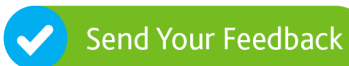


## ASSESSMENT

10 January 2024



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## Government of Oman

### Second Party Opinion – Sustainable Financing Framework Assigned SQS2 Sustainability Quality Score

#### Summary

We have assigned an SQS2 Sustainability Quality Score (very good) to the Government of Oman's sustainable finance framework dated 8 January 2024. The issuer has established its use-of-proceeds framework to finance projects across 14 eligible categories, of which seven are green and seven are social. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1) and Social Bond Principles 2023, and the Loan Market Association's, the Asia Pacific Loan Market Association's and the Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2023 and Social Loan Principles (SLP) 2023. The framework also demonstrates a significant contribution to sustainability.

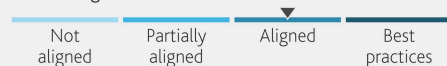
#### Sustainability quality score

**SQS2**



#### Alignment with principles USE OF PROCEEDS

##### Overall alignment



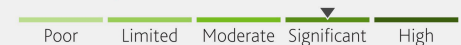
##### FACTORS

##### ALIGNMENT



#### Contribution to sustainability

##### Overall contribution



##### Expected impact Relevance and magnitude

##### ADJUSTMENTS

ESG risk management No adjustment

Coherence No adjustment

## Scope

We have provided a second party opinion (SPO) on the sustainability credentials of the Government of Oman's sustainable finance framework, including the framework's alignment with the ICMA's GBP and SBP, and the LMA/APLMA/LSTA's GLP and SLP. Under the framework, the issuer plans to issue use-of-proceeds green and social bonds, loans and sukuks to finance projects across 14 green and social categories, as outlined in Appendix 2 of this report.

Our assessment is based on the last updated version of the Government of Oman's sustainable finance framework dated 8 January 2024, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework, as well as other public and non-public information provided by the country.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

## Issuer profile

Oman is located in the southeast of the Arabian Peninsula, and the landscape ranges from rugged mountains to desert plains. Oman is vulnerable to the impact of climate change because of sea level rise, temperature, and precipitation variability and extremes, affecting urban infrastructure, population health, and water resources (which is critical as Oman is a water-stressed country).<sup>1</sup>

Oman exhibits very high negative exposure to environmental risks, mainly relating to carbon transition — because of its very high economic and fiscal dependence on the hydrocarbon sector — and a high degree of water stress. The oil and gas sector accounted for around 30% of GDP, nearly 75% of government revenue and 58% of exports of goods and services between 2018 and 2022. Oman is one of the world's most arid states, and rapid economic and population growth in recent decades has further increased the challenges surrounding water sustainability. A large portion of Oman's water is produced by desalination plants, which are energy intensive and vulnerable to oil spills, although Oman's access to relatively cheap energy mitigates this risk.

Exposure to social risks is moderately negative. The main source of pressure arises from the labor market because of the current and expected rapid population and labor force growth over the coming decades and high expectations of the native population for the provision of services and employment by the government. The effectiveness of labor market nationalization policies in controlling the unemployment rate among citizens will remain the key policy challenge and an important driver of social risks in the foreseeable future. However, a relatively large share of expatriates in the overall labor force mitigates these risks.

## Strengths

- » Relevant exclusion criteria defined for all eligible project categories in the framework
- » Transparent and clear processes for selecting eligible projects and managing proceeds, consistent with market best practices
- » External verification of proceeds allocation

## Challenges

- » Challenges remain with regard to the protection of human and labor rights in the country, although a recently passed labour law will seek to address these issues.
- » While eligible categories are coherent with Oman's national strategy to reach net zero by 2050, oil- and gas-related investments are unlikely to decrease in the near term.

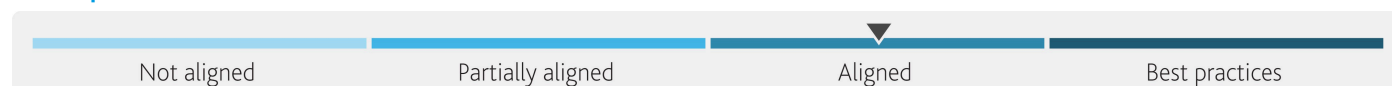
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## Alignment with principles

The Government of Oman's sustainable finance framework is aligned with the four core components of the ICMA's GBP and SBP, and the LMA/APLMA/LSTA's GLP and SBP:

- |  |   |   |
|--|---|---|
| <input checked="" type="checkbox"/> Green Bond Principles (GBP)  | <input checked="" type="checkbox"/> Social Bond Principles (SBP)      | <input checked="" type="checkbox"/> Green Loan Principles (GLP)       |
| <input checked="" type="checkbox"/> Social Loan Principles (SLP) | <input type="checkbox"/> Sustainability-Linked Bond Principles (SLBP) | <input type="checkbox"/> Sustainability Linked Loan Principles (SLLP) |

## Use of proceeds



### Clarity of the eligible categories – **ALIGNED**

The issuer has clearly communicated the nature of the expenditures, clearly defined the eligibility criteria applied for most of the eligible categories and set a relevant list of exclusion criteria applicable for all projects. All the projects are located within Oman.

### Clarity of the environmental or social objectives – **BEST PRACTICES**

The government has clearly outlined relevant environmental and social objectives coherent with national and international standards for all eligible categories. The framework has referenced the United Nations' Sustainable Development Goals and associated targets in articulating the objectives of the eligible categories.

### Clarity of the expected benefits – **BEST PRACTICES**

The issuer has identified relevant environmental and social benefits for all eligible categories. The benefits are measurable and will be quantified for all the categories in reporting. The issuer has committed in its framework to a maximum look-back period of three years. The issuer will disclose the share of refinancing in post-issuance allocation reporting.

#### Best practices identified - use of proceeds

- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- » Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- » Commitment to transparently communicate the associated lookback period(s) where feasible

## Process for project evaluation and selection



### Transparency and quality of process for defining eligible projects – **BEST PRACTICES**

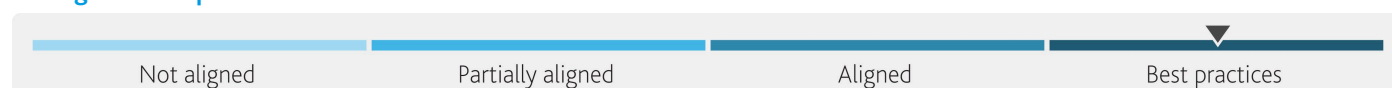
The sovereign has established a clear, structured and transparent process for selecting and monitoring the projects, with detailed decision-making criteria, relying on relevant internal expertise. The process is formalized in its publicly available framework and internal documentation. The process applied will be implemented by an internal group called the Sustainable Finance Working Group (SFWG), chaired by the Ministry of Finance (MoF), responsible for monitoring the compliance of the selected projects with eligibility and exclusion criteria throughout the life of the instruments outstanding. If any controversies are identified, the project will be removed and funds will be reallocated to another eligible project within a maximum period of 12 months.

