

Sustainability Report 2023

**Illuminating
Lives for a Green
and Sustainable
Future**

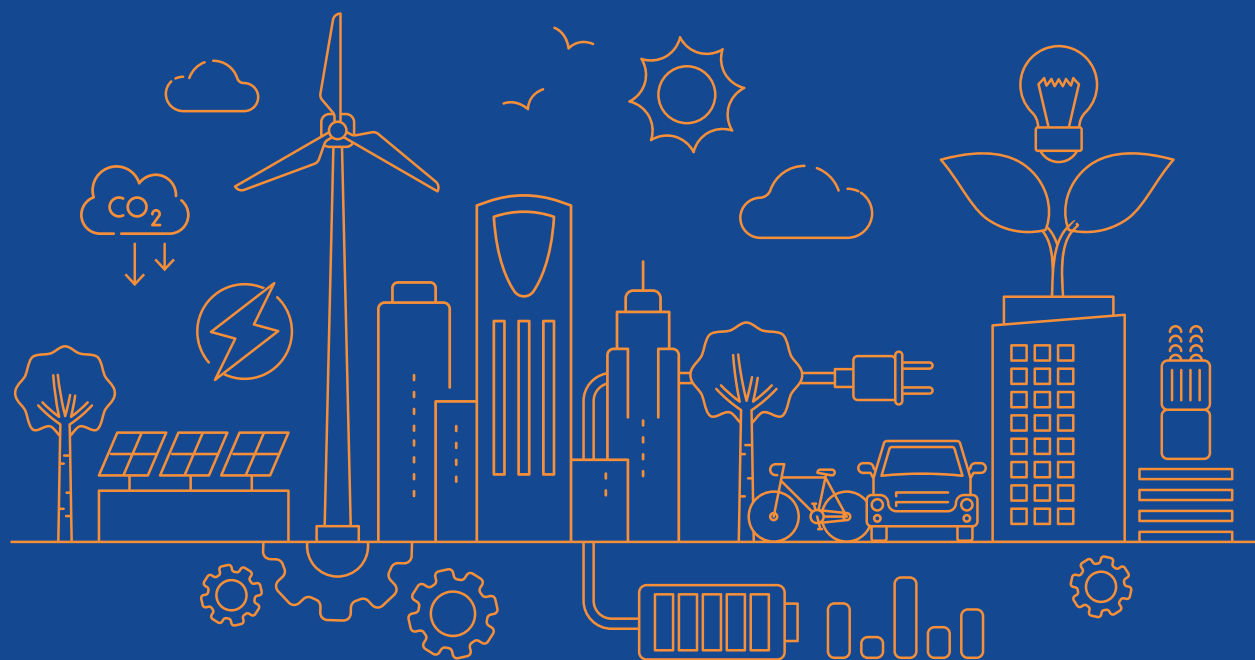


الشركة السعودية للكهرباء
Saudi Electricity Company
Diligently Serving You

Illuminating Lives for a Green and Sustainable Future

At SEC, “Illuminating Lives for a Green and Sustainable Future” echoes the company’s unwavering dedication to environmental responsibility and societal well-being. This visionary undertaking not only highlights the company’s focus on sustainable energy solutions but also signifies SEC’s contribution to shaping a brighter, eco-friendly world that extends beyond lighting up homes.

Building on this, SEC weaves together sustainable energy practices, community empowerment, and a strong resolve to embody responsible practices. SEC’s collective effort aims not only to foster the planet’s well-being but also to shape an enduringly brighter future for generations to come.



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Message from Our Chairman



H.E. Dr. Khaled bin Saleh Al Sultan
Chairman of the Board

Nurturing Prosperity Through Sustainable Progress

At SEC, sustainability guides our business ethos, underpinned by stakeholder insights. Through a robust ESG strategy, we seamlessly integrate environmental stewardship, social responsibility, and governance excellence into every facet of our operations, aligning with both national and international priorities.

Our dedication extends beyond powering the nation; we are pioneering environmental progress. Our strategy focuses on decarbonization by integrating renewable energy projects, investing in carbon capture technology, and aligning with the Kingdom’s Liquid Fuel Displacement Program and Circular Carbon Economy National Program. Prioritizing energy efficiency and leveraging digital solutions, we propel data-driven sustainability, ensuring every watt generated contributes to a brighter future. With a dedicated department promoting diversity and inclusion, we foster a culture that mirrors the rich diversity of the Kingdom. Through various charitable initiatives, we exemplify our commitment to community impact, marking notable milestones in our organizational sustainability journey.

At SEC, we don’t just illuminate the nation; we illuminate lives for a green and sustainable future.

Environmental Responsibility

As we navigate the challenges of the global energy transition, our commitment to sustainability is unwavering. Aligned with the Kingdom’s ambition of Net Zero emissions by 2060, we aspire to achieve the ambition of Net Zero emissions by 2050. This ambitious milestone reflects our dedication to a sustainable, low-carbon energy future.

We recognize the crucial role nature and biodiversity play in preserving our planet. Reinforcing this dedication, we have entered into a strategic partnership with the National Center for Vegetation Cover Development & Combating Desertification, pledging to plant 5 million trees by 2030 using renewable water across Saudi Arabia. In alignment with the Kingdom’s vision for a balanced electricity generation mix, with 50% from renewables and 50% from natural gas by 2030, we have earmarked investments exceeding SAR 11.25 billion by 2026 for 22 renewable energy interconnection projects. Guided by our ESG strategic objectives, we lead the charge in decarbonization through improving energy efficiency in power plants, reducing liquid fuel usage, and investing in cutting-edge carbon capture technology, thereby showcasing our steadfast commitment to a sustainable, low-carbon energy future.

“

In alignment with our commitment to sustainability, our resilient strategy clearly defines an actionable roadmap to achieve our ESG ambitions. We remain steadfast in our commitment to a path that supports the global transition to cleaner and more efficient energy solutions. We express gratitude for the continued support and collaboration of our stakeholders on this transformative journey.

”

Social Responsibility

In alignment with Saudi Vision 2030, we are dedicated to social responsibility, investing in initiatives that empower individuals, strengthen communities, and contribute to economic growth, social progress, and environmental sustainability. Our focus on open communication, active engagement, and prioritizing local talent through tailored training programs reflects our commitment to fostering diversity, professional growth, and safe working conditions. Our initiatives with the Children Cancer Support Association, blood donation campaigns, funding non-profits, including home restoration initiative within the Makkah Cultural Forum actively contribute to the development of local communities.

Governance Excellence

At the core of our values, governance is paramount, upholding the highest standards of transparency, accountability, and ethical conduct. Our corporate governance structure, prioritizing integrity and compliance, builds trust among stakeholders. Also, our recently established ESG governance framework ensures Board & executive management oversight over the integration of ESG across the organization and robust implementation of the ESG strategy. Our sustainability reporting evolves, incorporating refinements in governance, targets, and reporting mechanisms, demonstrating our commitment to environmental awareness, supporting local economies, and contributing to the Kingdom’s diverse economic landscape.

Acknowledgments

With deep appreciation for the unwavering encouragement and support from the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, and Crown Prince Mohammed bin Salman, along with the pivotal role played by His Royal Highness the minister of Energy Prince Abdulaziz bin Salman, we express our sincere gratitude for their instrumental support in our accomplishments throughout 2023.

Filled with pride as we reflect on our achievements, we seek Allah’s guidance as we aspire to attain even greater sustainability milestones, in line with the ambitious goals of the Kingdom’s Vision 2030.

Message from Our CEO



Eng. Khaled bin Hamad Al-Gnoon
Chief Executive Officer

Sustainable Operations for a Resilient Future

As we navigate the energy landscape, our steadfast commitment to sustainability is deeply ingrained in our company ethos. Throughout the past year, our unwavering dedication to ESG principles has influenced our operations, decisions, and initiatives, aligning seamlessly with global sustainability objectives and goals of the Kingdom's 2030 vision. Building on these foundations, we are intensifying our efforts to shape a more sustainable and resilient energy future through strategic investments, innovative solutions, and collaborative ventures. Embark on this transformative journey with us, witnessing how challenges transform into opportunities for growth. This showcases that sustainability is more than a goal; it is a shared commitment guiding our trajectory forward.

Pioneering a Net Zero Future

In our unwavering commitment to environmental sustainability, we unveiled our ambition of achieving Net Zero emissions by 2050. This ambition was reinforced by signing eight MoUs with leading organizations at COP28. Overcoming challenges, we successfully decreased our grid emissions intensity by 2.96% compared to last year. In tandem with the Saudi Green Initiative, we initiated 22 renewable interconnection projects

and generated 10,688 MWh of electricity through rooftop solar panels for self consumption. Additionally, our proactive approach included the purchase of carbon credits from the Regional Voluntary Carbon Market Company (RVCMC).

Recognizing the pivotal role of robust grid infrastructure in driving the transition to renewables, we signed a SAR 11.25 billion international syndicated facility agreement. This strategic move involves developing smart grids, integrating renewable energy projects, and enhancing overall grid reliability, working steadfastly towards unlocking the Kingdom's transition to renewables and achieving our Net Zero emissions ambition by 2050.

Empowering our People and Community

In the pledge to our people, we achieved significant milestones in employee development, boasting 37.30 hours of training per employee in 2023. Ensuring holistic growth, 100% of our employees underwent regular performance and career development reviews, contributing to zero discrimination incidents, and a remarkable 53% reduction in the lost-time injury rate compared to 2020. We invested SAR 6.87 million towards community impact through initiatives including volunteer programs, safety training workshops, sponsorship of children with disabilities. Our Saudization efforts resulted in an impressive 94% nationalization of the total workforce in 2023. Our initiatives towards diversity encompass an 88.90% rise in female representation within senior and middle management roles, along with a remarkable 52.90% of the SEC workforce comprising of youth.

“

As we power homes and energize industries, we are equally committed to paving a sustainable path for the future. Our mission transcends providing electricity; it's about fostering a world where every watt generated contributes to the well-being of our planet and its people. Sustainability is not just a choice; it's an integral part of our identity, driving us to innovate, conserve, and empower communities for a brighter and greener tomorrow.

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Evolving with Transparency

Our commitment to transparent, ethical, accountable, and responsible business practices was fortified through our governance pillar under the ESG strategy. Initiatives aligning with these principles include localization efforts, resulting in a 70% spend on local manufacturers in 2023. Our dedication to research and development manifested in SAR 37.89 million being spent towards research, development, and innovation. The Build & Employ National Abilities (BENA) program furthered our commitment by focusing on maximizing local content and prioritizes the transfer of know-how and technologies, fostering national expertise. Comprehensive employee governance awareness programs were implemented to minimize non-compliance incidents, ensuring transparency and accountability. Our commitment to enhancing customer interactions is evident through the digital transformation of customer services, aiming to elevate the overall customer experience.

Building Partnerships for a Sustainable Future

In our commitment to sustainability, we fortify our impact through transformative partnerships. The launch of the Electric Vehicle Infrastructure Company with Public Investment Fund (PIF) exemplifies our dedication, aiming to deploy 5,000 electric vehicle fast chargers by 2030. Our collaboration with the National Center for Vegetation Cover Development & Combating Desertification, reflects a sincere commitment to combat desertification and revitalize ecosystems by planting 5 million trees by 2030. Furthermore, our strategic alliances with influential partners underscore our dedication to

pioneering initiatives. These encompass the establishment of a cutting-edge Center of Excellence (CoE) for Sustainability, driving global awareness about 'interconnected well-being,' championing cryogenic carbon capture, advancing SF6 leak repair techniques, spearheading decarbonization research, and harnessing the power of AI for revolutionary advancements in weather prediction and emissions reduction. The depth of our partnerships extends to societal responsibility, as evident in collaborations with the Ministry of Education and the Children with Disability Association.

As we reflect on the accomplishments of 2023, we eagerly look forward to the promising achievements that lie ahead in 2024. Together, we are poised to make a lasting impact, shaping a more sustainable and resilient future.

Board of Directors' Profiles



H.E. Dr. Najm bin Abdullah AlZaid
Vice Chairman
Non-Executive Member



Mr. Walid bin Ibrahim Shukri
Board Member
Independent Member



Eng. Isam bin Alwan AlBayat
Board Member
Non-Executive Member



H.E. Dr. Khaled bin Saleh AlSultan
Chairman of the Board of Directors
Non-Executive Member



Eng. Abdulkarim bin Ali AlGhamdi
Board Member
Independent Member



Mr. Mohammed bin Abdulrahman AlBalaihed
Board Member
Non-Executive Member



Dr. Raed bin Nasser AlRayes
Board Member
Non-Executive Member



Eng. Nabil bin Abdulaziz AlNaim
Board Member
Non-Executive Member

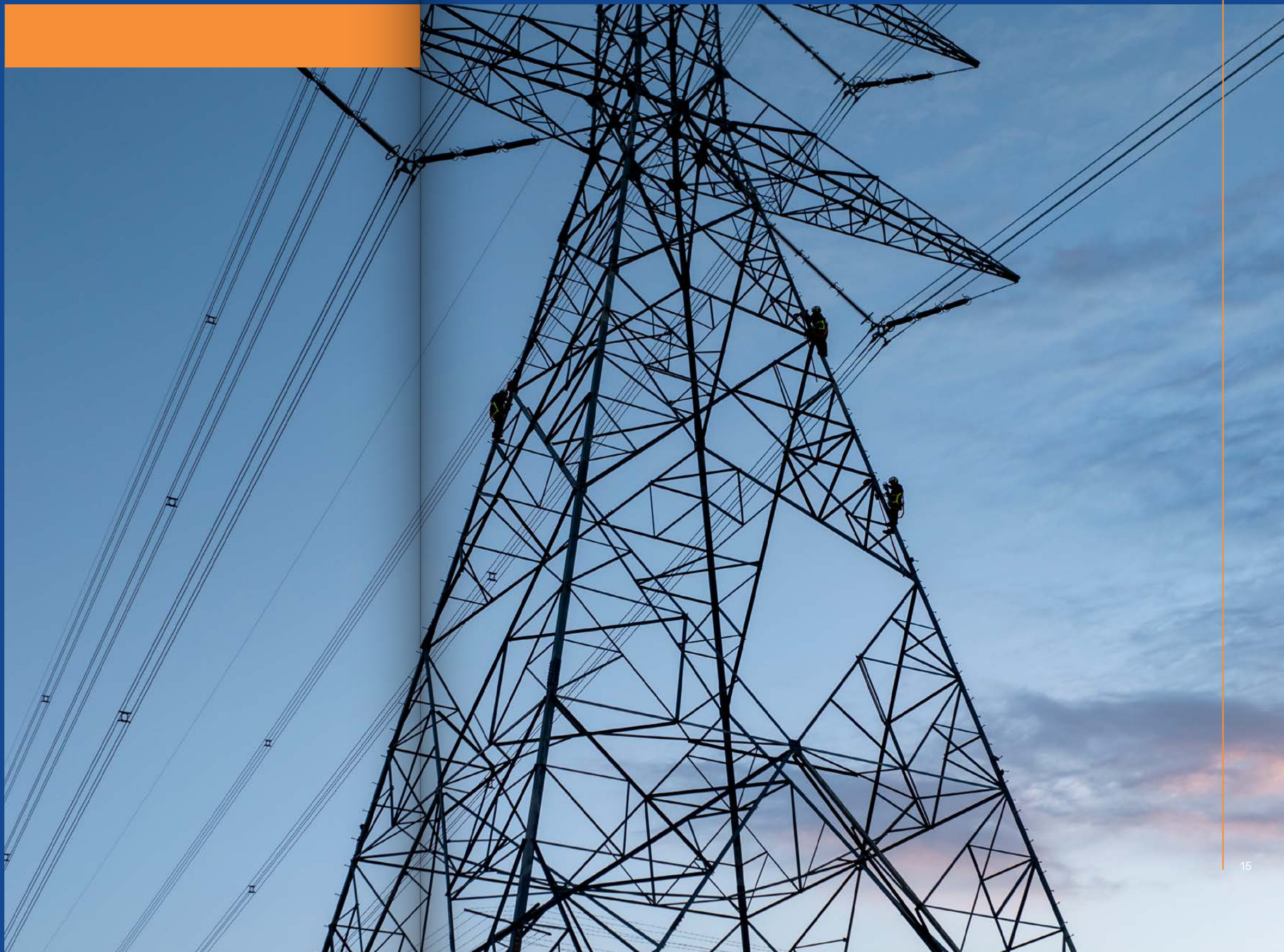


Eng. Scott Matthew Prochazka
Board Member
Independent Member

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About this Report

The Objective of this report is to effectively convey SEC's sustainability approach and performance to key stakeholders, including investors, regulators, governments, suppliers, customers, employees and communities.

This year, SEC broadened its sustainability reporting, incorporating diverse methodologies to ensure comparability across multiple frameworks—an approach in alignment with international best practices.

SEC unveiled its ESG strategy, serving as a guiding framework for communicating sustainability performance and addressing key challenges, meticulously crafted in adherence to GRI Standards and as per the Tadawul ESG Guidelines by the Saudi Exchange. The report comprehensively covers essential aspects of sustainability performance pertinent to the electric utility sector. To fulfill the disclosure expectations of its investors, the company also aligns its disclosures with SASB and TCFD frameworks, as highlighted in the content indices for the current reporting period.

Furthermore, the report outlines SEC's contributions to National and International sustainability goals, aligning its initiatives with UN Sustainable Development Goals and KSA Vision 2030 pillars (refer to chapter "Driving Sustainable Transition"). SEC is currently enhancing data management processes through digitalization, augmenting the quality and accuracy of data collection, through the incorporation of a robust governance framework. As part of its evolving sustainability journey, the company aims to further advance the use of digitization in data collection and analysis processes, ensuring efficient and reliable reporting to all stakeholders.

Key Reporting Frameworks

Global Reporting Initiative (GRI) Standards



GRI, an internationally recognized organization, provides crucial sustainability reporting standards for diverse stakeholders. In line with these standards, this report has been meticulously prepared, adhering to the GRI Universal Standards 2021.

Tadawul Guidelines



The Tadawul ESG Guidelines assist listed companies in ESG disclosure and best practices. Though not mandatory, they serve as a valuable resource for companies aiming to enhance ESG performance and attract investors interested in sustainable investing.

Sustainability Accounting Standards Board (SASB) for Electric Utilities & Power Generators



Industry-specific standards for reporting environmental, social, and governance (ESG) factors, enabling transparency and comparability in sustainable practices within the Electric Utilities & Power Generators sector.

Task Force on Climate-Related Financial Disclosures (TCFD)



TCFD offers voluntary, consistent recommendations for climate-related financial risk disclosure, aiding companies in informing stakeholders about its climate related governance and performance. The recommendations cover physical, liability, and transition risks associated with climate change, emphasizing effective financial disclosures.



Reporting Boundary

This report consolidates the Environmental¹, Social & Governance data for SEC and all its entities within the Kingdom of Saudi Arabia, where SEC has ‘operational control’ in accordance with the Greenhouse Gas (GHG) Protocol.²

SEC exercises operational control on its entities subject to their type, i.e., subsidiary, joint venture, or associate. Consequently, entities with no operational control, that is, joint ventures and associates have been excluded, with the inclusion of the subsidiaries in the reporting boundary (listed in the table).

Entity	Principal Activity	SEC Equity Share (%)	Financial Consolidation	SEC Operational Control (✓ / -)
The Saudi Energy Production Company	Electricity Generation	100%	Subsidiary	✓
National Grid SA	Electricity Transmission	100%	Subsidiary	✓
Dawiyat Telecom Company	Telecommunication	100%	Subsidiary	✓
Saudi Electricity Company for Projects Development	Project Development & Management	100%	Subsidiary	✓
Dawiyat Integrated Company for Telecommunications and Information Technology	Telecommunication	100%	Subsidiary	✓
Solutions Valley Company	Technical Consulting, Energy Solutions and Digital Offerings	100%	Subsidiary	✓



This report represents SEC’s sustainability performance from January 01 to December 31, 2023 which aligns with SEC’s financial year. Where available, historical data is provided for 2020, 2021 and 2022 for comparison purposes.

¹ For waste and water-related data, the reporting boundary is limited to SEC and its key subsidiaries namely Saudi Energy Production Company, National Grid SA and Saudi Electricity Company for Projects Development.
² As per the GHG Protocol, a parent company has operational control over an entity if it has the authority to introduce and implement operating policies at the entity.



Contact Details

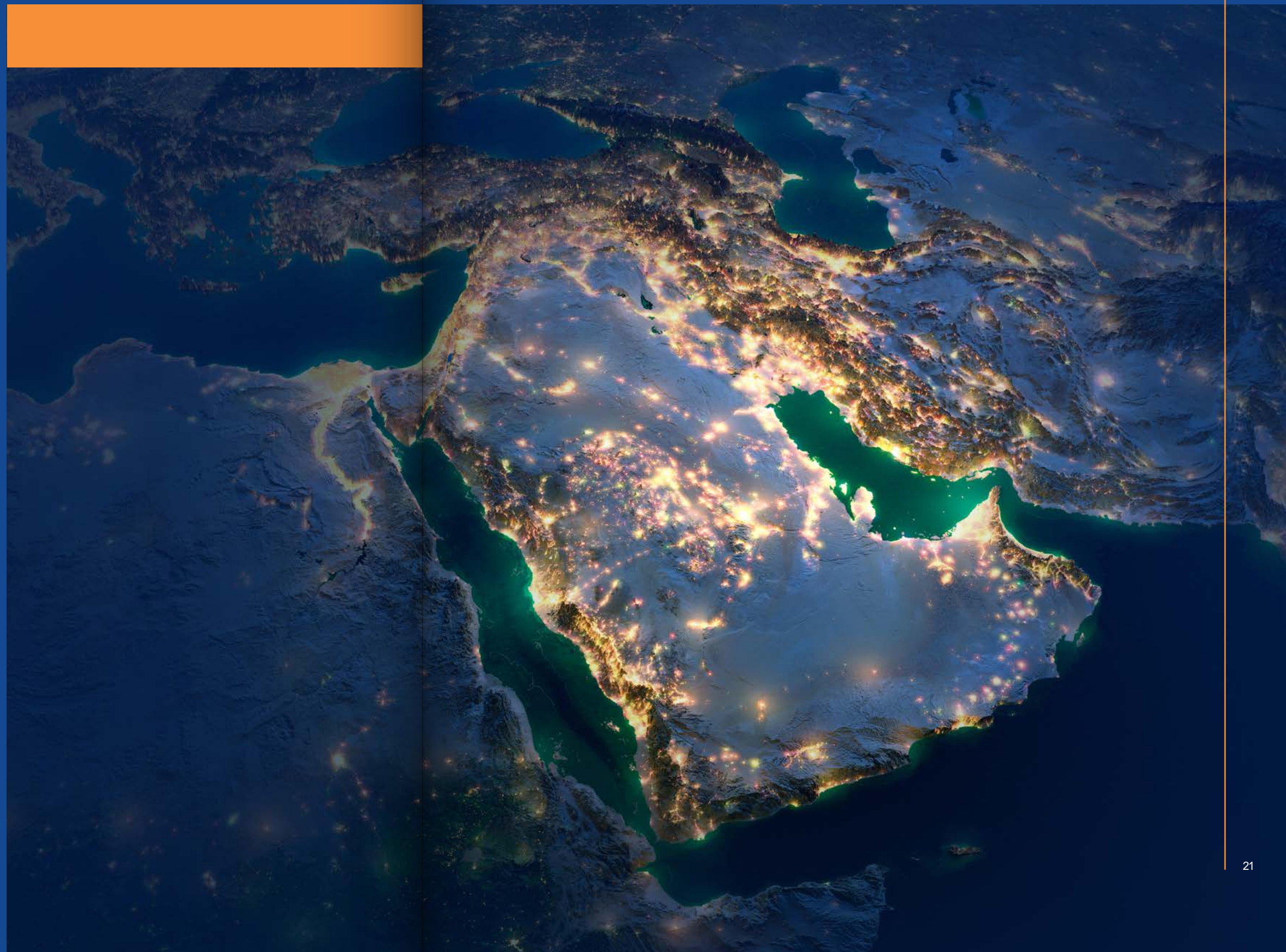
For any inquiries, feedback or suggestions regarding this report, please contact our investor relations representative:

IR@se.com.sa www.se.com.sa <https://www.se.com.sa/Support/Contact-Us/Inquiry-Form>

03

SEC at a Glance

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About SEC

The Saudi Electricity Company, headquartered in Riyadh, is the main producer of electricity, owning the largest distribution network and the sole owner of transmission lines in the Kingdom of Saudi Arabia.

The Saudi Electricity Company, headquartered in Riyadh, adds substantial value as the largest entity entrusted with the generation, transmission, and distribution of electricity across the Kingdom of Saudi Arabia.

