otherwise) of existing or future assets and/or revenues, *provided that*: (a) any Security Interest given by SEC in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (b) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (c) there is no other recourse to SEC in respect of any default by any person under the securitisation;

**"Security Interest"** has the meaning given to it in Condition 4.2 (*Negative Pledge*);

**"Service Charge Amounts"** has the meaning given to it in the Servicing Agency Agreement;

**"Specified Currency"** means the currency specified as such in the applicable Final Terms or, if none is specified, the currency in which the Trust Certificates are denominated;

**"Specified Denominations"** means the amount(s) specified as such in the applicable Final Terms;

**"Subsidiary"** means in relation to SEC, at any particular time, any Person other than a Joint Venture Company:

- (a) which is then under the control, directly or indirectly, of SEC; or
- (b) more than 50 per cent. of the issued share capital or ownership or other equity interests of which is then beneficially owned, directly or indirectly, by SEC;

**"Sukuk Obligation"** means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments issued in connection with any Islamic financing arrangements, whether or not in return for consideration of any kind;

**"Tangibility Event Certificateholder Put Right Exercise Price"** has the meaning given to it in the Purchase Undertaking;

**"Tangibility Event Put Option Period"** has the meaning given to it in the Servicing Agency Agreement;

**"TARGET2 Settlement Day"** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open;

**"Taxes"** means any present or future taxes, levies, imposts, duties (including stamp duties), fees, assessments or other charges of whatever nature imposed or levied by or on behalf of any Relevant Jurisdiction;

**"Tax Dissolution Amount"** has the meaning given to it in Condition 10.2 (*Early Dissolution for Tax Reasons*);

**"Tax Dissolution Date"** has the meaning given to it in Condition 10.2 (*Early Dissolution for Tax Reasons*);

**"Tax Event"** has the meaning given to it in Condition 10.2 (*Early Dissolution for Tax Reasons*);

**"Total Loss Dissolution Amount"** has the meaning given to it in Condition 10.4 (*Dissolution following a Total Loss Event*);

**"Total Loss Dissolution Date"** has the meaning given to it in Condition 10.4 (*Dissolution following a Total Loss Event*);

**"Total Loss Event"** has the meaning given to it in Condition 10.4 (*Dissolution following a Total Loss Event*);

**"Transaction Account"** means the non-interest bearing account in the Trustee's name maintained with the Principal Paying Agent, details of which are specified in the applicable Final Terms and which shall be held in the United Kingdom; and

**"Trust Assets"** means the assets, rights and/or cash described in Condition 5.1 (*Trust Assets*).

### ***Interpretation***

In these Conditions:

- (a) any reference to face amount shall be deemed to include any Dissolution Amount and any other amount in the nature of face amounts payable pursuant to these Conditions;
- (b) any reference to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Conditions 10 (*Capital Distributions of Trust*) and 12 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions;
- (c) references to Trust Certificates being "outstanding" shall be construed in accordance with the Master Declaration of Trust; and
- (d) any reference to a Transaction Document shall be construed as a reference to that Transaction Document as amended and/or supplemented up to and including the Issue Date.

## **2. Form, Denomination and Title**

### ***2.1 Form and Denomination***

The Trust Certificates are issued in registered form in the Specified Denominations and, in the case of Trust Certificates in definitive form, are serially numbered.

Upon issue, the Trust Certificates will be represented by a Global Trust Certificate which will be registered in the name of nominees for Euroclear and Clearstream, Luxembourg.

For so long as any of the Trust Certificates are represented by a Global Trust Certificate held on behalf of Euroclear and Clearstream, Luxembourg, each Person (other than Euroclear and Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg as the holder of a particular face amount of such Trust Certificates (in which regard any certificate or other document issued by Euroclear and Clearstream, Luxembourg as to the face amount of such Trust Certificates standing to the account of any Person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the Trustee, the Delegate, SEC and the Agents as the holder of such face amount of such Trust Certificates for all purposes other than with respect to payment in respect of such Trust Certificates, for which purpose the registered holder (the "**nominee**") of the Global Trust Certificate shall be treated by the Trustee, the Delegate, SEC and any Agent as the holder of such face amount of such Trust Certificates in accordance with and subject to the terms of the relevant Global Trust Certificate, and the expressions "**Certificateholder**" and "**holder**" in relation to any Trust Certificates and related expressions shall be construed accordingly. Each Certificateholder must look solely to Euroclear and Clearstream, Luxembourg for its share of each payment made to the nominee.

Trust Certificates which are represented by a Global Trust Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.

References to Euroclear and Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

## 2.2 **Register**

The Registrar will maintain a register (the "**Register**") of Certificateholders in respect of the Trust Certificates in accordance with the provisions of the Agency Agreement. In the case of Trust Certificates in definitive form, a definitive Trust Certificate will be issued to each Certificateholder in respect of its registered holding of Trust Certificates.

## 2.3 **Title**

The Trustee, the Delegate, SEC and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the Person in whose name any outstanding Trust Certificate is for the time being registered (as set out in the Register) as the holder of such Trust Certificate or of a particular face amount of the Trust Certificates for all purposes (whether or not such Trust Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Trustee, the Delegate, SEC and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Trust Certificate or face amount.

## 3. **Transfers of Trust Certificates**

### 3.1 **Transfers of beneficial interests in the Global Trust Certificate**

Transfers of beneficial interests in the Global Trust Certificate will be effected by Euroclear and Clearstream, Luxembourg, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Trust Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Trust Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear and Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Declaration of Trust and the Agency Agreement.

### 3.2 **Transfers of Trust Certificates in Definitive Form**

#### (a) *Transfer*

Subject to this Condition 3.2 and Conditions 3.3 (*Closed Periods*) and 3.4 (*Formalités Free of Charge*), a definitive Trust Certificate may be transferred in whole or in an amount equal to the Specified Denomination or any integral multiple thereof by depositing the definitive Trust Certificate, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar.

#### (b) *Delivery of new definitive Trust Certificates*

Each new definitive Trust Certificate to be issued upon transfer of definitive Trust Certificates will, within five business days of receipt by the Registrar of the duly completed form of transfer endorsed on the relevant definitive Trust Certificate, be mailed by uninsured mail at the risk of the holder entitled to the definitive Trust Certificate to the address specified in the form of transfer. For the purposes of this Condition, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Registrar is located.

Where some but not all of the Trust Certificates in respect of which a definitive Trust Certificate is issued are to be transferred, a new definitive Trust Certificate in respect of the Trust Certificates not so transferred will, within five business days of receipt by the Registrar of the original definitive Trust Certificate, be mailed by uninsured mail at the risk of the holder of the Trust Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

(c) *Regulations*

All transfers of definitive Trust Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Trust Certificates scheduled to the Master Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one. Notwithstanding the above, the Trustee may from time to time agree with the Registrar reasonable regulations to govern the transfer and registration of definitive Trust Certificates.

3.3 *Closed periods*

No Certificateholder may require the transfer of a definitive Trust Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Trust Certificate falls due.

3.4 *Formalities free of charge*

Transfers of Trust Certificates on registration or exercise of an early dissolution right will be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment (or the giving of such indemnity as the Trustee, the Registrar and/or the Transfer Agents may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

3.5 *Regulations*

All transfers of definitive Trust Certificates and entries on the Register will be made subject to the detailed regulations concerning the transfer of Trust Certificates scheduled to the Master Declaration of Trust. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests one. Notwithstanding the above, the Trustee may from time to time agree with the Registrar reasonable regulations to govern the transfer and registration of definitive Trust Certificates.

4. **Status and Limited Recourse**

4.1 *Status*

Each Trust Certificate evidences an undivided ownership interest in the Trust Assets subject to the terms of the Declaration of Trust and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Trustee. Each Trust Certificate ranks *pari passu*, without any preference or priority, with the other Trust Certificates.

*The payment obligations of SEC (in any capacity) to the Trustee under the Transaction Documents to which it is a party in respect of each Series of Trust Certificates are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 4.2 (Negative Pledge)) unsecured obligations of SEC and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 4.2(Negative Pledge)) at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of SEC from time to time outstanding, provided, further, that SEC shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Transaction Documents and vice versa.*

4.2 *Negative Pledge*

The following restrictive covenant has been given by SEC in the Purchase Undertaking. So long as any Trust Certificate remains outstanding (as defined in the Master Declaration of Trust), SEC will not and SEC will procure that no Subsidiary will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest (each a "Security Interest"), other than a Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity

in respect of any Relevant Indebtedness or Relevant Sukuk Obligation, without at the same time or prior thereto according to all amounts payable by it to the Trustee under the Transaction Documents the same security as is created or subsisting to secure any such Relevant Indebtedness, Relevant Sukuk Obligation, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution of the Certificateholders.

#### 4.3 ***Limited Recourse***

The proceeds of the Trust Assets are the sole source of payments on the Trust Certificates. Save as provided in the next sentence, the Trust Certificates do not represent an interest in or obligation of any of the Trustee, SEC, the Delegate, the Agents or any of their respective affiliates. Accordingly, Certificateholders, by subscribing for or acquiring the Trust Certificates, acknowledge that:

- (a) they will not have recourse to any assets of the Trustee, the Delegate, the Agents, or any of their respective affiliates in respect of any shortfall in the expected amounts from the Trust Assets to the extent the Trust Assets have been exhausted following which all obligations of the Trustee shall be extinguished; and
- (b) any recourse to the assets of SEC shall be limited to the Trust Assets, which include obligations of SEC under the Transaction Documents.

SEC is obliged to make certain payments under the Transaction Documents directly to the Trustee (for and on behalf of the Certificateholders), and the Delegate (for and on behalf of the Trustee) will have direct recourse against SEC to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Trust Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Trust Certificates, subject to Condition 15 (*Enforcement and Exercise of Rights*), no holder of Trust Certificates will have any claim against the Trustee, SEC (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates or against any assets (other than the Trust Assets to the extent not exhausted) in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Trust Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding-up or receivership of the Trustee, SEC (to the extent that it fulfils all of its obligations under the Transaction Documents), the Delegate, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

#### 4.4 ***Agreement of Certificateholders***

By subscribing for or acquiring the Trust Certificates, each Certificateholder acknowledges and agrees that notwithstanding anything to the contrary contained herein or in any other Transaction Document:

- (a) no payment of any amount whatsoever shall be made by any of the Trustee, the Delegate (acting in the name and on behalf of the Trustee) or any of their respective agents on their behalf except to the extent funds are available therefor from the Trust Assets;
- (b) no recourse shall be had for the payment of any amount owing hereunder or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers or administrators), SEC (and/or its officers) (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, SEC, any Agents and their respective agents or affiliates shall be extinguished;
- (c) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the

Trustee any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law;

- (d) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any officer, agent or director of the Trustee, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Trustee under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Trustee and no personal liability shall attach to or be incurred by the officers, agents or directors of the Trustee save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (e) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Trust Certificate. No collateral is or will be given for the payment obligations by the Trustee under the Trust Certificates.

## 5. The Trust

### 5.1 Trust Assets

The Trust Assets will comprise:

- (a) the cash proceeds of the Trust Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (b) the rights, title and interest, present and future, of the Trustee in, to and under the Lease Asset(s);
- (c) the rights, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by SEC to the Trustee and the Delegate pursuant to the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 15.1 of the Master Declaration of Trust);
- (d) all monies standing to the credit of the Transaction Account from time to time; and
- (e) all proceeds of the foregoing.

### 5.2 Application of Proceeds from the Trust Assets

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets on trust absolutely for and on behalf of the Certificateholders. On each Periodic Distribution Date, or on any Dissolution Date, the Principal Paying Agent, notwithstanding any instructions to the contrary from the Trustee, will apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, (to the extent not previously paid) to each of the Delegate, each Agent and/or any Appointee (as defined in the Declaration of Trust) in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate (in accordance with the Declaration of Trust), Agent (in accordance with the Agency Agreement) or Appointee, as applicable;
- (b) *secondly*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (c) *thirdly*, only if such payment is made on any Dissolution Date, to the Principal Paying Agent in or towards payment *pari passu* and rateably of the Dissolution Amount;
- (d) *fourthly*, only if such payment is made on any Dissolution Date on which all the Trust Certificates of the relevant Series are redeemed in full, to the Servicing Agent in or towards payment of all outstanding Service Charge Amounts (if any); and

(e) *fifthly*, only if such payment is made on any Dissolution Date on which all the Trust Certificates of the relevant Series are redeemed in full, to SEC.

## 6. Covenants

6.1 Subject to Condition 6.2 below, the Trustee covenants that, for so long as any Trust Certificate is outstanding, it will not (without the prior written consent of the Delegate):

- (a) incur any indebtedness, in respect of borrowed money whatsoever (including any Islamic financing), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) or any other certificates except, in all cases, as contemplated in the Transaction Documents;
- (b) save as permitted by the Transaction Documents, grant or permit to be outstanding any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets, except pursuant to the Transaction Documents;
- (d) use the proceeds of the issue of the Trust Certificates for any purpose other than as stated in the Transaction Documents;
- (e) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its memorandum and articles of association and by-laws (other than in relation to any increase in the aggregate face amount of the Programme);
- (f) act as trustee in respect of any trust (other than pursuant to the Declaration of Trust);
- (g) have any subsidiaries or employees;
- (h) redeem or purchase any of its shares or pay any dividend or make any other distribution to its shareholders (excluding any consideration payable by the Trustee (acting in any capacity) to SEC (acting in any capacity) as contemplated by the Transaction Documents or these Conditions);
- (i) prior to the date which is one year and one day after the date on which all amounts owing by the Trustee under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up, liquidation or dissolution or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (j) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (i) any such contract, transaction, amendment, obligation or liability in relation to its operations that is of a routine or administrative nature;
  - (ii) as provided for or permitted in the Transaction Documents;
  - (iii) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (iv) such other matters which are incidental thereto.

6.2 Nothing in sub-paragraph (a) of Condition 6.1 above, shall prevent the Trustee from issuing (or entering into any transaction for the purpose of issuing or entering into any contract in relation thereto or performing any of its obligations thereunder) any sukuk, certificates or other securities intended to be issued in compliance with the principles of *Shari'a provided that*: (a) such securities are, or are intended to be quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; (b) in respect of such securities, the obligations of SEC to the Trustee shall rank at least *pari passu* with the obligations of SEC to the Trustee in respect of the Trust Certificates; and (c) the obligations of the Trustee in respect of such securities shall rank *pari passu* with the Trust Certificates.

## 7. **Fixed Periodic Distribution Provisions**

### 7.1 **Periodic Distribution Amount**

A Periodic Distribution Amount for the Trust Certificates will be payable in respect of the Trust Certificates and will be distributable by the Trustee to the Certificateholders, *pro rata* to their respective holdings, in accordance with these Conditions.

### 7.2 **Determination of Periodic Distribution Amount**

Except as provided in the applicable Final Terms, the Periodic Distribution Amount payable in respect of each Trust Certificate in definitive form for any Return Accumulation Period shall be the Fixed Amount. Payments of Periodic Distribution Amount in respect of Trust Certificates in definitive form on any Periodic Distribution Date may, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

Except in the case of Trust Certificates in definitive form where a Fixed Amount or Broken Amount is specified in the applicable Final Terms, the Periodic Distribution Amount shall be calculated in respect of any period by applying the Rate applicable to the relevant Return Accumulation Period to:

- (a) in the case of Trust Certificates which are represented by a Global Trust Certificate, the aggregate outstanding face amount of the Trust Certificates represented by such Global Trust Certificate; or
- (b) in the case of Trust Certificates in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Trust Certificate in definitive form is a multiple of the Calculation Amount, the Periodic Distribution Amount payable in respect of such Trust Certificate shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions:

**"Day Count Fraction"** means, in respect of the calculation of a Periodic Distribution Amount in accordance with these Conditions:

- (a) if "**Actual/Actual**" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);
- (b) if "**Actual/365 (Fixed)**" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365;

- (c) if "**Actual/365 (Sterling)**" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (d) if "**Actual/360**" is specified in the applicable Final Terms, the actual number of days in the Return Accumulation Period divided by 360;
- (e) if "**30/360**" is specified in the applicable Final Terms, the number of days in the Return Accumulation Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1) + (30 \times (M_2 - M_1) + (D_2 - D_1))]}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Return Accumulation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Return Accumulation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Return Accumulation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Return Accumulation Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Return Accumulation Period, unless such number would be 31 and D<sup>1</sup> is greater than 29, in which case D<sub>2</sub> will be 30;

- (f) if "**Actual/Actual (ICMA)**" is specified in the applicable Final Terms:
  - (i) in the case of Trust Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accumulation Commencement Date) to (but excluding) the relevant payment date (the "**Accrual Period**") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (ii) in the case of Trust Certificates where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
    - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

**Determination Period**" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accumulation Commencement Date or the final Periodic Distribution Date is not a Determination Date, the period

commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"**sub-unit**" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

#### 7.3 **Payment in Arrear**

Subject to Condition 7.4 (*Cessation of Profit Entitlement*), Condition 10.2 (*Early Dissolution for Tax Reasons*) to 10.5 (*Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*) and Condition 14 (*Dissolution Events*), and unless otherwise specified in the applicable Final Terms, each Periodic Distribution Amount will be paid in respect of the relevant Trust Certificates in arrear on each Periodic Distribution Date in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date.