**Environmental and social risk mitigation process – ALIGNED**

The issuer has established an adequate environmental risk identification and mitigation process to manage the risks related to the eligible projects. Following national legislation, all eligible projects will undergo an Environmental Impact Assessment (EIA). The monitoring process of the SFWG includes the identification of ESG controversies for all financed projects, and the continued compliance of the selected projects with eligibility and exclusion criteria.

**Best practices identified - process for project evaluation and selection**

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » ESG controversies are monitored

**Management of proceeds****Allocation and tracking of proceeds – BEST PRACTICES**

The country has defined a clear process for the management and allocation of instruments' proceeds in its framework. Net proceeds from any instruments issued under the framework will be placed in the MoF's general account, and an amount equal to the net proceeds will be earmarked for allocation to the eligible expenditures. There will be periodic tracking of how funds have been matched to eligible categories and projects, and the issuer will allocate the net proceeds to eligible projects, within a maximum of 12 months. The allocation period will be shorter than or equal to two budget years following the issuance.

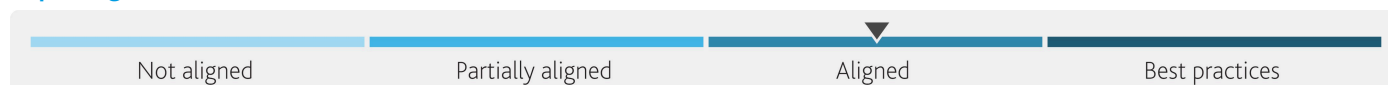
**Management of unallocated proceeds – BEST PRACTICES**

Unallocated proceeds will be invested in cash and managed in line with its treasury management criteria. Formal exclusion criteria applicable to the net proceeds raised via an instrument issued under this framework — including for temporarily permitted investments — have been set. In the event that a project is postponed, canceled or otherwise becomes ineligible, the issuer has committed to replace that project with a new eligible project or projects within 12 months.

**Best practices identified - management of proceeds**

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

## Reporting



### Transparency of reporting – ALIGNED

The government will report annually on the use of proceeds of financial instruments issued under its framework, and this reporting will be made publicly available. The reporting will occur until full allocation and on a timely basis in case of significant changes. The government has stated that reporting will include a list of projects and brief descriptions of expenditures, including target populations for social projects, at least at the eligible category level. Reporting will also cover the amount of the sustainable finance instrument proceeds allocated to each eligible expenditure, the remaining balance of unallocated proceeds and where the balance is invested.

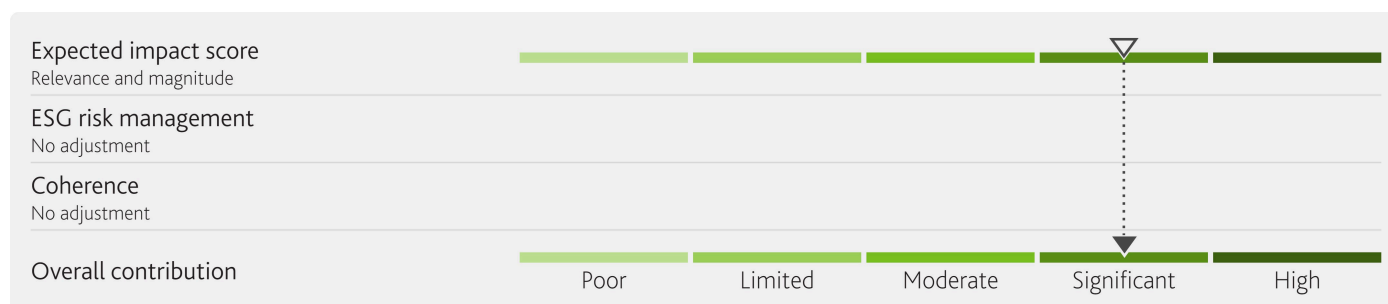
The issuer has identified relevant environmental and social reporting indicators for each eligible category and has clearly disclosed these indicators in its framework. The methodology and assumptions used to report on environmental and social impacts will be publicly available in the allocation reports. However, the specific methodology to be used will be determined once the bond is allocated. The government will engage an independent external reviewer to assess and verify the allocation of net proceeds to eligible projects. However, no audit will be carried out on the impact reporting.

### Best practices identified - reporting

- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes

## Contribution to sustainability

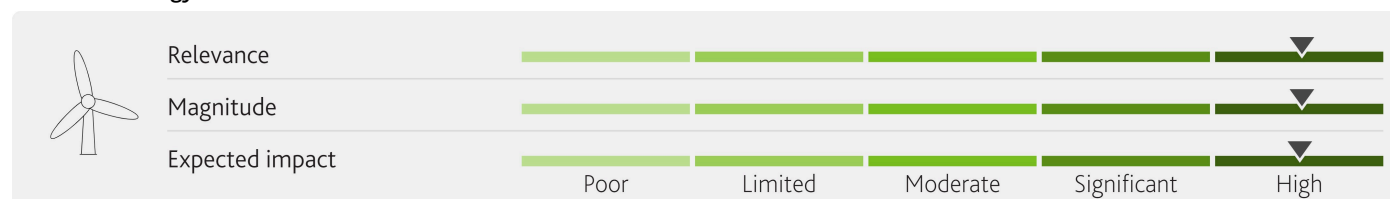
The framework demonstrates a significant overall contribution to sustainability.



### Expected impact

The expected impact of the eligible projects on environmental and social objectives is considered significant. The allocation of proceeds is likely to be balanced in future issuances and thus we have weighted the categories evenly for the purpose of assessing their contribution to sustainability. A detailed assessment by eligible category is provided below.

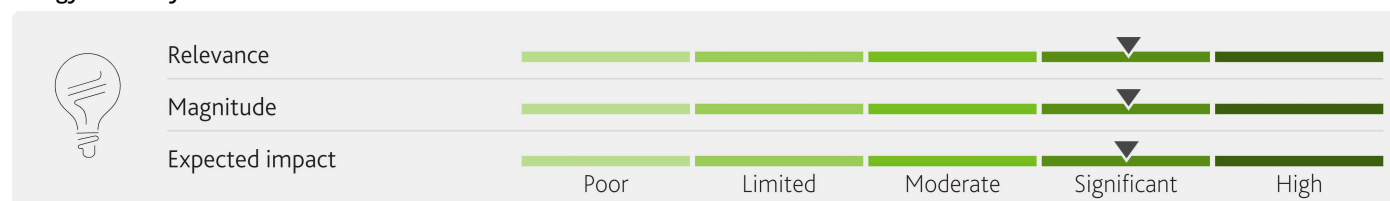
## Renewable energy



The projects under consideration are highly relevant to the country's decarbonization efforts. According to the International Energy Agency (IEA), Oman generates almost all of its energy needs from fossil fuels, primarily oil and gas.<sup>2</sup> Meanwhile, wind, solar and other renewable energy sources contribute to less than 1% of the country's total energy production.