With a diverse power plant portfolio and an extensive transmission and distribution network, the company provides reliable and sustainable electricity to nearly 10.99 million customers across the kingdom. The ultimate controlling party of the group is the Government of the Kingdom of Saudi Arabia, which, through its ownership of the Saudi Public Investment Fund - PIF (74.30%), and Saudi Aramco (6.93%) hold the largest shares in the company and lead the charge towards fulfilling the objectives of Saudi Arabia's Vision 2030.

Supported by a workforce of more than 30,000 professionals, the company proudly upholds a robust commitment to local employment, boasting a local employment rate of 94%. SEC is dedicated to pioneering excellence in energy services by providing outstanding customer experiences through cutting-edge solutions. The company's mission encompasses delivering superior customer experience, enhancing shareholder value through strategic investments in employees, demonstrating a steadfast commitment to environmental protection, and systematically driving digitalization across the electricity sector.



Vision

A preeminent power provider through exceptional customer experience, innovation and sustainable solutions



Mission

Deliver best-in-class customer experience and add value to our stakeholders while investing in our people, protecting the environment, and endorsing digitalization in power and beyond

Values



Development

Progressive Duty
We are forward-looking, public, and leading



Excellence

Active Excellence
We are focused, detailed, and agile



Interest

Human Focus
We are empathetic, caring, and supportive

Our Strategic Objectives



Security of Supply and Reliability



Safety and Operational Excellence



Environment, Social Responsibility, and Governance



Financial Sustainability



Localization and Local Content



Leading Customer Experience

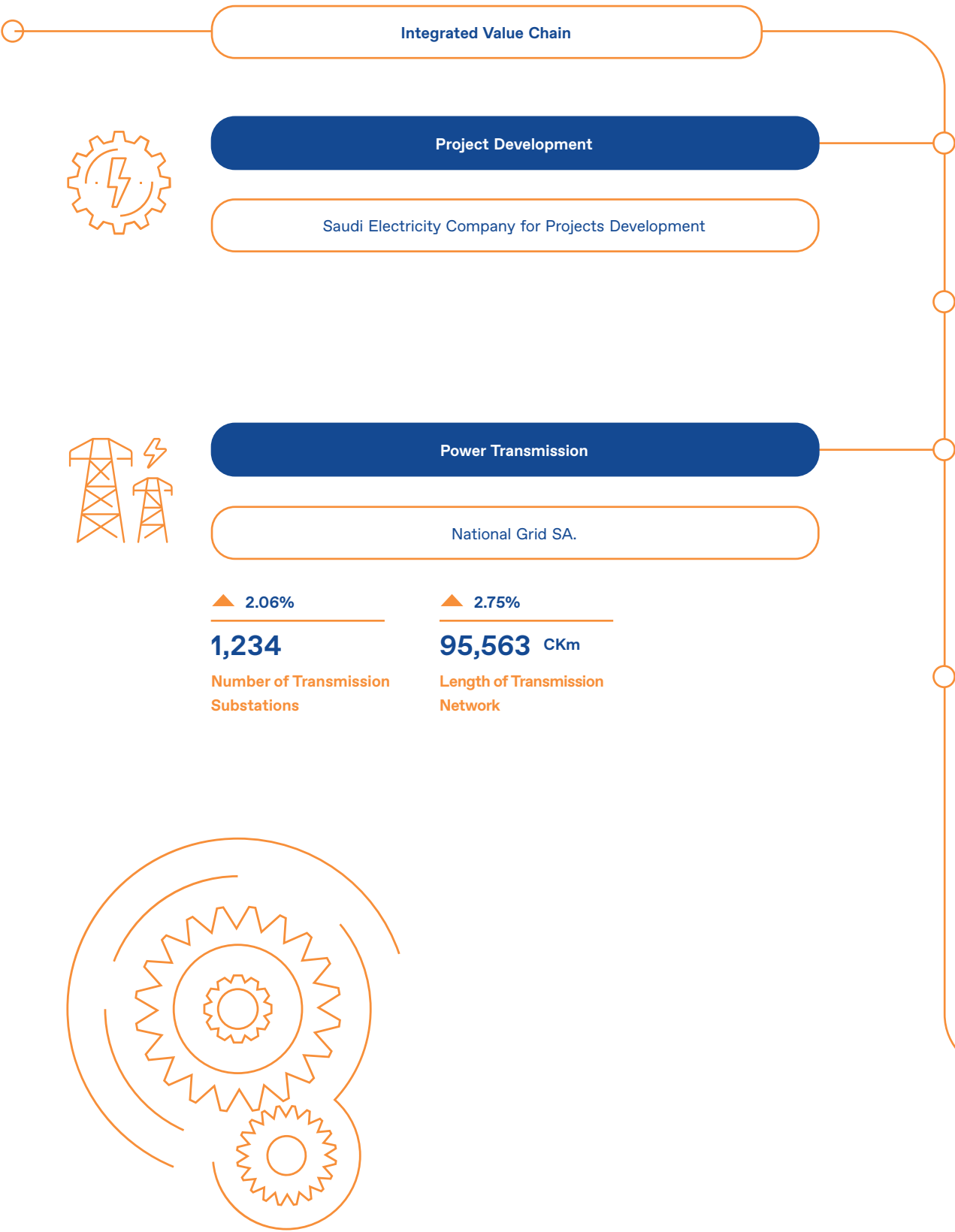
Our Business

Business Areas within KSA

Covering all regions of the Kingdom with a strong and stable electric network



Our Operations



Note: In addition to the subsidiaries and business lines mentioned above, SEC also engages in other activities such as carbon emissions reduction services, co-generation, information centers, and engineering services through its joint ventures & associates.

▲ % Change Versus 2022

Business Activity

Subsidiaries

Business Lines

Power Generation

Generation

▲ 1.28%

55.20 GW

Directly Owned Actual Capacity - Total

▲ 7.50%

3.50 MW

Directly Owned Actual Capacity - Renewable Energy

218,974 GWh

Electricity Produced

38

Power Plants

Power Distribution and Retail

Distribution and Customer Services

▲ 3.25%

10.99 million

Number of Customers

▲ 5.28%

314,784 GWh

Electricity Sold

100%

Smart Meter Coverage

24.50%

Distribution Network upgraded to Smart Field Equipment

Other Services

Sustainable Energy Services and Smart Solutions

Solution Valley Company

Electric Vehicle Infrastructure Company

Telecom

Dawiyat Telecom Company

Dawiyat Integrated Company for Telecommunications and Information Technology

Green Finance

Electricity Sukuk Companies

Key SEC Statistics

30,546

Number of Employees



28,749

Local Employees



6,368

Employees Aged 30 and Under



500.78 BN SAR

Total Assets



75.33 BN SAR

Total Revenue



10.24 BN SAR

Net Profit



04

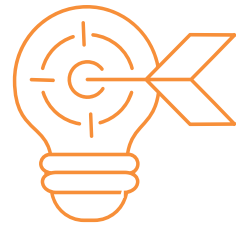
Our Sustainability Journey

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2023 Milestones

SEC has accomplished notable milestones and advancements in its ESG journey through diligent organizational efforts and the implementation of sustainability initiatives throughout the year. The appended timeline provides an overview of the notable ESG-oriented efforts undertaken by the company this year.



March ESG Strategy Endorsement and Implementation

ESG Strategy endorsed by Board of Directors and rolled out.

April Green Sukuk Issuance

Raised SAR 7.5 billion via green sukuk issuance with a dual-tranche, including a green tranche.



June Carbon Credit Acquisition

Purchased Carbon Credits from the Regional Voluntary Carbon Market Company (RVCMC) to offset emissions-amongst the top 3 largest purchasers.

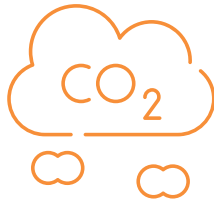


October Strategic Funding for Sustainable Infrastructure

Received SAR 11.25 billion in funding to build smart grids, integrate renewable energy projects, and improve grid reliability

October Accelerating Electric Vehicle Adoption

Launched Electric Vehicle Infrastructure Company (EVIC) in partnership with Public Investment Fund (PIF) to establish fast-charging infrastructure and accelerate EV adoption.



December Net Zero Ambition

Announced Net Zero emissions by 2050 ambition in line with the KSA's endeavor to achieve Net Zero emissions.

December Driving Sustainability Innovation

Signed 8 MoUs for sustainability-focused partnerships at COP28, including ones for planting 5 million trees across Saudi Arabia and launching a CoE for sustainability with NZTC & Accenture.


2023 Performance Highlights

Environment

0.55

tCO2eq/MWh


Grid Emissions Intensity



21.10

Metric Tons

SF6 Emissions



383,492

Metric Tons

Energy Consumption (MWh)



37.70%

Metric Tons

Generation Efficiency





258,273

Metric Tons

Waste Generated



181,976

Metric Tons

Hazardous Waste Generated



116,570

Metric Tons

Waste Diverted From Disposal



3,400 MW

Metric Tons

Renewable Capacity Integrated with the Grid



2023 Performance Highlights

Social

94%

Nationalization of The Workforce



0

Incidents of Discrimination Reported by Employees



37.30

Training Hours Delivered/Employee



58,695

Number of Employees and Contractors Trained in Health & Safety



52.90%

Share of Youth (18-35 Yrs) in the Workforce



81%

Customer Satisfaction Rating



7.50 out of 10

Employee Engagement Score



78.38

Minutes/Customer

SAIDI (Distribution)



2023 Performance Highlights

Governance

33.33%

Share of Independent Board Members



70%

Supply Chain Localization



0.05%

Research, Development & Innovation Spending as % of Sales



58%

Local Content in Procurement



Partnerships and Recognition

Ministry of Energy

Collaborating for grid interconnections, enabling transition to clean energy mix and innovations for reducing emissions.

Ministry of Education

Hosted safety workshops in schools and universities across the Kingdom.

Hitachi Energy

Partnered to supply high-voltage direct currents (HVDC) transmission systems to end customers.

Saudi Energy Efficiency Center

Provides expertise of industry leaders and updates on the energy efficiency practices.

Public Investment Fund

Launched Electric Vehicle Infrastructure company.

King Abdullah University of Science & Technology

Developed cryogenic carbon capture technology and launched two pilot projects to assess its effectiveness.

General Electric

Carried out fuel extraction research project to improve combustion process of crude fuels.

International Institute for Management Development

Designed and launched training courses for continuous learning of SEC leadership.

Ministry of Health

Conducted blood donation campaigns with mobile blood banks across Saudi Arabia.

National Center for Vegetation Cover Development & Combating Desertification

Planting 5 million trees by 2030 using renewable water.

Electric Power Research Institute

Coordinated to evaluate sealing materials and develop more effective techniques to repair SF6 leaks on gas-filled substation equipment.

Petroleum Chemicals & Mining Company

Launched Saudi Green Carbon Services company.

WAVE

Partnered to develop innovative solutions and thought leadership for protection and restoration of marine ecosystems.

Spotlight: MoUs signed at COP28

SEC signed 8 Memorandums of Understanding (MoUs) with prominent international companies, local companies and public entities spanning diverse industries. These strategic partnerships are designed to propel the company toward its overarching goal of achieving carbon neutrality.

Details of the MoUs and Partner Companies		
Net Zero & Sustainability Centre Accenture, Net Zero Technology Centre	SF6 free BU high voltage GIS Siemens Energy	SF6 free technology (Dry air) - R&D of dry air technology in distribution equipment such as Ring Main Unit (RMU) Schneider Electric, Siemens, Al Fanar, Saudi Chint, S.I.L., ITALIA, Lucy Electric
Decarbonization plan for existing fleet GE	Upgrade gas turbines, digital solutions, & Hydrogen production Siemens Energy	Weather prediction for sustainability Huawei
Reduce emissions, consumption, & environmental impacts IBM	Joint Cooperation in Environmental Protection & Vegetation Development National Center for Vegetation Cover Development & Combating Desertification	



SEC is an active member of various industry associations and sustainability-focused groups. Through these memberships SEC aims to share knowledge, learn from best practices and provide inputs to policy decisions for a sustainable future.

- 1

Arab Union of Electricity
- 2

World Economic Forum
- 3

The Gulf Center Market Association
- 4

Arab Operations & Maintenance Council
- 5

Gulf Cooperation Council
- 6

Edison Electric Institute
- 7

Electric Power Research Institute

Throughout its operational years, SEC has achieved numerous milestones, attributed to the remarkable efforts of its employees, stakeholders, and core partners. The organization has been fortunate to garner acclaim and accolades from esteemed industry organizations. The following is an illustrative, non-exhaustive list of awards received in 2023.



Forbes lists 7th position

Top 100 Listed Companies in the Arab World 2023

Capital Markets, Saudi Arabia Awards

Winner of ESG & Sustainable Finance Deal of the year

Sustainalytics ESG Risk Rating

33.5

High 2023

44.5

Severe 2022

Negligible 0-10

Low 10-20

Medium 20-30

High 30-40

Severe 40+

S&P Global ESG Score

35

2023

9.38% ▲

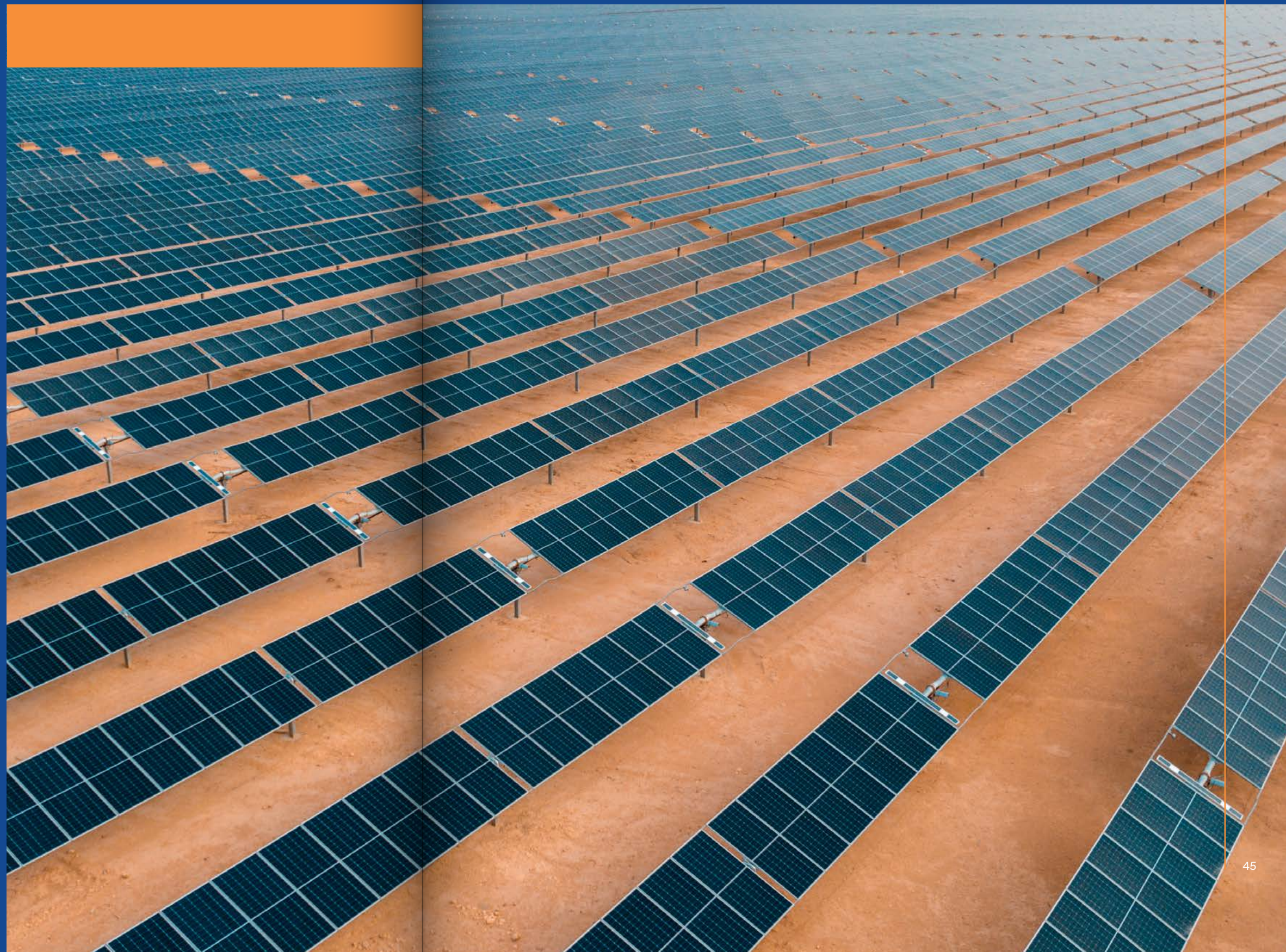
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2022

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Driving Sustainable Transition

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Our ESG Strategy

“

We integrate ESG considerations into every aspect of our operations, from connecting renewables to reducing our environmental footprint. This ensures a secure, affordable electricity supply for all while fostering transparency and accountability through strong corporate governance.

”

Manish Manchandya
Executive Vice President, Strategic Planning and Investment

In 2023, SEC developed a forward-looking ESG strategy that aligns seamlessly with the Kingdom’s renewable energy goals and its pursuit of Net Zero emissions. This strategic direction is focused on long-term positive impacts and prioritizing sustainability in response to global challenges associated with transitioning to a decarbonized economy.

Endorsed by the Board, this comprehensive ESG strategy reflects SEC’s unwavering commitment to sustainability, responsible business practices, and long-term value creation. The strategy was developed through a comprehensive process incorporating the outcomes of a materiality assessment exercise, establishing key interim and long-term targets, actionable steps, and enablers to integrate ESG principles across the company. Furthermore, SEC has formulated a 3-year detailed roadmap for shortlisted initiatives/ projects to deliver on key ESG strategy & meet its targets.

The strategy’s foundation lies in insights received from internal and external stakeholder consultations, investors’ expectations, and alignment with national and international priorities such as Vision 2030, the Circular Carbon Economy national program, the Liquid Displacement program, and the United Nations Sustainable Development Goals (UN SDGs). SEC through its extensive collaboration with the business lines, meticulously defined strategic objectives, key initiatives, and a roadmap for implementation. This inclusive approach considered all perspectives, maintained alignment with overarching business strategy, reinforced executive-level governance, and enhanced accountability – collectively contributing to the cohesive and effective implementation of the ESG initiatives.

SEC’s ESG strategy prioritizes action across four pillars: Climate Action, Nature & Circularity, People & Community and Responsible Governance as illustrated in the following pages.



ESG North Star		Illuminating Lives for a Green and Sustainable Future	
SEC ESG Strategy Pillars			
Environment Pillar		Social Pillar	Governance Pillar
Climate Action	Nature & Circularity	People & Community	Responsible Governance
Unlocking the Kingdom's transition to renewables and Net Zero	Preserving the environment and biodiversity	Attracting KSA's brightest and most diverse talent, driving community impact and development	Exemplifying transparent, ethical, accountable and responsible business
Strategic Objectives			
Take decarbonization action to deliver net-zero target	Optimize waste management for a circular economy	Adhere to best-in-class standards in managing human resources	Disclose transparently, openly and meaningfully through stakeholder dialogues
Accelerate renewable energy adoption and integration	Optimize resource utilization (water, natural resources)	Improve customer satisfaction and build customer trust	Enhance coverage of code of conduct and ethics policies
Increase climate resilience	Strengthen natural ecosystems and biodiversity	Support local communities through CSR	Informed decision-making through strong and unbiased governance

Ambitions	Key Initiatives to Achieve Ambitions*
Climate Action	
<ul style="list-style-type: none"> Net Zero emissions by 2050 100% readiness of grid to handle up to 16 GW renewable energy by 2025 0.40 tCO2eq/MWh grid emissions intensity by 2030 	<ul style="list-style-type: none"> Cryogenic carbon capture pilot project in collaboration with Ministry of Energy, King Abdullah University of Science and Technology, and NEOM Carbon credit purchase from Regional Voluntary Carbon Market Company for offsetting emissions High-efficiency solar-PV based energy projects Alternate insulating gas switchgear to replace SF6 SAR 11.00 billion investment by 2026 in 22 renewable energy interconnection projects Smart field equipment to upgrade 25% of total distribution network Electric Vehicle Infrastructure Company to setup 5,000 chargers by 2030
Nature & Circularity	
<ul style="list-style-type: none"> Publish Water Management Policy by 2025 Plant 5 million trees by 2030 	<ul style="list-style-type: none"> Toxic emissions reduction technologies, e.g., dry low-NOx combustion systems, etc. Environmental Monitoring Program for air & water quality impact measurement and reporting Signed MoU with National Center for Vegetation Cover Development and Combating Desertification to plant 5 million trees by 2030
People & Community	
<ul style="list-style-type: none"> 41 hours of training per employee by 2025 61 SAIDI min/customer by 2025 Achieve 0.70 SAIFI by 2025 82% customer satisfaction score by 2025 Automate 40% of the distribution network feeders by 2025 	<ul style="list-style-type: none"> Contractor safety programs and executive management. safety reviews Competency-based training programs for targeted / specialized training SAR 44.00 billion investment, strategic agreements and smart meter project to improve reliability of electricity supply Customer Experience (CE) Transformation initiative Volunteering initiatives – beach cleaning, tree planting, etc.
Responsible Governance	
<ul style="list-style-type: none"> 50% reduction of total incidents of non-compliance with laws and regulations by 2026 Zero data breaches by 2025 72% localization by 2025 and 75% localization by 2030 60% local content by 2025 0.12% RDI spending from total revenues by 2025 	<ul style="list-style-type: none"> 100% employee training coverage on anticorruption and employee governance awareness programs to reduce non-compliance Data privacy, cybersecurity policies & practices and Security Operations Center to ensure zero data breaches Build & Employ National Abilities (BENA) program to maximize local content, transfer know-how and develop local suppliers Signed two contracts to localize the manufacturing with binding purchase agreements exceeding SAR 5.90 billion Generation & Renewable Energy Research Center and Transmission & Distribution Research Center

* The initiatives included here are non-exhaustive. For details, refer to chapters of respective pillars of the ESG strategy.

Enablers of ESG Strategy

SEC has enabled accelerated progress on the ESG strategy implementation by embedding ESG across the five key operational elements by incorporating ESG-related factors into organizational processes and decision-making.



Governance

Sustainability is integral to SEC’s business practices, purpose, and operational strategy. In alignment with this, the company has implemented a robust sustainability governance framework, delineating clear roles and responsibilities at all levels.

At the Board level, sustainability is a critical governance issue, integral to the overarching ESG agenda and seamlessly woven into company strategy, investment decisions and business performance. The Board’s extensive expertise in power generation, finance, government, law, and investment equips them to evaluate the potential impact of sustainability issues (including climate change) on SEC and comprehend evolving international policy responses. Through SEC’s HSSE & Sustainability Committee, the Board monitors, measures and assesses the environmental performance against set targets, and provides strategic guidance on climate-related goals, metrics, policies, and initiatives. Furthermore, Board-level Risk & Compliance Committee ensures a rigorous oversight on sustainability-related risk management. Both committees convened five times each in 2023 to seek guidance and apprise the Board of progress related to sustainability issues.

At the executive management level, ESG Committee led by the CEO and senior leaders, is responsible for driving the ESG strategy and addressing sustainability (including climate) related risks and opportunities. The committee convenes regularly to validate the ESG strategy, targets and initiatives. Through collaborative initiatives across various business lines (BLs), the ESG Department establishes ESG strategy targets and ensures adherence to international ESG disclosure frameworks and identifies material sustainability topics.

Additionally, the Executive Management Committee (EMC) is responsible for driving & monitoring strategic programs on sustainability (including climate) such as carbon management, liquid displacement, waste-water circularity, corporate social responsibility, etc. The EMC meets every week to closely track the progress on such strategic programs and address challenges, if any. SEC’s Strategic Management Office (SMO) acts as a delivery partner to these strategic programs, coordinates across various BLs to monitor execution of initiatives under a program.

Sustainability Governance Framework



Risk Management



SEC is committed to implementing and monitoring robust Enterprise Risk Management (ERM) practices, which are crucial in supporting the organization's pursuit of strategic goals and objectives. The company is dedicated to improving risk management by ensuring the comprehensive implementation of ERM policy and frameworks across the company, aligning with the ISO 31000:2018 Risk Management guidelines, which is the international standard considered for best practices around the implementation of risk management. Furthermore, SEC conducted an internal audit of its Risk Management process in 2023 which also included review of the approach followed to maintain and update the ERM risk register. A pivotal aspect of SEC's ERM Framework is the structured ERM Process, designed to ensure a consistent approach to risk management throughout the organization. The ERM process comprises the activities shown below.