#### 7.4 **Cessation of Profit Entitlement**

No further amounts will be payable on any Trust Certificate from and including (a) the Dissolution Date (excluding a Total Loss Dissolution Date), unless default is made in the payment of the Dissolution Amount in which case Periodic Distribution Amounts will continue to accrue in respect of the Trust Certificates in the manner provided in this Condition 7.4 to the earlier of: (i) the Relevant Date; or (ii) the date on which a sale agreement is executed pursuant to the Sale and Substitution Undertaking or the Purchase Undertaking, as the case may be; and (b) the date on which a Total Loss Event occurs.

### 8. **Payment**

Payment of Dissolution Amounts and Periodic Distribution Amounts will be made by transfer to the registered account (as defined below) of a Certificateholder. Payments of Dissolution Amounts (where all of the Trust Certificates of the relevant Series are to be redeemed in full) will only be made against surrender of the relevant Trust Certificate (or the Certificate representing such Trust Certificate) at the specified office of the Registrar or the Principal Paying Agent. Dissolution Amounts and Periodic Distribution Amounts will be paid to the Certificateholder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 8, a Certificateholder's "**registered account**" means the account in the Specified Currency maintained by or on behalf of such Certificateholder with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date.

All such payments will be made subject to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions described in Condition 12 (*Taxation*). No commissions or expenses shall be charged to the Certificateholders in respect of such payments.

Payment instructions will be initiated on the Payment Business Day preceding the due date for payment or, in the case of a payment of face amounts (where all of the Trust Certificates of the relevant Series are to be redeemed in full) if later, on the Payment Business Day on which the relevant Trust Certificate is surrendered (where such surrender is required) at the specified office of the Registrar or the Principal Paying Agent.

Certificateholders will not be entitled to any payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Certificateholder is late in surrendering its Trust Certificate (if required to do so in accordance with this Condition 8).

If the amount of any Dissolution Amount or Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount of such Dissolution Amount or Periodic Distribution Amount in fact paid.

## 9. **Agents**

### 9.1 ***Agents of Trustee***

In acting under the Agency Agreement and in connection with the Trust Certificates, the Agents act solely as agents of the Trustee and (to the extent provided therein) the Delegate and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders.

### 9.2 ***Specified Offices***

The names of the initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the Final Terms attached to or endorsed on this Trust Certificate. The Trustee reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents **provided, however, that:**

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be a Registrar; and
- (c) so long as any Trust Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent, Registrar and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

Notice of any variation, termination or appointment and of any changes in specified offices will be given to the Certificateholders promptly by the Trustee in accordance with Condition 17 (*Notices*).

## 10. **Capital Distributions of Trust**

### 10.1 ***Scheduled Dissolution***

Unless the Trust Certificates are redeemed, purchased and/or cancelled earlier, each Trust Certificate shall be redeemed on the Scheduled Dissolution Date at its Final Dissolution Amount, including all unpaid Periodic Distribution Amounts accrued (if any) to (but excluding) the Scheduled Dissolution Date (the "**Final Dissolution Amount**"). Upon payment in full of such amounts, the Trust will be dissolved, the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

### 10.2 ***Early Dissolution for Tax Reasons***

The Trust Certificates may be redeemed by the Trustee in whole, but not in part, on any date (such date, the "**Tax Dissolution Date**") upon giving not less than 30 nor more than 60 days' notice to the Delegate and the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable) and to the Delegate, at the Dissolution Amount, including all unpaid Periodic Distribution Amounts accrued (if any) to (but excluding) the Tax Dissolution Date (the "**Tax Dissolution Amount**"), if a Tax Event occurs, where "**Tax Event**" means:

- (a) the determination by SEC that: (1) the Trustee has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Prescription*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series; and (2) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (b) the receipt by the Trustee of notice from SEC that: (1) SEC has or will become obliged to pay additional amounts pursuant to the terms of the Lease Agreement or the Purchase Undertaking as a result of any change in, or amendment to, the laws or regulations of a

Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the relevant Series; and (2) such obligation cannot be avoided by SEC taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given unless an Exercise Notice has been received by the Trustee from SEC under the Sale and Substitution Undertaking and no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which: (i) (in the case of (a) above) the Trustee would be obliged to pay such additional amounts if a payment in respect of the Trust Certificates were then due; or (ii) (in the case of (b) above) SEC would be obliged to pay such additional amounts if a payment to the Trustee under the Lease Agreement or the Purchase Undertaking (as the case may be) was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 10.2, the Trustee shall deliver to the Delegate: (i) a certificate signed by two directors of the Trustee (in the case of (a) above) or two authorised signatories of SEC (in the case of (b) above) stating that the Trustee is entitled to effect such dissolution and redemption and setting forth a statement of facts showing that the conditions precedent in (a) or (b) above to the right of the Trustee so to dissolve have occurred; and (ii) an opinion of independent legal advisers of recognised international standing to the effect that the Trustee or, as the case may be, SEC has or will become obliged to pay such additional amounts as a result of such change or amendment. The Delegate shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof without incurring any liability to any person in which event it shall be conclusive and binding on the Certificateholders. Upon the expiry of any such notice as is referred to in this Condition 10.2, the Trustee shall be bound to redeem the Trust Certificates at the Tax Dissolution Amount and, upon payment in full of such amounts to the Certificateholders, the Trust will be dissolved, the Trust Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

#### 10.3 *Dissolution at the Option of SEC (Optional Dissolution Call Right)*

If the Optional Dissolution Call Right option is specified in the applicable Final Terms as being applicable, SEC may in its sole discretion deliver to the Trustee a duly completed Exercise Notice, subject to and in accordance with the provisions of the Sale and Substitution Undertaking and, on receipt of such notice, the Trustee shall redeem the Trust Certificates in whole but not in part on any Optional Dissolution Date at the relevant Optional Dissolution Amount (Call), including all unpaid Periodic Distribution Amounts accrued (if any) to (but excluding) the Optional Dissolution Date (the "**Optional Dissolution Amount (Call)**") on the Trustee giving not less than 30 days' nor more than 60 days' notice to the Delegate and the Certificateholders (or such other notice period as may be specified hereon) in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to redeem the Trust Certificates on the relevant Optional Dissolution Date).

#### 10.4 *Dissolution following a Total Loss Event*

Upon the occurrence of a Total Loss Event (as defined below) and unless the Lease Asset(s) is/are replaced as provided in the Servicing Agency Agreement by no later than the 60<sup>th</sup> day after the occurrence of a Total Loss Event, the Trust Certificates shall be redeemed by the Trustee in whole, but not in part, and the Trust dissolved by no later than the close of business in London on the 61<sup>st</sup> day after the occurrence of the Total Loss Event (or, if such date is not a Payment Business Day, on the immediately following Payment Business Day) (the "**Total Loss Dissolution Date**"), following notification thereof to the Delegate and the Certificateholders in accordance with Condition 17 (*Notices*). The Trust Certificates will be redeemed at the Dissolution Amount (which for the avoidance of doubt, shall include any accrued but unpaid Periodic Distribution Amounts) (the "**Total Loss Dissolution Amount**") using the proceeds of: (a) the Insurances payable in respect of the Total Loss Event, which are required to be paid into the Transaction Account by no later than the 60<sup>th</sup> day after the occurrence of the Total Loss Event; and (b) if required, the Loss Shortfall Amount which is required to be paid into the Transaction Account by no later than the close of business in London on the 61<sup>st</sup> day after the occurrence of the Total Loss Event.

A "Total Loss Event" is the total loss or destruction of, or damage to the whole of, the Lease Asset(s) or any event or occurrence that renders the whole of the Lease Asset(s) permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the Lease Asset(s)) the repair or remedial work in respect thereof is wholly uneconomical.

Upon the occurrence of a Total Loss Event, the Servicing Agent shall promptly notify the Lessor, the Delegate and the Trustee of the same and the Trustee shall promptly notify Certificateholders (the "Trading Notice") (a) of the occurrence of a Total Loss Event and (b) from the date of the Trading Notice and until any further notice from the Trustee, in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis). Following the replacement of any Lease Asset(s) as provided in the Servicing Agency Agreement the Trustee shall promptly notify Certificateholders that from the date of that notice the Trust Certificates may be traded at any price.

For the avoidance of doubt, neither the Delegate nor any Agent will have any responsibility for monitoring or ensuring compliance with any such *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) nor shall it be liable to any Certificateholder or any other persons in respect thereof.

#### 10.5 *Dissolution at the Option of the Certificateholders (Certificateholder Put Right)*

If Certificateholder Put Right is specified in the applicable Final Terms as being applicable, upon the holder of any Trust Certificate giving to the Trustee in accordance with Condition 17 (Notices) (with a copy to the Delegate) not less than 15 days' nor more than 30 days' notice (or such other notice period as may be specified hereon), the Trustee shall, upon the expiry of such notice, redeem such Trust Certificate on the Certificateholder Put Right Date and at the Optional Dissolution Amount (Put) specified in, or determined in the manner specified in, the applicable Final Terms, including all unpaid Periodic Distribution Amounts accrued (if any) to (but excluding) the relevant Certificateholder Put Right Date (the "Optional Dissolution Amount (Put)"). For the purposes thereof, the Trustee (or the Delegate (on behalf of the Trustee)) shall deliver to SEC a duly completed Exercise Notice (in the case of delivery by the Trustee, with a copy to the Delegate), subject to and in accordance with the provisions of the Purchase Undertaking. Trust Certificates may be redeemed or, as the case may be, purchased under this Condition 10.5 in any multiple of their lowest Specified Denomination.

To exercise the right to require redemption of any Trust Certificate pursuant to this Condition 10.5 the holder thereof must, if the Trust Certificate is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of the Registrar at any time during normal business hours of such Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) set out in the Agency Agreement and obtainable from any specified office of the Registrar (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 10.5 and the aggregate face amount thereof to be redeemed and, if less than the full aggregate face amount of the Trust Certificates in definitive form so surrendered is to be redeemed, an address to which a new Trust Certificate in definitive form in respect of the balance of such Trust Certificates in definitive form is to be sent subject to and in accordance with the provisions of Condition 3 (Transfers of Trust Certificates).

If the relevant Trust Certificate is represented by a Global Trust Certificate and held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depositary or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and at the same time present or procure the presentation of the relevant Global Trust Certificate to the Principal Paying Agent for notation accordingly.

No Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 10.5 may be withdrawn without the prior consent of the Trustee except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 14 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 10.5.

10.6 ***Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)***

If a Tangibility Event occurs, upon receipt of a Tangibility Event Trustee Notice from SEC in accordance with the Servicing Agency Agreement, the Trustee shall promptly give notice to the Certificateholders (a "**Tangibility Event Notice**") in accordance with Condition 17 (*Notices*) specifying:

- (a) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
- (b) that as determined in consultation with the *Shari'a* Adviser, the Trust Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis);
- (c) that, on the date falling 15 days following the Tangibility Event Put Right Date, the Trust Certificates will be delisted from any stock exchange (if any) on which the Trust Certificates have been admitted to listing or if such date is not a business day, the next following business day ("**business day**" being, for this purpose, a day on which the stock exchange on which the Trust Certificates are admitted to listing is open for business);
- (d) the Tangibility Event Put Option Period, during which period any Certificateholder shall have the option to require the redemption of all or any of its Trust Certificates.

Upon receipt of the Tangibility Event Notice, the Certificateholder of any Trust Certificates may exercise its option within the Tangibility Event Put Option Period to require the redemption of all or any of its Trust Certificates.

If any Certificateholder exercises its option to redeem its Trust Certificates in accordance with this Condition 10.6, the Trustee shall redeem such Trust Certificates on the Tangibility Event Put Right Date at its Dissolution Amount. If all (and not some only) of the Trust Certificates are to be redeemed on any Tangibility Event Put Right Date in accordance with this Condition 10.6, upon payment in full of the Dissolution Distribution Amount to all Certificateholders and execution of a sale agreement pursuant to the Purchase Undertaking, the Trust shall be dissolved by the Trustee, the Trust Certificates shall cease to represent an undivided ownership interest in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

If the relevant Trust Certificate is represented by a Global Trust Certificate and held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent (a "**Tangibility Event Put Notice**") of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depositary or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and at the same time present or procure the presentation of the relevant Global Trust Certificate to the Principal Paying Agent for notation accordingly.

No Tangibility Event Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 10.6 may be withdrawn without the prior consent of the Trustee except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the

Trust Certificates are to be redeemed pursuant to Condition 14 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 10.6.

To the extent that there are any Trust Certificates in respect of which Tangibility Event Put Notices have not been delivered following the expiry of the Tangibility Event Put Period, such Trust Certificates shall be delisted from any stock exchange (if any) on which the Certificates have been listed on a date falling 15 days following the Tangibility Event Put Right Date.

In these Conditions:

**"Shari'a Adviser"** has the meaning given to it in the Servicing Agency Agreement;

**"Tangible Asset Ratio"** means, in respect of each Series, the ratio of the value of the Lease Assets (as determined by reference to the relevant internal valuation by SEC of the Lease Assets on the date on which the Lease Assets were acquired by the Trustee as set out in the relevant Supplemental Purchase Agreement and/or Sale Agreement) to the aggregate of the value of the Lease Assets (as determined by reference to the relevant internal valuation by SEC of the Lease Assets on the date on which the Lease Assets were acquired by the Trustee as set out in the relevant Supplemental Purchase Agreement and/or Sale Agreement) and, if applicable for such Series, the outstanding Deferred Sale Price applicable to such Series at the relevant time;

a **"Tangibility Event"** shall occur if, at any time, the Tangible Asset Ratio, other than as a result of the occurrence of a Total Loss Event or a Partial Loss Event, falls to less than 33 per cent.;

**"Tangibility Event Put Option Period"** shall be the period of 30 days commencing on the date that is the 60<sup>th</sup> day after a Tangibility Event Notice is given;

**"Tangibility Event Put Right Date"** shall be a date falling not less than 75 days following the expiry of the Tangibility Event Put Option Period; and

**"Tangibility Event Trustee Notice"** has the meaning given to it in the Servicing Agency Agreement.

For the avoidance of doubt, neither the Delegate nor any Agent will have any responsibility for monitoring or ensuring compliance with any such *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) referred to in (b) above nor shall it be liable to any Certificateholder or any other person in respect thereof.

#### 10.7 ***Dissolution at the Option of the Certificateholders (Change of Control Put Right)***

SEC has agreed in the Declaration of Trust to notify the Trustee and the Delegate forthwith upon becoming aware of the occurrence of a Change of Control specifying the nature and details of the Change of Control. The Trustee, upon receipt of such notice from SEC or otherwise upon becoming aware of the occurrence of a Change of Control, and, at any time following the occurrence of a Change of Control, the Delegate, if so requested in writing by Certificateholders representing not less than 25 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), shall promptly give notice (a **"Change of Control Notice"**) to the Certificateholders in accordance with Condition 17 (*Notices*) of the Change of Control, specifying the nature and details of the Change of Control, the Change of Control Put Period and the Change of Control Put Right Date.

If a Change of Control occurs, upon a Certificateholder giving notice to the Trustee (the **"Change of Control Put Right"**) at any time during the period of 30 days from the due date on which the Change of Control Notice is given (the **"Change of Control Put Period"**), the Trustee shall redeem such Trust Certificates, which right may be exercised in any multiple of the Specified Denominations, on the Change of Control Put Right Date at the relevant Change of Control Exercise Price.