Assuming an even distribution of proceeds among eligible projects, the magnitude of the category is high. Solar photovoltaic (PV) and wind projects are in line with the best available renewable energy technologies, although we note that the deployment of concentrated solar power (CSP) in countries with water stress can exacerbate water availability issues. Green ammonia and green hydrogen are exclusively produced through electrolysis and powered with renewable energy sources. The maximum threshold for the life-cycle GHG emissions of 3tCO<sub>2</sub>e/tH<sub>2</sub>, while ambitious, is not the most stringent in the market.

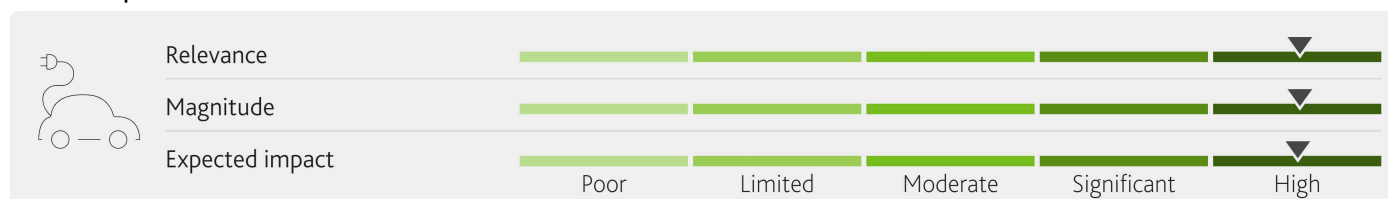
## Energy efficiency



Energy efficiency projects related to renewables' connections, buildings' renovation, and data centers are considered significantly relevant for the country. The building sector is the third largest CO<sub>2</sub> emitter in Oman.<sup>3</sup> Electricity from fossil fuels accounts for the bulk of emissions in this sector, particularly when used in the air-conditioning of homes and buildings. Therefore, the development of energy-efficient buildings is likely to contribute to reducing the carbon footprint of the overall sector. On the other hand, data centers are not the main contributor to energy consumption in Oman or globally. According to IEA, data centres account for about 1-1.5% of global electricity use.<sup>4</sup>

The magnitude of this category is considered significant. The issuer commits to improve operational energy efficiency by at least 30% in the renovation of buildings, which will be verified by an independent third party. However, according to the International Energy Agency Building sectoral review, energy consumed per square meter in 2030 must be at least 35% less than in 2021 to be on track with the Net Zero Scenario. In addition, there are no other defined minimum performance standards for buildings after renovations. In addition, the issuer commits to improve power usage effectiveness (PUE) of existing data centers to below 1.4 by deploying energy saving measures such as deep cooling system and deep ocean water A/C to cool computing equipment. While the selected threshold is below the global average PUE for data centres, which is estimated at 1.55 for 2022,<sup>5</sup> PUE measures the energy efficiency of energy use for running the computing equipment as opposed to other uses such as cooling, power distribution and infrastructure. Moreover, energy use could carry negative externalities, as projects would heavily rely on fossil fuel based sources in the short and medium terms. However, water usage will be addressed by the use of sea water air conditioning (SWAC).

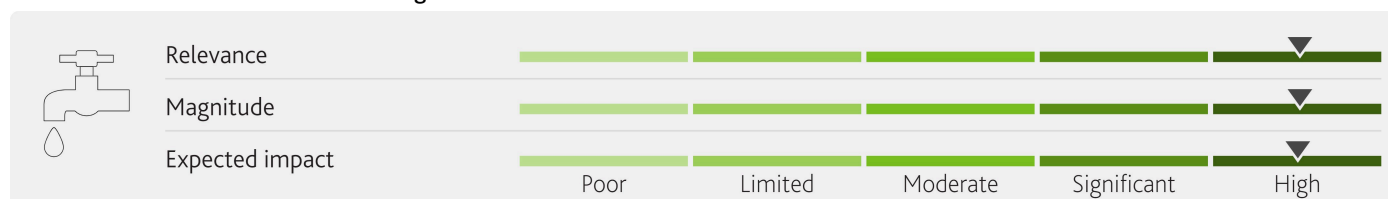
### Clean transportation



Clean transportation investments are considered highly relevant for the country, because the transport sector ranks as the fifth highest emitter (excluding the aviation and shipping sector).<sup>6</sup> Currently, around three million people rely on fossil fuel-powered public buses, and private cars are the primary mode of transportation, although the country has ongoing projects to develop its railway public system. Consequently, road transport is the leading contribution to transportation GHG emissions, accounting for 92% of the total in 2015.<sup>7</sup> As of 2020, the country had only ninety electric vehicle (EV) charging stations.<sup>8</sup> Furthermore, the shipping sector contributed 2.8% of global emissions in 2018<sup>9</sup>, and connecting boats to a grid can reduce GHG emissions while stationary, as well as coastal and noise pollutions. While Oman promotes the development of cycling infrastructure, such as dedicated cycle lanes, efforts remain confined to specific areas.

The magnitude of this category is considered high as most of the eligible projects offer the best solutions to promote clean transportation. All projects related to the development of zero tailpipe vehicles, public transportation, electrified trains and soft mobility are considered in line with the most stringent standards available. Furthermore, the development of zero-emission transport infrastructure could contribute to a reduction in transport-related GHG emissions in the short and long-term. Moreover, as Oman's electricity mix still heavily depends on unabated fossil fuels, with emissions estimated at around 500 gCO<sub>2</sub>/kWh, the benefits are projected to increase over time with the country's evolving energy mix and decreasing grid emission intensity.<sup>10</sup> The category also includes the financing of providing shore-side electrical power to vessels. Although the project is compliant with international standards, we consider it to have only a restricted impact on decarbonizing the shipping sector.

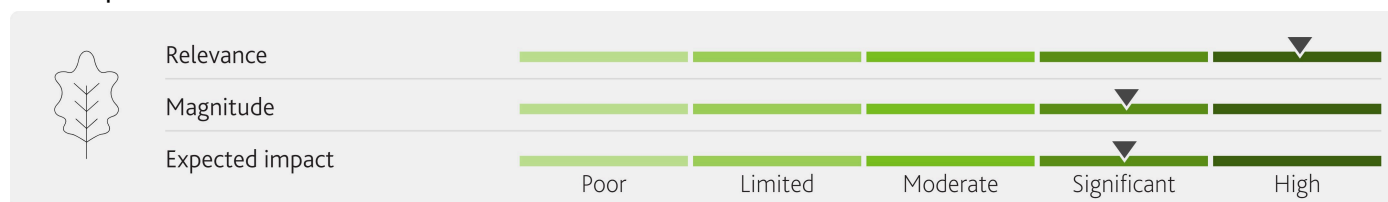
### Sustainable water and wastewater management



The construction and maintenance of wastewater treatment infrastructure addressed a highly relevant need in the local context, as Oman is one of the most water-stressed countries globally.<sup>11</sup> The country is also focusing on alternative technologies and efficient water use to reduce its heavy reliance on energy-intensive and costly desalination plants. Furthermore, nearly 22% of water in Oman is lost because of leakage. The country's exposure to extreme weather events, such as heavy rains that increase the risk of storm surges and flooding along the coast, also underscores the importance of this category.