Risk Management Process



In 2023, SEC integrated sustainability-related risks into the overall ERM Framework by updating its Risk Assessment and Management framework introducing "Sustainability (including ESG)" category as part of the SEC risk categories. The company conducts a meticulous analysis of identified sustainability-related risks using a matrix which effectively determines the risk score based on impact and likelihood.

In addition to these operational enablers, risk culture plays an equally important role to integrate risk processes, procedures and build employee awareness throughout the organization. SEC conducts an annual Risk Appetite Leadership Workshop to educate its leadership on effective risk management practices. Furthermore, the company provides focused training to its employees on risk management principles through easy-to-understand examples.



Localization



SEC places a high emphasis on transparency, responsibility, and accountability within its supply chain strategy, acknowledging their significance for sustained financial performance over the long term. Sustainable procurement is a pivotal aspect of SEC's strategy, aiming to allocate 75% of total procurement spending to locally owned manufacturers by 2030. SEC diligently incorporates sustainability into its strategy, carefully assessing supply chain risks and dependencies from both ESG and operational viewpoints. This comprehensive approach guarantees that SEC actively manages factors crucial for maintaining financial success over time.

Financing



In line with its commitment to innovative sustainable finance, SEC formed a Green Financing Committee and developed a Green Sukuk Framework based on Green Bond Principles issued by the International Capital Market Association (ICMA). This framework empowers SEC and its subsidiaries to secure Green Sukuks for initiatives like energy efficiency and renewable energy generation. A significant achievement was the issuance of the Kingdom's first international Green Sukuk in 2020, raising SAR 4.88 billion. Furthermore, in April 2023, SEC successfully raised SAR 7.50 billion dual tranche sukuk, including a 10-year green tranche of SAR 4.50 billion.

Digitalization



SEC is dedicated to accelerating digital transformation and developing solutions to drive action across ESG pillars. SEC has formulated a robust digital transformation strategy and is actively spearheading initiatives to digitize and automate grid operations. Key programs such as the Smart Meter Project (SMP), Digital Transformation for Customer Service Program, and Customer Experience Transformation Program are instrumental in advancing the digitization and automation efforts within the SEC's grid infrastructure.



Alignment with National and International Priorities


SEC’s comprehensive ESG strategy, aligned with Vision 2030 and UN SDGs, underscores its commitment to sustainable development, societal progress, and environmental stewardship, shaping a brighter future for Saudi Arabia and beyond

SEC has undertaken multiple initiatives across the four pillars of its ESG strategy. The initiatives have been designed and executed in alignment with the strategic objectives of Vision 2030 and UN SDGs to promote positive advances and avoid detrimental impacts on the society and the environment.

Alignment with KSA Vision 2030

SEC plays a pivotal structural role in the economic pillar of the Kingdom's Vision 2030 by providing reliable and high-quality electricity services nationwide. The company ensures alignment of its corporate strategy with the national vision, incorporating key components of Saudi Vision 2030, which charts a sustainable path for KSA's future. The vision highlights the Kingdom's importance on a global scale, offering insights into its unique challenges, culture, and opportunities. The aim is to ensure that the company's sustainability efforts drive positive change and transition at the national and local levels. SEC actively contributes to the KSA Vision 2030 across its pillars of "A Vibrant Society," "A Thriving Economy," and "An Ambitious Nation" as outlined below.

Theme	Objective	Sub-objective	SEC's Contribution
 A Vibrant Society	Foster Islamic Values	Serve more Umrah visitors better	Prioritizing service at holy sites during Hajj shows commitment to stability, with automated and smart stations improving security and reliability.
	Offer a Fulfilling & Healthy Life	Improve livability in Saudi cities	Ensuring top-notch electricity quality and reliability, meeting rising demand from Vision 2030 projects, with a strong and sustainable generation and transmission setup.
		Ensure environmental sustainability	To achieve its ambition of Net Zero emissions by 2050, the company plans 22 renewable interconnection projects by 2026, diversification of generation mix, support liquid-fuel displacement, CCUS, carbon offsets, uses innovative technologies, monitors environmental impact, and supports initiatives like bird protection, biodiversity conservation, and tree plantation in the Kingdom.
		Create an empowering environment for Saudis	SEC empowers employees through enhanced benefits, such as a children's educational allowance and a housing loan policy, promoting financial security and stability.

Theme	Objective	Sub-objective	SEC's Contribution
 A Thriving Economy	Grow & Diversify The Economy	Maximize value captured from the energy sector	SEC supports KSA's clean energy shift with renewables and smart grid initiatives, enhancing market competitiveness.
		Unlock potential of non-oil sectors	The company aims for 75% localization by 2030, supported by programs like BENA and Saudi Skills Development for regional growth.
		Further integrate Saudi economy regionally & globally	SEC forms global partnerships, signing 8 MoUs at COP28 for sustainability initiatives and collaborating on research and best practices exchange.
		Grow non-oil exports	Empowers local suppliers with training and guidance for global market access, fostering growth and sustainability.
	Increase Employment	Develop human capital in line with labor market needs	Working with universities on national workforce training programs like Cooperative Training, Tamheer, and Saudi Skills Development, building a skilled talent pool for the Kingdom's labor market.
		Ensuring equal access to job opportunities	Promotes equity by integrating underrepresented groups into the workforce with robust Diversity and Inclusion policies and talent programs.
		Enable job creation through SMEs and microenterprises	Developing local suppliers through BENA program, prioritizing local content, supporting small and medium-sized organizations, and attracting investors. This enhances local capabilities, creates jobs, and boosts the Kingdom's economy.
 An Ambitious Nation	Enhance Government Effectiveness	Protect vital resources of the nation	Promoting efficient resource use, recycling, and waste minimization. Implementing desalinated and treated sewage water for operations and power plants, conducting water audits for responsible resource utilization.
	Enable Social Responsibility	Enable citizen responsibility	Promoting citizen responsibility with financial tools and diverse volunteering programs, including beach cleaning, tree planting, Ramadan Iftar, and school bag distribution.
		Enable social contribution of businesses	Fulfilling social responsibilities with blood donation, safety workshops, breast cancer events, and "Mubadarati" program for talented children with disabilities.
		Enable larger impact of non-profit sector	Shows firm support for the non-profit sector by partnering with 74+ charities, donating SAR 5+ million internally. Initiatives like winter clothing drives and Breakfast of Our Neighborhood further this commitment.

Alignment with UN SDGs

In alignment with the UN SDGs, SEC aspires to add value to stakeholders, invest in people, protect the environment, deliver exceptional customer experiences, and endorse digitalization in the power sector and beyond.

SDG	SEC's Contribution
	Prioritizes the health of their employees, contractors, and local communities through a comprehensive medical insurance policy, blood donation campaigns, etc. This enables the company to drive its business forward by minimizing costs and risks, while simultaneously generating positive outcomes for general health and well-being within the community.
	Invests in upskilling the employees through targeted training and specialization programs. SEC also conducts quality, inclusive education and skills development programs – Cooperative Training Programs, Tamheer Program, and Saudi Expertise Development Program to cultivate a diverse pool of talent for Kingdom's labor market.
	Promotes gender equality through robust Diversity and Inclusion (D&I) policies and practices, including the Women Employment Policy and a dedicated D&I department. In alignment with these efforts, the company has implemented diversity-based talent management programs to enhance representation in the workforce and across various job positions.
	Working toward ensuring access to electricity and decarbonization of the energy mix. In line with this, the current focus is on increasing the supply of sustainable energy through, renewable energy systems services, Liquid Fuel Displacement program, and seamless integration of renewable energy projects into the grid.
	Contributes significantly towards sustained economic growth in Saudi Arabia through SEC's leading role in electricity production, ownership of the largest distribution network, and exclusive possession of the transmission lines. The company also prioritizes creating a workplace that fosters productive employment. They provide decent work conditions, while ensuring the well-being and professional development of the employees including special areas for females for prayer and child-care (nursery).
	Propels innovation and infrastructure development to enhance the overall performance and reliability of the electrical system. In alignment with this objective, SEC actively drives digitization, smart solutions, and automation of the grid. The expansion of electricity generation facilities including a consortium of SEC and ACWA power to win projects of a total capacity of 3.6 GW, signify SEC's commitment to meeting growing energy demands.

SDG	SEC's Contribution
	Endeavors to advance services and innovative technologies aimed at enhancing the accessibility and widespread adoption of clean electricity. The company has introduced customer-centric services facilitating the installation of renewable energy systems (RES) and EV charging systems (EVCS) and enable seamless connection of these systems to the grid. These initiatives reflect the company's commitment to reducing energy consumption, promoting sustainable energy usage, and shifting consumption towards low-demand periods (off-peak).
	Manages waste generated through its resource efficiency and waste management procedures. The Company aims to enhance the efficiency of electricity generation, curbing energy wastage in production processes and fostering a more sustainable operational model for SEC. Additionally, SEC aims to empower customers to lower their energy consumption by providing their customers a comparative view to similar households and implementing smart meter installations.
	SEC's decarbonization initiatives covers ambitions and goals in line with Kingdom's sustainability aspirations: <ul style="list-style-type: none">• Ambition to reach Net Zero emissions by 2050 (Scope 1 and Scope 2 emissions from operations within the Kingdom)• 100% readiness of grid to handle up to 16GW renewable energy by 2025
	SEC's partnership with the WAVE initiative and its implementation of coral reef cultivation are clear demonstrations of the company's dedication to protecting life below water. Additionally, the company undertook an extensive biodiversity assessment to safeguard corals during the cross-border undersea electrical interconnection between Egypt and KSA.
	The company is committed to protecting flora and fauna on land, as evidenced by SEC's initiatives and partnerships: <ul style="list-style-type: none">• MoU with the National Center for Vegetation Cover Development & Combating Desertification to plant 5 million trees by 2030• Collaboration with the National Center for Wildlife (NCW) to undertake a study on installation of reflectors and insulators on overhead lines for protecting birds• Transferred and replanted 388 trees and shrubs to ensure the long-term health and productivity of vegetation ecosystems with due approval from MEWA
	SEC forms alliances with prominent organizations to innovate, exemplified by the fuel extraction research conducted with General Electric. Additionally, SEC signed an afforestation agreement with the National Center for Vegetation Cover Development & Combating Desertification, aiming to plant 5 million trees by 2030 using renewable water. The company has signed 8 MoUs during COP28 with leading international and national organizations to undertake sustainability-focused ventures such as launching a Center of Excellence (CoE), exchanging research, best practices, and developing key insights and prototypes.

The initiatives and their impacts discussed above are further elaborated in the subsequent sections of the report.

06

Engaging Stakeholders



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Stakeholder Engagement

SEC actively cultivates robust relationships with numerous stakeholders such as employees, customers, communities, suppliers, and investors. A dedicated department - Institutional and Partners Communication Department is accountable to ensure that all stakeholder communication and engagement is aligned with SEC’s strategic objectives.

SEC proactively identifies and engages with stakeholder groups to create shared value and foster enduring relationships. This continuous interaction guides the company in establishing priorities and sustainable business plans, which are informed by the stakeholders’ assessment of SEC’s impact on the environment, community, and business.

Interaction with Stakeholders

Stakeholder	Means Of Communication	Key Interests
Communities 	Public relations & communications, charity events, community programs, public consultation	Economic development, health and safety, infrastructure
Customers 	Digital touchpoints such as application, portal, live chat, virtual offices and chatbot. Contact channels such as service offices, call center, e-mail, and social media	Provide support, answer inquiries, measure satisfaction, and enhance experience
Employees 	Consultation meetings, talent development programs, appraisals, engagement survey	Career opportunities, training and development, equality, wellbeing, human rights
Business Partners, Financial Institutions and Investors 	General assemblies, press releases, public reports, company website	Energy mix, regulatory compliance, economic performance, alignment with national & international agenda
Suppliers 	Supplier relations & communications, tendering process, code of conduct, company website	Procurement governance, health and safety performance, localization

SEC’s ESG strategy provides an opportunity to standardize its engagement channels. The company recognizes that effective communication is crucial for achieving its sustainability goals, and the strategy aims to enhance liaison with both external and internal stakeholders.

Materiality

SEC defines material topics as significant sustainability topics that are assessed and prioritized based on their importance, relevance, and significance to both the company and its stakeholders. The materiality assessment is refreshed every 2-3 years and follows the principle of double materiality, considering not only the impact of SEC’s operations on the environment & people (inside-out) but also the impact of sustainability topics on SEC’s business (outside-in). This comprehensive process ensures that the company aligns its strategy as per sustainability topics of interest to key internal & external stakeholders, and ensures adequate disclosure of future strategies and initiatives. It reflects a proactive approach to aligning SEC’s reporting with the concerns that matter most to the company’s stakeholders.

In 2023, SEC enhanced its materiality assessment of the sustainability topics most critical to its business by engaging with additional stakeholders and in alignment with the latest GRI 2021 guidelines on management of material topics.



Materiality Assessment Approach

SEC conducted a materiality assessment in 2022 to identify a long-list of sustainability topics significantly impacting its business and stakeholders. The company engaged with more than 50 key stakeholders in order to identify material sustainability topics - ranging from the company leadership team to ESG subject-matter experts, investors, and financial institutions. The materiality assessment approach comprised 4 key steps.



Material topics identification

Material topics were identified based on international standards such as GRI, SASB and the UN SDGs. SEC also considered national standards and directives such as the KSA Vision 2030, the Saudi Green Initiative (SGI), as well as the Tadawul Guidelines. Through this exercise, 22 material topics were identified.



External assessment by rating agencies and investors

SEC referred to the list of critical material topics curated by ESG rating agencies such as MSCI and S&P Global for electric utilities to rank the identified material topics and align with industry challenges. Additionally, the company floated an Investor survey to get an external opinion on the impact of sustainability topics on SEC's business activities. The investors ranked the topics ranging from not important, important, to very important. Through this phase, SEC was able to identify that GHG Emissions, Business Ethics and Corporate Governance were top priority areas for investors.



Internal assessment by ESG champions

The company floated an internal stakeholder survey to ESG Champions from various business lines to get an opinion on the impact of sustainability topics on SEC's business activities. Like the previous step, the survey takers ranked the material topics ranging from not important, important, to very important. Accordingly, SEC identified Health & Safety, Responsible Customer Relations, and Human Capital as the most significant material topics for its internal stakeholders.



Inputs from ESG committee & leadership

SEC's ESG Committee chaired by the CEO and Executive Leadership provided their inputs through a workshop. The committee assessed the significance of material topics according to the level of their impact on SEC's business and provided ranking to the topics. Based on the outcomes from the workshop, the ESG committee, comprising of 15 members including the CEO, Executive & Senior VPs, identified Health and Safety, GHG Emissions, and Operational Energy Efficiency as the most significant material topics.

In 2023, SEC enhanced its materiality by conducting a survey with additional stakeholders as part of continuously improving its materiality assessment. The company sought input from more than 25 stakeholders, including regulatory bodies, employees, suppliers, NGOs, and customers, that are affected or could be affected by its business activities.

The additional stakeholders identified Operational Energy Efficiency and Responsible Customer Relations as the most material topics in addition to the existing most material topics.

Materiality Assessment Results

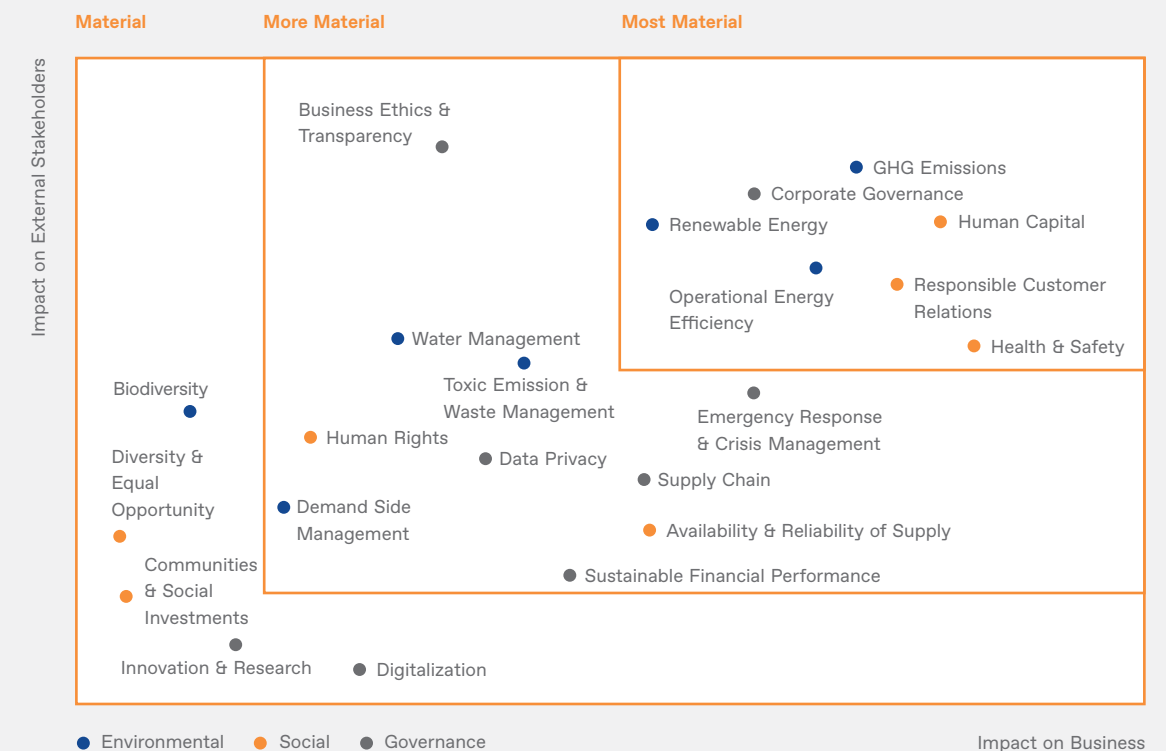
After identifying and ranking material topics based on their significant impact, the next step involved assessing their overall significance. This was done by assigning relevance to each participating stakeholder group and weighting their rankings, taking into account leadership guidance and importance of stakeholders to SEC.

A final prioritized list of material topics was then developed for both external and internal stakeholders. Subsequently, these topics were mapped onto a materiality matrix, illustrating their impact on external stakeholders along the vertical axis and on business value creation for SEC along the horizontal axis. Following leadership guidance, the resultant matrix was categorized into 'most material,' 'more material,' and 'material.'

This year's materiality enhancement exercise led to the inclusion of two additional topics – Operational Energy Efficiency and Responsible Customer Relations - in the 'most material' category compared to last year's matrix. The results of the materiality assessment were endorsed by the senior management and the most significant topics in terms of their importance to stakeholders and potential size of impact are:

GHG Emissions, Health and Safety, Corporate Governance, Human Capital, Renewable Energy, Operational Energy Efficiency, and Responsible Customer Relations.

Materiality Matrix



Refer to the specific sections of this report for a detailed account of SEC's approach and initiatives taken throughout 2023 for managing these material topics.

07

Climate Action

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Vision 2030 Objectives	2.4 Ensure environmental sustainability
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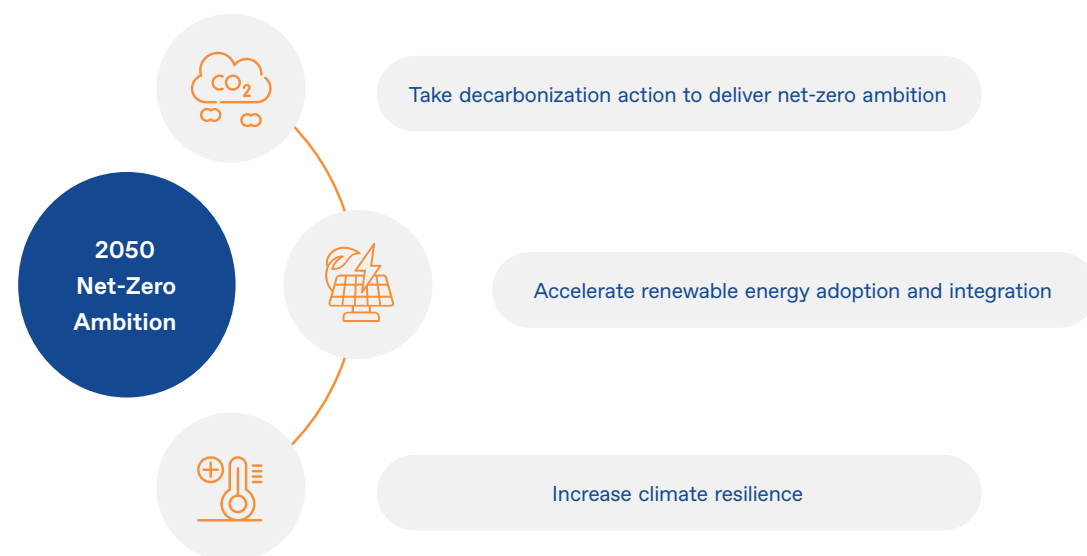


Climate Action

Saudi Arabia's economic growth is intricately linked to the power sector, with the Ministry of Energy making key investments in power and renewable energy projects. This trajectory includes strategic investments in green hydrogen manufacturing, transport electrification, expansion in traditional sectors like petrochemicals, and rapid urbanization.¹ While the sector does contribute to GHG emissions, it stands as an equal key player in climate change mitigation through efforts in emissions reduction. In line with this, the Kingdom has set a vision for a green energy transition to accelerate climate action through the Saudi Green Initiative (SGI).²

SEC aligns seamlessly with the national agenda on climate change, taking the lead in transformative initiatives. The company is at the forefront of vital projects, such as interconnecting renewables to the electricity grid, developing cryogenic carbon capture technology, implementing carbon capture in Green Duba power plant, and adopting smart grid technology, contributing significantly to decarbonization efforts. Demonstrating steadfast dedication, SEC recently announced at the COP 28 its ambition to achieve Net Zero emissions by 2050.³ This aligns with the SGI's vision and reinforces SEC's role as a key player in advancing the Kingdom's sustainability goals. To realize its Net Zero ambition, SEC formulated a robust ESG strategy, endorsed by the Board in 2023. Through extensive collaboration with its business lines, the company delineated ESG strategic objectives, key initiatives, and a 3-year roadmap, epitomizing a thorough and purpose-driven approach to sustainable and responsible practices.

SEC's ESG Strategy revolves around three primary objectives to address climate change. Firstly, it aims to enhance climate resilience by identifying related risks and opportunities and developing precise mitigation plans for business continuity. Secondly, the strategy focuses on decarbonization through improved GHG inventory management, investments in carbon capture technology, optimized operational energy efficiency, and aligned with the Kingdom's Liquid Fuel Displacement Program (LFDP).⁴ Lastly, it seeks to expedite the interconnection of renewable projects with the transmission grid, establishment of solar PV capacity for self-consumption, setting up of electric vehicle charging infrastructure, and promotion of distributed generation. Furthermore, SEC actively drives climate action by forging strategic alliances, partnerships, and MOUs with academia, government institutions, and technology providers.



¹ Source: Industry reports: Mordor Intelligence, IRENA; Reports and publications: IEA; News articles and analyses: Reuters, Bloomberg, The World Bank

² Source: SGI target: reduce carbon emissions by 278 MTPA by 2030

³ The scope of the ambition to reach Net Zero emissions by 2050 is limited to SEC's Scope 1 and Scope 2 emissions from its operations in the Kingdom

⁴ Source: Saudi Arabia targets 1 million b/d domestic oil demand reduction

Climate Risks and Opportunities

SEC has taken a progressive step by aligning its climate-related reporting with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations which will support its objective of building a robust climate resilience plan. The company's Environmental Policy further strengthens its stance on climate action by promoting clean energy and adopting best-in-class efficient technologies to minimize adverse environmental impacts. Additional details about the policy are covered in the Nature and Circularity chapter of this report. The following section delves into the company's approach to climate governance, risk management, strategy, and targets in line with the TCFD framework.

Climate Governance

SEC prioritizes sustainability throughout its operations, with a strong focus on climate change. A dedicated governance framework ensures clear roles and responsibilities at all levels. At the Board level, climate action is a critical governance issue, integral to the overarching ESG agenda and seamlessly woven into company strategy, investment decisions and business performance. The Board receives regular updates from HSSE & Sustainability and Risk & Compliance committees overseeing climate-related targets, metrics, and risk management. These committees meet frequently to guide and monitor progress.

Executive leadership also plays a key role. The ESG Committee, led by the CEO, drives the sustainability & climate strategy and addresses climate-related risks and opportunities. Through collaborative initiatives across various business lines (BLs), the ESG Department establishes ESG strategy targets and ensures adherence to international ESG disclosure frameworks and identifies material sustainability topics. Additionally, the Executive Management Committee monitors strategic programs on climate and ensures their successful execution through key programs such as carbon management and liquid displacement.