To elect to redeem all or any of its Trust Certificates in accordance with this Condition 10.7, which right may be exercised in any multiple of the Specified Denomination, a Certificateholder must deliver a duly completed and signed option exercise notice (a "**Change of Control Exercise Notice**") in the form (for the time being current) obtainable from the specified office of the Principal Paying Agent at its specified office at any time during its normal business hours within the Change of Control Put Period and in which the Certificateholder must specify a bank account to which payment is to be made under this Condition 10.7 accompanied by the relevant Trust Certificates or evidence satisfactory to the Principal Paying Agent concerned that the relevant Trust Certificates will, following delivery of the Change of Control Exercise Notice, be held to its order or under its control.

If the relevant Trust Certificate is represented by a Global Trust Certificate and held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Trust Certificate must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depositary or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and at the same time present or procure the presentation of the relevant Global Trust Certificate to the Principal Paying Agent for notation accordingly.

No Change of Control Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Trust Certificate pursuant to this Condition 10.7 may be withdrawn without the prior consent of the Trustee except where, prior to the due date of redemption, a Dissolution Event has occurred and the Delegate has declared the Trust Certificates are to be redeemed pursuant to Condition 14 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Trustee to withdraw the notice given pursuant to this Condition 10.7.

#### 10.8 ***Dissolution at the Option of SEC (Clean Up Call Right)***

If Clean Up Call Right is specified in the applicable Final Terms as being applicable and 75 per cent. or more of the aggregate face amount of the Trust Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to this Condition 10, SEC may in its sole discretion deliver to the Trustee a duly completed Exercise Notice, subject to and in accordance with the provisions of the Sale and Substitution Undertaking, and, on receipt of such notice, the Trustee shall redeem the Trust Certificates in whole but not in part, on the Trustee giving not less than 30 days' nor more than 60 days' notice (or such other notice period as may be specified in the applicable Final Terms, such notice period being given within 30 days after the Certificateholder Put Right Date, the Tangibility Event Put Right Date or the Change of Control Put Right Date, if applicable) to the Delegate and the Certificateholders in accordance with Condition 17 (*Notices*) (which notice shall be irrevocable and shall oblige the Trustee to redeem the Trust Certificates on the date specified in such notice (the "**Clean Up Call Right Dissolution Date**")), at the Clean Up Call Right Dissolution Amount specified in, or determined in the manner specified in, the applicable Final Terms, including all unpaid Periodic Distribution Amounts accrued (if any) to (but excluding) the Clean Up Call Right Dissolution Date (the "**Clean Up Call Right Dissolution Amount**").

#### 10.9 ***Dissolution following a Dissolution Event***

Upon the occurrence of a Dissolution Event, the Trust Certificates shall be redeemed at their Dissolution Event Amount specified in, or determined in the manner specified in, the applicable Final Terms, including all unpaid Periodic Distribution Amounts accrued (if any) to (but excluding) the Dissolution Event Redemption Date (the "**Dissolution Event Amount**"), subject to and as more particularly described in Condition 14 (*Dissolution Events*) and this Condition 10.

#### 10.10 ***No Other Optional Early Dissolution***

Neither the Trustee nor the Certificateholders shall be entitled to redeem, or cause to be redeemed, as applicable, the Trust Certificates, otherwise than as provided in this Condition 10 and Condition

14 (*Dissolution Events*). Upon payment in full of all amounts due in respect of the Trust Certificates of any Series the Trustee shall be bound to dissolve the Trust and the Trust Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and neither SEC nor the Trustee shall have any further obligations in respect thereof.

#### 10.11 ***Cancellation***

All Trust Certificates which are redeemed will forthwith be forwarded to the Registrar, cancelled and destroyed and accordingly may not be held, reissued or resold.

### 11. **Purchase and Cancellation of Trust Certificates**

#### 11.1 ***Purchases***

SEC may at any time purchase Trust Certificates at any price in the open market or otherwise at any price. Following any purchase of Trust Certificates pursuant to this Condition 11.1, such Trust Certificates may be held, resold or, at the discretion of the holder thereof, cancelled (subject to such Trust Certificates being deemed not to remain outstanding for certain purposes as provided under the Master Declaration of Trust and these Conditions if so held, as more particularly set out in Condition 18 (*Meetings of Certificateholders; Modification*)).

#### 11.2 ***Cancellation***

Should SEC wish to cancel any Trust Certificates purchased pursuant to Condition 11.1 (*Purchases*), it shall deliver a Cancellation Notice to the Trustee (in accordance with the Sale and Substitution Undertaking) whereupon the Trustee shall, in accordance with the terms of the Sale and Substitution Undertaking, be obliged to transfer all of the Trustee's rights, title and interests in, to and under the Cancelled Lease Asset(s) to SEC in consideration for which the Trust Certificates shall be cancelled. The transfer of the Cancelled Lease Asset(s) will take effect by SEC and the Trustee entering into a Sale Agreement (in the form scheduled to the Sale and Substitution Undertaking). Following the entry into such Sale Agreement, the Trustee shall forthwith surrender to the Registrar the relevant Trust Certificates identified for cancellation in the Cancellation Notice on the Cancellation Date and, upon surrender thereof, all such Trust Certificates shall be cancelled forthwith.

### 12. **Taxation**

All payments in respect of the Trust Certificates shall be made in the Specified Currency without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within a Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as will result in receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required, except that no such additional amount shall be payable in respect of any Trust Certificate:

- (a) held by or on behalf of a holder who is liable for such Taxes in respect of such Trust Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of the Trust Certificate; or
- (b) where the relevant Trust Certificate is required to be surrendered for payment and is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Certificateholder would have been entitled to such additional amount if it surrendered; or
- (c) the relevant Trust Certificate for payment on the last day of such period of 30 days.

### 13. **Prescription**

The rights to receive distributions in respect of the Trust Certificates will be forfeited unless claimed within periods of 10 years (in the case of Dissolution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

14. **Dissolution Events**

If any of the following events occurs and is continuing (each, a "Dissolution Event"):

- (a) default is made in the payment of the Dissolution Amount on the date fixed for payment thereof or default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the Dissolution Amount, such default continues unremedied for a period of five Business Days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of seven Business Days; or
- (b) the Trustee fails to perform or observe any one or more of its other duties, obligations or undertakings under the Trust Certificates or the Transaction Documents, which failure is, in the sole opinion of the Delegate, incapable of remedy or, if in the sole opinion of the Delegate is capable of remedy, is not, in the sole opinion of the Delegate, remedied within the period of 30 days following the service by the Delegate of a notice on the Trustee requiring the same to be remedied; or
- (c) an SEC Event occurs; or
- (d) the Trustee repudiates or challenges the valid, legal, binding and enforceable nature of any, or any part of a, Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate or challenge the valid, legal, binding and enforceable nature of any, or any part of a, Transaction Document to which it is a party; or
- (e) at any time it is or will become unlawful or impossible for the Trustee to perform or comply with any or all of its obligations under the Trust Certificates or the Transaction Documents or any of the obligations of the Trustee under the Trust Certificates or the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (f) either: (i) the Trustee is (or is deemed by law or a court to be) insolvent or unable to pay its debts as they fall due; or (ii) an administrator or liquidator of the whole or substantially the whole of the undertaking, assets and revenues of the Trustee is appointed (or application for any such appointment is made); or (iii) the Trustee takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it; or (iv) the Trustee ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (g) an order or decree is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Trustee; or
- (h) any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (f) and (g) above,

the Delegate, upon receiving notice thereof under the Declaration of Trust or otherwise becoming aware of a Dissolution Event and subject to it being indemnified and/or secured and/or prefunded to its satisfaction, shall promptly give notice of the occurrence of such Dissolution Event to the holders of Trust Certificates in accordance with Condition 17 (*Notices*) with a request to such holders to indicate to the Trustee and the Delegate if they wish the Trust Certificates to be redeemed and the Trust to be dissolved. Following the issuance of such notice, the Delegate in its sole discretion may, and if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Series of Trust Certificates outstanding or if so directed by an Extraordinary Resolution of the holders of the Trust Certificates shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "Dissolution Notice") to the Trustee, SEC and the holders of the Trust Certificates of the relevant Series in accordance with Condition 17 (*Notices*) that the Trust Certificates are immediately due and payable at the Dissolution Amount, on the date of such notice (the "Dissolution Event Redemption

**Date**"), whereupon they shall become so due and payable. If it has not already done so, (so long as a Total Loss Event has not occurred), the Trustee (or the Delegate acting on behalf of the Certificateholders) shall exercise its rights under the Purchase Undertaking by serving an Exercise Notice on SEC.

Upon payment in full of such amounts, the Trust will be dissolved, the Trust Certificates shall cease to represent undivided ownership interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

For the purposes of paragraph (a) above, amounts shall be considered due in respect of the Trust Certificates (including for the avoidance of doubt any amounts calculated as being payable under Condition 7 (*Fixed Periodic Distribution Provisions*) and Condition 10 (*Capital Distributions of Trust*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

For the purposes of this Condition 14, "**SEC Event**" shall mean each of the following events:

- (i) if default is made in the payment by SEC (acting in any capacity) of any amount in the nature of: (i) principal (required in order to allow the Trustee (or the Principal Paying Agent on its behalf) to make payment of any Dissolution Distribution Amount (in full or in part) when due under the Trust Certificates) or (ii) profit (required in order to allow the Trustee (or the Principal Paying Agent on its behalf) to make payment of any Periodic Distribution Amount (in full or in part) when due under the Trust Certificates) payable by it pursuant to any Transaction Document to which it is a party and, in the case of (i) the default continues for a period of five Business Days and, in the case of (ii), the default continues for a period of seven Business Days; or
- (ii) occurrence of a Partial Loss Dissolution Event;
- (iii) if SEC (acting in any capacity): (a) delivers a notice to the Trustee and/or the Delegate pursuant to clause 5.1.4 of the Servicing Agency Agreement; or (b) fails to perform or observe any one or more of its other obligations under the Transaction Documents (including clauses 3.1 and 3.3 of the relevant Supplemental Lease Agreement but other than its obligations as set out in (A) clauses 5.1 and 5.4 of the Servicing Agency Agreement; and (B) clause 9 of the Servicing Agency Agreement (save for the delivery of the Tangibility Event Trustee Notice), which failure is, in the sole opinion of the Delegate, incapable of remedy or, if in the sole opinion of the Delegate capable of remedy, is not, in the sole opinion of the Delegate, remedied within the period of 30 days following the service by the Delegate on SEC of notice requiring the same to be remedied; or
- (iv) (a) the holders of any present or future Indebtedness of SEC or any Material Subsidiary accelerate such Indebtedness or declare such Indebtedness to be due and payable or required to be prepaid, prior to the stated maturity thereof by reason of an event of default (howsoever described); or (b) SEC or any Material Subsidiary fails to pay in full any principal of, or interest or profit, as the case may be, on, any of its Indebtedness when due (or within any originally applicable grace period); or (c) any guarantee of any Indebtedness of others given by SEC or any Material Subsidiary shall not be honoured when due and called upon; **provided that** no event described in this paragraph (iv) shall constitute an SEC Event unless the amount of the Indebtedness or guarantee, either alone or when aggregated (without duplication) with the amount of any other Indebtedness and/or guarantee in respect of which one or more of the events specified in (a) to (c) (inclusive) above shall have occurred and be continuing, amounts to at least fifty million United States dollars (U.S.\$50,000,000) (or its equivalent in any other currency); or
- (v) any Security Interest given by SEC or a Material Subsidiary for any Indebtedness which equals or exceeds fifty million United States dollars (U.S.\$50,000,000) (or its equivalent in any other currency) becomes enforceable and any step is taken

to enforce the Security Interest (including the taking of possession or the appointment of a receiver, manager or other similar Person, but excluding the issue of any notification to SEC or the relevant Material Subsidiary, as the case may be, that such Security Interest has become enforceable) unless the full amount of the Indebtedness secured by the relevant Security Interest is discharged within 30 days of the first date on which any such step for enforcement of the relevant Security Interest is taken; or

(vi) one or more judgment(s) or order(s) for the payment of an amount in excess of fifty million United States dollars (U.S.\$50,000,000) (or its equivalent in any other currency), whether individually or in aggregate is rendered against SEC or any Material Subsidiary and continue(s) unsatisfied and unstayed for a period of 30 days after the dates thereof, or if later, the date therein specified for payment; or

(vii) (a) SEC or any Material Subsidiary is adjudicated or found bankrupt or insolvent or to be unable to pay its debts as they fall due; (b) an administrator or liquidator is appointed over all or substantially all of the undertaking, assets and revenues of SEC or the Material Subsidiary (or proceedings for any such appointment are initiated) and such appointment is not discharged within 30 days; (c) SEC or any Material Subsidiary takes any action for a readjustment or deferral of any of its obligations in connection with bankruptcy, insolvency or liquidation arrangements or makes a general assignment or an arrangement or composition with or for the benefit of its creditors (including any arrangement under the Bankruptcy Law) other than in connection with a Permitted Reorganisation or declares a moratorium in respect of any of its Indebtedness or any guarantee of any Indebtedness given by it; or (d) SEC or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business; or

(viii) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of SEC or any Material Subsidiary other than, in the case of a Material Subsidiary, in connection with a Permitted Reorganisation; or; or

(ix) any event occurs under the laws, regulations or rules of the Kingdom of Saudi Arabia which has an analogous effect to any of the events referred to in paragraphs (iv) to (vii) (inclusive) above; or

(x) any action, condition or thing at any time required to be taken, fulfilled or done in order:

(A) to enable SEC lawfully to enter into, exercise its rights and perform its obligations under and in respect of the Transaction Documents to which it is a party; and

(B) to ensure that those obligations are legal, valid, binding and enforceable is not taken, fulfilled or done; or

(xi) it is or becomes unlawful for SEC to perform or comply with any of its obligations under the Transaction Documents to which it is a party or SEC repudiates or evidences an intention to repudiate any Transaction Document to which it is a party,

provided, however, that, in the case of paragraph (ii) above, such event will only constitute an SEC Event if the Delegate has certified in writing to the Trustee that such event, in the opinion of the Delegate, is materially prejudicial to the interests of Certificateholders.

## 15. **Enforcement and Exercise of Rights**

### 15.1 ***Limitation on Liability of the Trustee***

Following the enforcement, realisation and ultimate distribution of the proceeds of the Trust Assets in respect of the Trust Certificates to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums, and accordingly no Certificateholder may take any action against the Trustee or any other Person to recover any such sum in respect of the Trust Certificates or Trust Assets.

### 15.2 ***Delegate not obliged to take action***

The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action, step or proceedings against SEC and/or the Trustee under any Transaction Document unless directed or requested to do so in writing by the holders of at least 25 per cent. in aggregate face amount of the Trust Certificates then outstanding and subject, in each case, to it being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

### 15.3 ***Direct enforcement by Certificateholders***

No Certificateholder shall be entitled to proceed directly against the Trustee or SEC, under any Transaction Document, unless the Delegate, having become so bound to proceed: (i) fails to do so within 30 days of becoming so bound; or (ii) is unable by reason of an order of a court having competent jurisdiction, and such failure or inability is continuing. Under no circumstances shall the Trustee, the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents and/or these Conditions), and the sole right of the Trustee, the Delegate and the Certificateholders against the Trustee and SEC, as applicable, shall be to enforce their respective obligations under the Transaction Documents.

### 15.4 ***Limited recourse***

Conditions 15.1 (*Limitation on Liability of the Trustee*), 15.2 (*Delegate not obliged to take action*) and 15.3 (*Direct enforcement by Certificateholders*) are subject to this Condition 15.4. After enforcing or realising the Trust Assets in respect of the Trust Certificates of the relevant Series and distributing the net proceeds of the relevant Trust Assets in accordance with Condition 15.2 (*Delegate not obliged to take action*) and the Declaration of Trust, the obligations of the Trustee in respect of the Trust Certificates of the relevant Series shall be satisfied and no Certificateholder may take any further steps against the Trustee or the Delegate or any other Person to recover any further sums in respect of the Trust Certificates of the relevant Series and the right to receive any such sums unpaid shall be extinguished.