The magnitude of this category is high. Centralized wastewater collection and treatment systems are likely to meet a net average energy consumption requirement of less than 0.5 kWh/m<sup>3</sup>, in line with international standards. Additionally, water recycling and reuse systems will adhere to best-in-class criteria, targeting a 20% reduction in net average consumption compared with previous installations. The water produced through these processes should primarily serve agricultural and municipal needs, rather than energy-intensive industrial applications. Although the issuer has not provided a specific threshold for water leakage, the proposed measures (such as water leakage) ensure efficient management of this issue. Lastly, projects aimed at mitigating surface water runoff will not only facilitate the reuse of water for green spaces but also provide optimal drainage for rainwater, thereby safeguarding buildings.

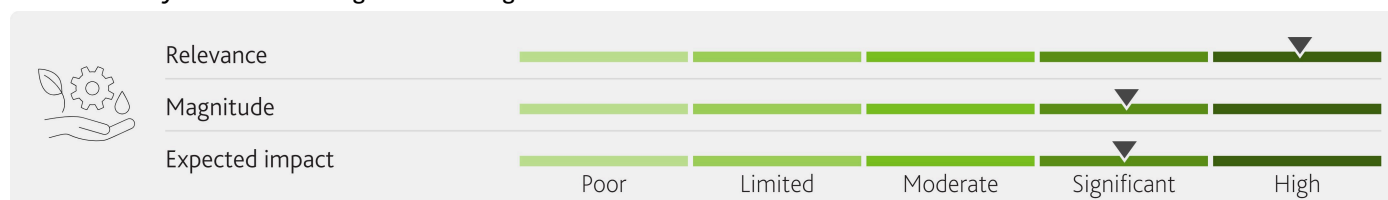
### Pollution prevention and control



Investments in waste collection and waste facilities are highly relevant for Oman, as the country produces 1.7 million tons of solid waste annually, most of which is directly sent to landfills, and in some cases, to unregulated dumpsites.<sup>12</sup> The disposal of waste in unauthorized areas can potentially lead to groundwater and soil pollution. Furthermore, the decomposition of organic waste can produce methane gas, a potent GHG. In an effort to reduce the volume of waste sent to landfills, Oman is directing its investments toward waste recycling and waste-to-energy initiatives, as well as composting programs. The government has set an ambitious target to recycle 80% of waste by 2030, thereby significantly reducing landfill use.

The magnitude of this category is significant. This category follows the national waste management hierarchy to guide decisions for the implementation of projects. Trucks are eligible under this category, and respect the most stringent market standard. Waste-to-energy projects are required to have less than 100 gCO<sub>2</sub>e/kWh of life-cycle GHG emissions from energy produced, and they must source from municipal waste. The issuer has defined thresholds related to plant efficiency and by-product management in line with market standards, such as the Climate Bonds Initiative (CBI), to further demonstrate the environmental credential of projects. Although we acknowledge the positive impact of waste-to-energy projects, such projects generate inherent negative externalities, including air pollution. Composting initiatives will follow relevant technologies and methane leakage processes, although not entirely aligned with the best-in-class international standards.

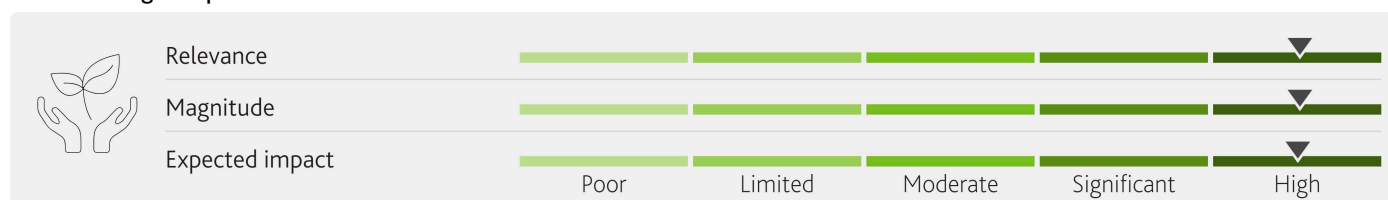
### Environmentally sustainable management of living natural resources and land use



Investments in biodiversity protection and restoration are of high relevance in Oman, because of widespread desertification across the country. This issue, coupled with soil salinity, urbanization, agricultural land fragmentation, declining productivity, and erosion, poses a severe threat to agricultural lands and natural ecosystems. Furthermore, the development of fisheries and aquaculture is important for Oman, one of the largest fish producers in the region and a net exporter of fish and fish products.<sup>13</sup>

Projects financed under this category have the potential to provide long-term benefits. This category includes the best available certifications for fisheries and aquaculture projects (such as the Marine Stewardship Council), and detailed information regarding the conservation projects. Fishing activities carry inherent negative externalities, such as their impact on biodiversity, although we note that this risk is mitigated somewhat by the commitment to limit activities to small-scale, artisanal fishing only.

### Climate change adaptation



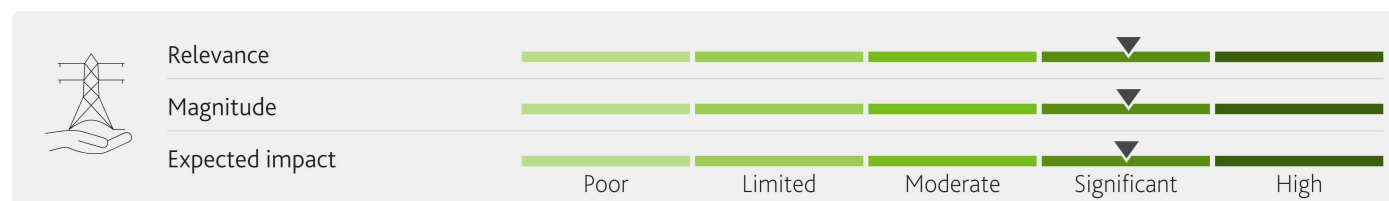
The expenditures related to the enhancement of the resilience and adaptiveness of infrastructure, such as early warning systems for natural disaster, flood prevention schemes, crop preservation activities, coastal zone management and rehabilitation of streams, are highly relevant for the issuer. Oman is vulnerable to the impacts of climate change, especially in its main fishing and trading activities located in coastal regions, which are considered high in terms of flood, meaning damaging waves are likely to flood the coast at least



once in the next 10 years.<sup>14</sup> Among the most significant threats resulting from climate change are flooding, cyclones, sand and dust storms, and drought.<sup>15</sup>

The magnitude of the category is high, because early warning systems and flood prevention plans offer long-term benefits. The lack of details about coastal management projects and stream rehabilitation makes it difficult to assess potential externalities. However, the issuer has indicated that this category will primarily finance projects related to flood management. Comprehensive information with respect to the maintenance of dams and flood protection systems for these projects demonstrate robust management of potential externalities.