For details on sustainability (including climate) governance framework at SEC, please refer to the Driving Sustainable Transition chapter.



Climate Risk Management

Saudi Electricity Company (SEC) prioritizes robust Enterprise Risk Management (ERM) practices to achieve its strategic goals. The company continuously improves risk management by implementing ERM policies and frameworks aligned with ISO 31000:2018, which is the international standard considered for best practices around the implementation of risk management.

A key element is their structured ERM process, which ensures consistent risk identification across the short, medium, and long term through comprehensive analysis of the internal and external environment in which SEC and its subsidiaries operate. In 2023, SEC took a significant step by integrating climate and sustainability risks into its ERM by including a new “Sustainability (including ESG)” category. The company conducts detailed analyses using a risk matrix to assess the impact and likelihood of identified climate-related risks. Critical climate risks relevant to the company and its operations are outlined in the next sub-section: “Climate Strategy”.

For details on ERM framework, key risk categories and sustainability (including climate) risk management at SEC, please refer to the Driving Sustainable Transition chapter.

Climate Strategy

In 2023, SEC progressed on integrating TCFD recommendations for managing its climate risk. Through comprehensive stakeholder engagement conducted throughout the year, the organization assessed the significance of the impact created on the environment, economy, and people due to its business activities. In addition, the impact of climate change on SEC was assessed to shape its business strategy. This engagement enabled SEC to identify relevant climate related risks and opportunities.

Climate Risks*

Transition Risks	Risk Description	Time-frame**
Policy & Regulation	Transition to a low-carbon economy has heightened regulators’ focus on greenhouse gas (GHG) emissions, that may potentially result in policy measures designed to address the impact of electric utilities on climate change. This may necessitate additional capital expenditure, raising expenses for the company	Medium Term
Technology	Underutilization of conventional thermal generation assets due to a shift to renewable energy might have broader implications on energy security and grid reliability. This is because alternative sources of energy, such as solar and wind power, are intermittent in nature and may not consistently meet demand	Medium Term
Market	Transition to renewables and cleaner energy can lead to price fluctuations and technological & supply chain challenges in SEC’s operations	Medium Term
Reputation	Inability to mitigate GHG emissions or achieve climate ambitions could lead to negative reaction from investors, customers, and community	Long Term
Physical Risks	Risk Description	Time-frame**
Acute	Heat related reduction of efficiency and capacity of generation due to global increase in temperatures, potentially exceeding operational limits of power generating and/or transmitting equipment	Long Term
Chronic	Extreme weather events, such as sea-level rise, could significantly damage company’s operating assets and supply chain partners located near the coastal areas of KSA.	Long Term

Climate Opportunities*

SEC has identified several climate-related opportunities with significant potential to influence its business strategically. One such opportunity stems from the SEC’s initiatives focused on demand-side management (DSM). These initiatives are geared towards enhancing grid flexibility and promoting energy-efficient practices among consumers and businesses. By participating in DSM programs, consumers can not only reduce energy wasted but also realize tangible financial benefits through lower electricity bills. Moreover, involvement in DSM contributes to mitigating climate change by curbing overall electricity demand and emissions.

The strategic impact of engaging in DSM initiatives is substantial. By optimizing energy usage and promoting demand response programs, SEC enhances grid reliability, which is essential for facilitating the transition to a low-carbon energy system. This strategic alignment positions the company as a proactive player in the transition to a more sustainable energy landscape while also ensuring competitiveness in an evolving market.

* This section includes interim climate related risks and opportunities identified by SEC. These are subject to change as SEC is in the process of finalizing the identification of climate related risks and opportunities.

** SEC categorizes risks and opportunities that may materialize in three time frames: short-term (around one year), medium-term (more than one year but less than long-term), and long-term (extended period, often several years).

As SEC progresses on its journey to align climate-related disclosures with TCFD recommendations, the organization aims to report the financial impact analysis of climate risks and opportunities in future sustainability reports. This forward-looking approach underscores SEC’s commitment to transparency, resilience, and sustainable business practices.

Furthermore, SEC aims to conduct a comprehensive assessment of physical risks specific to its facilities and key transition risks that could impact operations, strategy, and financial planning. The company plans to undertake scenario analysis using plausible climate scenarios from the Intergovernmental Panel on Climate Change (IPCC) to assess the potential quantitative and qualitative impact of identified risks in the future. This analysis will enable SEC to develop a resilient climate strategy based on the impact that climate-related risks and opportunities have on its business operations and financial planning.

The company has already started to actively address climate risk and seize opportunities through a defined decarbonization pathway. SEC is investing in renewable integration projects, prioritizing energy efficiency, and implementing technology solutions on the demand side to stabilize grid operations. Moreover, the company prioritizes fostering an informed and climate conscious workforce through ongoing training, development sessions, and capacity-building initiatives for employees and contractors throughout the year. Further details on SEC’s initiatives can be found in the upcoming sections of this chapter.

Climate Targets & Metrics

In alignment with the Kingdom’s aspiration to achieve Net Zero emissions by 2060, SEC, through a suite of decarbonization initiatives, is working towards its ambition of Net Zero emissions by 2050.* Further information on the company’s decarbonization pathway and interim climate targets can be found in the upcoming sections on GHG Emissions, Renewable Energy, and Operational Energy Efficiency.



* The scope of the ambition to reach Net Zero emissions by 2050 is limited to SEC’s Scope 1 and Scope 2 emissions from its operations in the Kingdom.

GHG Emissions

SEC’s power generation activities are a source of direct GHG emissions (Scope 1), including CO₂, CH₄, N₂O. The consumption of electricity for its operations and network losses further lead to indirect GHG emissions (Scope 2). Recognizing the link between GHG emissions and climate change, SEC is actively pursuing a transformative decarbonization plan. This plan focuses on improving energy efficiency in power plants, reducing liquid fuel usage, and investing in impactful R&D projects. Moreover, SEC implemented carbon capture technology in Green Duba Power Plant and is developing cryogenic carbon capture technology in line with objectives of the Circular Carbon Economy (CCE) National Program, which aims at turning captured carbon into useful products or injecting it back into reservoirs.* This approach will not only address climate concerns but will also present a unique revenue-generating opportunity for the company.

“
At SEC, we embrace the urgency of climate action, aiming for Net Zero emissions by 2050 for assets in Saudi Arabia, aligning with the Paris Agreement. We are adapting our business model for successful decarbonization, integrating technology and strategic partnerships for a swift transition to a net-zero future.
”

Sultan bin Rashid AlMahasheer
EVP, Occupational Health, Safety, Security and Environment

The company is aware of the business impact, risks, and opportunities associated with the management of GHG emissions. To ensure effective abatement of GHG emissions, SEC announced its ambition of achieving Net Zero emissions by 2050 for Scope 1 and Scope 2 emissions from its operations within the Kingdom.

SEC tracks its emissions regularly, with monthly monitoring of its Scope 1 emissions. The company considers GHG Protocol and 2006 IPCC guidelines for calculating GHG emissions. Furthermore, the company is currently working on embedding digital solutions to continuously monitor its emissions.

* Source: Circular Carbon Economy (CCE) National Program: CCE framework allows emissions management while ensuring socio-economic development

Our Ambitions	Baseline (2016)	Progress as of 2023
Net Zero emissions (Scope 1 & 2) by 2050	200.22 MMT CO ₂ eq	151.93 MMT CO ₂ eq
0.40 tCO ₂ eq/MWh grid emissions intensity by 2030	0.69 tCO ₂ eq./MWh	0.55 tCO ₂ eq/MWh

In 2023, SEC’s Scope 1 emissions increased by 6.13% primarily due to rampant electricity demand in the Kingdom. However, the company reported a significant drop of 90.88% in its Scope 2 emissions as Saudi Power Procurement Company (SPPC), the principle buyer and electricity trading subsidiary was spun-off in mid of 2022. Due to this, SEC considered only T&D losses and internal consumption as part of Scope 2 emissions. While the overall Scope 1 GHG emissions increased, the emissions intensity saw a decline of 2.96% indicating progress towards a cleaner electricity generation mix for SEC.



* These are market-based Scope 2 emissions. SEC’s location-based Scope 2 emissions for 2023 stood at 9.14 Million Metric tons CO₂eq. Saudi Power Procurement Company (SPPC), the principle buyer and electricity trading subsidiary was spun-off in mid of 2022
** This includes direct GHG emissions from energy generated by SEC and indirect GHG emissions from energy purchased by SEC to be sold to end users.

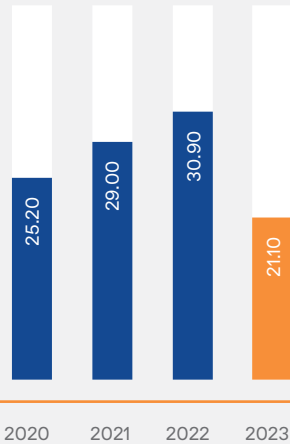
SF₆ Emissions

SF₆ gas serves as a common insulator in high-voltage switchgear within the power generation industry. However, it has a significant global warming potential, with emissions occurring due to leakage during maintenance and operation over the equipment's lifespan. This underscores the criticality of managing SF₆ emissions.

In 2023, SEC achieved an impressive 31.72% reduction in SF₆ emissions compared to last year. This decline is attributed to the installation of SF₆-free gas-insulated switchgear, known for requiring less maintenance and experiencing fewer breakdowns. The incorporation of alternative gases or vacuum technology in switchgear equipment has proven effective in preventing gas leakage and subsequently reducing emissions.

SF₆ Emissions (tons)

21.10



Our Actions

Renewables

- Interconnecting 22 renewable projects to the grid with a capacity of 19,034 MW
- Implementing high-efficiency solar-PV based energy projects



Innovation

- Use of hydrogen fuel in power plants and advance cryogenic carbon capture technology
- Partnership with global petroleum firm for Carbon Emission Reduction (CER) and Clean Development Mechanism (CDM) initiatives
- Focus on Liquid Displacement Program for diesel, crude oil, and HFO



Direct Emissions Control

- Installed equipment with eco-friendly insulating gas to control SF₆ emissions
- Bought 0.50 million tons of carbon credits from RVCMC to offset emissions



Energy Demand Management

- Deployed Smart Meter Project (SMP) to monitor and optimize electricity use
- Launched services enabling customers to link renewable energy sources to the grid



Spotlight:
Decarbonization Pathway

SEC's approach to building a decarbonization pathway involves meticulous integration of technological, economic, and strategic considerations. Leveraging MACC analysis, aligning investments with abatement potential, and addressing key enablers and risks are central to this comprehensive strategy.

This case study portrays how SEC plans to build the decarbonization pathway for progressing towards its ambition of achieving Net Zero emissions by 2050

SEC developed 4 scenarios of potential future energy mix required to achieve Net Zero ambition by 2050



Each scenario was analyzed to draw the Scope 1 and 2 emissions profile along with the projected carbon intensity until 2050



Marginal Abatement Cost Curves were leveraged to quantify the yearly abatement potential of the proposed solutions and build the investment roadmap for establishing solar and wind capacity by 2050



Recognizing the complexity of the decarbonization journey, SEC undertook risk assessment to identify challenges and frame corresponding mitigation measures to ensure the resilience of the net-zero pathway



Renewable Energy

SEC is prioritizing integration of renewable energy into the electricity grid to support Saudi Green Initiative (SGI) which aims at increasing the share of renewable energy in the Kingdom’s electricity generation mix by up to 50% as one of its core objectives.¹ The company recognizes that integrating large-scale renewables can cause variable power output and grid imbalance. To mitigate these risks, SEC is investing in smart grid technology. Moreover, SEC has initiated the adoption of clean energy for its office spaces and auxiliary electricity requirement at power plants. In summary, the initiatives taken by the company are enabling the Kingdom’s transition to renewables, reducing GHG emissions and contributing to a cleaner environment with fewer extreme weather events.



At Saudi Electricity Company, we’re fully dedicated to grid modernization for seamless renewable integration. Through upgrades, smart technology, and infrastructure enhancements, we’re building a robust grid to deliver reliable power amidst renewable variability.

Waleed bin Abdullah Al Saadi
Chief Executive Officer, National Grid SA



SEC supports the National Renewable Energy Program under the SGI to transform the Kingdom’s domestic energy mix.² To achieve this, the company has strategically restructured its Renewable Energy Department and engaged stakeholders for valuable advice. The role of SEC is to prepare the transmission grid to accommodate and enable Ministry of Energy/SPPC renewable energy generation and corresponding energy-mix targets. As part of this, the company is making a substantial investment of over SAR 11.25 billion by 2026 in 22 renewable interconnection projects, with a total capacity of 19,034 MW.³



¹ Source: Saudi Green Initiative (SGI)
² Increase the capacity share of renewable energy for electricity generation in the Kingdom’s energy mix across 3 main sectors —power plants, industrial, and agriculture.
³ Total number of renewable interconnection projects to be completed by 2026 has been revised compared to ESG Report 2022

SEC is progressing well on its renewable energy ambitions. Among the 22 targeted renewable interconnection projects, by the end of 2023, 6 RE projects - Sakaka PV, DAJ Wind, Jeddah PV, Rabigh1 PV, Sudair PV, & Shoaiba1 PV - with a total capacity of 3,400 MW were successfully integrated with the grid. Currently, 16 projects are under construction, and it is expected that another 9 RE projects will be connected in 2024. Furthermore, the company has successfully completed two high-efficiency renewable energy projects: The Green Duba plants, which utilizes Concentrated Solar Power (CSP) for steam production and electricity generation, and the Waad Al-Shamal project, designed to deliver a total of 1,390 MW and 43 MW of solar capacity.

Electricity Generation Mix

SEC acknowledges transitioning to a sustainable capacity mix is imperative for realizing its Net Zero ambition. In support of this, the company is displacing liquid fuel with natural gas and investing in energy efficiency improvement initiatives.

Current Capacity Mix and Powerplant Performance

22,683 MW

Natural Gas Installed Capacity



37.70%¹

Average Efficiency of Generation

33,771 MW

Oil Fired Installed Capacity



85%

Average Availability Factor of Natural Gas Power Plants

3.50 MW

Solar and Wind Installed Capacity
(for self-consumption)



18.10 years²

Average Age of Power Plants

Electricity Generation Mix³ (GWh)

Category	2023
Total Electricity Generation from Owned Non-renewable Power Plants	218,974
Generation from Owned Natural Gas Power Plants	101,016
Generation from Owned Oil-fired Power Plants	117,957
Total Sent Electricity from Non-SEC generation (Renewable Energy Sources) ⁴	4,714
Total Sent Electricity from Non-SEC generation (Non-renewable Energy Sources) ⁴	166,551
Total Electricity Sold (Generation from Owned Power Plants and Purchases)	314,784

¹ Average Efficiency of Generation for Natural Gas Plants: 2023 - 41.30%, 2022 - 40.60%, 2021 - 41.20%.
² The average age of gas power plants is 21.34 years.
³ SEC has an installed wind capacity of 3MW and installed solar capacity of 0.5MW. Energy produced from these renewable assets is largely used for self-consumption.
⁴ The Saudi Power Procurement Company (SPPC) is responsible for electricity procurement and trading in the Kingdom of Saudi Arabia (KSA). SPPC became a separate entity from the Saudi Electricity Company (SEC) in mid-2022. Since SEC is no longer responsible for third party purchases, the electricity sent by third parties included here is reflected as the total energy sent from non-SEC generation.

Our Actions

Renewable Energy for Self Consumption

- Installed rooftop solar PV at company headquarters and some regional SEC offices for self-consumption



Renewable Projects Integration

- Signed SAR 11.25 billion international syndicated facility agreement to build smart grids, integrate renewable energy projects, and improve grid reliability
- Launched Small-Scale Solar Power Systems services for integration of solar plants into the national distribution grid



Policy Advocacy

- Enabled customers to connect small-scale PV systems and other renewable energy systems, as specified in the regulations, to the distribution network by adhering to regulations for small-scale photovoltaic (PV) and RE generation
- Serviced more than 1,860 customer requests for PV small-scale and renewable energy generation



Customer Services

- Launched services to enable connection of customer's renewable energy resources to the grid.
- Launched 3 online portals on the SEC website for customers to apply for the installation of renewable energy systems (RES) for self-consumption



Operational Energy Efficiency

SEC is committed to optimizing energy use in business processes, by employing technologies that reduce energy consumption. The company acknowledges that wasted energy results in inflated fuel expenses, leading to financial losses in addition to incremental GHG emissions. Optimizing energy consumption empowers SEC to meet National Energy Efficiency Program's targets, ensuring compliance with the regulations, mitigating environmental penalties, and positioning SEC as a clean energy leader.* This not only aligns with the national environmental agenda but also aids in achieving the company's Net Zero ambition by reducing GHG emissions.



At SEC, we aim to reduce emissions through a two-pronged approach: optimizing the efficiency of our power plants and adopting green technologies. This multi-faceted strategy ensures we continue delivering reliable electricity while minimizing our environmental footprint.

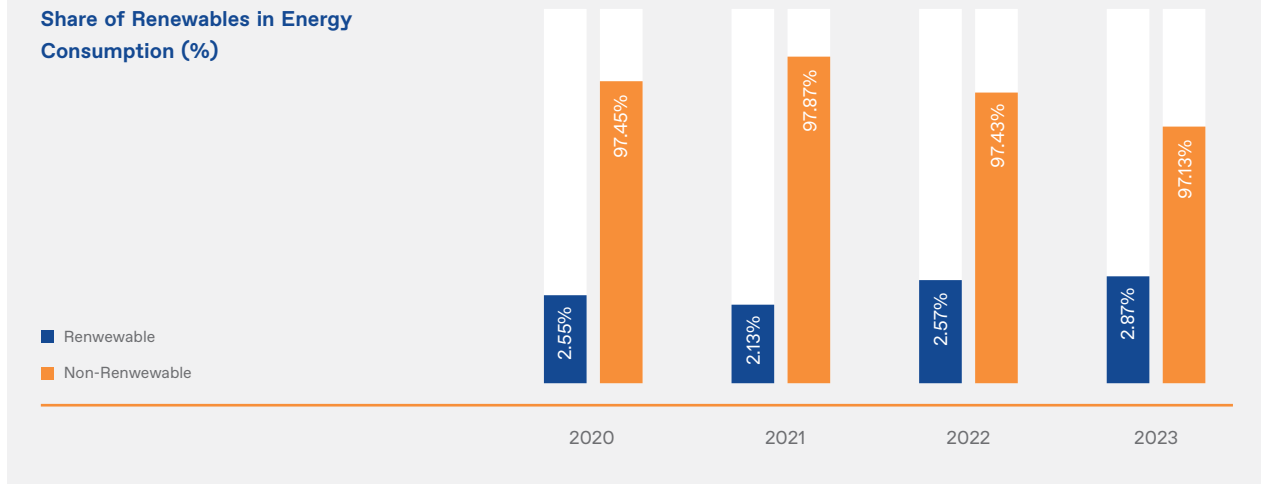


Ibrahim Fahad AlJarbou
Executive Vice President, Generation

In 2023, SEC's power plants demonstrated strong operational performance, achieving a thermal efficiency of 37.70% in 2023, up from 37.18% in 2022. This improvement is attributed to the implementation of a new energy supply strategy, emphasizing on highly efficient thermal gas-fired power plants.

* Source: Saudi Energy Efficiency Program

Share of Renewables in Energy Consumption (%)



Energy consumption depicted in the graph only considers electricity consumption.

Energy Consumption and Mix

Category	2020	2021	2022	2023
Total Fuel Consumption (GJ)	1,812,220,792	1,838,286,028	1,987,808,875	2,110,436,369
Total Energy Consumed (Non-Renewable) (MWh)	315,947	451,789	387,692	372,804
Total Energy Consumed (Renewable) (MWh)	8,272	9,835	10,238	10,688



Our Actions

Optimized Energy Production

- Optimize energy production by utilizing highly efficient thermal gas-fired power plants
- Utilize solar power in internal consumption to improve emissions intensity
- Provided internal energy efficiency training to employees through internal experts, to raise awareness on energy consumption reduction



Targeted Maintenance

- Implementation of annual maintenance plan for all units to ensure that the power plant equipment run in optimal condition with minimal breakdowns



Saudi Energy Efficiency Program (SEEP)

- Partnership with Saudi Energy Efficiency Center (SEEC) to leverage industry experience and stay abreast of the best practices for operational efficiency improvement
- Implementing new energy efficiency standards across power generation, and electricity transmission & distribution



Demand-side Management

Demand Side Management (DSM), a critical element of SEC's operational strategy, represents a pivotal approach to modernizing electricity usage and enhancing grid efficiency. DSM encourages smarter electricity consumption patterns, particularly during off-peak hours, helping to balance demand across SEC's network. It offers a multifaceted advantage. For customers, it means more control over energy consumption and potentially lower costs. For the utility, it translates into reduced pressure on the grid, enhancing operational efficiency and reducing the need for extensive infrastructure investments. Environmentally, DSM contributes to more sustainable energy consumption patterns, which indirectly supports broader environmental goals by optimizing the use of available resources. SEC's approach to DSM is rooted in collaboration with its customers. By providing tools and information, the company empowers its customers to make informed decisions about energy use, fostering a culture of efficiency and shared responsibility. This partnership is crucial as SEC navigates the challenges of managing demand in a rapidly evolving energy landscape.



Aligned with KSA's Vision 2030, SEC advances a Demand Side Management (DSM) program to boost grid reliability and sustainability by optimizing peak-hour electricity use. This underscores SEC's commitment to sustainability, ensuring a resilient energy future in alignment with national goals.



Ibrahim bin Mohammed AlKhenizan
Executive Vice President, Distribution and Customer Services

As part of Saudi Arabia's Vision 2030, Renewable Energy (RE) resources, including solar, wind, biomass, waste-to-energy, and battery energy storage, have become pivotal in transforming the energy landscape. To align with WERA's Regulations and contribute to the Vision 2030 renewable energy targets, SEC has launched dedicated portals for renewable energy applications and has developed comprehensive standards and guides for connecting RE systems to the grid. In compliance with the regulations, the aggregate capacity connected in parallel with the distribution system will not exceed 6% of the previous year's peak load within the distribution operating area. SEC is actively processing applications for renewable energy systems, ensuring the company meets all regulatory and technical standards to support the sustainable energy future.

As SEC continues to implement DSM, its focus remains on the collective benefits it brings to all stakeholders. While specific targets are part of the evolving strategy, the company's immediate goal is to enhance awareness and adoption of DSM practices by establishing a demand-side management approach by 2025. This will enable the company to monitor electricity consumption more effectively, improve service quality, optimize resource consumption, and enhance affordability & access to electricity.

In 2023, SEC successfully added 345,000 new customers with smart meter connections, achieving complete coverage across the Kingdom's distribution grid. Moreover, installation of smart meters played a role in recovering revenue by detecting tampering cases, contributing to the tune of SAR 944.54 million. This constituted 92.24% of the total recovered revenue.

Additionally, SEC initiated key programs to provide electric vehicle (EV) charging services. Expanding charging infrastructure can significantly support demand-side management (DSM) objectives in the future. EV batteries can act as mobile energy storage units with the ability to send power back to the grid during peak times or grid instabilities. This enhances grid flexibility and resilience.

As part of the ongoing efforts to enhance the system's flexibility and reliability, SEC started a pilot in 2021 to identify all bulk customers' flexible loads. By the end of 2023, the company completed technical assessments for the transmission customers through to gain a thorough understanding of the customers loads, processes, and operations.