## 16. **Replacement of Definitive Trust Certificates**

Should any definitive Trust Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Trustee may reasonably require (in light of prevailing market practice). Mutilated or defaced definitive Trust Certificates must be surrendered and cancelled before replacements will be issued.

## 17. **Notices**

All notices to the Certificateholders will be valid if mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses in the Register.

The Trustee shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Trust Certificates are for the time being listed or on which they have been admitted to trading and/or quotation (as applicable). In addition, for so long as any Trust Certificates are listed on a stock exchange or are admitted to trading by another relevant authority

and/or admitted to quotation (as applicable) and the rules of that stock exchange, relevant authority or quotation system (as applicable) so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Any notice shall be deemed to have been given on the fourth day (other than a Friday, Saturday or Sunday) after being mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication. So long as the Global Trust Certificate representing the Trust Certificates is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the Certificateholders. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Trust Certificates are represented by the Global Trust Certificate, such notice may be given by any holder of a Trust Certificate to the Principal Paying Agent through Euroclear and Clearstream, Luxembourg, in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

#### 18. **Meetings of Certificateholders; Modification**

18.1 The Master Declaration of Trust contains provisions for convening meetings (including by way of conference call or by use of a videoconference platform) of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Master Declaration of Trust. Such a meeting may be convened by the Trustee, SEC or the Delegate, and shall be convened by the Trustee, or, subject to it being indemnified and/or secured and/or pre-funded to its satisfaction, the Delegate, if the Trustee or the Delegate (as the case may be) receives a request in writing from Certificateholders holding not less than 10 per cent. in aggregate face amount of the Trust Certificates of any Series for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more Persons holding or representing more than 50 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding, or at any adjourned meeting two or more Persons being or representing Certificateholders whatever the aggregate face amount of the Trust Certificates held or represented, unless the business of such meeting includes consideration of proposals to (each, a "**Reserved Matter**"):

- (a) amend any Dissolution Date in respect of the Trust Certificates or any date for payment of Periodic Distribution Amounts on the Trust Certificates;
- (b) reduce or cancel the face amount of, or any premium payable on redemption of, the Trust Certificates;
- (c) reduce the rate or rates of profit in respect of the Trust Certificates or to vary the method or basis of calculating the rate or rates or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Trust Certificates;
- (d) vary any method of, or basis for, calculating the Dissolution Amount;
- (e) vary the currency of payment or denomination of the Trust Certificates;
- (f) modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;
- (g) modify or cancel the payment obligations of SEC (in any capacity) and/or the Trustee under the Transaction Documents and/or the Trust Certificates (as the case may be);
- (h) amend any of SEC's covenants included in the Purchase Undertaking;
- (i) amend the order of application of monies set out in Condition 5.2 (*Application of Proceeds from Trust Assets*); or

(j) amend this definition,

in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Trust Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they voted on the resolution).

The Master Declaration of Trust provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Trust Certificates outstanding or a resolution approved by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Delegate in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Trust Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Any such resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

18.2 The Delegate may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time: (i) agree to any modification of any of the provisions of the Master Declaration of Trust or any other Transaction Document that is, in the sole opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error or is not materially prejudicial to the interests of the outstanding Certificateholders, and **provided that** such modification is other than in respect of a Reserved Matter; or (ii) (A) agree to waive or authorise any breach or proposed breach of any of the provisions of the Master Declaration of Trust or any other Transaction Document, (B) determine that any Dissolution Event shall not be treated as such or (C) provide its consent to any matter in any Transaction Documents, **provided that** such waiver, consent, authorisation or determination is in the sole opinion of the Delegate not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of that Series. No such direction or request will affect a previous waiver, consent, authorisation or determination. Any such modification, authorisation, determination, waiver or consent shall be binding on all Certificateholders and, unless the Delegate agrees otherwise, such modification, waiver, consent, authorisation or determination shall be notified by the Trustee (or SEC on its behalf) to the Certificateholders in accordance with Condition 17 (*Notices*) as soon as practicable.

18.3 In connection with the exercise of its rights, powers, trusts (in the case of the Trustee only), authorities and discretions under the Master Declaration of Trust (including, without limitation, any modification), these Conditions and each other Transaction Document, the Trustee and the Delegate shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or taxing jurisdiction and neither the Delegate nor the Trustee shall be entitled to require, nor shall any Certificateholder be entitled to claim from the Trustee, SEC or the Delegate or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Trustee and SEC to the extent already provided for in Condition 12 (*Taxation*))).

19. **Indemnification and Liability of the Delegate**

19.1 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

19.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of SEC (acting in any capacity) under any Transaction

Document and shall not under any circumstances have any Liability or be obliged to account to the Certificateholders in respect of any payment which should have been made by SEC (acting in any capacity), but is not so made, and shall not in any circumstances have any Liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

19.3 Without prejudice to the provisions of any Transaction Documents relating to insurance, each of the Delegate and the Trustee is exempted from (a) any Liability in respect of any loss or theft of the Trust Assets or any cash, (b) any obligation to insure the Trust Assets or any cash and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of wilful default, gross negligence or fraud of the Delegate or the Trustee, as the case may be.

20. **Currency Indemnity**

The Specified Currency is the sole currency of account and payment for all sums payable by the Trustee under or in connection with the Trust Certificates, including damages. Any amount received or recovered in a currency other than the Specified Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Certificateholder in respect of any sum expressed to be due to it from the Trustee shall only constitute a discharge to the Trustee to the extent of the Specified Currency amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Specified Currency amount is less than the Specified Currency amount expressed to be due to the recipient under any Trust Certificate, the Trustee shall indemnify it against any loss sustained by it as a result. In any event, the Trustee shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 20, it will be sufficient for the Certificateholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Trustee's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Certificateholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Trust Certificate or any other judgment or order.

21. **Further Issues**

In respect of any Series, the Trustee shall, subject to and in accordance with the Declaration of Trust, be at liberty from time to time without the consent of the Certificateholders to create and issue additional Trust Certificates having the same terms and conditions as the outstanding Trust Certificates of such Series (or terms and conditions which are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single Series with the outstanding Trust Certificates of such Series. Any additional Trust Certificates which are to form a single Series with the outstanding Trust Certificates previously constituted by the Declaration of Trust shall be constituted by a deed supplemental to the Declaration of Trust. References in these Conditions to the Trust Certificates include (unless the context requires otherwise) any other trust certificates issued pursuant to this Condition and forming a single series with the outstanding Trust Certificates.

22. **Contracts (Rights of Third Parties) Act 1999**

No Person shall have any right to enforce any term or condition of the Trust Certificates under the Contracts (Rights of Third Parties) Act 1999.

23. **Governing Law and Dispute Resolution**

23.1 **Governing Law:** The Declaration of Trust (including these Conditions), the Agency Agreement, the Servicing Agency Agreement, the Master Murabaha Agreement, the Trust Certificates and any non-contractual obligations arising out of or in connection with the same are and shall be governed by, and construed in accordance with, English law.

23.2 **Arbitration:** The Delegate, the Trustee and SEC have in the Declaration of Trust agreed that any dispute, claim, difference or controversy arising out of, relating to or having connection with the Declaration of Trust and/or the Trust Certificates (which includes these Conditions and this Condition 23.2 (including any dispute as to their existence, validity, interpretation, performance, breach or termination of the Declaration of Trust or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a "Dispute") shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the LCIA (the "Rules"), which Rules (as amended from time to time) are incorporated by reference into this Condition 23. For these purposes:

- (a) the seat of arbitration shall be London;
- (b) there shall be three arbitrators, each of whom shall be a lawyer experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA Court (as defined in the Rules); and
- (c) the language of the arbitration shall be English.

23.3 **Process Agent:** Each of the Trustee and SEC has irrevocably appointed Walkers (Europe) at The Scalpel, 11th Floor, 52 Lime Street, London EC3M 7AF, United Kingdom to receive, for it and on its behalf, service of process in respect of any Disputes in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee or SEC). If for any reason such agent shall cease to be such agent for service of process, SEC and/or the Trustee (as applicable) shall forthwith appoint a new agent for service of process in England and notify each of the Delegate and the Agents of such appointment within 30 days. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

#### 24. **Waiver of Immunity**

Under the Declaration of Trust, SEC and the Trustee have acknowledged that the transactions contemplated by the Transaction Documents are commercial transactions. To the extent that each of SEC or the Trustee may claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed to each of SEC or the Trustee or their assets or revenues, each of SEC and the Trustee agreed not to claim and irrevocably and unconditionally waives such immunity in relation to any Disputes. Further, each of SEC and the Trustee irrevocably and unconditionally consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any of its assets whatsoever of any award, order or judgment made or given in connection with any Disputes.

#### 25. **Waiver of Interest**

- 25.1 Each of the Trustee, SEC and the Delegate has in the Declaration of Trust irrevocably agreed that no interest will be payable or receivable under or in connection therewith and each party agrees that it will not claim any interest in respect of any proceedings brought by or on behalf of a party under the Declaration of Trust, any other Transaction Document or these Conditions.
- 25.2 If it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any arbitral award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- 25.3 For the avoidance of doubt, nothing in this Condition 25 shall be construed as a waiver of rights in respect of any Periodic Distribution Amounts, Required Amounts, Rentals, Dissolution Amounts,

Exercise Price, Certificateholder Put Right Exercise Price, Tangibility Event Certificateholder Put Right Exercise Price, Change of Control Exercise Price, Full Reinstatement Value, Loss Shortfall Amount, Deferred Sale Price, Profit Amount Instalments, Profit Amounts or profit or principal or other amount payable of any kind howsoever described payable by SEC (in any capacity) or the Trustee (in any capacity) pursuant to the Transaction Documents and/or these Conditions, howsoever such amounts may be described or re-characterised by way of arbitral tribunal.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection and/or collection at the specified office of the Principal Paying Agent (as defined in the Conditions). Words and expressions defined in the Conditions shall have the meanings in this summary.*

### The Master Declaration of Trust

The Master Declaration of Trust was entered into on 31 March 2023 between the Trustee, SEC and the Delegate and is governed by English law. Pursuant to the Master Declaration of Trust, a Supplemental Declaration of Trust between the same parties will be entered into on the Issue Date of each Tranche of Trust Certificates and will also be governed by English law.

Upon issue of any Series of Trust Certificates, the Master Declaration of Trust and each relevant Supplemental Declaration of Trust shall together constitute the trust over the relevant Trust Assets declared by the Trustee in relation to such Series.

The Trust Assets in respect of each Series of Trust Certificates comprise, *inter alia*, the rights, title and interest, present and future, of the Trustee in, to and under the Lease Asset(s), the rights, title, interest and benefit, present and future, of the Trustee in, to and under the Transaction Documents (excluding: (i) any representations given by SEC to the Trustee and the Delegate pursuant to the Transaction Documents; and (ii) the covenant given to the Trustee pursuant to clause 15.1 of the Master Declaration of Trust) and all monies standing to the credit of the relevant Transaction Account from time to time.

Pursuant to the Declaration of Trust, the Trustee will agree to act for and on behalf of the Certificateholders and, *inter alia*, in relation to each Tranche of Trust Certificates:

- (a) hold the relevant Trust Assets on trust absolutely for the Certificateholders as beneficial tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder; and
- (b) act as trustee in respect of such Trust Assets, distribute the income from such Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

Each Declaration of Trust will specify, *inter alia*, that in relation to each Series:

- (a) no recourse shall be had for the payment of any amount under the Declaration of Trust or under any relevant Transaction Document, whether for the payment of any fee, indemnity or other amount under the Declaration of Trust or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee (and/or its directors, officers, or administrators), the Delegate, any Agent or any of their respective agents or affiliates to the extent the Trust Assets have been exhausted following which all obligations of the Trustee, the Delegate, any Agents and their respective agents or affiliates shall be extinguished;
- (b) the Trustee may from time to time (but always subject to the provisions of the Declaration of Trust), without the consent of the Certificateholders, create and issue additional Trust Certificates having the same terms and conditions as the outstanding Trust Certificates of such Series (or terms and conditions that are the same in all respects save for the date and amount of the first payment of the Periodic Distribution Amount and the date from which Periodic Distribution Amounts start to accrue), and so that the same shall be consolidated and form a single series, with the outstanding Trust Certificates of such Series, and that any additional Trust Certificates which are to be created and issued so as to form a single series with the outstanding Trust Certificates of a particular Series shall be constituted by a Supplemental Declaration of Trust in relation to which all applicable stamp duties or other documentation fees, duties or taxes have been paid and, if applicable, duly stamped and containing such other provisions as are necessary (including making such consequential modifications to the Master Declaration of Trust) in order to give effect to the issue of such additional Trust Certificates; and
- (c) on the date upon which any additional Trust Certificates are created and issued pursuant to the provisions pursuant to the provisions described in paragraph (b) above, a Supplemental Purchase Agreement will be entered into by SEC (in its capacity as seller) and the Trustee (in its capacity as

purchaser) for the sale, transfer and conveyance of rights, title and interests, in, to and under the relevant Additional Asset(s). The Trustee will execute a Declaration of Commingling of Assets for and on behalf of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates so created and issued, declaring that the Additional Asset(s) (as set out in the relevant Declaration of Commingling of Assets) and the Lease Asset(s) in respect of the relevant Series as in existence immediately prior to the creation and issue of the additional Trust Certificates and the investments made pursuant to the Master Murabaha Agreement (and all rights arising under or with respect to such investments made pursuant to the Master Murabaha Agreement) in respect of the relevant Series are commingled and shall collectively comprise part of the Trust Assets for the benefit of the holders of the existing Trust Certificates and the holders of such additional Trust Certificates as tenants in common *pro rata* according to the face amount of Trust Certificates held by each Certificateholder, in accordance with the Declaration of Trust.

In the Declaration of Trust, the Trustee will irrevocably and unconditionally appoint the Delegate to, *inter alia*, exercise all the present and future powers, trusts, rights, authorities and discretions (including but not limited to the authority to request instructions from any Certificateholders and the power to sub-delegate and to make any determinations to be made under the Declaration of Trust) vested in the Trustee by the relevant provisions of the Declaration of Trust. The appointment of the Delegate by the Trustee is intended to be in the interests of the Certificateholders and, subject as provided in the Declaration of Trust, does not affect the Trustee's continuing role and obligations as trustee of the trusts created pursuant to the Master Declaration of Trust.

In the Declaration of Trust the Delegate will undertake that, *inter alia*, if it has actual knowledge or express notice pursuant to the Declaration of Trust of the occurrence of a Dissolution Event in respect of any Trust Certificates and subject to Condition 14 (*Dissolution Events*): (i) it shall, as soon as reasonably practicable, notify the Certificateholders of the occurrence of such Dissolution Event in accordance with Condition 17 (*Notices*) with a request to such holders to indicate whether they wish the Trust Certificates to become immediately due and payable; and (ii) if so requested in writing by Certificateholders representing not less than 25 per cent. in aggregate face amount of the Trust Certificates for the time being outstanding (subject to being indemnified and/or secured and/or prefunded to its satisfaction), or if the Delegate decides in its discretion, it shall give notice to the Trustee, SEC and the Certificateholders in accordance with Condition 17 (*Notices*) that the Trust Certificates are to be redeemed on the Dissolution Event Redemption Date specified in such notice at the Dissolution Event Amount specified in, or determined in the manner specified in, the applicable Final Terms, together with all unpaid Periodic Distribution Amounts (if any) accrued to (but excluding) the Dissolution Event Redemption Date.

A non-interest bearing Transaction Account in London will be established in the name of the Trustee in respect of each Series of Trust Certificates. Monies received in the Transaction Account in respect of each Series will, *inter alia*, comprise payments corresponding to Periodic Distribution Amounts and/or Dissolution Amounts immediately prior to each Periodic Distribution Date and/or any Dissolution Date, as the case may be. The Master Declaration of Trust provides that all moneys standing to the credit of the Transaction Account from time to time in respect of each Series will be applied in the manner set out in Condition 5 (*The Trust*).