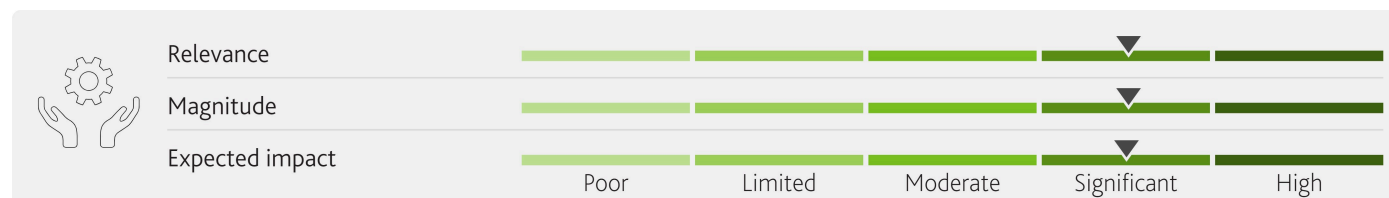
#### Affordable basic infrastructure



The relevance of this category – which includes expenditures that improve the reliability of electricity transmission and distribution infrastructure in rural areas and coastal areas, protect the security of clean drinking water supplies, support the long-term resilience of water and sanitation infrastructure, and provide electricity and water subsidies for low-income households – is considered significant. The provision of affordable electricity and drinking water infrastructure is important for all sovereigns – although, in Oman's local context, the sustainability challenge is less pronounced. In 2022, almost 88% of Oman's population lived in urban areas.<sup>16</sup> The entire population of the country has had access to electricity (in both urban and rural areas) since 1990.<sup>17</sup> Electrical networks in coastal areas are affected by external factors, such as humidity and high salinity, resulting in disruption to the distribution infrastructure and leading to power outages in these areas. In Oman, 100% of the population also has access to safely managed sanitation services. The percentage of people using drinking water from an improved source that is accessible on premises, available when needed and free from faecal and priority chemical contamination is also very high, at 91% in 2022.<sup>18</sup> The NSS Electricity & Water Subsidy is a system that provides a subsidy to eligible Omani nationals who hold a valid electricity account. The total number of eligible households for NSS in 2022 were around 75,000 households.

The magnitude of the projects under this category is considered significant. Oman's electricity system is not fully interconnected and projects to increasing the reliability of the network of the non-connected areas – in rural and coastal locations – will address challenges for the most vulnerable target population of the country. Although likely to generate long-term impact, drinking water projects are targeting the general population – the vast majority of which already has access to those services. Affordable electricity subsidies to low-income populations will generate a medium-term impact for part of the country's most vulnerable population, although this sub-category is applicable only to citizens.

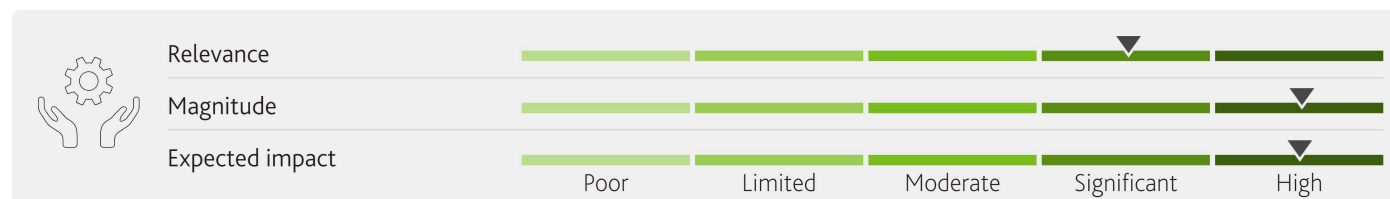
#### Access to essential services – Education



The relevance of this category is considered significant. The provision of public, free and subsidized education falls under the jurisdiction of the Government of Oman and remains a focus area for the state. Despite a high literacy rate (99.3% in 2022 for the age group of 15-45 years), the country still encounters educational challenges, particularly in terms of delivering high-quality services to all.<sup>19</sup> The country contends with a relatively high youth unemployment rate, underscoring the need for continued enhancements in the employability of young people graduating from public high schools and universities. Additionally, expatriates currently hold most of the qualified positions in the private sector, with the exception of clerical roles, which are predominantly filled by nationals.

The magnitude of this category is significant, and the eligible projects will most likely provide long-term benefits. The state fully funds secondary education, making it free of charge for all residents, and provides subsidies for higher education. However, the category targets the general population and does not directly address the most underserved population, including students from disadvantaged backgrounds and women who are underrepresented in secondary education and universities.

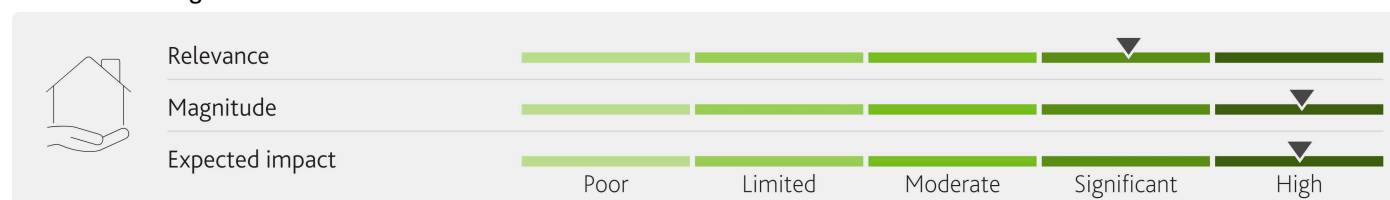
#### Access to essential services – Healthcare



The relevance of this category is considered significant. Universal health coverage is legally guaranteed for all residents of Oman, and with the annual demand for hospital beds projected to rise at a rate of 3.1% per year, this category will look to address the expected growth of Oman's population.<sup>20</sup> The category also encompasses funding for medical responses to potential natural hazards or health disasters, a particularly relevant consideration because of Oman's exposure to climate change.

The magnitude is considered high. Projects providing public and free healthcare are likely to have a significant long-term impact. All public hospitals and healthcare centers in Oman are available and accessible to all residents. According to the Regulation of Healthcare Services Fees (126/2023), Omani nationals and certain associated categories (such as family members) are entitled to free healthcare. Immigrants outside these categories are offered healthcare at subsidized rates, with local regulations placing the responsibility of healthcare insurance costs on all employers. This guarantees that all nonnational workers, even the most vulnerable ones, are not required to pay for any costs in order to access all public hospitals and healthcare centers in Oman.