Our Actions

Energy Efficiency Services

- Conducted customer awareness programs to encourage responsible energy consumption
- Offered energy audits and efficiency upgrades to help customers reduce their energy consumption and CO2 footprint
- Developed web application that enables customers to monitor their energy usage and identify energy saving areas



EV Charging Infra

- Collaborated with PIF to create EVIC, focusing on the development of the Green Charging Network, a nationwide network of electric vehicle (EV) charging stations
- Certified 30+ contractors to install charger stations and trained SEC's internal workforce to inspect installed EV charging points
- Serviced 1000+ EV charging system requests in 2023



Smart Grid

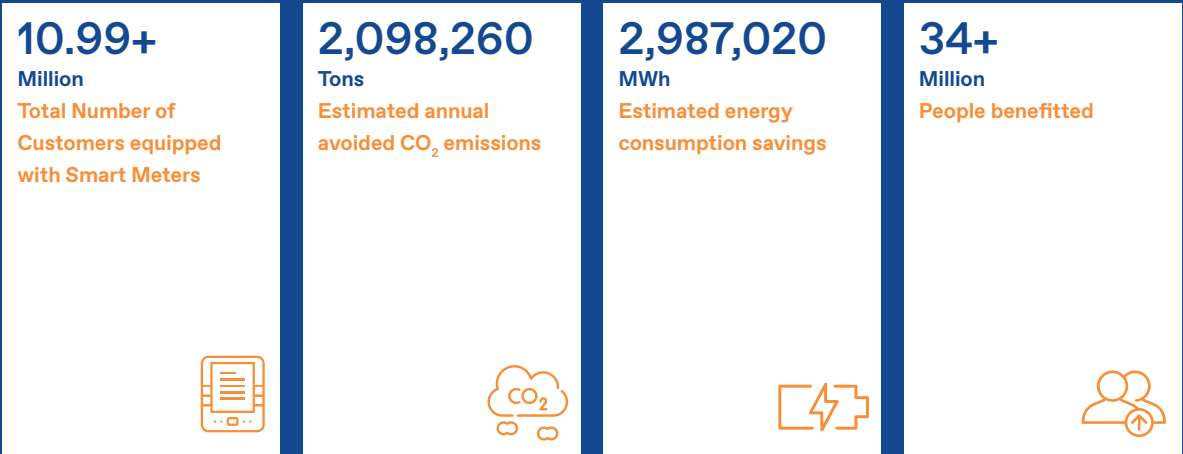
- In 2023, 24.50% of total distributing network was upgraded to smart field equipment which would enhance the grid reliability and resilience



Spotlight:
Smart Meter Project (SMP)

SEC launched the Smart Meter Project (SMP) in 2020. SMP has enabled the organization to manage electricity demand more efficiently, resulting in an estimated 1% reduction in overall energy consumption per smart meter.

This case study showcases impact created by deployment of smart meters across the entire distribution grid of SEC



08

Nature & Circularity

Toxic Emissions & Waste Management	88
Water Management	92
Biodiversity	94

Vision 2030 Objectives	5.4 Protect vital resources of the nation
Integrated Energy Strategy Alignment	06. Sustainability
UN Sustainable Development Goals	<div><div>11</div><div>12</div><div>14</div><div>15</div><div>17</div></div>

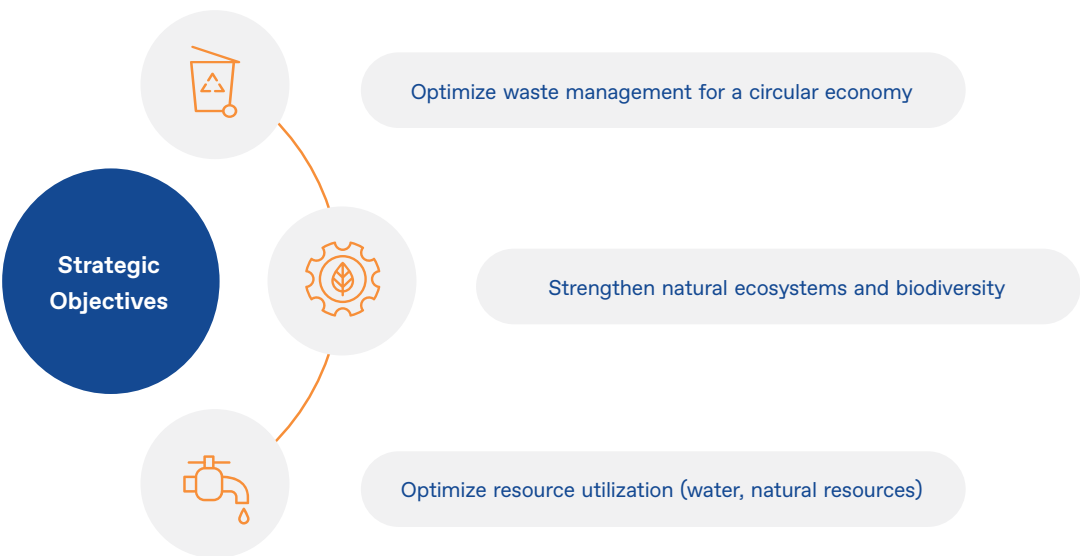


Nature & Circularity

In alignment with the Saudi Vision 2030, SEC places a strong emphasis on environmental protection, aligning its initiatives with the Kingdom's ambitions and strategies for effective natural resource protection.¹ Moreover, under the Saudi Green Initiative, the Kingdom has committed to protecting 30% of its terrestrial and marine areas by 2030.²

SEC acknowledges its integral role in contributing to Kingdom's ambitions and programs, understanding its intricate impact-dependency equation with the environment. The company is vigilant about mitigating toxic air emissions from plant operations, site construction, decommissioning, by taking measures in line with the Kingdom's Liquid Fuel Displacement Program. It ensures effective waste management through recycling, reuse & appropriate disposal to ensure minimum environmental impact.

The company optimizes water utilization for the sustainability of its water-intensive operations and ensures compliance with guidelines issued by Ministry of Environment, Water & Agriculture (MEWA) prior to effluent discharge.³ To identify the potential impacts on biodiversity, SEC conducts thorough environmental & social impact assessments (ESIA), biodiversity impact assessments, and has adopted technologies such as bird reflectors and insulators to mitigate these impacts. These ESIA Reports are shared with relevant authorities including stakeholders such as the investors, financial institutions, banks, and the National Center for Environmental Compliance (NCEC). In essence, SEC's initiatives align seamlessly with the Kingdom's vision, actively contributing to environmental sustainability and resource conservation.










¹ Source: Saudi Vision 2030, Kingdom of Saudi Arabia
² Source: Saudi Green Initiative, Kingdom of Saudi Arabia
³ Source: Water Law, Ministry of Environment, Water & Agriculture

SEC is focusing on three broad strategic objectives for Nature & Circularity as per its recently approved ESG strategy. The first objective involves reduction of waste generation which aligns with the Kingdom's legislative framework for waste management. The second strategic focus area is on strengthening natural ecosystems and biodiversity. Thirdly, SEC aims to optimize resource utilization (water and natural resources), by developing clear policies and management systems for improving resource efficiency.

To drive environmental stewardship, the company has ensured a robust Environmental Policy that covers aspects such as leadership, operating risk management, regulatory risk management and reporting of operational events and environmental findings. Additionally, it seeks to prevent, control, and mitigate the impacts the company may have on the environment. The policy has received endorsement of the Board of Directors of SEC.

An environmental audit has been implemented across 86 departments managing sites with potential environmental impact, focusing on the implementation of the ISO 14001 environmental management system.* Furthermore, SEC is strategically supporting the implementation of its environmental policy through extended coverage of ISO 14001 certification across its sites by 2024.

Environmental Policy

 <p>Execute implementation plans and take necessary corrective actions for deficiencies identified by internal or external audits inspections and management reviews.</p>	 <p>Make environmental issues an integral part of our business, planning and decision-making processes</p>
 <p>Communicate our environmental commitments to contractors, suppliers and customers through raising awareness and ensuring that they address these as part of their partnerships with our organization.</p>	 <p>Monitor, measure, and assess the environmental performance of our facilities, processes, and services against set objectives and targets on a regular basis.</p>
 <p>Publicly report on our environmental performance through the sustainability report.</p>	 <p>Pursue more efficient use of resources within the business, including applying circular economy concepts, with increased focus on the reuse and recycling of resources and waste minimization measures.</p>
 <p>Ensure that the necessary personnel, equipment, and procedures are in place to safely, promptly, and efficiently respond to any incident associated with our facilities and operations.</p>	 <p>Promote clean energy, adopt best practical technologies and the most suitable options to minimize the adverse impacts on the environment including climate change, which may result from the company's activities.</p>
 <p>Manage business activities in accordance with applicable environmental regulations and standards.</p>	 <p>Ensure that our employees are aware of and are engaged with our environmental commitments and that they have the necessary competency and equipment to operate in line with these obligations and commitments.</p>

SEC places a high priority on cultivating an informed and environmentally conscious workforce. Throughout the year, the company conducts comprehensive training programs, development sessions, and capacity-building initiatives for the employees and contractors. These efforts are designed to enhance their understanding of environmental compliance, sustainability, and the significance of nature conservation, while familiarizing them with policies and processes related to nature and circularity at SEC.

* Recent infrastructure restructuring initiatives led to the creation of two additional departments in Q4, 2023. In total, 88 departments are responsible for managing all SEC sites.

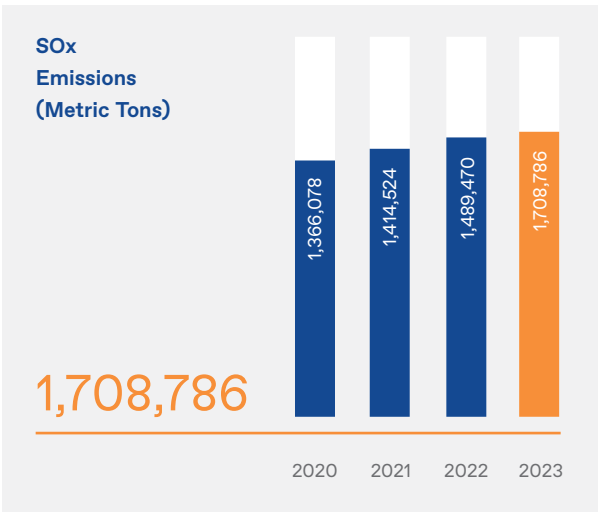
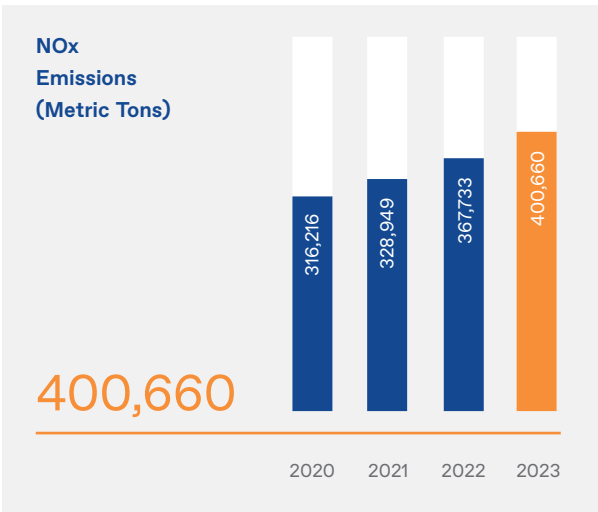
Toxic Emissions and Waste Management

Toxic Emissions Management

In its steadfast dedication to environmental stewardship, SEC recognizes and addresses the impact of air emissions, particularly sulfur oxides (SOx) and nitrogen oxides (NOx), on both human health and biodiversity. Setting ambitious targets for continuous reduction, the company actively engages in mitigating the effects of these emissions.

In 2023, NOx emissions increased by 8.95% and SOx emissions increased by 14.72% primarily due to the increased power generation to meet the Kingdom’s electricity demand. Despite an increase in NOx and SOx emissions in 2023, intensity of NOx emissions remained almost the same as the previous year whereas SOx emissions intensity decreased compared to 2022. Furthermore, these emissions are expected to decline in the future years as the company implements the Liquid Displacement National Program to reduce harmful non-GHG emissions and ensure the provision of clean energy. SEC has proactively deployed various technological upgrades across its operations to manage air emissions arising due to electricity generation:

- **Dry low-NOx combustion systems** to reduce NOx emissions by lowering the combustion temperature.
- **Selective Catalytic Reduction (SCR) systems** to reduce NOx emissions using ammonia as a reductant within the catalyst stream.
- **Seawater Flue Gas Desulfurization (FGD)** to utilize seawater’s inherent properties to absorb and neutralize sulphur dioxide in flue gas.



Waste Management

Waste management plays a crucial role in SEC’s ESG strategy, strategically positioned as a key objective within its environmental policy. The waste generated, whether as a by-product or residue from electricity generation, transmission, or distribution, undergoes thorough management to align with the company’s ambition to reduce, reuse, and recycle.

SEC’s waste management procedures outline waste management plans, appropriate handling and storing guidelines for waste materials and procedures for effectively managing different categories of waste. Recognizing the potential impact on both human health and local biodiversity, SEC ensures responsible collection, segregation, treatment, storage, and disposal of all kinds of waste. Notably, carbon ash emerges as the major hazardous waste generated, in addition to waste oil and various other chemicals.

SEC witnessed a 17.95% increase in total waste generated in 2023 compared to last year. This increment is attributed to the increased power generation to meet the growing electricity demand in the Kingdom. To reduce waste disposal, the company is implementing waste and resource management procedures that are based on the circular economy principles.

SEC’s total waste diverted for reuse and recycling saw a notable increase of 63.06% in 2023, including an incremental change of 76.68% in diversion of hazardous waste. At the same time, the hazardous waste landfilled showed only a minor increase by 0.96% compared to last year. Disposal of hazardous waste through landfilling is expected to decrease in the following years as a result of deploying advanced technologies such as electrostatic precipitators that separates carbon ash resulting from combustion of HFO. Furthermore, the company has started implementing waste and resource management procedures to generate value out of waste by appointing specialized contractors from the field of waste collection, processing, and disposal. Waste diversion from landfill is carried out by SEC through third parties qualified by appropriate regulatory authorities.

Carbon Ash Waste (Metric Tons)*

Metric	2020**	2021	2022	2023
Total carbon ash waste recycled/reused	7,735	28,951.81	21,437.99	22,788
Total carbon ash waste disposed	4,198.19	3,517.66	4,546.61	0



* Due to changes in accounting methodologies for higher accuracy, the carbon ash waste recycled indicator previously reported has been revised.
** Data coverage limited to Q3 and Q4 of the reporting year, due to implementation of enhanced waste monitoring systems.

Waste Generated & Disposed (Metric Tons)

Category	2020	2021	2022*	2023
Total Waste Generated	229,241	211,618	218,962	258,273
Total Waste Diverted From Disposal (Recycled / Re-Used)	43,587	55,796 Onsite - 5,700 Offsite - 50,096	71,591 Onsite - 9,591 Offsite - 62,000	116,570 Onsite - 27,595 Offsite - 88,975
Total Waste Disposed by Landfilling	185,654	155,822	147,371	141,703

Hazardous Waste Generated and Disposed (Metric Tons)

Category	2020	2021	2022	2023
Hazardous Waste Generated	125,384	140,370	144,997	181,976
Hazardous Waste Diverted From Disposal (Recycled/ Re-Used)	31,228	41,528	47,000	83,038
Hazardous Waste Disposed by Landfilling	94,156	98,842	97,997	98,938



Our Actions

Innovation

- Developed and Implemented innovative solutions:
- Collaborating with Memorial University of Canada and other research centers to study the separation of valuable metals from carbon ash, such as vanadium, nickel, or active carbon for effective carbon ash processing and disposal
 - Focus on Liquid Displacement Program to reduce carbon fly ash waste



Capability Development

- Set up the 'Climate Change & Circular Economy' divisions
- Built relevant expertise and developed thought leadership to facilitate seamless implementation of circular business models and waste management (treatment, disposal, and diversion) strategies



Sustainable Procurement

- Procuring materials with minimal environmental impact and prioritizing ecofriendly materials wherever possible



Process Improvement

- Implemented environmental monitoring program (air quality, waste, water)
- Developed 9 procedures under environmental monitoring system including air quality management, waste management, resource efficiency among others



* Data has been updated based on internal reviews and validation.

Water Management

SEC recognizes the importance of responsible water consumption, considering its operations in a water-stressed region of KSA and the dependency on water for operating steam-run power plants, cooling turbines, cleaning units, and boilers.¹ Acknowledging the need for optimal use of water resources in line with the Kingdom’s National Water Strategy and compliance with key regulations by Ministry of Environment, Water and Agriculture (MEWA), SEC is diligently promoting alternative water sources, including untreated seawater and treated sewage water.² The company is intensifying its desalination capabilities and designing specialized plants that can accept seawater as well as sewage water. As a result, it has reduced its reliance on freshwater. The ongoing development of a comprehensive water policy, targeted for publication by 2025, will further solidify SEC’s commitment to rationalizing water use, setting discharge targets, and further promoting recycling and reuse. Through these measures, SEC aims to mitigate negative impacts on water resources and contribute to responsible water management.

Our Ambitions	Progress as of 2023
Publish Water Management Policy by 2025	In progress

In 2023, the company’s water withdrawal increased by 27.58% compared to last year owing to an increase in power generation. On the other hand, due to the implementation of effective resource management procedures through the environmental management system, a significant reduction of 94.32% in water consumption was achieved across sites. The company is committed to withdrawing minimal water from surface and ground since the Kingdom lies in an extremely water stressed region. In 2023, SEC revisited its calculation of water recycled or reused to align with the GRI standards and definitions. The metrics reported in previous years for water recycling represent the amount of water used for cooling that was treated and released back to the sea.

Water Withdrawn, Consumed and Discharged (Megaliters)

Category	2020	2021	2022	2023
Water Withdrawn	8,999,671	6,403,192	7,386,170	9,422,926
Sea Water	8,517,451	5,824,858	6,750,430	9,413,288
Surface Water	-	-	-	-
Ground Water	0	0	0	1,222
Third Party Water	482,220	578,334	635,740	8,416
Water Withdrawn From Water Stressed Areas	8,999,671	6,403,192	7,386,170	9,422,926
Water Recycled or Reused ³	8,513,296	5,646,325	6,750,250	0 ⁴
Percentage of Water Recycled And Reused (%)	94.60%	88.18%	91%	0%
Water Discharged	8,513,296	5,646,325	6,750,250	9,386,836 ⁵
Water Consumed (Withdrawn Less Discharged)	486,375	756,867	635,920	36,090

These improvements in SEC’s water performance stem from the integration of advanced water treatment technologies and the continuous development of operational policies for effective water management. As a result of these proactive measures, SEC has not faced any operational interruptions leading to business impact due to water-related incidents for this year.

¹ Source: [United Nations-Saline Water Conversion Corporation](#) - When a region withdraws 25 per cent or more of its renewable freshwater resources it is said to be ‘Water-Stressed’.

² Source: [National Water Strategy, Ministry of Environment Water & Agriculture](#).

³ Water reuse (also commonly known as water recycling or water reclamation) reclaims water from a variety of sources then treats and reuses it for beneficial purposes. Water reuse can provide alternatives to existing water supplies and be used to enhance water security, sustainability, and resilience.


⁴ In 2023, SEC revisited its calculation of water recycled or reused to align with the GRI requirements and definitions. While the company did not recycle or reuse water this year, the metrics reported in the previous years represented the amount of water used for cooling that was treated and released back to the sea.

⁵ Within this, the total quantity of water discharged through an approved third party is 9,066 Megalitres (2023).

Our Actions


Innovation

- Designed specialized PP10, PP12, PP13 PP14, Hail, Alqassem generation power plants with the capability to accept, treat, and consume sewage water
- Redesigning Hail, Qassim, and PP12 generation plants to enable reuse of water in power plant operations




Water Discharge Management

- Regulated pH, temperature, and other parameters of desalinated water in accordance with local regulations to ensure quality compliance before being discharged from sites
- Treated sewage water in power plant treatment station or in a centralized facility and used this water for irrigating fields
- Collaborated with NCVV to utilize treated wastewater for irrigation purposes



Water Risk Monitoring & Mitigation

- Conducted regular water pollution impact studies and marine surveys of the coastal environment of power plants
- Deployed oil separator units to recover the oil for collection and responsible disposal from water contaminated with oil





Biodiversity

SEC acknowledges the crucial role of healthy ecosystems in sustaining life and is dedicated to monitoring and mitigating their impact on biodiversity. Construction activities for power plants, electricity grid, and substations are meticulously approached with a focus on minimizing biodiversity impact. SEC’s consideration extends to both terrestrial and marine ecosystems, closely aligning with Environmental Management System procedures such as “EP08 Operational Planning and Control” and “EP06 Site Decommissioning & Rehabilitation Procedure”.* Additionally, SEC is working on developing a new procedure that is focused on biodiversity rehabilitation and restoration. Rigorous Environmental Impact Assessments (EIA) are conducted collaboratively with National Center for Environmental Compliance, ensuring responsible environmental management. In 2023, SEC conducted EIAs on 88 of its operational sites and 55 of these sites were approved from NCEC. These organizations are also supporting SEC to develop the biodiversity policy. The company has recognized 4 sites with biodiversity impact to disclose in this report: Qunfudah, Ushaiqer, Farasan Island and Egyptian Underwater Cable project.



The vast landscapes of Saudi Arabia are a vital part of our heritage. The Saudi Electricity Company is dedicated to minimizing its impact on these ecosystems and finding innovative solutions that promote a healthy balance between energy production and biodiversity protection.

Mahdi bin Nasser AlDosary
Chief Executive Officer, Saudi Electricity Projects Development Company



Our Ambitions	Progress as of 2023
Plant 5 million trees by 2030	In progress

Pursuant to its endeavor of strengthening the natural ecosystems and surrounding biodiversity, SEC developed an environmental protection program outlining the biodiversity protection initiatives planned for 2024, including identification of operational sites close to or within protected or restored habitats that require streamlined efforts to minimize the impacts on biodiversity. SEC is currently in the process of implementing an ‘Environmental Management System’. Furthermore, the company has pledged to plant 5 million trees by 2030 in collaboration with the National Center for Vegetation Cover Development & Combating Desertification.

* ISO 14001:2015 - Internationally recognized standard for environmental management systems (EMS). It provides a framework for organizations to design and implement an EMS, and continually improve their environmental performance.

Saudi Arabia is the fastest-growing electricity consumer in the Middle East, with a rapidly expanding network of power lines. Bird mortality through electrocution and collision has been recorded in the country across selected areas, affecting various species of birds, some of which are endangered species. In addition to the areas in which SEC operates, electrocution and collision cases have also been recorded on Farasan Island, which is considered one of the most important sites for migratory aquatic birds known for their diversity and uniqueness.

In 2023, SEC conducted biodiversity impact assessment for 4 sites (2,840 hectares), out of 88 operational sites with biodiversity impact. Significant biodiversity impact was found in all the 4 sites, however, SEC took prompt action and developed mitigation plans to address the risk to biodiversity impacted across these sites. Key findings from the biodiversity impact assessments are captured in the tables below.

Steppe Eagles and Egyptian Vultures are classified as endangered according to the IUCN, therefore holding high biodiversity value warranting concerted efforts to ensure the protection and preservation of these species. Thus, SEC collaborated with NCW to implement and finalize the installation of insulators on electric overhead lines to reduce the risk of electrocution and collision and ultimately protect birds in three areas where the company’s power lines operate: Qunfudhah, Ushaiqer, and Farasan Island.

Coral surfaces are also impacted by trenching operations for the electrical interconnection cable in the area between KSA and Egypt. As such, SEC adopted an alternative technology to protect the endangered coral reefs and ultimately reduce its impact on biodiversity.

In addition to these four areas, affected bird species, mainly Steppe Eagles, have been recorded near the King Salman bin Abdulaziz Royal Natural Reserve where SEC’s powerlines operate. The company plans to conduct an elaborate biodiversity assessment of this area in upcoming years to identify mitigation actions.

Species with habitats in areas affected by SEC operations in 2023

Indicator	Undersea Interconnection between KSA and Egypt	Qunfudhah	Ushaiqer	Farasan Island
Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations for each of the following:				
Critically endangered	None			
Endangered	Coral Reefs	30 Steppe Eagle Aquila	16 Steppe Eagle Aquila	Egyptian Vulture (No. of affected birds are not identified)
Vulnerable	None			
Near threatened	None			
Least concern	None			

Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

Indicator	Undersea Interconnection between KSA and Egypt	Qunfudhah	Ushaiqer	Farasan Island
Subsurface and underground land owned, leased, or managed by SEC	Powerline managed and owned by SEC			
Position in relation to the protected area	Between KSA and Egypt	At site or in the area		
Type of operation	±500kV, 3000 MW HVDC submarine cables to trade power with Egypt	Powerline		Medium Voltage Powerline
Size of operational site	1100 hectares	1240 hectares	200 hectares	300 hectares
Biodiversity value characterized by attribute area	Marine ecosystem	Terrestrial area		Marine and territorial area

Significant impacts on biodiversity in the operational areas

Indicator	Undersea Interconnection between KSA and Egypt	Qunfudhah	Ushaiqer	Farasan Island
Nature of significant direct and indirect impacts on biodiversity with reference to the following:				
Construction or use of manufacturing plants, mines, and transport infrastructure	Trenching operations for the Egypt-KSA interconnection cable	Powerline		
Pollution	Coral surface impacted	Bird carcasses		
Reduction of species	Corals	Bird mortality and other birds affected, including eagle species		
Changes in ecological processes outside the natural range of variation	Coral reefs affected and appearance of turbidity	Birds subjected to injury or fractures		
Significant direct and indirect positive and negative impacts with reference to the following:				
Species affected	Corals	Steppe Eagle, Brown-necked Raven, Black Kite, Booted Eagle Hieraaetus, Corncrake Crex crex, Common Buzzard Buteo, European Roller Coracias, Common Kestrel Falco, Long-eared Owl Asio, Fan-tailed Raven Corvus	Egyptian Vulture, Osprey, Pink-backed Pelican and Eleonora's Falcon	
Extent of areas impacted	Areas surrounding trenching operations	Areas surrounding the powerline		
Duration of impacts	Continuous as powerlines are installed permanently, thus, have an impact as long as operational			
Reversibility or irreversibility of the impacts	Reversible			

Habitats protected or restored


Indicator	Undersea Interconnection between KSA and Egypt	Qunfudhah	Ushaiqer	Farasan Island
Size & Location of Habitat areas protected or restored	Submarine cable: 11km Total cable line: 20.25km	Congregation: 12.40km Background: 147km	Congregation: 2km Background: 33.80km	3km
3rd party partnerships to protect or restore habitat areas	Not applicable	Collaborated with NCW to finalize the installation of insulators to reduce the risk of bird electrocution and collision		
Status of restored areas at close of reporting period	Completed			

Recognizing that utility operations have an impact on the surrounding environment and habitat biodiversity, SEC has taken a proactive approach towards understanding its footprint and implementing measures to minimize the adverse effects of its operations.