In the Master Declaration of Trust, SEC has undertaken that: (i) if, the time of delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, Saudi Electricity Company remains in actual or constructive possession, custody or control of all or any part of the Lease Assets, the Certificateholder Put Right Lease Assets, the Tangibility Event Certificateholder Put Right Lease Assets or the Change of Control Put Right Lease Assets, as the case may be; and (ii) if, following delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, SEC shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Certificateholder Put Right Trust Certificates, the Tangibility Event Certificateholder Put Right Certificates or Change of Control Put Right Trust Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Put Right Trust Certificates, as the case may be.

SEC has further undertaken that, if the outstanding Deferred Sale Price is not paid on the relevant Dissolution Date in accordance with the provisions of the Master Murabaha Agreement for any reason whatsoever, SEC shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding and, accordingly, the amount payable under any such indemnity claim will equal the outstanding Deferred Sale Price.

In addition, if the Trustee fails to comply with any obligation to pay additional amounts pursuant to Condition 12 (*Taxation*), SEC has undertaken that it will unconditionally and irrevocably (irrespective of the payment of any fee), as a continuing obligation, pay to or to the order of the Delegate (for the benefit of the Certificateholders) an amount equal to the liability of the Trustee in respect of any and all additional amounts required to be paid by the Trustee in respect of the Trust Certificates pursuant to Condition 12 (*Taxation*).

### **Master Purchase Agreement**

The Master Purchase Agreement was entered into on 31 March 2023 between the Trustee (in its capacity as purchaser), the Delegate and SEC (in its capacity as seller) and is governed by the laws of the Kingdom of Saudi Arabia. A Supplemental Purchase Agreement between the same parties will be entered into on the Issue Date of the relevant Tranche (including any additional Tranche of Trust Certificates issued pursuant to Condition 21 (*Further Issues*) (an "**Additional Tranche**")) of Trust Certificates and will also be governed by the laws of the Kingdom of Saudi Arabia.

Pursuant to the Purchase Agreement, SEC (in its capacity as seller) may, from time to time, sell, transfer and convey to the Trustee (in its capacity as purchaser), and the Trustee may, from time to time, purchase and accept the transfer and conveyance from SEC of, all of SEC's rights, title and interests in, to and under: (a) on the Issue Date of the first Tranche of a Series, the relevant Asset(s); and (b) on the Issue Date of any Additional Tranche, the "**Additional Asset(s)**", in each case pursuant to a Supplemental Purchase Agreement which will, among other things, specify the Asset(s) or the Additional Asset(s), as the case may be, being sold and the price to be paid for them.

### **Master Lease Agreement**

The Master Lease Agreement was entered into on 31 March 2023 between the Trustee (in its capacity as lessor), SEC (in its capacity as lessee) and the Delegate and is governed by the laws of the Kingdom of Saudi Arabia. A Supplemental Lease Agreement between the same parties will be entered into on the Issue Date of the first Tranche of a Series and will also be governed by the laws of the Kingdom of Saudi Arabia.

Pursuant to the Lease Agreement, the Trustee (in its capacity as lessor) may, from time to time, agree to lease to SEC (in its capacity as lessee), and SEC may, from time to time, agree to lease from the Trustee, certain Lease Asset(s) during rental periods commencing on the lease commencement date (which shall be the relevant Issue Date) and extending to the Scheduled Dissolution Date (unless the relevant Supplemental Lease Agreement is terminated earlier in accordance with its terms or extended in accordance with the Purchase Undertaking).

No later than 10.00 am on the business day prior to the completion of each rental period, the Trustee (in its capacity as lessor) (or its agent), shall send a rental notice to SEC (in its capacity as lessee). Such notice shall be irrevocable and SEC (in its capacity as lessee) agrees that, unless it rejects such notice on such day when such rental notice is delivered (in which case it acknowledges that it will be in breach of its undertaking to irrevocably and unconditionally lease from the Trustee (in its capacity as lessor) for the lease term) it will be deemed to have accepted each such notice as and when delivered. Where there is any delay or failure by the Trustee (in its capacity as lessor) in delivering a rental notice, the rental for the relevant rental period shall accrue at the same rate as the rental for the immediately preceding rental period.

On each "**Additional Servicing Agency Expenses Request Date**" (being the date on which SEC (in its capacity as servicing agent) submits to the Trustee (in its capacity as lessor) or its agent a request for the Trustee's (in its capacity as lessor) approval of SEC (in its capacity as servicing agent) incurring or paying any proposed liability comprising an additional servicing agency expense), the Trustee (in its capacity as lessor) (or its agent) shall notify SEC (in its capacity as lessee) in writing that it is requested to pay to the Trustee (in its capacity as lessor) on the first business day of the first rental period commencing after the Additional Servicing Agency Expenses Request Date an amount of additional supplementary rental in respect of that rental period (as shall also be specified in the relevant rental notice) equal to the relevant

additional servicing agency expenses proposed to be incurred in the rental period in which such Additional Servicing Agency Expenses Request Date falls. Such notice shall be irrevocable and SEC (in its capacity as lessee) hereby agrees that, unless it rejects such notice on such Additional Servicing Agency Expenses Request Date (in which case it acknowledges that such rejection will constitute an SEC Event), it will be deemed to have approved such notice as and when delivered and agreed to pay the requested amount of additional supplementary rental in accordance with such notice and the relevant rental notice.

SEC (in its capacity as lessee) will agree to use the relevant Lease Asset(s) at its own risk. Accordingly, SEC shall from the date of the relevant Supplemental Lease Agreement bear the entire risk of loss of or damage to the relevant Lease Asset(s) or any part thereof arising from the usage or operation thereof by it to the extent that such loss or damage has resulted from SEC's gross negligence, wilful default, actual fraud, or breach of its obligations under the relevant Supplemental Lease Agreement. In addition, the Trustee (as lessor) shall not be liable (and SEC (as lessee) will waive any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with SEC's use or operation of the relevant Lease Asset(s).

If a Total Loss Event occurs with respect to the Lease Asset(s), then, without prejudice to any right or remedy the Trustee (in its capacity as lessor) may have under any Transaction Document or by law, the Supplemental Lease Agreement and the lease shall automatically terminate, and further rental payments shall cease to be due under the Supplemental Lease Agreement, except that such termination will not occur where the Lease Asset(s) have been replaced pursuant to the Servicing Agency Agreement (and provided the Supplemental Lease Agreement has been amended in accordance therewith and the Servicing Agency Agreement to reflect the Replacement Lease Asset(s) (as defined below) by the 60<sup>th</sup> day following such Total Loss Event) and the Trustee (in its capacity as lessor) will be entitled to all proceeds of the Insurances payable as a result of the Total Loss Event.

If a Partial Loss Event shall occur with respect to any of the Lease Assets:

- (a) *provided that* the Lease Assets have not been replaced pursuant to the Servicing Agency Agreement, within 30 days of the Partial Loss Event Date, SEC (in its capacity as lessee) may give notice (a "**Partial Loss Termination Notice**") to the Trustee (in its capacity as lessor) and the Delegate that the lease shall terminate on the 61<sup>st</sup> day after the Partial Loss Event Date; or
- (a) if such Lease Assets have not been replaced pursuant to the Servicing Agency Agreement,

without prejudice to any right or remedy that the Trustee (in its capacity as lessor) may have under any Transaction Document or by law, the lease shall automatically terminate on the 61<sup>st</sup> day after the Partial Loss Event Date (the "**Partial Loss Termination Date**") and further rental payments shall cease to be due under the relevant Supplemental Lease Agreement on such 61<sup>st</sup> day after the Partial Loss Event Date subject to the Lessee's right to make a rental reimbursement request in accordance with the provisions of the relevant Supplemental Lease Agreement and the Trustee (in its capacity as lessor) will be entitled to all proceeds of the Insurances payable as a result of the Partial Loss Event.

For the avoidance of doubt, if SEC (in its capacity as lessee) does not issue a Partial Loss Termination Notice within 30 days of the Partial Loss Event Date, or it expressly waives such right, it shall not be entitled to exercise such right thereafter.

By no later than the 31<sup>st</sup> day after the Partial Loss Event Date, SEC (in its capacity as lessee) may request a proportionate reduction in rental by way of reimbursement of the rental applicable to the period from and including the Partial Loss Event Date to but excluding the earlier of: (a) the relevant replacement date; and (b) the 61<sup>st</sup> day after the Partial Loss Event Date to take into account the impairment suffered in relation to the impaired Lease Asset(s) (the "**Rental Reimbursement Amount**"), provided that the Partial Loss Event relating to such impaired Lease Asset(s) has not arisen as a result of SEC's (in its capacity as lessee) negligence or misconduct (such request, being a "**Rental Reimbursement Request**"). If a Rental Reimbursement Request is made in accordance with the provisions of the Master Lease Agreement, the Trustee (in its capacity as lessor) shall procure the payment of the Rental Reimbursement Amount by the Servicing Agent (on its behalf) to SEC (in its capacity as lessee) from only: (i) the proceeds of any Insurances paid in accordance with the Servicing Agency Agreement; and/or (ii) (to the extent the proceeds of such Insurances (if any) are insufficient) any loss shortfall amount paid in accordance with the Servicing Agency Agreement, on the 61<sup>st</sup> day after the Partial Loss Event Date. For the avoidance of doubt, if SEC (in its capacity as lessee) does not make a Rental Reimbursement Request before the 31<sup>st</sup> day after the

Partial Loss Event Date, or it expressly waives such right, it shall be not be entitled to exercise such right thereafter.

For the avoidance of doubt if, following a Partial Loss Event, the lease is not terminated pursuant to the Supplemental Lease Agreement and whether or not a Rental Reimbursement Request is made, then the terms of the lease, including the amount of rental, shall continue on the same terms as which applied prior to the occurrence of the Partial Loss Event.

SEC (in its capacity as lessee) has undertaken in the Master Lease Agreement, in relation to each Series, that it shall maintain actual or constructive possession, custody or control of all of the Lease Assets during the lease term.

Under the Supplemental Lease Agreement, SEC (in its capacity as lessee) will agree to be responsible, at its own cost and expense, for the performance of all ordinary maintenance and repair required for any relevant Lease Asset(s). The Trustee (in its capacity as lessor) shall be responsible for: (i) the performance of all major maintenance and structural repair; (ii) the payment of any proprietorship or other relevant taxes (excluding all taxes that are by law imposed, charged or levied against a lessee or a tenant); and (iii) insuring any relevant Lease Asset(s), and SEC (as lessee) will acknowledge that the Trustee (as lessor) may procure that the Servicing Agent, in accordance with the terms and conditions set out in the Servicing Agency Agreement, shall perform, or shall procure the performance of, the major maintenance and structural repair, the payment of such taxes and the insurance of such relevant Lease Asset(s), on behalf of the Trustee (in its capacity as lessor).

All payments by SEC (as lessee) to the Trustee (as lessor) under each Lease Agreement shall be made in the Specified Currency without set-off (except as provided below) or counterclaim of any kind and free and clear of, and without any deduction or withholding, for any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, SEC (as lessee) will agree under the relevant Lease Agreement to pay such additional amounts as will result in the receipt by the Trustee (as lessor) of such amounts as would have been received by it had no such deduction or withholding had been required.

SEC (in its capacity as lessee) will ensure that its payment obligations under each Lease Agreement are and will be direct, unsubordinated and (subject to the negative pledge provisions described in Condition 4.2 (*Negative Pledge*)) unsecured obligations of SEC and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 4.2 (*Negative Pledge*)) at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of SEC from time to time outstanding, **provided, further, that** SEC shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Lease Agreement and *vice versa*.

### **Servicing Agency Agreement**

The Servicing Agency Agreement was entered into on 31 March 2023 between the Trustee (in its capacity as lessor), the Delegate and SEC (in its capacity as servicing agent), and is governed by English law.

Pursuant to the Servicing Agency Agreement, SEC (as servicing agent) will be responsible on behalf of the Trustee (in its capacity as lessor) for the carrying out of all major maintenance and structural repair, the payment of proprietorship taxes (if any) charged, levied or claimed on the relevant Lease Asset(s), for effecting all appropriate Insurances in respect of the Lease Asset(s) and the appointment of a *Shari'a* adviser.

The Servicing Agent irrevocably undertakes with the Trustee (in its capacity as lessor) that the Servicing Agent, on behalf of the Trustee (in its capacity as lessor), will:

- (a) ensure that the Lease Asset(s) are, so long as any Trust Certificates are outstanding, are at all times properly insured (the "**Insurances**") (through brokers and with reputable insurance companies in good financial standing) to the extent consistent with general industry practice by prudent owners of similar assets, and in addition against each Loss Event. The Servicing Agent undertakes to ensure that the insured amount relating to each Loss Event will, at all times, be at least equal to the Full Reinstatement Value;

- (b) promptly make a claim in respect of each loss relating to the Lease Asset(s) in accordance with the terms of the Insurances and diligently pursue such claim;
- (c) ensure that, in the event of a Loss Event occurring, unless such Lease Asset(s) are replaced pursuant to the Servicing Agency Agreement, all proceeds of any Insurances against a Loss Event are in an amount equal to the Full Reinstatement Value and are paid in the Specified Currency directly into the Transaction Account by no later than the 60th day after the occurrence of the Loss Event and that the insurer are directed accordingly; and
- (d) if within 60 days of the Issue Date of the first Tranche of the relevant Series and for any reason, the Servicing Agent is not in compliance with paragraph (a) above, it shall immediately deliver written notice to the Trustee and the Delegate of such non-compliance and the details thereof.

The delivery of the notice referred to in paragraph (d) to the Trustee and the Delegate in relation to non-compliance with paragraph (a) above shall constitute an SEC Event.

If, a Loss Event has occurred and if:

- (a) the notice referred to in paragraph (d) above has not been delivered by the Servicing Agent to the Trustee and the Delegate prior to the occurrence of such Loss Event;
- (b) the Lease Assets have not been replaced in accordance with the Servicing Agency Agreement; and
- (c) the amount (if any) paid into the Transaction Account pursuant to paragraph (c) above is less than the Full Reinstatement Value (the difference between the Full Reinstatement Value and the amount credited (or equivalent) to the Transaction Account being the "**Loss Shortfall Amount**"),

then the Servicing Agent undertakes to pay (in same day, freely transferable, cleared funds) the Loss Shortfall Amount directly to the Transaction Account by no later than close of business in London on the 61<sup>st</sup> day after the occurrence of the Loss Event. Subject to paying such Loss Shortfall Amount in accordance with this paragraph, there will be no further claim against the Servicing Agent for failing to comply with its insurance obligations.

The Servicing Agency Agreement provides that if, on the occurrence of a Loss Event (other than in respect of a Partial Loss Event where a Partial Loss Termination Notice has been delivered pursuant to the Lease Agreement), the Servicing Agent receives notice from SEC that replacement Eligible Asset(s) (the "**Replacement Lease Asset(s)**") (a) that are free from all claims, Encumbrances and any other rights of third parties, and (b) the aggregate value as at the date of replacement (the "**Replacement Date**") of which is not less than the aggregate value of the Replacement Lease Asset(s) (as determined by reference to the valuation by SEC on the basis of the book value of such Replacement Lease Asset(s) on the date on which the Replacement Lease Asset(s) were acquired by the Trustee as set out in the relevant Supplemental Purchase Agreement and/or Sale Agreement, as the case may), are available by no later than the 60<sup>th</sup> day after the occurrence of the Loss Event, the Service Agent shall notify the Trustee of the same. Immediately following such notice, the Trustee may subject to, and pursuant to a separate purchase agreement substantially in the form, *mutatis mutandis*, of a Supplemental Purchase Agreement purchase such Replacement Lease Asset(s) from SEC by way of payment by the Servicing Agent on behalf of the Trustee of the proceeds of the Insurances (or the assignment of the rights to such proceeds) to or to the order of SEC and the transfer to SEC by the Trustee of any residual interest it may hold in the Lease Asset(s) (including remaining rights in respect of any proceeds of the Insurances), in consideration for the sale, transfer and conveyance by SEC of the Replacement Lease Asset(s) to the Trustee.