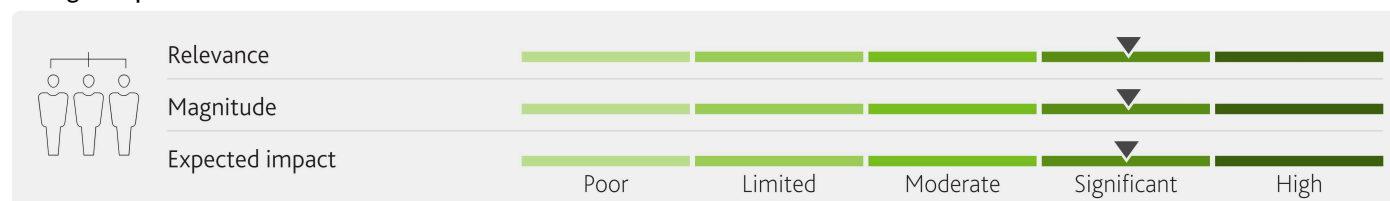
#### Affordable housing



The relevance of this category is considered significant. Affordable housing is an important activity for the government, contributing to stability, security and broader social benefits. However, with home ownership amongst Omanis at 91.2% (in 2019), there is limited need in the country among the target population.<sup>21</sup> In terms of living standards, in 2022, Oman's GDP per capita was equivalent to \$25,057, with 65% of the population earning OMR1,000-OMR2,580 (\$2,597-\$6,700) per month<sup>22</sup> and 22% earning only OMR325-400.<sup>23</sup> Still, the World Economic Forum has identified the cost-of-living crisis as one of Oman's top five risks.<sup>24</sup>

The magnitude of this category is high. Eligible projects will contribute to enhanced access to housing for vulnerable segments of the citizens of the country. The programs offer grace periods, and a portion of the service charges are subsidized by the Omani government. This subsidy varies based on the citizen's income, with annual rates ranging from 1%-2%. Moreover, financial counseling is provided to borrowers, offering guidance on debt management. This comprehensive approach not only provides immediate financial relief but also fosters long-term financial resilience among beneficiaries.

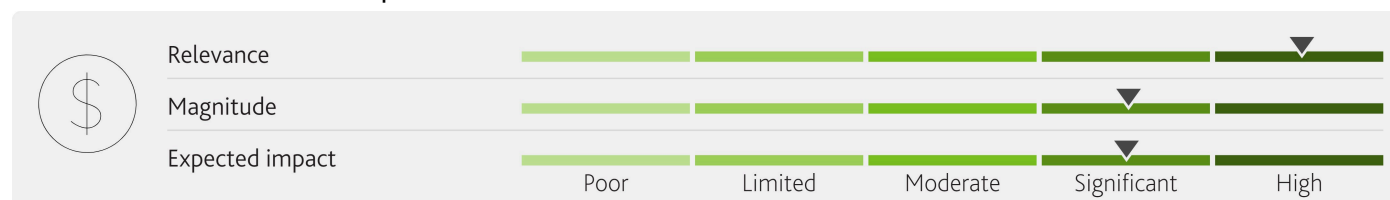
### Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of MSMEs



The relevance of this category is considered significant. In Oman, the unemployment rate was 2.33% in 2022,<sup>25</sup> while youth unemployment (15-24 years) reached 7.47%.<sup>26</sup> Small and medium-sized enterprises (SMEs) play a substantial role in the country's economy. They employ 56% of the total workforce and are responsible for creating 60% of new jobs.<sup>27</sup> However, the capacity of SMEs to generate employment will mainly depend on their economic activity and potential for job creation, neither of which we have visibility into.

The magnitude of the category is also significant. Eligible projects are likely to generate a positive long-term impact. Government initiatives are specifically designed to target vulnerable populations, particularly the youth and the unemployed. In Oman, a multitude of relevant programs have been implemented to bolster employment and enhance the skillsets of young people. However, the micro, small, and medium enterprises (MSMEs) do not specifically target particular vulnerable groups, such as MSMEs owned by low-income women, or a specific sector like the social and solidarity economy, which consequently limits their expected impact.

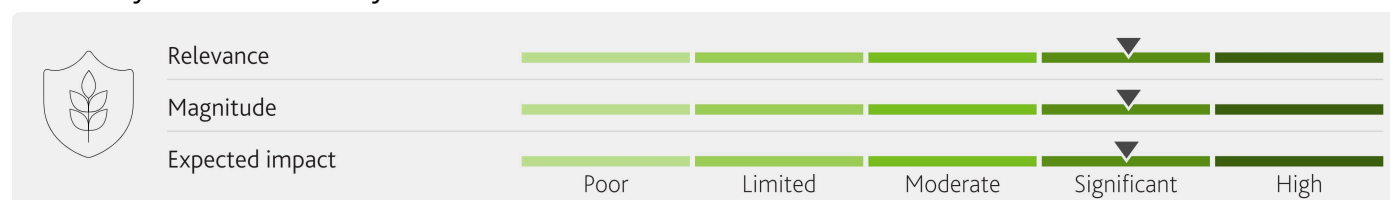
### Socioeconomic advancement and empowerment



The relevance of the category is considered high. In Oman, the female unemployment rate reached 8.7% in 2022, nearly quadruple the respective rate for males.<sup>28</sup> Small-scale fisheries play a historical role in the country.<sup>29</sup> Oman is the country in the Arabian Gulf with the most coral reef to be preserved, thus there is a high necessity to promote sustainable fishing practices. The category also includes the financing of a social fund dedicated to vulnerable populations. This represents a key expenditure for the country.

The magnitude is significant overall. This category is well defined in terms of its targeted population, which includes women, low-income families, orphans and elderly. Projects related to women are likely to have significant long-term benefits. The issuer has defined clear threshold regarding the social funds provided to support vulnerable populations. This is expected to generate a positive impact by reducing inequalities. Finally, we consider the trainings provided to small scale fisheries adapted to the context of Oman. However, further measures could be implemented and the fishing sector generates inherent negative externalities, although mitigated somewhat by the fact that it is limit to small-scale and artisanal fisheries.

### Food security and sustainable food systems



The relevance of this category is significant. Oman produces only a fraction of the food it consumes domestically, relying heavily on imports for grains, dairy products, seasonal fruits, meat and poultry.<sup>30</sup> The country faces risks associated with rising temperatures and drought, and the availability of agricultural water is inconsistent. Soil erosion has become a critical issue in arid and semi-arid regions, significantly affecting agricultural potential.

The magnitude of this category is significant. The issuer has clearly identified a vulnerable target population, namely small-scale fisheries and smallholder farmers. Although eligible projects could generate a positive long-term impact on the target population, the lack of granular details on the implementation of sustainable fisheries and farming practices raises the risk of negative environmental externalities, which could, in turn, undermine social benefits.

### ESG risk management

We have not applied a negative adjustment for ESG risk management to the expected impact score. In Oman, national regulation requires that all projects that may have an environmental impact undergo an EIA in the award of public contracts. Mandatory EIAs and legal permits by the environmental authority typically cover risks to biodiversity and require the implementation of mitigation strategies to alleviate negative impacts, such as pollution control technologies and habitat restoration, among others. Oman has ratified the UN Convention Against Corruption, and national entities, such as the State Audit Institution.

According to the ITUC's Global Rights Index, Oman's ranking is relatively poor concerning workers' rights violations<sup>31</sup> as some employers appear to use delaying tactics to avoid negotiation with workers' representatives, including failing to respond to meeting invitations or delaying responses to workers' representatives' demands. A similar situation has been reported by Human Rights Watch in relation to the country's response to alleged violations of domestic workers' rights.<sup>32</sup> In an attempt to address those issues, the country recently approved a new legislation regulating union rights and settlement procedures for labour disputes (Royal Decree 53/2023, dated July 2023).

### Coherence

We have not applied a negative adjustment for coherence to the expected impact score. The projects financed under the framework align with the Government of Oman's sustainability strategy. The nation pledged in October 2022 to accomplish net-zero emissions across all sectors by 2050, primarily driven by the industry, power and transport sectors. The country also announced the establishment of the Oman Sustainability Center to oversee, implement and support the net-zero 2050 plan.