Our Actions


Biodiversity Protection

- Installed reflectors and insulators on overhead lines to protect bird in Qunfudah, Ushaiqer, Farasan Island sites
- Using XLPE cables instead of oily cables to prevent soil contamination through oil leakage
- Implemented Coral reef cultivation to preserve marine life
- Transferred and replanted 388 trees and shrubs to ensure long-term health and productivity of vegetation ecosystems with due approval from MEWA
- Upcoming projects:
 - Introduction of a Digital Biodiversity Interface System
 - Development of a means to determine National Grid's Net Environmental Impact
 - Publication of an awareness book that details National Grid's environmental commitment both internally and publicly
 - Execution of asset-based risk assessment and contingency planning



Partnerships

- Collaborated with the National Center of Vegetation Cover (NCVC), playing a pivotal role in rescuing and protecting the 100+ year old Sarah Marw tree in Al Muzahimiyah, Riyadh
- Signed an agreement with NEOM for reptile conservation in their project sites and for evaluating the necessity of relocating them to a suitable areas as per an agreed plan
- Signed MoU with National Center for Vegetation Cover Development & Combating Desertification to plant 5 million trees by 2030
- Partnered with WAVE initiative to align efforts in expediting ocean regeneration and restoring its environmental and ecological balance
- Undertook study to Install reflectors & insulators on overhead lines for protecting birds in collaboration with National Center for Wildlife (NCW)
- SEC, in cooperation with the National Wildlife Center, is implementing a project to protect endangered birds, such as the Egyptian vulture. Sites where bird deaths are common have been identified, and electrical overhead lines are being isolated to protect birds that land on the towers from electrical shock. Four sites were targeted in the first phase, and no bird deaths were recorded thereafter. Work is underway to identify all sites that may pose a threat to bird life.





Spotlight: Biodiversity Risk Assessment for Cross-Border Interconnection Project

PDC aims to implement a strategic cross-border electrical interconnection for availing 3000 MW capacity to trade power with Egypt, and others in the long run. This project involves the construction of $\pm 500\text{kV}$ and 3000 MW HVDC submarine cables.

An assessment has been carried out to compare the coral surface impacted by cable with CIS installed and HDD,* and by trenching operations. The following conclusion was obtained:

This case study showcases SEC's efforts in minimizing adverse environmental impact, in line with its commitment towards preservation of biodiversity.

60%

**Reduction in Coral
Impacted Areas**

The approved methodology leads to a reduction of coral impacted areas by approximately 60%.

99%

**Reduction in Coral
Impacted Areas**

The new methodology that includes removing trenching leads to a reduction of coral impacted areas by approximately 99%.

**Methodology Change: Reduced Impact on Coral
Preservation**

The approved methodology consisting of trenching has been discarded in place of CIS installation after HDD exit, considering the much lower impacts in terms of corals preservation and water turbidity.

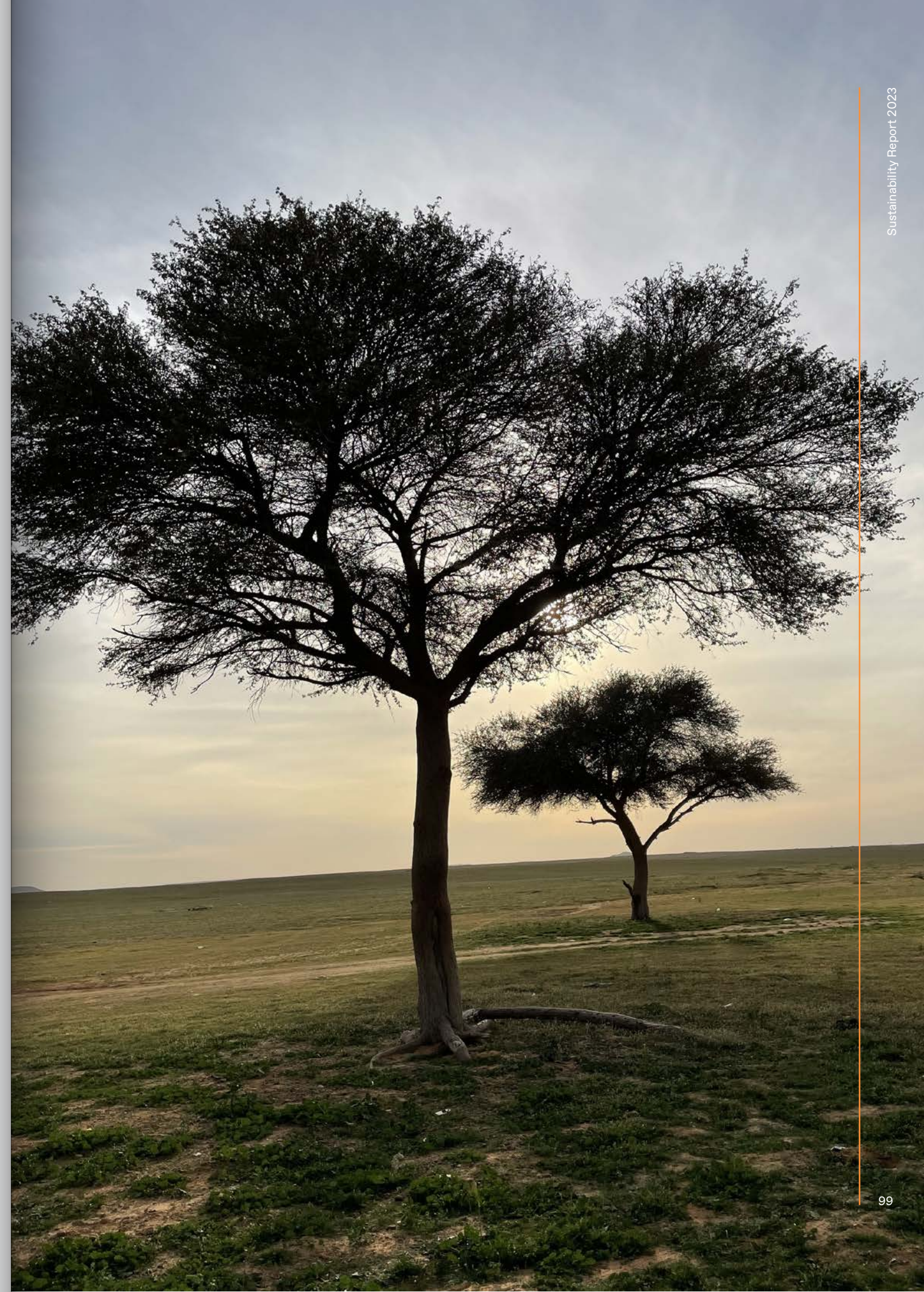


PDC obtained the environmental permit in 2023

Next Steps:

Implement the horizontal drilling technology to avoid the destruction of coral reefs to a depth of 40 meters.

Deploy Cast Iron Shell at depths between 40 and 80 meters to cover the cables, protect coral reefs, and minimize turbidity.



09

People & Community

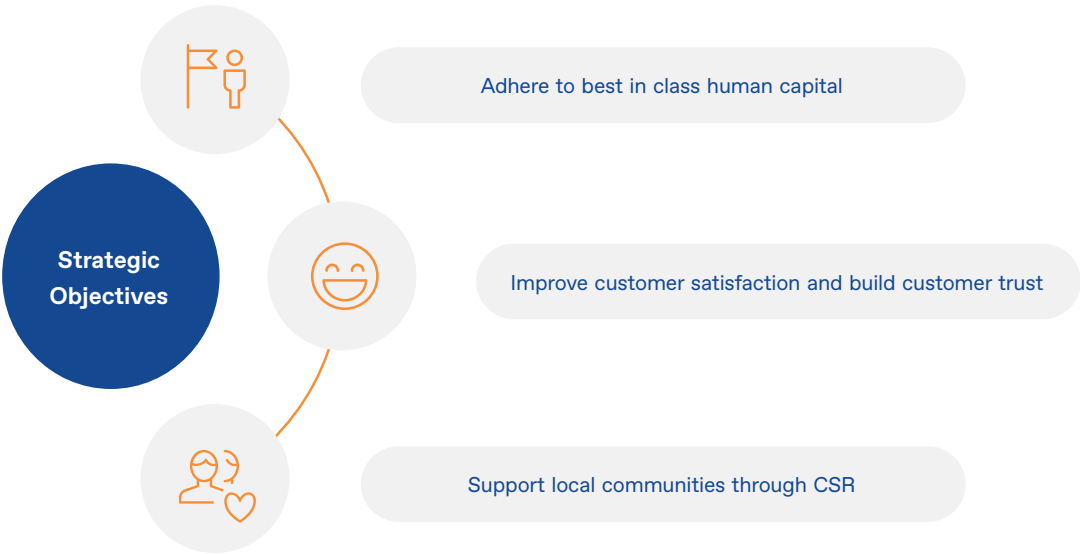
Human Capital	103
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Vision 2030 Objectives	4.1 Develop Human Capital
Integrated Energy Strategy Alignment	03. Cooperation & Partnership
UN Sustainable Development Goals	<div> <div>3</div> <div>GOOD HEALTH AND WELL-BEING</div> </div> <div> <div>4</div> <div>QUALITY EDUCATION</div> </div> <div> <div>5</div> <div>GENDER EQUALITY</div> </div> <div> <div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> </div> <div> <div>11</div> <div>SUSTAINABLE CITIES AND COMMUNITIES</div> </div> <div> <div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div> </div>



People & Community

A prosperous future hinges on sustainable energy and reliable electricity. SEC empowers individuals through strategic investments, fostering innovation and community strength in line with Saudi Arabia's Vision 2030. SEC's commitment goes beyond obligation; it's a strategic investment for a sustainable future. By collaborating with local communities, SEC addresses challenges and identifies opportunities for shared prosperity. The company's dedication to societal well-being propels environmental preservation and community welfare, creating a virtuous cycle of progress for all stakeholders. As part of its ESG Strategy, SEC focuses on three strategic objectives within the People and Community pillar.



SEC is dedicated to becoming the employer of choice through the implementation of comprehensive employee development and well-being programs. Moreover, the company endeavors to exemplify good corporate citizenship by actively fostering community engagement and facilitate shared progress. Lastly, the organization is committed to maintaining its customer-centric approach by delivering unparalleled customer service by leveraging digital technology.

Human Capital

At SEC, employees are integral to achieving strategic goals and sustaining business excellence. The company is dedicated to providing the resources, opportunities, and support systems that enable the workforce to realize their full potential. Fostering a culture of continuous learning, nurturing leadership talent, and promoting robust employee engagement are paramount in enhancing individual and collective performance. SEC prioritizes a harmonious work-life balance, ensuring the employees can excel both personally and professionally. This holistic approach to human capital development ensures that SEC attracts, retains and develops the top talent in alignment with the objectives of Vision 2030, establishing SEC as an employer of choice.

“Our unwavering dedication to build a diverse workforce mirrors Saudi Arabia’s demographics. We prioritize attracting and developing top Saudi talent, fostering a culture of continuous learning and empowerment, shaping the Kingdom’s energy future with innovative solutions.”

Abdulkarim bin Abdulaziz AlRasheed
Executive Vice President, Human Resources and Support Services

Workforce & Recruitment

In 2023, SEC’s full-time workforce totaled 30,546, reflecting a 5.41% decrease from the previous year due to workforce optimization program & turnover. Notably, the representation of women in the workforce surged by an impressive 21.62% compared to last year. This significant increase is a testament to the success of SEC’s strategic programs outlined in the Diversity and Equal Opportunity section, highlighting the company’s commitment to building a more inclusive and diverse workplace.

Breakdown of Total Workforce

Indicator		2020	2021	2022	2023
All	Full-time Employees	33,437	32,863	32,295	30,546
	Part-time Employees	0	0	0	0
Type of Employment	Permanent Employees	33,437	32,863	32,295	30,546
	Contractors	2,982	3,117	3,693	4,883
Gender	Male Employees	33,335	32,723	31,962	30,141
	Female Employees	102	140	333	405

Note: The reporting boundary for this report is all SEC operations within Kingdom of Saudi Arabia. Hence. All numbers above are for KSA and any region wise break-up is not applicable.

Workforce Breakdown: Nationality

Nationality	Share in Total Workforce	Share in All Management Positions, Including Junior, Middle and Senior Management (As % Of Total Management Workforce)
KSA Nationals	94%	99.30%
Non-KSA Nationals	6%	0.70%

SEC strategically amplifies the inclusion of local communities within its workforce through Saudization. This approach ensures a workforce immersed in local culture and regulations, reducing communication barriers with key stakeholders. By prioritizing inclusivity, SEC becomes a driving force for economic growth, fostering a thriving local economy through impactful and diverse employment opportunities.

In 2023, the company’s workforce had 94% representation from the Kingdom of Saudi Arabia (KSA). Further, 85% of the senior management comprised of KSA nationals in 2023.¹ Of the total new hires in 2023, 80.76% were KSA nationals. To support the development of local nationals, SEC has designed most of the training and development programs to be inherently suitable for locals. SEC offers two types of programs for recent Saudi Arabian university graduates: a two-year development program to assist in the development of professional and administrative competencies, and a qualification and training program for graduates of technical colleges, secondary schools, or industrial high schools. By prioritizing the development and inclusion of KSA nationals, SEC not only aligns with the company’s strategic objectives but also contributes significantly to the growth and prosperity of the local community.

The company saw a decline in its new hire rate compared to last year. Given the focus on female and youth recruitment, the new hires constituted 30.03% women and 48.10% youth (under 30).

Breakdown of New Hires²

	Indicator	2020	2021	2022	2023
All	Total New Hires	149	265	746	343
	Total New Hire Rate	0.45%	0.80%	2.30%	1.10%
Gender	Total Male New Hires	131	212	523	240
	Total Female New Hires	18	53	223	103
Age Group	New Hires Under 30 Years Old	84	136	437	165
	New Hires Between 31-50 Years Old	64	126	293	173
	New Hires Over 50 Years Old	1	3	16	5
Management Level	Managerial Level New Hires	4	5	36	40
	Non-Managerial Level New Hires	145	260	710	303
Nationality	New Hires Who are KSA Nationals	112	190	629	277
	New Hires of Other Nationalities	37	75	117	66
Hiring Cost	Average Hiring Cost / FTE (SAR)	11,159	5,763	2,678	4,032

¹ Senior management refers to roles that directly report to the CEO
² Data for previous years has been updated in certain cases based on internal reviews and validation.

Open Positions Filled by Internal Candidates

Indicator	2020	2021	2022	2023
Percentage of Open Positions Filled by Internal Candidates ¹	98%	96%	90%	93%

Turnover

In 2023, the company experienced a workforce turnover rate of 6.48% owing to workforce optimization program.

Breakdown of Employee Turnover²

	Indicator	2020	2021	2022	2023
All	Total Employee Turnover	664	840	1,162	2,092
	Total Employee Turnover Rate	2.00%	2.51%	3.54%	6.48%
	Voluntary Employee Turnover Rate ³	0.90%	1.22%	1.08%	0.63%
Gender	Total Male Turnover	659	825	1,144	2,061
	Total Female Turnover	5	15	18	31
Age Group	Turnover Under 30 Years Old	106	113	95	159
	Turnover Between 31-50 Years Old	273	420	645	1,388
	Turnover Over 50 Years Old	285	307	422	545
Management Level	Managerial Level Turnover	41	42	141	172
	Non-Managerial Level Turnover	629	365	1,021	1,920
Nationality	Turnover Amongst KSA Nationals	388	533	993	1,945
	Turnover Amongst Other Nationalities	276	307	169	147

Rewards and Benefits

At SEC, exceptional performance is consistently recognized and rewarded. The company understands the significance of a fair and competitive rewards program in attracting and retaining top talent. SEC is compliant with minimum wage set by the General Organization for Social Insurance (GOSI), Ministry of Human Resources and Social Development in Kingdom of Saudi Arabia.

SEC operates a robust and transparent performance appraisal process, with annual evaluations (including quarterly reviews). Employees receive rewards for achieving business objectives as teams and based on individual performance goals. The performance appraisal process covers 100% of SEC’s employees. Further, SEC provides various other benefits to its employees beyond wages.

¹ Data for previous years has been updated based on update in computation methodology, internal reviews and validation.
² Data for previous years has been updated in certain cases based on internal reviews and validation.
³ Voluntary turnover includes resignations and early retirement.

Benefits Available to Employees

Sports & Health Initiatives	Children Education Allowance	Parental Leave
Fully equipped Gyms and Medical clinics available to employees in key SEC facilities. SEC employees are also eligible for leave of absence with full pay to participate in any sports activities on national occasions inside or outside the Kingdom.	SEC offers middle management and above an additional benefit of children education allowance to help support the parents in providing their children with the best learning opportunities.	Parental leave is available for both primary and secondary caregivers. More information covered in Diversity & Equal Opportunity section.
Saving and Thrift Programs	SEC Club Membership and Employee Discounts	Nursery in Company Premises
SEC grants its employees financial support up to 100% of the amount collected from their total savings.	SEC offers access to the SEC Club with recreational and sporting facilities for employees and their families. Further, employees get access to discounts through benefits and WalaPlus, as well as professional memberships.	Established a nursery for working parents in company premises to provide the children a nurturing environment while fostering career growth for all employees.
Housing Loan	Medical Insurance	Work Sites
Housing loan is available for employees in accordance with the provisions of Islamic law (Murabaha) to support each Saudi family's aspiration to own a home.	SEC covers comprehensive medical insurance for its employees and dependents, and a range of benefits to enable them to meet their basic needs, satisfy legal requirements, and maintain the company's competitive position in the labor market.	SEC operates in all cities of the Kingdom of Saudi Arabia thus giving employees an opportunity to opt for their preferred place of work depending on business feasibility.

Training and Development

A pivotal aspect of SEC's human capital management involves cultivating internal talent, acknowledging and retaining exceptional individuals, and elevating deserving individuals to higher leadership roles. The company places a strong emphasis on competency development, recognizing the significance of having a skilled and knowledgeable workforce. SEC's talent development initiatives are designed to ensure that employees acquire the necessary knowledge, skills, and attitude to meet the current and future needs of the business.

Our Ambitions	Progress as of 2023
41 hours of training per employee by 2025	37.30 Hours / Employee

The Competency Based Training (CBT) Model implemented by SEC through identifying performance gaps and designing comprehensive development plans helps overcome these gaps using various developmental approaches (Assignment - Rotation - Simulators - Networking, etc.) that training sessions align with assessed needs, delivering clear and measurable outcomes. This dynamic process involves tailored training modules for various job roles, each with mandatory completion requirement for key training sessions. Beyond routine trainings, 2,233 employees seized the opportunity to enhance their skills through the company's specialized training programs in 2023.

**Professional Certification Program**

Organized professional certifications for 1,160 employees to validate and enhance their expertise in a specific field, contributing to career advancement and industry credibility.

**Manufacturer Training Program**

Designed and implemented for 20 plant site employees to equip individuals with the specialized skills and knowledge required for efficient and high-quality production processes.

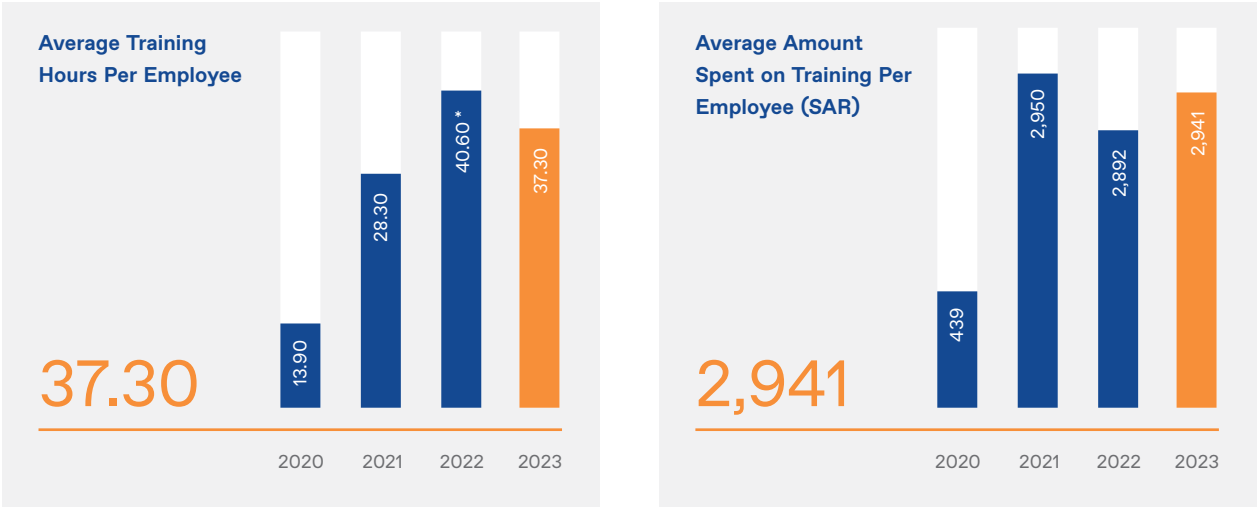
**Employee Re-skilling Program**

Re-skilled 897 employees to enhance their adaptability and proficiency by providing targeted training and development opportunities to acquire new skills aligned with evolving business needs.

**Technician Acceleration Program**

Covered 156 technicians to accelerate their skill development and proficiency, enabling them to quickly and effectively meet the demands of technical roles within SEC.

In 2023, SEC's focused efforts resulted in maintaining a high average training hours per employee of 37.30. The company conducts comprehensive effectiveness assessments for major training programs. The average spend per employee on training & development increased by 1.69% in 2023 compared to 2022. Notably, female employees experienced a remarkable 127.40% surge in average training hours, emphasizing SEC's strong dedication to women empowerment.



* Data has been updated based on internal reviews and validation taken into account. The updated figures are comprehensive to cover all training that has been conducted including the re-skilling and upskilling programs.

Average Hours of Training, Average Amount Spent on Training per Employee (Hours, SAR Spent)

2023	
Average Hours / Amount Spent of Employee Training by Gender	
Average Training Hours, Amount Spent per Male Employee	37.02, 2,919.20
Average Training Hours, Amount Spent per Female Employee	58.6, 4,488.60
Average Hours / Amount Spent of Employee Training by Management Level	
Average Training Hours, Amount Spent per Managerial Employee	35.83, 2,804.80
Average Training Hours, Amount Spent per Non-Managerial Employee	37.43, 2,952.10
Average Hours / Amount Spent of Employee Training by Age-Group	
Average Training Hours, Amount Spent per Employee in The Age Group of 18-30 Years Old	36.20, 2,848.20
Average Training Hours, Amount Spent per Employee in The Age Group of 31-50 Years Old	39.20, 3,085.10
Average Training Hours, Amount Spent per Employee in The Age Group of Over 50 Years Old	16.50, 1,300.10
Percentage of Full-Time Employees Covered in The Above Data	100%

For assessing training effectiveness, SEC employs the Human Capital Return on Investment (HC ROI) metric. In 2023, SEC’s HC ROI stood at 2.09, with details for the last three years outlined below.

Human Capital Return on Investment

	2020	2021	2022	2023
Total Revenue (Billion SAR)	68.70	69.33	72.07	75.33
Total Operating Expenses (Billion SAR)	61.55	49.68	53.92	61.36
Total Employee-Related Expenses (Salaries + Benefits) (Billion SAR)	8.44	8.56	10.42	12.83
Resulting HC ROI*	1.84	3.29	2.74	2.09
Total Employees	33,437	32,863	32,295	30,546

SEC’s rapid progress in achieving its learning and development goals in 2023 is credited to the extensive initiatives undertaken during the year.