**"Full Reinstatement Value"** shall be equal to, in relation to each Series: (a) in the case of a Total Loss Event: (i) the aggregate face amount of the Trust Certificates then outstanding for the relevant Series plus all accrued but unpaid Periodic Distribution Amounts relating to such Trust Certificates; plus (ii) an amount equal to the Periodic Distribution Amounts relating to such Trust Certificates, which would have accrued (had a Loss Event not occurred) during the period beginning on the date on which the Total Loss Event occurs and ending on but excluding the 61<sup>st</sup> day after the occurrence of the Total Loss Event; plus (iii) without duplication or double counting, an amount representing any amounts payable by Saudi Electricity Sukuk Programme Company (in any capacity) under the Transaction Documents to which it is a party (including, but not limited to, an amount equal to any outstanding Additional Servicing Agent Expenses in respect of which the Lessee has agreed to make a corresponding payment of supplementary rental but such

payment has not been made in accordance with the Lease Agreement; less (iv) if any, the aggregate amounts of Deferred Sale Price then outstanding; and (b) in the case of a Partial Loss Event: (i) the aggregate value of the impaired Lease Assets (as determined by reference to the internal valuation by SEC of such impaired Lease Assets on the date on which they were acquired by the Trustee as set out in the relevant Supplemental Lease Agreement and/or Sale Agreement); plus (ii) an amount equal to any Rental Reimbursement Amount payable to the Lessee in accordance with the Lease Agreement.

The "Service Charge Amount" payable to SEC (in its capacity as servicing agent) shall be an amount equal to, in respect of a rental period, the aggregate of all payments and liabilities made or incurred by the Servicing Agent during such rental period in respect of the services provided under the Servicing Agency Agreement in relation to the relevant Lease Assets as notified by the Servicing Agent to the Trustee (in its capacity as lessor) in accordance with the Servicing Agency Agreement, except for any payments or liabilities which comprise Additional Servicing Agency Expenses.

The Servicing Agency Agreement provides that the Servicing Agent shall appoint, and maintain the appointment of, the *Shari'a* Adviser to monitor the compliance with AAOIFI *Shari'a* standards of the Transaction Documents and the Trust Certificates and to advise on any matters requested by the Servicing Agent (acting in any capacity under the Transaction Documents).

The Servicing Agent shall not incur or pay any liability in any rental period in respect of the services to be performed in relation to the relevant Lease Assets which, individually or in the aggregate, would exceed the "All Expenses Reserve Amount" (the amount by which such liability exceeds the All Expenses Reserve Amount, the "Additional Servicing Agency Expenses") unless: (a) a request for such incurrence or payment of Additional Servicing Agency Expenses has been made by the Servicing Agent to the Trustee (in its capacity as lessor) in accordance with the Servicing Agency Agreement; and (b) following such request, SEC (in its capacity as lessee) has agreed to pay to the Trustee (in its capacity as lessor) an amount of Additional Supplementary Rental equal to such Additional Servicing Agency Expenses. If, during any rental period, the Servicing Agent incurs or pays such liability without first satisfying the foregoing conditions in (a) and (b) above, then it shall be deemed to have unconditionally agreed to satisfy, donate and pay all such liabilities from its own account and the Trustee (in its capacity as lessor) shall have no responsibility whatsoever in connection with such liability.

The Servicing Agent shall submit to the Trustee (in its capacity as lessor) or its agent the invoice or receipt for (or other evidence of payment or incurrence of) each liability comprising the Service Charge Amount, as soon as practicable after the payment or incurrence thereof. The Servicing Agent shall submit to the Trustee (in its capacity as lessor) or its agent a request for the Trustee's (in its capacity as lessor) approval of the Servicing Agent incurring or paying any proposed liability comprising an Additional Servicing Agency Expense prior to incurring or paying such proposed liability (the date of such notice being the "Additional Servicing Agency Expenses Request Date").

Subject to the terms of the relevant Lease Agreement:

- (a) the Trustee (in its capacity as lessor) shall procure that an amount equal to the Service Charge Amount notified to it in accordance with the above paragraph is recorded in the Collection Account on the first business day of the first rental period commencing after the services invoice date; and
- (b) the Trustee (in its capacity as lessor) shall procure the reimbursement of the Servicing Agent for each Additional Servicing Agency Expense approved by recording such amount in the Collection Account on the first business day of the first rental period after the Additional Servicing Agency Expenses Request Date or, if the relevant lease is terminated prior to such date, on the date of termination of such lease.

An amount equal to an Additional Servicing Agency Expense shall not be reimbursed unless the Servicing Agent evidences the requirement for the payment or the incurrence of each liability comprising such Additional Servicing Agency Expense by delivering to the Lessor quotations or other proper evidence of such requirement by no later than the Additional Servicing Agency Expenses Request Date.

### **Purchase Undertaking**

The Purchase Undertaking was executed on 31 March 2023 by SEC (in its capacity as obligor) as a deed in favour of the Trustee and the Delegate and is governed by English law.

In relation to each Series, *provided that* no Total Loss Event has occurred and is continuing (or if a Total Loss Event has occurred, the Lease Assets have been replaced pursuant to the Servicing Agency Agreement), SEC (in its capacity as obligor) has irrevocably granted to the Trustee and the Delegate the right to require SEC to purchase all of the Trustee's rights, title and interests in, to and under the relevant Lease Asset(s) (or the applicable proportion thereof, as the case may be) upon the Trustee or the Delegate (on behalf of the Trustee) exercising its option thereunder and delivering an Exercise Notice to SEC in accordance with the terms of the Purchase Undertaking, on the relevant Scheduled Dissolution Date or, if earlier, on the Dissolution Event Redemption Date or the Certificateholder Put Right Date (if Certificateholder Put Right is specified as applicable in the applicable Final Terms), the Change of Control Put Right Date or the Tangibility Event Put Right Date at the Exercise Price, the Certificateholder Put Right Exercise Price, Change of Control Exercise Price or the Tangibility Event Certificateholder Put Right Exercise Price, as the case may be.

The **"Exercise Price"**, **"Certificateholder Put Right Exercise Price"**, **"Tangibility Event Certificateholder Put Right Exercise Price"** or the **"Change of Control Exercise Price"** (as the case may be) payable by SEC (as obligor), in relation to each Series, shall be equal to the aggregate face amount of the Trust Certificates then outstanding or the Trust Certificates to be redeemed on the Certificateholder Put Right Date, the Tangibility Event Put Right Date or the Change of Control Put Right Date, as the case may be, for the relevant Series plus all accrued but unpaid Periodic Distribution Amounts (if any) relating to such Trust Certificates plus, without duplication or double counting, if all of the Trust Certificates of the relevant Series are being redeemed in full, an amount representing any amounts payable by Saudi Electricity Sukuk Programme Company (in any capacity) under the Transaction Documents to which it is a party (including, but not limited to, if all Trust Certificates of the relevant Series are being redeemed in full, an amount equal to any outstanding Additional Servicing Agency Expenses in respect of which SEC (in its capacity as lessee) has agreed to make a corresponding payment of Additional Supplementary Rental but such payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement) *provided that*, in the case of any amounts payable pursuant to Condition 5.2(a), SEC has received a notification from the Delegate of such amounts by not later than the third business day prior to the date on which the Exercise Notice is delivered, less, the aggregate amounts of Deferred Sale Price (or the applicable proportion thereof, as the case may be) then outstanding, if any, plus, without duplication or double counting any other amounts payable on redemption of the Trust Certificates or the Trust Certificates to be redeemed on the Certificateholder Put Right Date, the Tangibility Event Put Right Date or the Change of Control Put Right Date, as the case may be, as specified in the applicable Final Terms, less in the case of the Exercise Price only and a Dissolution Event arising as a result of a Partial Loss Dissolution Event only, any proceeds of Insurance and/or Loss Shortfall Amount paid in respect of a Partial Loss Event in accordance with the terms of the Service Agency Agreement and standing to the credit of the Transaction Account less any (i) amount of Rental Reimbursement Amount; or (ii) other reimbursement or refund of rental, in each case paid or payable in accordance with the terms of the Lease Agreement.

SEC (in its capacity as obligor) has undertaken in the Purchase Undertaking that, in relation to any Series, it shall irrevocably and unconditionally fully accept all or any ownership interest the Trustee may have in the Lease Asset(s), the Certificateholder Put Right Lease Asset(s), the Tangibility Event Certificateholder Put Right Lease Asset(s) or the Change of Control Put Right Lease Assets. SEC (in its capacity as obligor) has further undertaken in the Purchase Undertaking that if, at the time of delivery of the exercise notice in accordance with the provisions of the Purchase Undertaking, SEC remains in actual or constructive possession, custody or control of all or any part of the Lease Assets and if, following delivery of the exercise notice in accordance with the provision of the Purchase Undertaking, the relevant Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, SEC shall (as an independent, severable and separately enforceable obligation) fully indemnify the Trustee for the purpose of redemption in full of the Trust Certificates then outstanding or the Certificateholder Put Right Trust Certificates, the Tangibility Event Certificateholder Put Right Trust Certificates, or the Change of Control Put Right Trust Certificates, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be.

SEC (in its capacity as obligor) will also agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made in the Specified Currency without set-off (except as provided below) or counterclaim of any kind and, free and clear of, any deduction or withholding for Taxes of

whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless required by law. In that event, SEC (as obligor) shall pay such additional amounts as will result in the receipt by the Trustee of such amounts as would have been received by it had no withholding or deduction had been required.

The amount equal to the outstanding Additional Servicing Agency Expenses to be paid by SEC as part of the Exercise Price, Certificateholder Put Right Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be, payable pursuant to the Purchase Undertaking in respect of which the Trustee (in its capacity as lessor) has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Master Lease Agreement and the relevant Supplemental Lease Agreement, and any Additional Servicing Agency Expenses to be paid by the Trustee (in its capacity as lessor) pursuant to the Servicing Agency Expenses, shall be set off against one another and the obligation to pay that part of the Exercise Price, the Certificateholder Put Right Exercise Price, the Tangibility Event Certificateholder Put Right Exercise Price or the Change of Control Exercise Price, as the case may be pursuant to the exercise of the Purchase Undertaking, shall be discharged by such set-off.

SEC (in its capacity as obligor) will: (i) ensure that its payment obligations under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 4.2 (*Negative Pledge*))) unsecured obligations of SEC and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 4.2 (*Negative Pledge*))) at all times rank at least *pari passu*, with all other present and future unsecured and unsubordinated obligations of SEC, from time to time outstanding, provided, further, that SEC shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Purchase Undertaking and *vice versa*; (ii) comply with all provisions of the Conditions which are expressed to be applicable to it, including, without limitation, the negative pledge provisions described in Condition 4.2 (*Negative Pledge*)); (iii) comply with the terms of the Contracts to which it is a party; and (iv) notify the Trustee and the Delegate of any Dissolution Event (and the steps, if any, being taken to remedy it), or any Loss Event promptly upon becoming aware of its occurrence.

SEC has agreed that an SEC Event shall constitute a Dissolution Event for the purposes of the Conditions.

### **Sale and Substitution Undertaking**

The Sale and Substitution Undertaking was executed on 31 March 2023 by the Trustee as a deed in favour of SEC and is governed by English law.

In relation to each Series, *provided that* no Total Loss Event has occurred and is continuing (or if a Total Loss Event has occurred, the Lease Assets have been replaced pursuant to the Servicing Agency Agreement), the Trustee has irrevocably granted to SEC the right to require the Trustee to sell, transfer and/or convey all of its rights, title and interests in, to and under the relevant Lease Asset(s) to SEC upon SEC exercising its option thereunder and delivering an Exercise Notice to the Trustee in accordance with the terms of the Sale and Substitution Undertaking, on the Tax Dissolution Date, Optional Dissolution Date or Clean Up Call Right Dissolution Date (as the case may be) at the Exercise Price.

The amount equal to any outstanding Additional Servicing Agency Expenses to be paid by SEC as part of any Exercise Price, in respect of which the Trustee (in its capacity as lessor) has agreed to make a corresponding payment of additional supplementary rental but such payment has not been made in accordance with the Master Lease Agreement and the Supplemental Lease Agreement and any Additional Servicing Agency Expenses to be paid by the Trustee (in its capacity as lessor) pursuant to the Servicing Agency Agreement, shall be set off against one another, and the obligation to pay that part of the Exercise Price shall be discharged by such set-off.

In addition, under the terms of the Sale and Substitution Undertaking, if at any time SEC wishes to cancel any Trust Certificates purchased pursuant to Condition 11.1 (*Purchases*), SEC may, by exercising its option under the Sale and Substitution Undertaking and by delivering a Cancellation Notice to the Trustee in accordance with the terms of the Sale and Substitution Undertaking, oblige the Trustee to transfer all of its rights, title and interests in, to and under the Cancelled Lease Asset(s) to SEC in consideration for which the Trust Certificates purchased shall be cancelled subject to certain conditions set out in the Sale and

Substitution Undertaking. Following such transfer, the Trustee shall forthwith surrender to the Registrar the relevant Trust Certificates identified for cancellation in the Cancellation Notice on the Cancellation Date.

Furthermore, pursuant to the terms of the Sale and Substitution Undertaking, the Trustee has granted to SEC the right to require the Trustee to sell all of its rights, title and interests in, to and under the substituted Lease Asset(s) to it in exchange for the sale to the Trustee of new Lease Asset(s) subject to certain conditions set out in the Sale and Substitution Undertaking.

### **Master Murabaha Agreement**

The Master Murabaha Agreement was entered into on 31 March 2023 between SEC (in its capacity as buyer, the "**Buyer**"), the Trustee (in its capacity as seller, the "**Seller**") and the Delegate and is governed by English law.

Pursuant to the Master Murabaha Agreement, the Seller shall, on receipt of a purchase order from the Buyer in accordance with the terms of the Master Murabaha Agreement, purchase certain commodities on the Issue Date of the relevant Tranche. Following the purchase of the commodities by the Seller, and *provided that* the Seller has acquired title to, and actual or constructive possession thereof, the Seller shall deliver to the Buyer by no later than the Issue Date a letter of offer and acceptance indicating the Seller's acceptance of the terms of the purchase order made by the Buyer and detailing the terms of the offer for the sale of the commodities to the Buyer from the Seller on the Issue Date.

Pursuant to the Master Murabaha Agreement, the Buyer may accept the terms of, countersign and deliver to the Seller any letter of offer and acceptance delivered to it in accordance with the Master Murabaha Agreement and (as a result of the Seller having acted on the request of the Buyer set out in the purchase order) purchase the commodities acquired by the Seller for the Deferred Sale Price in accordance with the terms of the Master Murabaha Agreement.

As soon as the Buyer has countersigned the letter of offer and acceptance, a murabaha contract shall be created between the Seller and the Buyer upon the terms of the letter of offer and acceptance and incorporating the terms and conditions set out in the Master Murabaha Agreement, the Seller shall sell and the Buyer shall buy the commodities on the terms set out in the letter of offer and acceptance and ownership of and all risks in and to the relevant commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer will also agree in the Master Murabaha Agreement that all payments by it under the Master Murabaha Agreement will be made in the Specified Currency without set-off or counterclaim of any kind and, free and clear of, any deduction or withholding for Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless required by law. In that event, the Buyer shall pay such additional amounts as will result in the receipt by the Trustee of such amounts as would have been received by it had no withholding or deduction had been made.

The Buyer will ensure that its payment obligations under the Master Murabaha Agreement are and will be direct, unconditional, unsubordinated and (subject to the negative pledge provisions described in Condition 4.2 (*Negative Pledge*)) unsecured obligations of the Buyer and (save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 4.2 (*Negative Pledge*)) at all times rank at least *pari passu*, with all other present and future unsecured and unsubordinated obligations of the Buyer, from time to time outstanding, provided, further, that the Buyer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due under the Master Murabaha Agreement and *vice versa*.

### **Shari'a Compliance**

Each Transaction Document to which it is a party provides that each of Saudi Electricity Sukuk Programme Company and SEC agrees that it has accepted the *Shari'a* compliant nature of the Transaction Documents to which it is a party and the transactions contemplated therein and further agrees that:

- it shall not claim that any of its obligations under the Trust Certificates and the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires*, not valid, legal, binding

or enforceable or not compliant with the principles of *Shari'a*, regardless of any pronouncement by any *Shari'a* Committee, authority, institution or *Shari'a* adviser to that effect;

- it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Trust Certificates or the Transaction Documents to which it is a party; and
- none of its obligations under the Trust Certificates and the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body that the Trust Certificates or the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

## TAXATION AND ZAKAT

*The following is a general description of certain Cayman Islands and the Kingdom's tax considerations relating to the Trust Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Trust Certificates, whether in those jurisdictions or elsewhere. Prospective purchasers of Trust Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Trust Certificates and receiving payments under the Trust Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### **Cayman Islands**

Under existing Cayman Islands laws, payments on Trust Certificates to be issued will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Trust Certificates, nor will gains derived from the disposal of the Trust Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has received an undertaking from the Governor in Cabinet of the Cayman Islands dated 22 December 2021, pursuant to the Tax Concessions Act (as amended) of the Cayman Islands, that for a period of 30 years from the date of grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which includes the Trust Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment as defined in the Tax Concessions Act (as amended) of the Cayman Islands.