In 2021, Oman's carbon emissions were estimated at 90 Mt CO<sub>2</sub>e. Five sectors — industry, oil and gas, power, transport and buildings — account for 95% of these emissions. In November 2022, Oman outlined three potential pathways to achieve its energy transition, with the orderly transition being the preferred one. This scenario highlights the government's key role in managing the socioeconomic disruption from the shift toward a lower-carbon economy. Under this orderly transition, Oman plans to reduce GHG emissions by 7% in 2030, 54% in 2040 and 92% in 2050, compared with the 2021 baseline. On November 2023, Oman updated its second Nationally Determined Contribution (NDC), with the country committing to a new 21% reduction by 2030 (7% committed, 14% conditional) compared with a business-as-usual (BAU) scenario. This new conditional target is contingent upon several factors, including international climate financing, technology transfers, the activation of Article 6 of the Paris Agreement, and support for capacity building programs.

However, despite efforts to diversify its economy, Oman's oil and gas sector remains a significant economic pillar, contributing 26.2% to the GDP in 2020, representing about 60% of merchandise exports and providing three-quarters of total government revenue. Because of this high dependence on hydrocarbons, we expect substantial investment in the oil and gas, and blue hydrogen sectors to continue, with hydrocarbon production likely to increase in the coming years, and at least until 2025.

## Appendix 1 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The 14 eligible categories included in the Government of Oman's sustainable finance framework are likely to contribute to 11 of the United Nations' (UN) Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 1: No Poverty	Affordable housing	1.3: Implement social protection systems and measures for all, and achieve substantial coverage of the poor and the vulnerable
GOAL 2: Zero Hunger	Food security and sustainable food systems	2.1: End hunger and ensure access by all people to safe, nutritious and sufficient food all year round
GOAL 3: Good Health and Well-being	Access to essential services - healthcare	3.8: Achieve universal health coverage with access to quality and affordable essential health-care services and medicines for all
GOAL 4: Quality Education	Access to essential services - education	4.4: Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
	Affordable basic infrastructure	6.1: Achieve universal and equitable access to safe and affordable drinking water for all
GOAL 6: Clean Water and Sanitation	Sustainable water and wastewater management	6.4: Substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	Affordable basic infrastructure	7.1: Ensure universal access to affordable, reliable and modern energy services
GOAL 7: Affordable and Clean Energy	Renewable energy	7.2: Increase substantially the share of renewable energy in the global energy mix
		7.b: Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States, and land-locked developing countries, in accordance with their respective programmes of support
GOAL 8: Decent Work and Economic Growth	Socioeconomic advancement and empowerment	8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
	Employment generation	
	Energy efficiency	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
GOAL 9: Industry, Innovation and Infrastructure	Clean transportation	
GOAL 11: Sustainable Cities and Communities	Affordable basic infrastructure	11.1: Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
GOAL 12: Responsible Consumption and Production	Affordable housing	
GOAL 13: Climate Action	Pollution prevention and control	12.5: Substantially reduce waste generation through prevention, reduction, recycling and reuse
	Clean transportation	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
	Sustainable water and wastewater management	
	Climate change adaptation	
GOAL 14: Life Below Water	Environmentally sustainable management of living natural resources and land use	14.2: Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans
GOAL 15: Life on Land	Environmentally sustainable management of living natural resources and land use	15.2: Promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

The mapping of the UN's SDGs in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's sustainable finance framework, as well as resources and guidelines from public institutions, such as the ICMA's SDG Mapping Guidance and the UN's SDG targets and indicators.

## Appendix 2 - Summary of eligible categories in the Government of Oman's sustainable finance framework

Eligible Category	Description	Objectives	Impact Reporting Metrics
Renewable energy	<p>Expenditures for the development, construction, maintenance, refurbishments and Research and Development (R&amp;D) related to the transmission, distribution and storage infrastructure, equipment, component, and technology associated with renewable energy facilities with lifecycle GHG emissions intensity below 100gCO<sub>2</sub>e/kWh:</p> <ul style="list-style-type: none"> <li>- Solar (PV, CSP with a minimum of 85% power generation derived from solar sources)</li> <li>- Onshore and offshore wind</li> <li>- Green hydrogen or green ammonia including R&amp;D, with the life-cycle GHG emissions of lower than 3tCO<sub>2</sub>e/tH<sub>2</sub>, and limited to the production and storage of hydrogen using electrolysis powered entirely with 100% renewable energy</li> </ul>	Climate change mitigation	<ul style="list-style-type: none"> <li>- Annual energy production (MWh)</li> <li>- Annual GHG emissions reduced or avoided (tCO<sub>2</sub>e)</li> </ul>
Energy efficiency	<p>Projects to support the construction, operation, maintenance and upgrade of smart power grids, power storage systems, smart metering systems and other smart electricity systems that manage the intermittency of renewables for direct connections of renewable energy capacities</p> <p>Renovation and installation of energy-efficient technologies and products that improve the operational energy efficiency by at least 30% in the building sector, verified by an independent third party</p> <p>Improve power usage effectiveness (PUE) of existing data centers to below 1.4 by deploying energy saving measures such as a deep cooling system in which deep ocean water is used to cool computing equipment</p>	Climate change mitigation	<ul style="list-style-type: none"> <li>- Annual energy savings (MWh)</li> <li>- Annual GHG emissions reduced or avoided (tCO<sub>2</sub>e)</li> <li>- PUE of data centres</li> </ul>
Clean transportation	<p>Expenditures in low emission transportation and related infrastructure:</p> <ul style="list-style-type: none"> <li>- Electrified railway for passenger and freight and related infrastructure</li> <li>- Zero tailpipe emissions passenger and freight vehicles and related infrastructure such as electric vehicle charging stations</li> <li>- Public transportation with zero tailpipe emissions thereafter</li> <li>- Infrastructure dedicated to the provision of shore-side electrical power to vessels at birth (not for the transport or storage of fossil fuels)</li> <li>- Non-motorized forms of transportation such as pedestrian walkways and cycling lanes</li> </ul>	Climate change mitigation	<ul style="list-style-type: none"> <li>- Annual GHG emissions reduced or avoided (tCO<sub>2</sub>e)</li> <li>- Number of electric vehicles charging stations</li> <li>- Length of electrified railway</li> <li>- Length of pedestrian walkways or cycling lanes (km)</li> </ul>