*Human Capital Return on Investment is calculated as the ratio of revenue less non-employee-related operating expenses and employee-related expenses.

Our Actions

Training programs

- Implemented on-site development methodology designed in cooperation with mentors and supervisors at the workplace. 2,194 employees were covered through on-site training programs in 2023
- Instituted Diversity & Training Academy to upskill the workforce, promote diversity, and improve representation across positions
- Contributed to national workforce development by providing 150,000 training opportunities over three years through active participation in the “Wa’ed,” national training commitment campaign with the Ministry of Human Resources and Social Development

Talent & Leadership Programs

- Trained leaders within the company through various avenues, including programs designed internally at the “Executive Center for Leadership Development”
- Collaborated with entities such as BAIN Academy and General Electric for practical exposure training
- Partnered with prestigious institutions such as Harvard University, the Massachusetts Institute of Technology (MIT), and the Institute for Management and Leadership Development (IMD) for continuous learning

Strategic Workforce Planning

At SEC, talent is a vital asset, and our strategic human resources planning reflects a commitment to balancing business needs with employee expectations. Leveraging the tools of people analytics, such as strategic workforce planning and retention analysis, the company ensures a dynamic approach to talent management.

The company kicks off each year with a meticulously crafted annual workforce plan, complemented by monthly workforce reports covering overall workforce metrics, hiring and turnover, Saudization rate, geographic distribution of employees and business line wise reports. These reports serve as a backbone for forecasting workforce demand and supply, allowing SEC to identify talent gaps and implement necessary mitigation actions swiftly.

Key Performance Indicators (KPIs) and Key Result Areas (KRAs) are intricately defined for every role, subject to quarterly reviews supported by robust data and customized software solutions. Operational changes trigger proactive communication to roles affected, ensuring alignment with evolving KPIs or KRAs. To enhance workforce optimization, SEC has offered a voluntary retirement program, so that interested employees can opt for voluntary retirement showcasing SEC’s dedication to strategic talent management. This program is open for a limited time only.

Spotlight:
On the site Employee Training


Context

Traditional training sessions at SEC were based on classroom short course trainings that weren't sufficient to cover all the learning gaps.


SEC implemented on the site training to better engage employees and for ensuring holistic learning rooted in practical exposure.

Key Actions


Prepared & reviewed development competency matrices for each job title




Designed automated System (Jadarty) & automated all related processes




Assessed the employees' technical competencies, then identified employees' development gaps




Analyzed data & designed long run development plans



Implemented development plans



Measured impact & proceeding with continuous Improvements



Outcomes Achieved

2,194

No. of employees for whom development gaps were identified

13,272

Learning events designed for employees

Enhancing customer satisfaction and improving employees' performance levels

Optimal investment of resources and capabilities in workplace to enhance employees' efficiency

Succession Planning

Succession planning is at the forefront of SEC's strategic agenda, designed to identify and nurture high-potential employees into future leaders. The detailed approach encompasses pipelines for over 1,000 positions across L1, L2, L3, and L4 levels.



Through a meticulously structured, data-driven approach to workforce planning, the company ensures the talent pipeline is adept at meeting the demands of fast-growing organization. Within each succession planning category—R1 (Ready now), R2 (Less than 2 Years), R3 (2 Years up to 5 Years), and secondary category R4 (Same Job level)—stringent criteria are applied. This ensures that only the most qualified and capable individuals progress through the pipelines.

Maintaining a deep bench of talent, each pipeline boasts at least four candidates, allowing us to tap into a rich pool when leadership needs arise. Regular talent sessions with leaders throughout the year keep these pipelines updated, fostering awareness and informed decision-making when filling leadership positions. To streamline the entire succession planning process, SEC has developed a proprietary software. This tool tracks the progress of each candidate, offering a transparent view of their readiness for assuming leadership roles.

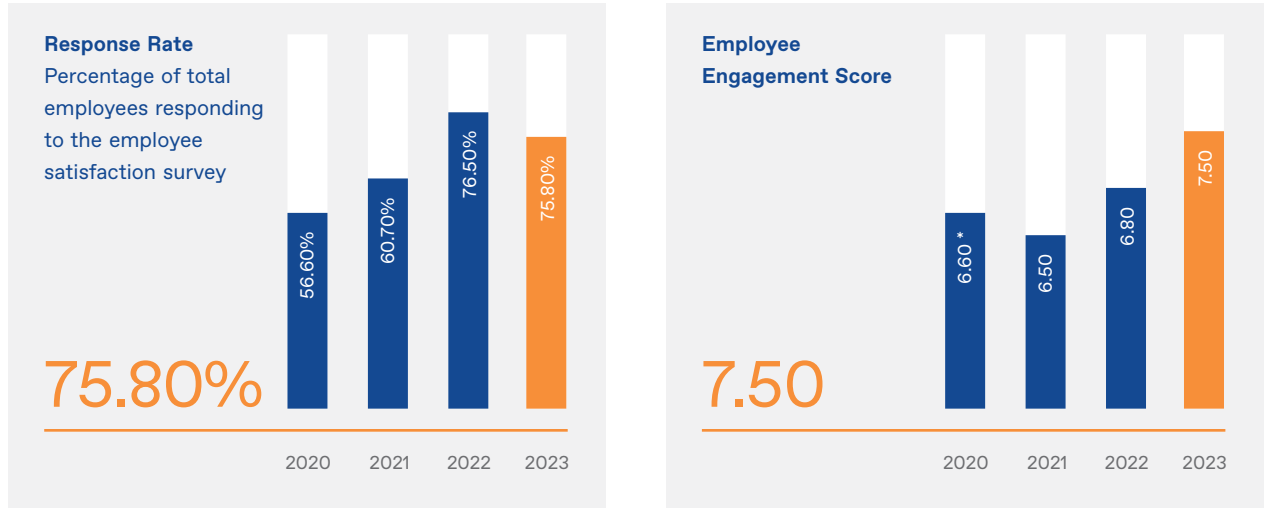
Employee Engagement

To gain deep insights into employee expectations and work-related experiences, SEC annually administers a satisfaction and well-being survey. The comprehensive questionnaire measures different factors that contributes to employee engagement, including work culture, environment, relationships, and development opportunities. Since employee engagement is set as a steering KPI for senior management, it gets cascaded to all business line leaders and is also reviewed and supervised by the CEO and Board of Directors regularly.

Ensuring anonymity, the survey empowers employees to provide honest feedback. Leveraging this valuable input, the company continually strives to enhance the work environment, making it even more conducive and rewarding based on the insights gleaned from the survey.



The 2023 employee engagement survey saw a response rate of 75.80%. The employee engagement score received in 2023 was 10.30% higher than 2022.



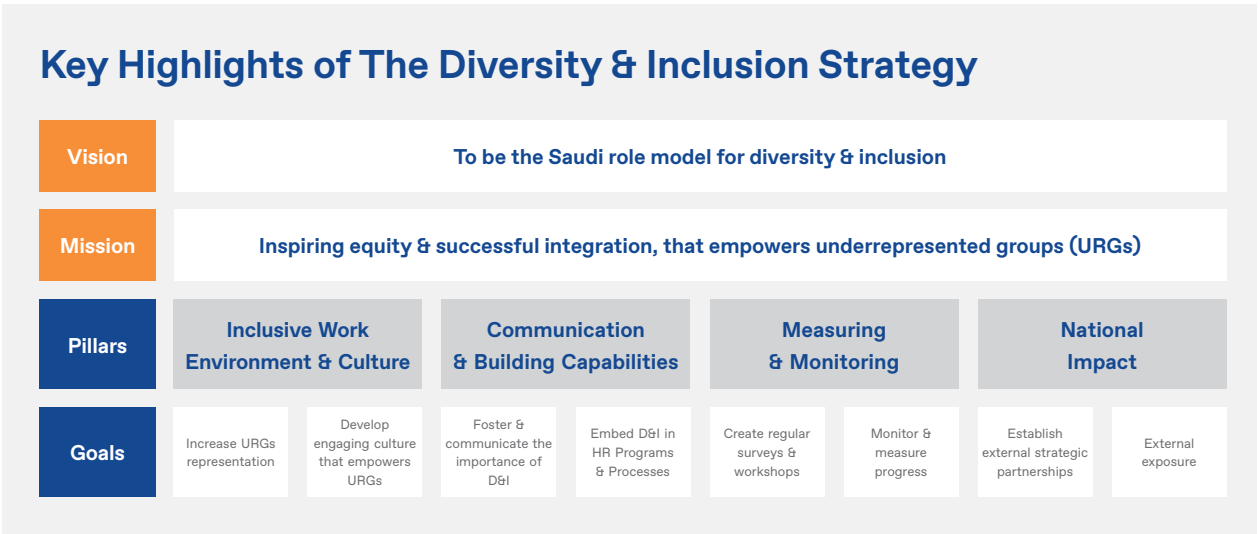
Key highlights from 2023 Employee Engagement Survey



Diversity and Equal Opportunity

Embracing diversity and cultivating an inclusive work environment stands at the core of SEC’s success, shaping a dynamic workplace that is adaptable to change and is fueled by innovative ideas. This strategic approach not only widens the company’s talent pool but positions SEC as a preferred destination for top-tier professionals. The championing of workplace diversity nurtures a culture that celebrates differences, fostering collaboration and recognizing individual strengths. In this inclusive environment, employees feel valued, increasing productivity and reducing attrition.

SEC takes a comprehensive approach to underrepresented groups (URGs), encompassing gender, age, disability, and expatriates. Impressively, over 60% of SEC’s workforce falls within this definition, benefiting from tailored programs designed for URGs. With a dedicated Diversity and Inclusion department, led by a female manager, SEC ensures diversity permeates every level of the company. The company’s Diversity & Inclusion Strategy guides all initiatives, exemplifying a commitment to fostering an environment where everyone thrives.



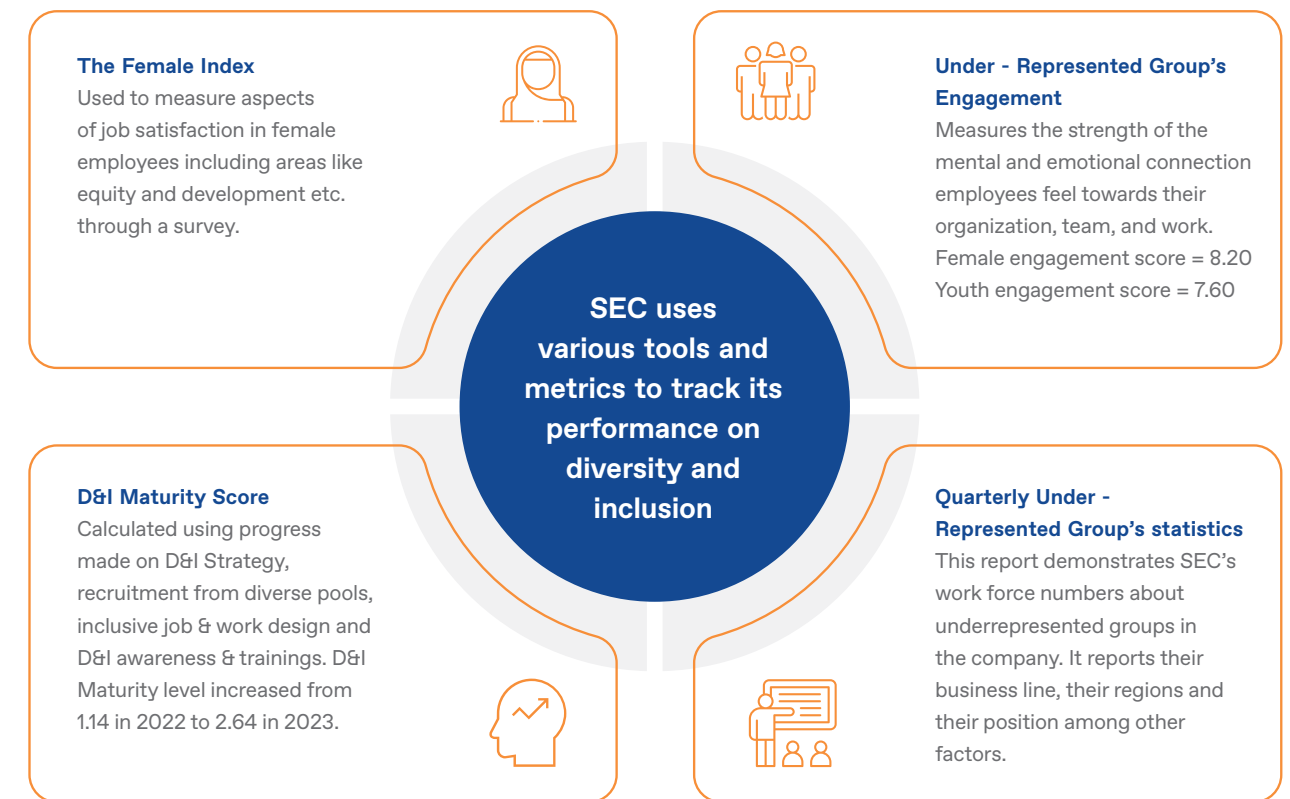
In 2023, female employees increased by an impressive 21.62% compared to 2022. Youth* now constitute a significant 53% of SEC's overall workforce, underscoring SEC's dedication to engaging and developing the country's young talent, fostering positive contributions to KSA's economy. For a detailed breakdown of the total workforce, new hires, and turnover, refer to the Human Capital section.



Risk of not providing equal chances for both genders in the recruitment process is included as a risk factor in the overall enterprise risk management system of the company



SEC has implemented a suite of tools, metrics, and processes to assess its success in cultivating a diverse workforce and guaranteeing equal opportunities for all.



Providing a Safe Working Environment

SEC is dedicated to maintaining a safe workplace, free from discrimination and harassment. The company's policy against discrimination and harassment encompasses clear statements prohibiting both sexual and non-sexual forms, employee training initiatives, a structured escalation process for reporting incidents, and decisive disciplinary actions. Upheld diligently across all levels, this policy fosters a culture of respect. Employees have access to a dedicated hotline for reporting incidents, and prompt disciplinary actions underscore SEC's stance against discrimination and harassment. In 2024, an anti-harassment awareness and reporting channel campaign is planned to ensure widespread understanding of SEC's policies throughout the company.



ZERO Incidents of discrimination reported by employees in 2023

Parental Leave

SEC champions work-life balance by providing comprehensive parental leave for both primary and secondary caregivers. Female employees are entitled to fully paid maternity leave spanning ten weeks, with a flexibility in distribution. They can commence leave up to four weeks before the expected delivery date, supported by an approved medical certificate. During the subsequent six weeks following delivery, females are mandated to take their leave as they are strictly forbidden to work.

To further support new mothers, an additional unpaid leave of one month is available, allowing them to navigate the initial challenges of parenthood. Recognizing the unique needs of some children, we extend a fully paid leave of one month for mothers with sick or disabled infants requiring continuous care, starting after the delivery leave period. This leave can be further extended for an additional month as needed. In parallel, acknowledging the crucial role of fathers, male employees are entitled to paternity leave of 3 working days to ensure their active involvement in the early stages of parenthood.

Parental Leave

Indicator	Female	Male
Number of Employees Entitled to Parental Leave by Gender	174	25,073
Number of Employees That Took Parental Leave by Gender	27	2,039
Total Number of Employees That Returned to Work after Parental Leave	27	2,039
Total Number of Employees That Returned to Work after Parental Leave Ended That were Still Employed 12 Months after Their Return to Work	1	1,987

Beyond parental leave, SEC has implemented numerous initiatives to celebrate workforce diversity and provide comprehensive support, fostering a harmonious blend of professional and personal life with SEC.

Our Actions

Initiatives for All Underrepresented Groups

- Facilitated diversity & inclusion dialogue through quarterly open interactions between CEOs and VPs with SEC employees, to address most recent updates concerning URGs
- Communicated diversity & inclusion awareness messages through SEC channels to all employees - posts, manuals & success stories



Youth Specific Initiatives

- Implemented Young Professional Talent Program to help new graduates learn business and administrative skills
- Implemented youth development programs to accelerate their growth and development such as:
 - Professional development program
 - Young professional talent program
 - Elite development program
 - Executive youth council



Women-specific Initiatives

- Provided women's break zone for prayer and breaks at the Riyadh headquarters - a dedicated space for female employees to take a break and relax
- Established a nursery for mothers working at the Company, to foster career growth for all employees



Initiatives for People with Disabilities

- Designed and implemented a program to support the rights of the deaf community. Program aimed to qualify front-line employees to use Saudi Sign Language (SSL) with deaf customers



Human Rights

SEC upholds the highest standards of human rights across its business operations and is dedicated to safeguarding these rights throughout the entire value chain. As an electric utilities provider, SEC is exposed to the risk of human rights in the supply chain and community interactions. However, any human rights violations are strictly contrary to the company's core values. Recognizing the significant regulatory and reputational implications, SEC proactively addresses human rights concerns through robust policies, due diligence processes, and ongoing stakeholder engagement, ensuring responsible business practices.

SEC's Code of Conduct & Ethics serves as a definitive guide, establishing clear human rights guidelines for employees, contractors, suppliers, and other stakeholders. Mandatory for all SEC employees, the Code of Conduct & Ethics is read and signed, always establishing an expectation of unwavering adherence.



The company prioritizes the full respect of all recognized human rights, both locally and internationally relevant to SEC's operations. SEC staunchly prohibits any forms of human rights violations based on race, religion, gender, national origin, disability, or age. This also includes taking a firm stand against human trafficking, child labor, forced labor, abuse, and harassment, including power harassment by superiors. Upholding dignity and respect for every individual, employees, and stakeholders is non-negotiable, and there is zero tolerance towards any behavior that deviates from this core principle. A dedicated training program on human rights is currently in place for all employees and stakeholders, with ongoing efforts towards establishing a comprehensive human rights policy set to be published by 2025.

SEC strictly adheres to the Saudi Labor Law regarding employees' working hours, vacations, and rest periods align with legal standards. SEC's Code of Conduct & Ethics serves as a comprehensive guide, emphasizing the highest ethical standards and compliance with labor laws.

In a commitment to ethical supplier practices, all SEC suppliers in KSA must comply with SEC's Code of Conduct & Ethics. Reflecting the Saudi Labor Law, SEC's HR manual sets the minimum hiring age at eighteen (18) Hijri years for Saudis and twenty-one (21) Gregorian years for non-Saudis. As an integral part of the recruitment process, SEC mandates candidates to provide a valid ID card, and register all employees with the General Organization for Social Insurance (GOSI), to verify the legal age, ensuring a workforce in line with regulatory standards.

Freedom of Association

SEC stands at the forefront of recognizing the significance of open communication and collaboration with its workforce. In line with this commitment, the company has established “a Labor Committee, which is formed by elected members,” in order to facilitate regular dialogue. It serves as a robust platform to consolidate continuous communication between the upper management of the company and its workforce, ensuring a harmonious and dynamic work environment.

Notably, this achievement is marked by the fact that the committee members are elected by SEC employees and actively represent them, embodying the company’s dedication to inclusive and participatory workplace practices. This milestone highlights SEC’s sustained efforts to fortify employee engagement and adhere to the principles of collective negotiation.



Health and Safety

Creating a secure workplace that prioritizes the health and wellbeing of employees is pivotal to SEC’s collaborative impact on society. A robust health and safety record not only fosters trust among employees and stakeholders but also bolsters SEC’s reputation as a responsible and caring employer. This dedication enhances talent attraction and retention, nurtures positive relationships with local communities, investors, and customers, and drives overall productivity gains while minimizing absenteeism. In acknowledging the inherent occupational hazards in the electric utilities industry, such as working with electrical system & equipment, working at elevated heights, hot work, working in confined spaces, lifting suspended load, ergonomic hazards and working in adverse weather conditions, SEC has implemented processes, checks, and controls. These measures proactively identify and mitigate potential hazards, ensuring a safe work environment and safeguarding both employees and the company’s productivity.

SEC ensures the safety of its operations and stakeholders through the fundamental principles of “4P,” laying the foundation for health and safety operational excellence.

01

People

Building leadership and accountability, setting HSSE policies, and establishing strategies to achieve our company mission.

02

Process

Incorporating risk management to identify risks and mitigate them in all of our facilities, processes, and operations.

03

Plant & Property

Operating and maintaining our plants and infrastructure with maximum optimization, robustness, and leveraging our asset integrity program to sustain safe and reliable operations.

04

Performance

Operating responsibly and providing assurance of operational integrity to all our stakeholders through performance monitoring, review, inspection, and audit.

Health and Safety Governance

At the pinnacle of organizational oversight, the Board Level Health, Safety, Security, Environment & Sustainability Committee spearheads health and safety. In 2022, the HSSE function underwent a transformative change, elevating it to an independent Business Line. This upgrade included the appointment of a dedicated Executive Vice President, and the formation of three specialized sectors- Safety and Loss Prevention Sector, Industrial Security Sector, Fire Prevention Sector, and Environmental Protection and Sustainability Department.

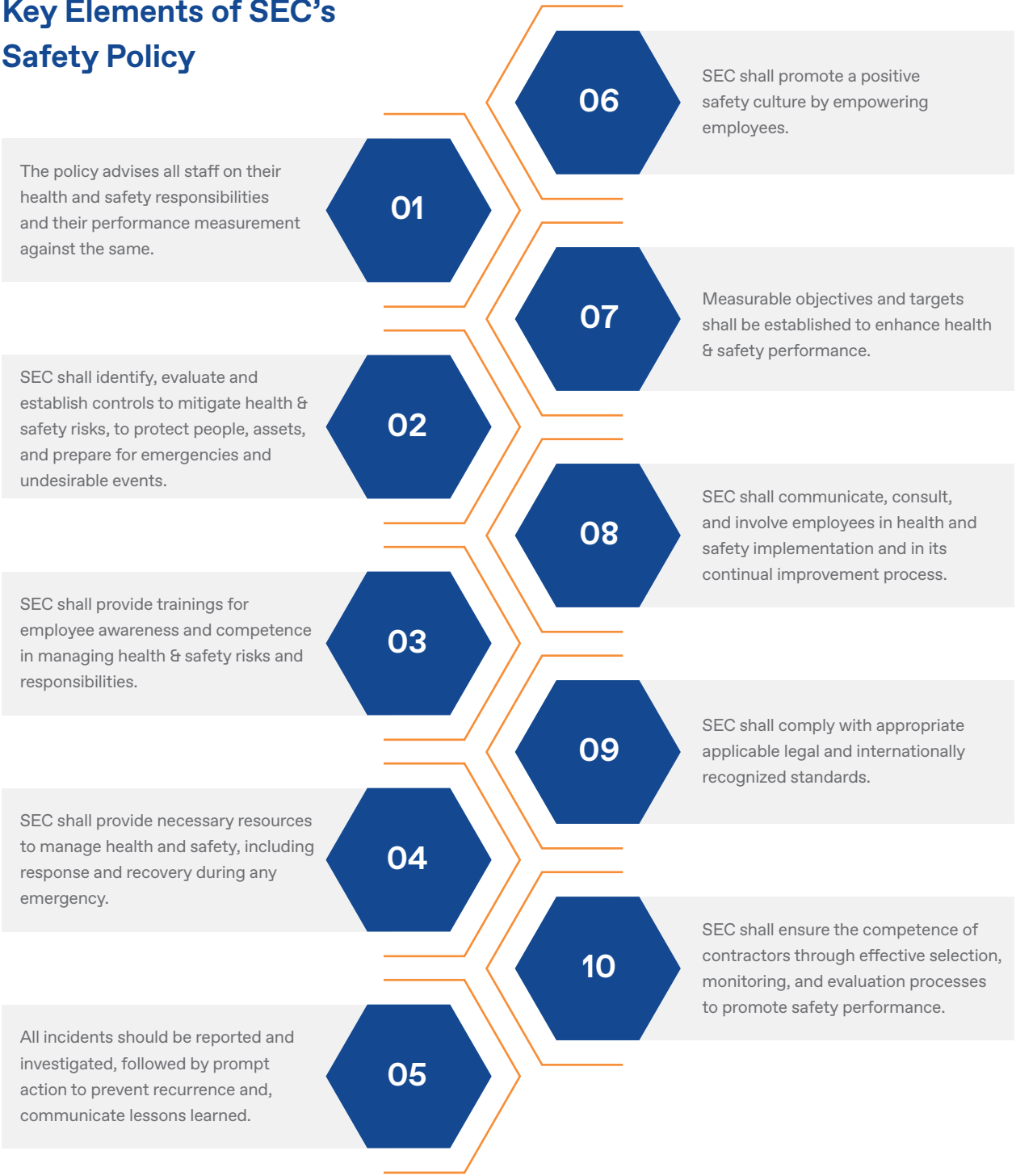
A strategic recruitment drive brought in a cadre of experts, blending local and expatriate professionals, strategically positioned across diverse geographic regions to offer crucial support to all company operations. The integration of HSSE Experts within each Business Line and Subsidiary organization ensures a safe working environment for employees, contractors, and stakeholders.