Subject as set out below, no capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Trust Certificates. However, an instrument transferring title to any Trust Certificates, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty. An annual registration fee is payable by the Trustee to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **Kingdom of Saudi Arabia**

*The following is a general description of certain Zakat/tax considerations relating to the Trust Certificates to be issued under the Programme. This summary does not purport to be a comprehensive description of all tax/Zakat considerations relating to an issuance of Trust Certificates. This summary is not intended as tax/Zakat advice in connection with a decision to subscribe for, purchase, own or dispose of any Trust Certificates to be issued under the Programme and does not purport to deal with the tax/Zakat consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to certain special rules. Prospective purchasers of Trust Certificates should consult their own tax advisers as to the consequences of purchasing Trust Certificates under the tax laws of the country in which they are resident. This summary is based upon the laws in force in the Kingdom as in effect on the date of this Base Prospectus and is subject to any change in laws that may take effect after such date, which changes could be made on a retroactive basis.*

### **Overview of the Kingdom's tax law and Zakat regulations**

#### *Income Tax*

According to Royal Decree No. M/1 dated 15/1/1425H (corresponding to 6/3/2004G) and its implementing regulations issued under Ministerial Resolution No. 1535 dated 11/6/1425H (corresponding to 11/08/2004G), as amended from time to time (the "**Income Tax Law**"), a resident company in the Kingdom with foreign (i.e. non-GCC) ownership (on its foreign partner's (shareholder's) share) and a non-resident who carries out business in the Kingdom through a Permanent Establishment (as defined below, other than a Permanent Establishment of GCC persons that meets the conditions set out under Article 2(4) of the Zakat

Regulations (as defined below)) is subject to corporate income tax in the Kingdom at the rate of 20 per cent. (if not engaged in oil and hydrocarbon production activities, see below). Resident companies wholly owned by GCC persons (in addition to persons subject to Zakat listed below under the section entitled "Zakat") are subject to Zakat instead of corporate income tax. Resident companies owned jointly by GCC and non-GCC persons are subject to corporate income tax in respect of the share of their taxable profit attributable to the ownership (legal or beneficial) percentage held by non-GCC persons and Zakat on the ownership (legal or beneficial) percentage held by GCC persons.

Shares held directly by GCC persons or via other GCC companies (where the shareholding structure does not fall outside the GCC) in a resident company are subject to Zakat and not income tax. In determining the tax/Zakat profile of a Saudi tax/Zakat resident company, the Zakat, Tax and Customs Authority ("ZATCA") applies a "look-through" approach to determine whether the up-stream shareholding structure at any point exists outside of the GCC (i.e. at the ultimate shareholder level).

Saudi resident entities operating in the oil and hydrocarbon production sector are subject to corporate income tax irrespective of the nationality of their shareholders/owners. According to the Income Tax Law, the tax rates applicable to such entities range from 50 per cent. to 85 per cent. depending on the level of total capital investment of the relevant entity:

- entities with capital investment of more than SAR 375 billion (U.S.\$100 billion) are subject to 50 per cent. corporate income tax;
- entities with capital investment between SAR 300 billion (U.S.\$80 billion) and SAR 375 billion (U.S.\$100 billion) are subject to 65 per cent. corporate income tax;
- entities with capital investment between SAR 225 billion (U.S.\$60 billion) and SAR 300 billion (U.S.\$80 billion) are subject to 75 per cent. corporate income tax; and
- entities with capital investment of less than SAR 225 billion (U.S.\$60 billion) are subject to 85 per cent. corporate income tax.

Royal Decree No. M/13, dated 18/1/1441H (corresponding to 17/9/2019G), Council of Ministers Resolution No. 54, dated 18/1/1441H (corresponding to 17/9/2019G) and Ministerial Resolution issued by the Ministry of Finance No. 559, dated 10/2/1441H (corresponding to 9/10/2019G) provide that the tax rate applicable to the downstream activities (as is expected to be defined by ZATCA in collaboration with the Ministry of Energy) of certain tax payers undertaking domestic oil and hydrocarbon production activities will be the general corporate tax rate of 20 per cent. for a five-year period beginning on 1 January 2020, provided that the relevant taxpayer separates its downstream activities (from the oil and other hydrocarbon production activities) into an independent legal entity before 31 December 2024. If the taxpayer does not comply in separating its downstream activities from the oil and other hydrocarbon production activities by 31 December 2024, income from downstream activities will be taxed retroactively on an annual basis for such five-year period in accordance with the multi-tiered tax rates applicable to domestic oil and hydrocarbon production companies. In such case, the taxpayer will be required to pay the difference in taxes due to the Government.

In addition, effective 1 January 2018, a 20 per cent. corporate income tax rate applies to companies engaged in natural gas investment activities (previously 30 per cent.). Companies involved in both oil and hydrocarbon production activities as well as natural gas investment activities are required to prepare tax computation for each activity separately.

Furthermore, according to amendments to the Income Tax Law, effective 1 January 2017, ownership by companies engaged in oil and hydrocarbon production activities in Saudi Arabian entities that are not carrying out oil and hydrocarbons production activities should generally be subject to corporate income tax at 20 per cent. (at the level of the investee/subsidiary). Additionally, by Royal Decree No. M/153 dated 05/11/1441H (corresponding to 26/6/2020G), the Income Tax Law was further amended to provide that companies listed on Tadawul are not subject to corporate income tax with respect to shares owned (directly or indirectly) by companies engaged in oil and hydrocarbon activities and instead are subject to Zakat, including their indirect interest in those companies (at the level of the investee/subsidiary of such listed companies).

Non-GCC natural persons resident in the Kingdom who are not performing commercial activities in the Kingdom (as defined in Chapter 1—Article 1 of the Income Tax Law, and Chapter 1—Article 1 of the Zakat Regulations) are not currently subject to income tax or Zakat in the Kingdom according to existing practices of ZATCA (as compliance/administration of Income Tax Law is not currently enforced by ZATCA on individuals).

#### *Zakat*

Zakat is a religious obligation imposed on Muslims under *Shari'a* to pay a fixed percentage of their wealth for the relief of poverty. The Zakat implementing regulations of the Kingdom were issued by Ministerial Resolution No. 2082, dated 28 February 2017 (the "**Old Zakat Regulations**"). The Old Zakat Regulations are effective from the date of their issuance and supersede all prior directives, resolutions, instructions and circulars issued by ZATCA. Furthermore, the Ministry of Finance has issued new Zakat implementing regulations under Ministerial Resolution No. 2216 dated 7/7/1440H (corresponding to 14/3/2019G) ("**Zakat Regulations**"). The Zakat Regulations are effective (and replace the Old Zakat Regulations) as at 1 January 2019.

The rules governing the calculation of Zakat are complex. Separate rules are applicable for the calculation of Zakat by Zakat payers who are engaged in the Kingdom in financing activities (licensed by the Kingdom's Central Bank) and Zakat payers who are engaged in the Kingdom in non-financing activities. This "*TAXATION AND ZAKAT*" section broadly covers the Zakat consequences of an investment in Trust Certificates by the investors who are engaged in non-financing activities in the Kingdom.

According to the Zakat Regulations, Zakat is assessed on/applicable to:

- GCC persons resident in the Kingdom;
- resident companies wholly owned by GCC persons and on the ownership (legal or beneficial) percentage held by GCC persons with respect to a resident company jointly owned by GCC and non-GCC persons;
- GCC persons carrying out activities in the Kingdom through a Permanent Establishment for Zakat purposes as defined under Chapter 1—Article 2(4) of the Zakat Regulations (except for non-resident GCC persons who do not meet certain conditions, as mentioned below, in which case they would be subject to corporate income tax); and
- resident companies listed on a financial market in the Kingdom, on the shares held by GCC persons and non-GCC persons (except for ownership by founder shareholders and those considered founder shareholders based on the articles of association or other legal documents), and on the shares held by government entities.

Notwithstanding the above, Zakat is not assessed/applicable to:

- (a) resident companies operating in the oil and hydrocarbon production sector; and
- (b) any entity (or Zakat payer) for which ZATCA (or the Ministry of Finance) issues a decision to exempt from Zakat.

Based on exclusion (a) set forth above, resident companies operating in the oil and hydrocarbon production sector should continue to be subject to corporate income tax (and not Zakat).

For completeness, as per the Zakat Regulations, a Permanent Establishment of GCC persons in the Kingdom is subject to Zakat, provided that at least two of the following three conditions are met in respect of the central management of such Permanent Establishment (as set out under Chapter 1—Article 2(4)):

- (a) board of directors' ordinary meetings which are held regularly and where main policies and decisions relating to management and running of the Permanent Establishment's business are held in and made from the Kingdom;
- (b) senior executive decisions relating to the Permanent Establishment's functions such as executive directors'/deputies' decisions are made in the Kingdom; and

(c) the GCC person's business is mainly (i.e., 50 per cent. of its revenues) generated from the Kingdom.

There are certain rules that apply to the method of calculating the Zakat liability. In general, Zakat on Zakat payers engaged in non-financing activities is currently levied on the higher of the adjusted Zakatable profits or the Zakat base (following a Hijri year) which, in general, comprises equity, loans and credit balances (subject to certain conditions), provisions and adjusted net profit or loss for Zakat purposes, reduced by, among other items, certain deductible long-term investments and fixed assets. The Zakat rate on the Zakat base is approximately 2.578 per cent. if a Zakat payer is following the Gregorian financial year and 2.5 per cent. if a Zakat payer is following a Hijri financial year. The Zakat rate on Zakatable profit is 2.5 per cent. regardless of the financial year (Gregorian or Hijri) followed by the Zakat payer.

GCC individuals resident in the Kingdom for tax/Zakat purposes should, in principle, be subject to Zakat in the Kingdom if they carry out activities in the Kingdom.

#### *Withholding Tax*

Saudi Arabian resident persons and permanent establishments of non-resident entities registered in the Kingdom are required to withhold taxes on payments to non-residents, including GCC residents, if such payment is from a source in the Kingdom. Saudi Arabian withholding tax ("WHT") rates vary from 5 per cent. to 20 per cent. depending on the nature of the underlying payment. Rental charges and loan fee (akin to interest) charges paid to non-residents attract a 5 per cent. withholding tax unless such WHT is reduced or eliminated pursuant to the terms of an applicable double tax treaty (see below). WHT is imposed on payments against services and not the sale of goods. Services are defined to mean anything done for consideration other than the purchase and sale of goods and other property. Payments of rental and murabaha profits (which are typically treated by ZATCA under financing arrangements similar to interest payments for tax purpose) made by SEC to the Trustee should also generally be treated as interest payments for the Kingdom's tax purposes and attract 5 per cent. WHT.

WHT is reduced or eliminated pursuant to the provisions of an applicable double tax treaty signed between a non-resident's country of tax residence and the Kingdom. Application of double tax treaties in the Kingdom may take place under one of two methods: (i) a refund mechanism which requires the payor to subject the relevant payment to WHT and then a refund request of the WHT may be submitted to ZATCA; or (ii) the automatic application of double tax treaties which provides for the possibility of the payor to not subject the relevant payment to WHT in the first place. Both mechanisms require the beneficiary/recipient to provide certain documents and forms to ZATCA (such as a tax residency certificate).

No WHT should arise on the payments from the Trustee to the Certificateholders on the basis that the Trustee is not a resident, and does not have a Permanent Establishment, in the Kingdom for tax purposes.

#### *Certain Tax and Zakat implications for Certificateholders*

##### *GCC Certificateholders who are resident in the Kingdom*

Certificateholders who are GCC persons and resident in the Kingdom for tax purposes (as defined in Chapter 2 – Article 3 of the Income Tax Law) are not subject to any Saudi Arabian income tax, whether by way of WHT or direct assessment, in respect of any profit payment received or gain realised in respect of the Trust Certificates. However, such Certificateholders will be subject to Zakat in respect of any profit payment received or gain realised in respect of the Trust Certificates (to the extent that they are legal entities registered for Zakat purposes in the Kingdom and not natural persons), including capital gains on the sale/transfer of Trust Certificates. Additionally, the deduction of an investment in the Trust Certificates from the Zakat base of such Certificateholders is not permitted, as stipulated under Chapter 2 – Article 5 of the Zakat Regulations and per the current practices of ZATCA (other than for financing companies in the Kingdom, for which different Zakat rules apply).

GCC individuals resident in the Kingdom for tax purposes should, in principle, be subject to Zakat in the Kingdom if they carry out activities in the Kingdom; however, Zakat compliance/administration is not currently enforced by ZATCA for such individuals (unless they carry out such activities through establishments).

#### *Non-GCC Certificateholders who are resident in the Kingdom*

Certificateholders who are non-GCC legal entities and resident in the Kingdom for tax purposes (as defined in Chapter 2 – Article 3 of the Income Tax Law) should be subject to the Kingdom's corporate income tax at the rate of 20 per cent. (assuming they are owned by non-GCC persons and not listed on a financial market in the Kingdom) on any profit payment received or gain realised in respect of the Trust Certificates, but they will not be subject to any Zakat.

The considerations described above also apply to Saudi Arabian companies wholly owned by non-GCC persons (which should be subject to the Kingdom's corporate income tax) and on the income attributable to the ownership of non-GCC persons in Saudi Arabian companies (which should be subject to the Kingdom's corporate income tax on the profits attributable to such non-GCC ownership).

Certificateholders who are non-GCC individuals and resident in the Kingdom and not performing commercial activities in the Kingdom (as defined in Chapter 2 – Article 2 of the Income Tax Law) are not currently subject to Saudi Arabian income tax or Zakat on any profit received or gain realised in respect of the Trust Certificates, according to existing practices of ZATCA (as compliance/administration of Income Tax Law is not currently enforced by ZATCA on such individuals).

#### *Certificateholders who are not resident in the Kingdom*

Certificateholders, either natural persons or legal entities, who are not resident in the Kingdom (whether such Certificateholders are GCC nationals or non-GCC nationals (including Certificateholders resident in GCC countries other than the Kingdom)) and do not have a Permanent Establishment in the Kingdom for tax and Zakat purposes, should not be subject to Saudi Arabian WHT on any payments received by them in respect of the Trust Certificates, on the basis that such payments are paid by the Trustee which is not a resident in the Kingdom for tax purposes.

Non-resident entities having a Permanent Establishment in the Kingdom are subject to Saudi Arabian corporate income tax at the rate of 20 per cent. in respect of any profit payments received or gain realised in respect of the Trust Certificates and attributable to such Permanent Establishment, but will not be subject to Zakat (unless they are GCC persons with a Permanent Establishment in the Kingdom that meet the conditions set out under Chapter 1—Article 2(4) of the Zakat Regulations).

#### *Indirect and Transfer Taxes*

There are no transfer taxes currently applicable in the Kingdom (other than the newly introduced rules for real estate transaction/transfer taxes).

The Kingdom has introduced VAT with an effective date of 1 January 2018 pursuant to ratifying the GCC VAT agreement between the GCC member states. The VAT legislation in the Kingdom exempts certain financial services (including interest for financing, which would include financing in the form of Trust Certificates) from VAT.

#### *Definitions*

For the purposes of this summary:

- (a) A "GCC person" means: (i) a natural person having the nationality of any of the GCC countries; and (ii) any legal entity wholly owned by GCC nationals and established under the laws of a GCC country;
- (b) Subject to the exceptions stipulated in the Income Tax Law, a "Permanent Establishment" of a non-resident in the Kingdom represents a permanent place for the non-resident's activity where such person conducts the activity either fully or partly, which also includes any activity conducted by the non-resident through an agent. A non-resident carrying out an activity in the Kingdom through a licensed branch is considered to have a Permanent Establishment in the Kingdom.