Eligible Category	Description	Objectives	Impact Reporting Metrics
Sustainable water and wastewater management	Expenditures related to new or existing infrastructure to improve water usage efficiency, promote water recycling and reuse: <ul style="list-style-type: none"> <li>- Centralized wastewater collection and treatment systems</li> <li>- Projects to reduce improve water usage efficiency such as water pressure management systems, pump and pipe systems</li> <li>- Water collection systems to enhance water recycling and reuse</li> <li>- Rainwater drainage systems to manage surface water run-off</li> </ul>	Sustainable water and wastewater management	<ul style="list-style-type: none"> <li>- Increase in the efficiency of water production and consumption (m3 per day or %)</li> <li>- Amount of treated water reused or recycled (m3)</li> <li>- Annual water savings (m3)</li> <li>- Amount of seawater treated (m3)</li> </ul>
Pollution prevention and control	Expenditures to reduce water and land pollution: <ul style="list-style-type: none"> <li>- Waste collection, waste processing, waste recycling projects and facilities in accordance with waste segregated at source and in line with the Oman national waste management hierarchy</li> <li>- Waste-to-energy plants for the generation of electricity and/or heat subject to: <ul style="list-style-type: none"> <li>- Lifecycle GHG emissions of the energy produced is lower than 100gCO<sub>2</sub>e/kWh</li> <li>- Waste-to-energy plants with efficiency at or above 25%</li> <li>- Bottom ash recovery</li> <li>- Recovery of metal from ash equal to or greater than 90%</li> <li>- In accordance with the Oman national waste management hierarchy</li> </ul> </li> </ul>	Pollution prevention and control	<ul style="list-style-type: none"> <li>- Amount of waste recycled (tons)</li> <li>- Amount of waste collected (tons)</li> <li>- Annual energy production from waste-to-energy (MWh)</li> </ul>
Environmentally sustainable management of living natural resources and land use	Expenditures related to the sustainable management of living natural resources and land use including the protection of ecosystems: <ul style="list-style-type: none"> <li>- Conservation and restoration of terrestrial and marine ecosystems and habitats such as mangroves with an aim of enhancing the biodiversity of marine organisms</li> <li>- Development of fisheries and aquaculture certified under Friends of the Sea (FoS), Best Aquaculture Practices (BAP), Aquaculture Stewardship Council (ASC) and Marine Stewardship Council (MSC)</li> </ul>	Protection and restoration of biodiversity and ecosystems	<ul style="list-style-type: none"> <li>- Number of mangroves planted</li> <li>- Number of fisheries which receive sustainable certifications</li> </ul>
Climate change adaptation	Expenditures to increase the resilience and adaptive capabilities of Oman across all sectors: <ul style="list-style-type: none"> <li>- Early warning systems for natural disaster and monitoring of radiation</li> <li>- Flood prevention schemes</li> <li>- Crop preservation activities (from drought or flood)</li> <li>- Coastal zone management</li> <li>- Rehabilitation of streams</li> </ul>	Climate change adaptation	<ul style="list-style-type: none"> <li>- Reduction in repair costs due to natural disasters or landslides (%)</li> <li>- Reduction in land loss from inundation and/or coastal erosion (km<sup>2</sup>)</li> <li>- Agricultural land protected from natural disasters (km<sup>2</sup>)</li> </ul>



Eligible Category	Description	Objectives	Impact Reporting Metrics
Affordable Basic Infrastructure	Expenditures to improve access to affordable basic infrastructure: - Electricity transmission and distribution infrastructure to improve the reliability and resilience of infrastructure in rural areas and coastal areas - Clean potable drinking water and sanitation infrastructure - Electricity and water subsidies for low-income households which meet the eligibility criteria of the National Subsidy System (NSS)	Significant social benefits	- Number of groundwater recharge and supply dams built or upgraded - Number of small scale grids in rural and coastal areas connected to the main grid - Number of households with access to electricity subsidies - Number of households with access to water subsidies
Access to essential services - education	Expenditures to improve access to public, free, subsidized or non-profit educational facilities (schools and universities): - Construction and upgrade of schools, universities, vocational training facilities or housing for teachers to provide essential access to public education for the population - Provision of education materials and equipment	Significant social benefits	- Number of students benefiting from access to education services - Number of education facilities built or upgraded
Access to essential services - healthcare	Expenditures to improve access to public, free, subsidized or non-profit healthcare facilities: - Construction and upgrade of public hospitals, healthcare centers, elderly care centers, rehabilitation centers for disabled persons - Production of medical supplies, medical equipment, medicines and vaccines which will be provided for all regardless of ability to pay, in order to treat and prevent the spread of infectious diseases or health disasters - Projects related to emergency response to a crisis which may be a natural disaster or health disaster. Example projects could relate to medical products and supplies, medical equipment, disease control services and vaccines, safe drinking water and sanitary facilities, temporary housing, food	Significant social benefits	- Number of patients benefiting from access to healthcare services - Number of hospitals and other healthcare facilities built or upgraded - Number of beneficiaries with access to medicines and vaccines
Affordable housing	Expenditures to ensure access to safe and affordable housing: - Condominiums program for creation of housing complexes for low-income families with monthly income not exceeding OMR 300 - Housing assistance program which provides grants to build or renovate an existing house for low-income families with monthly income not exceeding OMR 300 - Housing loan program with interest-free housing loans for low-income citizens with monthly income of not less than OMR 301 and not more than OMR 400 when submitting the application, and not more than OMR 500 when application is approved	Significant social benefits	- Number of beneficiaries under the national housing programs - Number of houses built or upgraded under the national housing programs

Eligible Category	Description	Objectives	Impact Reporting Metrics
Employment Generation, and Programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance	Expenditures related to supporting Micro, Small and Medium Enterprises (MSMEs) or unemployed persons: <ul style="list-style-type: none"> <li>- MSMEs in Oman</li> <li>- Government schemes to support unemployed persons who are out of work involuntarily such as temporary financial assistance and programs aimed at supporting reemployment under the National Employment Program</li> <li>- Government schemes related to training and reskilling for unemployed youths under the National Employment Program</li> </ul>	Significant social benefits	<ul style="list-style-type: none"> <li>- Number of MSMEs supported</li> <li>- Number of unemployed persons supported</li> <li>- Number of youths trained or reskilled</li> </ul>
Socioeconomic Advancement and Empowerment	Expenditures related to empowering the most vulnerable groups in Oman: <ul style="list-style-type: none"> <li>- Projects to reduce discrimination, improve equality for women and improve their access to job opportunities</li> <li>- Projects to promote training and capacity building for sustainable fishing practices</li> <li>- Financial support programs targeted at: <ul style="list-style-type: none"> <li>- Low-income families</li> <li>- Orphans and widows</li> <li>- People with disabilities</li> <li>- Children</li> <li>- The elderly</li> </ul> </li> </ul>	Significant social benefits	<ul style="list-style-type: none"> <li>- Number of beneficiaries reached</li> <li>- Number of small-scale fisheries reached</li> </ul>
Food security and sustainable food systems	Expenditures related to enhancing the physical, social, and economic access to sufficient, safe, nutritious food: <ul style="list-style-type: none"> <li>- Development of fish markets which mainly comprise of small-scale fisheries</li> <li>- Technical and financial assistance for smallholder farmers on sustainable agriculture practices <ul style="list-style-type: none"> <li>- Provision of subsidized or free climate resilient seed varieties better suited for Oman's climate to combat desertification, salinity, and droughts</li> <li>- Modern irrigation techniques to conserve water such as drip irrigation</li> </ul> </li> </ul>	Significant social benefits	<ul style="list-style-type: none"> <li>- Number of small-scale fisheries reached</li> <li>- Number of smallholder farmers reached</li> </ul>

## Endnotes

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