- (c) A natural person is considered a tax "**resident**" in the Kingdom for tax purposes (as defined in Chapter 2—Article 3 of the Income Tax Law) for a taxable year if such person meets either of the two following conditions:
  - such person has a permanent place of abode in the Kingdom and is physically present in the Kingdom for a total of not less than 30 days in the taxable year; or
  - such person is physically present in the Kingdom for a period of not less than 183 days in the taxable year.
- (d) A company is considered a tax "**resident**" in the Kingdom during a taxable year if it meets either of the following conditions:
  - it is formed in accordance with the Kingdom's relevant companies law; or
  - its place of central control and management is located in the Kingdom.

Certificateholders should not be deemed to be resident in the Kingdom solely by reason of holding any Trust Certificates.

#### **Foreign Account Tax Compliance Act**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "**foreign financial institution**" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Trustee may be a foreign financial institution for these purposes. A number of jurisdictions (including the Cayman Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Trust Certificates, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Trust Certificates, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Trust Certificates, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Certificates characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "**foreign passthru payments**" are published generally would be "**grandfathered**" for purposes of FATCA withholding unless materially modified after such date.

## SUBSCRIPTION AND SALE

*Words and expressions defined in the Conditions shall have the same meanings in this section, "Subscription and Sale".*

The Dealers have, in a dealer agreement (such dealer agreement as modified and/or supplemented and/or restated from time to time, the "**Dealer Agreement**") dated 31 March 2023, agreed with the Trustee and SEC a basis upon which they or any of them may from time to time agree to purchase Trust Certificates. In the Dealer Agreement, each of the Trustee and SEC has agreed to reimburse the Dealers for certain of their expenses in connection with the issue of Trust Certificates under the Programme.

### United States

The Trust Certificates have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer or sell any Series of Trust Certificates: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date of such Series, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Trust Certificates during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Series of Trust Certificates within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Trust Certificates are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of a Series of Trust Certificates, an offer or sale of such Series of Trust Certificates within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

### United Kingdom

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Trust Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the applicable Final Terms in relation thereto to the public in the UK except that it may make an offer of such Trust Certificates to the public in the UK:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the UK subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Trustee for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

**provided that** no such offer of Trust Certificates referred to in (a) to (c) above shall require Trustee, SEC or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Trust Certificates to the public**" in relation to any Trust Certificates means the communication in any form and by any means of sufficient information on the terms of the offer and the Trust Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Trust Certificates.

#### *Other UK Regulatory Restrictions*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Trust Certificates which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Trust Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Trust Certificates would otherwise constitute a contravention of Section 19 of the FSMA by the Trustee;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Trust Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Trustee or SEC; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Trust Certificates in, from or otherwise involving the UK.

#### **European Economic Area**

In relation to each Member State of the EEA (each a "**Member State**"), each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not made and will not make an offer of Trust Certificates which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Member State, except that it may, make an offer of such Trust Certificates to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer(s) nominated by the Trustee and SEC for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

**provided that** no such offer of Trust Certificates referred to above shall require the Trustee, SEC or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Trust Certificates to the public" in relation to any Trust Certificates in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Trust Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Trust Certificates.

#### **Kingdom of Bahrain**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold, and will not offer or sell, any Trust Certificates: except on a private placement basis, to persons in the Kingdom of Bahrain who are "**accredited investors**".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more (excluding that person's principal place of residence);

- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **Sultanate of Oman**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) this Base Prospectus has not been filed with or registered as a prospectus by it with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Authority Law SD 80/98 ("Article 3"), will not be offered or sold by it as an offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law) or Article 3, nor does it constitute a sukuk offering by it pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and
- (b) the Trust Certificates have not been and will not be offered, sold or delivered by it and no invitation to subscribe for or to purchase the Trust Certificates has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in the Sultanate of Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in the Sultanate of Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Trust Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Trust Certificates pursuant to an offering should note that the offer of Trust Certificates is a private placement under Article 8 of the "Rules on the Offer of Securities and Continuing Obligations" as issued by the Board of the Capital Market Authority (the ("CMA") resolution number 3-123-2017 dated 9/4/1439H corresponding to 27 December 2017G, as amended by CMA resolution number 8-5-2023 dated 25/06/1444H corresponding to 18 January 2023G (the "**KSA Regulations**"), made through a capital market institution licensed to carry out arranging activities by the CMA and following a notification to the CMA under Article 10 of the KSA Regulations.

The Trust Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9, or as otherwise required by, the KSA Regulations. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer of Trust Certificates by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

Each offer of Trust Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

### **State of Qatar (including the Qatar Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, delivered or sold, and will not offer, sell or deliver at any time, directly or indirectly, any Trust Certificates in the State of Qatar (including the Qatar Financial Centre), except: (i) in compliance with all applicable laws and regulations of the State of Qatar (including the Qatar Financial Centre); and (ii) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre). This Base Prospectus (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority and may not be publicly distributed in the State of Qatar (including the Qatar Financial Centre); (ii) is intended for the original recipient only and

must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

### **Cayman Islands**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that no invitation, whether directly or indirectly, has been or will be made by it to the public in the Cayman Islands to subscribe for any Trust Certificates issued under the Programme and this Base Prospectus shall not be construed as an invitation by it to any member of the public of the Cayman Islands to subscribe for any Trust Certificates.

### **UAE (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Trust Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering or sale of securities.

### **Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Trust Certificates to any person in the DIFC unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the DFSA Rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA Rulebook.

### **Abu Dhabi Global Market**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Trust Certificates to any person in the ADGM unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Financial Services Regulatory Authority (the "FSRA") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.4.1 of the Conduct of Business Module of the FSRA rulebook.

### **State of Kuwait**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Trust Certificates to be issued have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities.

No private or public offering of the Trust Certificates is being made in the State of Kuwait, and no agreement relating to the sale of the Trust Certificates will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Trust Certificates in the State of Kuwait.

### **Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Trust Certificates (except for Trust Certificates which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the "SFO")) other than: (i) to

"professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, in each case whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Trust Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Trust Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Trust Certificates or caused the Trust Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Trust Certificates or cause the Trust Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Trust Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Trust Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Trust Certificates pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

### ***Malaysia***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) this Base Prospectus has not been registered by it as a prospectus with the Securities Commission of Malaysia (the "SC") under the Capital Markets and Services Act 2007 of Malaysia (the "CMSA"); and
- (b) accordingly, the Trust Certificates have not been and will not be offered or sold by it, and no invitation to subscribe for or purchase the Trust Certificates has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed by it in Malaysia, other than to persons falling within any one of the categories of persons specified under Part 1 of Schedule 6 (or Section 229(1)(b)) and Part 1 of Schedule 7 (or Section 230(1)(b)) and Schedule 8 or Section 257(3), read together with Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals, including approval from the Central Bank of Malaysia to purchase the Trust Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers shall be responsible for any invitation, offer, sale or purchase of Trust Certificates as aforesaid without the necessary approvals being in place.

### **General**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws, regulations and directives in force in any jurisdiction in which it purchases, offers, sells or delivers Trust Certificates or possesses or distributes this Base Prospectus, any other offering material or any Final Terms and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Trust Certificates under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Trustee, SEC and any other Dealer shall have any responsibility therefor.

None of the Trustee, SEC or any of the Dealers: (i) makes any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any Trust Certificates, or possession or distribution of this Base Prospectus, any other offering, material or any Final Terms, in any country or jurisdiction where action for that purpose is required; or (ii) represents that Trust Certificates may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with any additional restrictions agreed between the Trustee, SEC and the relevant Dealer(s) and set out in the relevant dealer accession letter or subscription agreement, as the case may be. Any such modification will be set out in the Final Terms issued in respect of the issue of Trust Certificates to which it relates or in a supplement to this Base Prospectus.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the entry of the Trustee into the transaction contemplated by the Transaction Documents and the execution thereof has been duly authorised by a resolution of the Board of Directors of the Trustee dated 27 March 2023. The establishment of the Programme and the entry of SEC into the transaction contemplated by the Transaction Documents and the execution thereof has been duly authorised by a resolution of the Board of Directors of SEC dated 7 February 2023.

The Trustee and SEC have each obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme and will obtain all necessary consents, approvals and authorisations in connection with the issue of any Trust Certificates thereunder and the execution and performance of the Transaction Documents to which they are a party.

### Listing of Trust Certificates

It is expected that each Tranche of Trust Certificates which is to be admitted to the Official List and to trading on the London Stock Exchange's main market will be admitted separately as and when issued, subject only to the issue of a Global Trust Certificate initially representing the Trust Certificates of such Tranche.

Application has been made: (i) to the FCA for Trust Certificates issued under the Programme to be admitted to the Official List; and (ii) to the London Stock Exchange for such Trust Certificates to be admitted to trading on the London Stock Exchange's main market. The listing of the Programme in respect of Trust Certificates is expected to be granted on or around 31 March 2023. Prior to the official listing and admission to trading however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the London Stock Exchange's main market will normally be effected for delivery on the third working day after the day of the transaction.

### No Significant Change

There has been no significant change in the financial performance or financial position of the Trustee and no material adverse change in the prospects of the Trustee, in each case, since the date of its incorporation.

There has been no significant change in the financial performance or financial position of SEC and its subsidiaries, taken as a whole since 31 December 2022 and there has been no material adverse change in the prospects of SEC and its subsidiaries, taken as a whole, since 31 December 2022.

### Litigation

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

SEC and certain of its subsidiaries are currently involved in a number of legal proceedings. See "*Description Of The SEC Group's Business – Litigation*". It has also been involved in a number of disputes with Saudi Aramco, its sole supplier of fuel. See "*Description Of The SEC Group's Business – Disputes With Saudi Aramco*". While SEC cannot predict the final outcome of such legal proceedings and disputes, SEC is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which SEC is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of SEC.

### Language of this Base Prospectus

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

## **Documents Available**

For so long as any Trust Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available for inspection from <https://www.se.com.sa/en-us/invshareholder/Pages/default.aspx>:

- (a) the Transaction Documents;
- (b) the Memorandum and Articles of Association of the Trustee;
- (c) the constitutional documents of SEC;
- (d) this Base Prospectus; and
- (e) each Final Terms.

This Base Prospectus and the Final Terms for Trust Certificates that are admitted to trading on the London Stock Exchange's main market will be published on the website of the London Stock Exchange plc at <http://www.londonstockexchange.com/exchange/prices-and-news/news/market-news/market-news-home.html>.

## **Clearing Systems**

The Trust Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate common code, International Securities Identification Number (ISIN), Financial Instrument Short Name (FISN) and/or Classification of Financial Instruments (CFI) code (as applicable) for each Tranche of Trust Certificates may be specified in the applicable Final Terms. If the Trust Certificates are to clear through an additional or alternative clearing system, the appropriate information may be specified in the applicable Final Terms. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **Trustee's Legal Entity Identifier**

The Trustee's Legal Entity Identifier ("LEI") code is 549300KZ4IZK3RMUO096.

## **Third-Party Information**

Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and, as far as the Trustee or SEC is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

## **Dealers transacting with SEC**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in various financial advisory, investment banking and/or commercial banking transactions with, and may perform services for SEC in the ordinary course of business for which they have received, and for which they may in the future receive, fees and expenses. In particular, certain of the Dealers are lenders to SEC and proceeds from the issue of the Trust Certificates may be used to repay such outstanding loan facilities. In connection with any offering under the Programme the Dealers may purchase and sell Trust Certificates in the open market.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of SEC. Certain of the Dealers or their affiliates that have a lending relationship with SEC routinely hedge their credit exposure to SEC consistent with their customary risk management policies.

Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Trust Certificates. Any such short positions could adversely affect future trading prices of

the Trust Certificates issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Cayman Islands Data Protection**

The Cayman Islands government enacted the Data Protection Act, 2017 of the Cayman Islands (the "DPA") on 18 May 2017 which was brought into force on 30 September 2019. The DPA introduces legal requirements for the Trustee based on internationally accepted principles of data privacy.

Prospective investors should note that, by virtue of making investments in the Trust Certificates and the associated interactions with the Trustee and its affiliates and/or delegates, or by virtue of providing the Trustee with personal information on individuals connected with the investor (for example directors, trustees, employees, representatives, shareholders, investors, clients, beneficial owners or agents) such individuals may be providing the Trustee and its affiliates and/or delegates with certain personal information which constitutes personal data within the meaning of the DPA. The Trustee shall act as a data controller in respect of this personal data and its affiliates and/or delegates may act as data processors (or data controllers in their own right in some circumstances).

For further information on the application of the DPA to the Trustee, please refer to the Privacy Notice (a copy of which can be accessed at <https://walkersglobal.com/external/SPVDPNotice.pdf>, which provides an outline of investors' data protection rights and obligations as they relate to the investment in the Trust Certificates.

Oversight of the DPA is the responsibility of the Ombudsman's office of the Cayman Islands. Breach of the DPA by the Trustee could lead to enforcement action by the Ombudsman, including the imposition of remediation orders, monetary penalties or referral for criminal prosecution.

### **Validity of this Base Prospectus**

For the avoidance of doubt, the Trustee shall have no obligation to supplement this Base Prospectus after the end of its 12-month validity period.

### **SEC's Website**

SEC's website is [www.se.com.sa](http://www.se.com.sa). Unless specifically incorporated by reference into this Base Prospectus (see "*Documents Incorporated By Reference*"), the information contained on this website is not incorporated by reference into, or otherwise included in, this Base Prospectus.

**THE TRUSTEE**

**Saudi Electricity Sukuk Programme Company**  
c/o Walkers Fiduciary Limited  
190 Elgin Avenue  
George Town  
Grand Cayman  
KY1-9008  
Cayman Islands

**SEC**

**Saudi Electricity Company**  
Saudi Electricity Company HQ  
Al-Arid District P.O. Box 22955  
Riyadh 11416  
Kingdom of Saudi Arabia

**PRINCIPAL PAYING AGENT, REGISTRAR  
AND TRANSFER AGENT**

**HSBC Bank plc**  
Issuer Services, Europe  
8 Canada Square  
Canary Wharf  
London E14 5HQ  
United Kingdom

**DELEGATE**

**HSBC Bank plc**  
8 Canada Square  
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London E14 5HQ  
United Kingdom

**ARRANGERS**

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8 Canada Square  
London E14 5HQ  
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**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Standard Chartered Bank**  
7th Floor Building One, Gate Precinct  
Dubai International Financial Centre  
P.O. Box 999, Dubai  
United Arab Emirates

## DEALERS

<b>First Abu Dhabi Bank PJSC</b> FAB Building Khalifa Business Park – Al Qurm District P.O. Box 6316, Abu Dhabi United Arab Emirates	<b>HSBC Bank plc</b> 8 Canada Square London E14 5HQ United Kingdom
<b>J.P. Morgan Securities plc</b> 25 Bank Street Canary Wharf London E14 5JP United Kingdom	<b>Mizuho International plc</b> 30 Old Bailey London EC4M 7AU United Kingdom
<b>MUFG Securities EMEA plc</b> Ropemaker Place 25 Ropemaker Street London EC2Y 9AJ United Kingdom	<b>SMBC Nikko Capital Markets Limited</b> 100 Liverpool Street London EC2M 2AT United Kingdom
<b>Standard Chartered Bank</b> 7th Floor Building One, Gate Precinct Dubai International Financial Centre P.O. Box 999, Dubai United Arab Emirates	

## LEGAL ADVISERS TO SEC AND THE TRUSTEE

<i>As to SEC, English law</i>	<i>As to SEC, Kingdom of Saudi Arabia law</i>
<b>Clifford Chance LLP</b> Level 15, Burj Daman Dubai International Financial Centre P.O. Box 9380 Dubai United Arab Emirates	<b>Abuhimed Alsheikh Alhagbani Law Firm</b> Airport Road, Qurtubah Building 15 The Business Gate Riyadh Kingdom of Saudi Arabia

### *As to the Trustee, Cayman Islands law*

**Walkers (Dubai) LLP**  
Level 14, Burj Daman  
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P.O. Box 506513  
Dubai  
United Arab Emirates

## LEGAL ADVISERS TO THE DEALERS

<i>As to English law</i>	<i>As to Kingdom of Saudi Arabia law</i>
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**LEGAL ADVISERS TO THE DELEGATE**

*As to the Delegate, English law*

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United Arab Emirates