Some of the staff members in safety related roles are also members of various international safety professional organizations such as Board of Canadian Registered Safety Professionals (BCRSP), Institution of Occupational Safety and Health, UK (IOSH) and Board of Certified Safety Professional, USA. HSSE professionals in the HSSE function regularly participate in safety forums organized by other Saudi organizations. SEC also organizes Safety forum events and invites other organizations to participate.

Health and Safety Policy

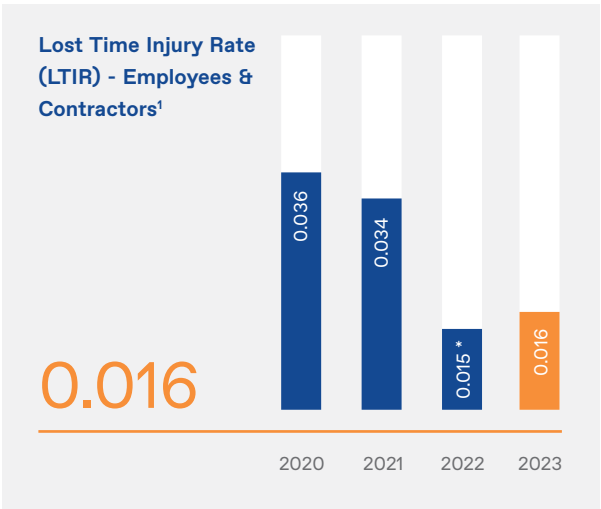
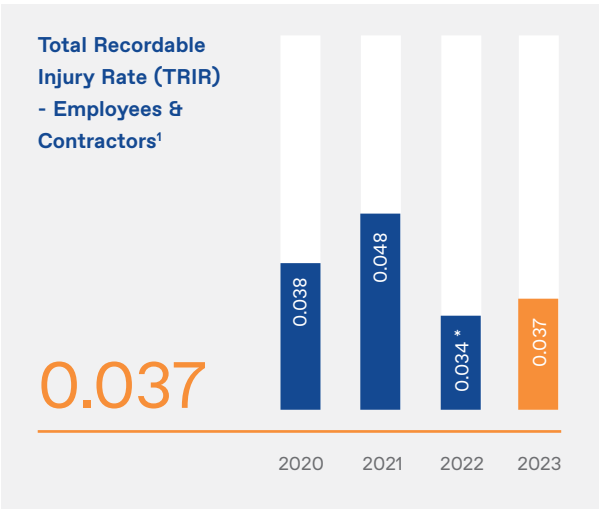
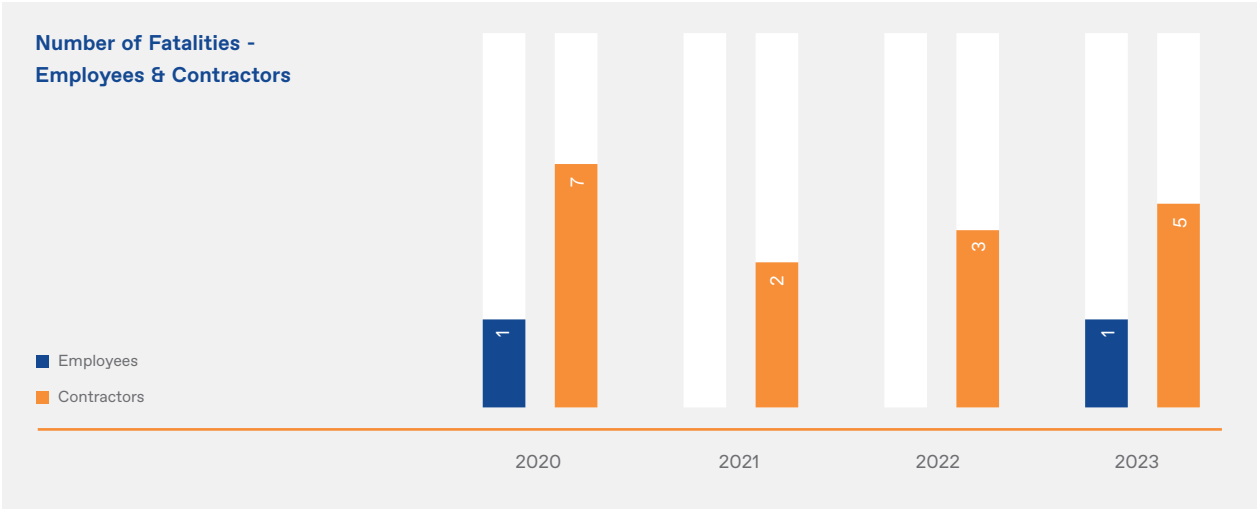
In a dedicated effort to prioritize health, safety, and wellbeing, the organization has implemented a comprehensive Safety Policy. This policy was revised in 2023 and is applicable to the entirety of the company’s operations, employees, contractors, and individuals under the company’s supervision. The policy is in line with ISO 45001 and other international standards for occupational health & safety management. The policy has received the endorsement of the Board of Directors of SEC.

Key Elements of SEC’s Safety Policy



Health and Safety Performance

SEC strives for continuous improvement in health safety by regularly tracking and reviewing safety performance and learning from incidents, fatalities, near misses and safety observations.



¹LTIR and TRIR figures have been calculated based on 200,000 hours basis.
* Data has been updated based on internal reviews and validation.

SEC’s commitment to health and safety is ingrained in a robust Integrated Safety Management System (ISMS). Updated in 2023 as a more comprehensive version of the existing safety management system, it is aligned with legal requirements specified by HCIS – Safety and Fire Protection Directives for Industrial Facilities, Ministry of Human Resources of KSA, MEWA, and Water & Electricity Regulatory Authority (WERA), as well as globally recognized standards like ISO 31000, ISO 45001, ISO 17776, ISO 9001, IEC 61882:2016, OSHA guidelines and American Petroleum Institute (API) recommended practices.


It includes processes and lifesaving rules guiding staff to remove themselves from work situations potentially causing injury or ill-health such as General Electrical Safety, Fire Safety Management, Excavation and Trenching Safety, Hazardous Substance Control, etc. The system utilizes a checks and balances methodology through regular audits and updates, with joint-management-worker Health & Safety Committees ensuring the integration of employee insights.

Focusing on readiness, regular reviews, and continual enhancement through audits and assessments, the Health & Safety Management System is at the core of SEC’s safety culture.

ISMS-An integral part of Operational Excellence




Staying Prepared



- Risk & hazard assessment with mitigation plans based on severity. Action plans with quantified targets for identified risks.
- Crisis Management & Business Continuity plans.
- Safety drills and trainings.
- Hotline for reporting hazards and incidents.
- Pre-qualification of contractors and ongoing field assessments by line management.

Conducting Regular Reviews



Daily

- CEO teleconference for company-wide safety incident reporting.
- Executive Directors’ online call to discuss HSE initiatives and incidents with department heads and Business Line Health & Safety Managers.


Weekly

- Tadawul meeting for CEO, VPs, and Executive Directors, covering indicators and progress on Health & Safety initiatives.

Monthly

- Safety Operational Committee meeting chaired by the Executive Director with Department Managers and Business Line Health & Safety Managers.

Audits & Assessments



- Scheduled and unscheduled site safety visits.
- Safety Management Walkthroughs to review presence of controls to mitigate potential risks.
- Work Permit audits.
- Planned internal audits and external assessments.
- Investigation of work-related injuries, ill-health & incidents.

In fostering a safety-oriented environment, comprehensive Health and Safety training plays a pivotal role. These training sessions, conducted regularly at department and sector levels, are extended by the HSSE Business Line to employees, management, and actively involve contractors. Approved training institutes cater to contractor employees, showcasing SEC’s dedication to comprehensive safety education. The Human Resources and Corporate Services business line further reinforces this commitment by delivering planned and ad hoc sessions, establishing SEC as a learning-oriented organization. The training encompasses a wide array of topics, including Hotline Reporting, Roles and Responsibilities, Hands Safety, Heat Stress, Safety Behavior, Safe Motorbike Driving (Hajj), First Aid, Process Safety Chronic Unease, Arc Flash & Electrical shock, Ergonomics, Working at Heights, and Road Safety. This comprehensive approach includes both general safety awareness and technical occupational training for staff and contractors alike.

Health & Safety Trainings

Category	2020	2021	2022	2023
Employees Trained In H&S Practices	12,157	19,391	20,569	17,852
Contractors Trained In H&S Practices	2,628	10,481	22,988	40,843

Our Actions

Safety Culture Enhancement

- Established a contractor safety program, implemented an Executive Management Safety Review and Operating Areas Safe Operations Committee
- Launched mobile applications “Siddiq Al Kaharba” and AMEN, for reporting OHS incidents linked to operations, products, and related hazards and risks
- Prepared a detailed ISMS manual encompassing 10 core elements and 42 enablers clarifying alignment with international standards, industry best practices, and KSA regulations on HSSE
- Implemented 10 lifesaving rules to avoid fatal occupational incidents. Initiated a safety training program for SEC staff - 24,070 staff on OHS and 11,690 staff on the new ISMS manual
- Developed a standard CMS Incident reporting and management system as per best industry practices and regulatory requirements



Employee Health and Insurance

- Provided a dedicated Medical Department to address employee health issues
- Provided comprehensive insurance coverage for employees and their families with best hospitals in the Kingdom on the insurance panel
- Instituted 24/7 toll-free number for insured individuals to address inquiries
- Deployed 6 Clinics and 27 Ambulance Emergency Units for employees and contractors
- Organized international health days, health campaigns, seasonal vaccinations and health awareness workshops at work sites



Stakeholder Engagement and Consultation

- Instituted a system for employee participation and consultation through a website
- Involved all relevant departments in providing input and suggestions for developing new or modified health safety procedures
- Engaged with suppliers and contractors through safety forums and exhibitions for sharing best practices with them and learning from their product and process innovations



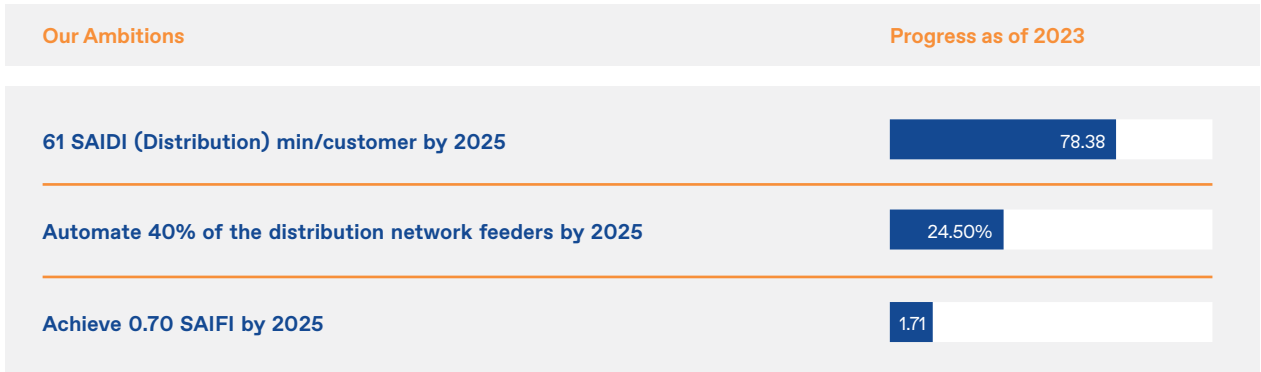
Strengthened Management Systems

- Development in progress for Performance Reporting Monitoring standards, mandating HSSE committees to review the performance at Corporate, BL, Sector, and Department levels
- Implemented online SALAMA system that streamlines and consolidates safety incident reporting and corrective action tracking mechanisms, generating deep insights on performance
- Cascaded safety related performance objectives at the individual level and integrated with the HR performance management system leading to greater transparency of current gaps and a higher level of employee accountability
- Adopted process approach to develop new control standards. The document is based on world-class process models that includes introduction, purpose, scope, objectives, methodology, roles and responsibilities, measurement, and continuous improvement. All these are reviewed by each business line experts for greater buy-in and sign off



Availability and Reliability of Supply

SEC prioritizes a reliable electricity supply to meet diverse customer needs and uphold operational excellence. A steadfast power supply acts as a catalyst for economic development, supporting industrial growth, technological advancement, and overall productivity. SEC invests in robust and resilient infrastructure, incorporating regular maintenance, upgrades, and technology investments to minimize downtime and swiftly address any disruptions. Proactive measures, like predictive maintenance through advanced analytics and monitoring systems, enable the identification of potential issues before they escalate, contributing to higher availability rates.



Transmission losses were significantly reduced to 2.53%, marking a notable improvement compared to the 2.70% recorded in 2022. This improvement can be attributed to the operational changes implemented in 2023, specifically the revised operational plan for available generation. These changes resulted in a decrease in the energy transmitted between operating areas, consequently leading to a reduction in technical losses in the tie lines between these areas for the year 2023. Distribution losses also witnessed a reduction from 9.42% in 2022 to 8.83% in 2023, attributed to the adoption of smart grid technologies and advanced conductors.

Reliability metrics exhibited positive trends, with the System Average Interruption Duration Index (SAIDI) minutes improving by 7% compared to 2022 in both the distribution network. The System Average Interruption Frequency Index (SAIFI) in 2023 showed an improvement of 11% over 2022, demonstrating commendable progress.

Expanding its reach, SEC increased the length of transmission lines by 2.75% and distribution lines by 6.00%, reaching a total length of 95,562.36 km-circular for transmission lines and 827,174 kms for distribution lines by the end of 2023. The total wholesale electricity purchased stood at 317,472 GWh, showcasing SEC’s commitment to meeting growing energy demands.



Transmission & Distribution Metrics*


Metric	2020	2021	2022	2023
Transmission Losses	2.66%	2.73%	2.70%	2.53%
Distribution Losses	10.24%	9.44%	9.42%	8.83%
System Average Interruption Duration Index (SAIDI) in Minutes/Customer - Transmission	12.36	8.57	7.33	7.66
System Average Interruption Duration Index (SAIDI) in Minutes/Customer - Distribution	112.06	90.39	84.21	78.38

SEC recorded System Average Interruption Frequency Index (SAIFI) values of 0.13 and 1.71 in its transmission and distribution network respectively. These accomplishments collectively underscore the company’s dedication to optimizing efficiency, reliability, and technological innovation in the electricity transmission and distribution sector. In 2023, a series of initiatives were implemented, contributing to this noteworthy performance.

Our Actions


Process Enhancements

- Instituted a dynamic database tool for monitoring the progress of Renewable Energy (RE) interconnection projects
- Acquired and fully integrated the Renewable Energy Management System (REMS) with the National Control Center Energy Management System (NCC EMS)
- Enabled energy-mix targets and MoEnergy renewable deployment plans by preparing the transmission grid appropriately



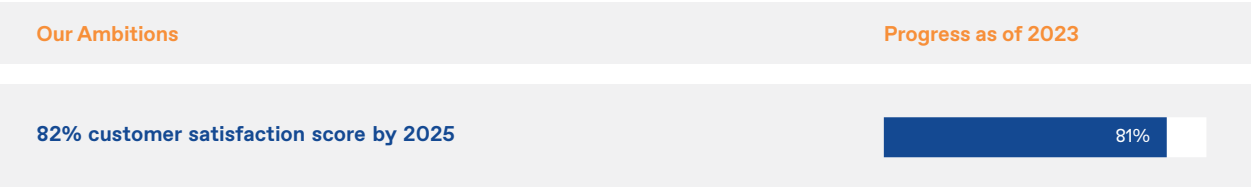
Dynamic Adjustments Based on Customer Demand

- Incorporated bulk customers flexible potential for demand response, allowing for dynamic adjustments in energy consumption based on fluctuating demand, contributing to a more flexible and efficient energy ecosystem
- Increased reserve margins by enabling future energy mix through demand response



Responsible Customer Relations

Establishing responsible customer relations is crucial for building trust, ensuring customer satisfaction, and contributing to the overall success of the company. SEC takes pride in being a customer-centric company, meeting regulatory requirements, actively contributing to customer well-being, and promoting a sustainable and reliable energy future.



SEC provides services to residential, commercial, and industrial customers. In 2023, the company saw a 0.83% rise in the total number of customers served compared to 2022.

Customers Served (Million Nos.)

	2020	2021	2022	2023
Total Number of Customers Served*	10.12	10.50	10.90	10.99
Residential	8.04	8.40	8.77	8.88
Commercial	1.66	1.67	1.70	1.69
Industrial	0.012	0.012	0.013	0.014
Other	0.40	0.40	0.41	0.42

Electricity Delivered (GWh)

	2020	2021	2022	2023
Total Electricity Delivered to Residential Customers	136,645	142,245	142,991	152,409
Total Electricity Delivered to Commercial Customers	41,110	45,208	50,324	58,558
Total Electricity Delivered to Industrial Customers	50,325	51,400	52,264	52,793
Total Electricity Delivered to All Other Retail Customers	51,880	53,657	54,056	53,331
Total Electricity Delivered to Wholesale Customers	279,961	292,510	300,636	317,091

* The data reported for 2023 is pending approval from WERA at the time of publication of this report.

*Taking into consideration customers removed in 2023 owing to non-payment of dues.

Customer Service Strategy

SEC's commitment to exceptional customer service is evident in its strategic approach. Currently, the implementation of a robust customer experience strategy is underway, with full deployment anticipated by 2025. This comprehensive strategy targets key goals, emphasizing customer happiness, product and service offerings, customer focus, and the adoption of leading practices in customer experience and digital transformation.



Responsible Treatment of Customer Data and Privacy Protection

SEC places the utmost importance on the responsible treatment of customer data and privacy protection. Safeguarding customer information ensures compliance with privacy regulations and fosters trust. SEC collects customer data for billing, service, and communication purposes. To safeguard customer data, SEC has implemented robust data protection measures, employing encryption technologies, and restricting access to sensitive information.

SEC's Privacy Notice on its public website outlines details, purpose, data storage practices, non-disclosure, and customer rights. The company is compliant with all applicable regulations related to data privacy and does not use customer data for any secondary purposes. Due to strong privacy measures in place, there were zero complaints related to breaches in customer privacy and zero incidents of leaks, thefts, or losses of customer data in 2023.

SEC also undertakes initiatives to raise customer awareness on privacy protection issues, by keeping them informed of the nature of information being captured, the use of the collected information, and how the information is protected.

ZERO Complaints related to breaches of customer privacy in 2023

Infrastructure Investments

To serve existing and attract new customers, SEC has strategically invested in infrastructure over the years.



Energy Affordability

Several factors weigh into deciding the electric rates for customers. SEC strives to keep energy affordable across all customer segments. However, various external factors which are beyond the control of SEC also impacts the energy bills paid by customers. For example, use of inefficient and/or outdated appliances, large number of people residing in the same household etc. contribute to higher electricity bills for customers. From a supply perspective, the use of modern technologies in provision of electrical service and long distances covered by electric network in less dense areas also impact the affordability of electricity.

Energy Affordability

2023	
Number of Residential Customer Electric Disconnections for Non-Payment	1.6 million
Number of Residential Customer Electric Reconnection	1.5 million
Average Retail Electric Rate for Residential Customers (SAR/kWh)	0.19
Average Retail Electric Rate for Commercial Customers (SAR/kWh)	0.25
Average Retail Electric Rate for Industrial Customers (SAR/kWh)	0.17

Customer Satisfaction Measurement

Customer satisfaction measurement is integral to SEC's business strategy, providing insights into effectiveness of the services and overall customer experience. To gather feedback from customers, surveys are conducted for each customer journey element, such as office visits, call center inquiries, and ticket closures. The results are reflected on a real-time dashboard, ensuring a comprehensive understanding of how SEC's customers perceive its products and services. This systematic approach covers 100% of SEC's customers. Continuous improvement in customer satisfaction is a commitment for SEC, demonstrating the company's dedication to enhancing its performance in this crucial area.

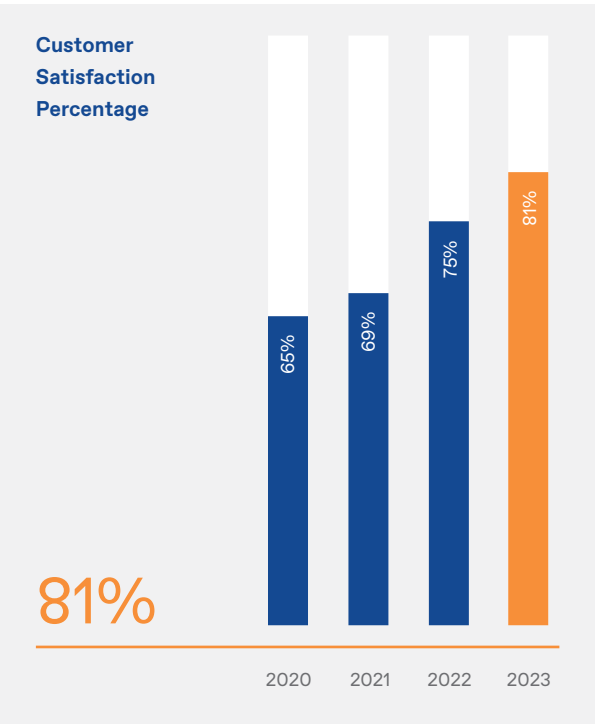
The 6% improvement in customer satisfaction percentage in 2023 was possible due to the initiatives taken across customer experience enhancement, digitization, and implementing technological upgradations thereby improving the accessibility and navigability of customer services and support mechanisms. These initiatives underscore the company's steadfast commitment to customer-centricity through proactive and prompt resolution of customer complaints.

Customer Satisfaction Indicators

	2020	2021	2022	2023
Average Time to Connect After Customer Payment (Days)	9.90	5.90	4.50	3.32
Average Complaint Resolution Time (Days)	5.33	7.23	4.60	2.90

The average time to connect after customer payment and complaint resolution time also saw notable improvement of 26.23% and 36.50% respectively compared to 2022. Further, the waiting & serving time in customer service offices has decreased by 30% compared to 2022.

The strong performance on customer relations was made possible due to multiple actions taken throughout the year.



Our Actions

Enhancing Customer Experience

- Redesigned customer service offices by unifying the internal and external identity of the offices, developing operational mechanisms and completely innovating the way services are provided with clear operational and perspective KPIs across all customer services offices
- Introduced new touchpoint (Meet & Greet team) to welcome customers from their first step into the office until their leave, to ensure all customers are satisfied
- Upgraded systems to record customers visit, waiting and serving time, as well as sending a post-service survey to evaluate the experience. In case of dissatisfaction, a dedicated team contacts the customer within 24 hours to provide support and achieve satisfaction
- Implemented delivery requests for pilgrims' housing camps in record time, well before the start of the Hajj season
- Developed objective-oriented programs to enhance SEC customer experience such as upskilling of frontliners
- Developed programs to ensure customer-focused services such as "Hesabi Service"
- Instituted a new mechanism where 360-degree voice of customer is developed to measure customer satisfactions across all SEC touchpoints empowering the customer experience team to collect customers' feedback and then analyze it to define the pain point and planned enhancement actions accordingly
- Developed a systematic mechanism to record service session in customer service offices to ensure quality of service session.
- Reviewed and enhanced complaints journey and tickets resolution mechanism

Digitization & Technology Related Initiatives

- Launched new application and portal with a completely new digital experience (modern and simplified user interface, more services, and better performance) resulting in a 42% increase in the monthly active users. Also, increase in average number of new registrations by 51% weekly
- Launched live chat service support 24/7 in the application. In 2023, the team served more than 500K chats and achieved customer satisfaction rate of 86% in the post-service automated survey.
- Developed virtual offices service to enable customers to contact SEC customer care team through audio and video calls



Enabling Access to Clean Energy

- Launched a service to receive and process applications for small solar energy systems, renewable energy systems, and electric vehicle chargers through procedures that ensure the safety and reliability of the grid



Enabling Energy Efficiency at Customer End

- Launched the AL-KAHRABA application, empowering customers with insights on their consumption patterns and provide alerts and notifications due to high consumption



Community Engagement

SEC is dedicated to fostering shared progress, ensuring mutual benefits for both the company and the communities it serves. Engaged communities provide valuable feedback and support business initiatives, securing a social license to operate and facilitating seamless project execution and potential partnerships. Actively involving communities is instrumental in mitigating risks like protests and reputational damage.

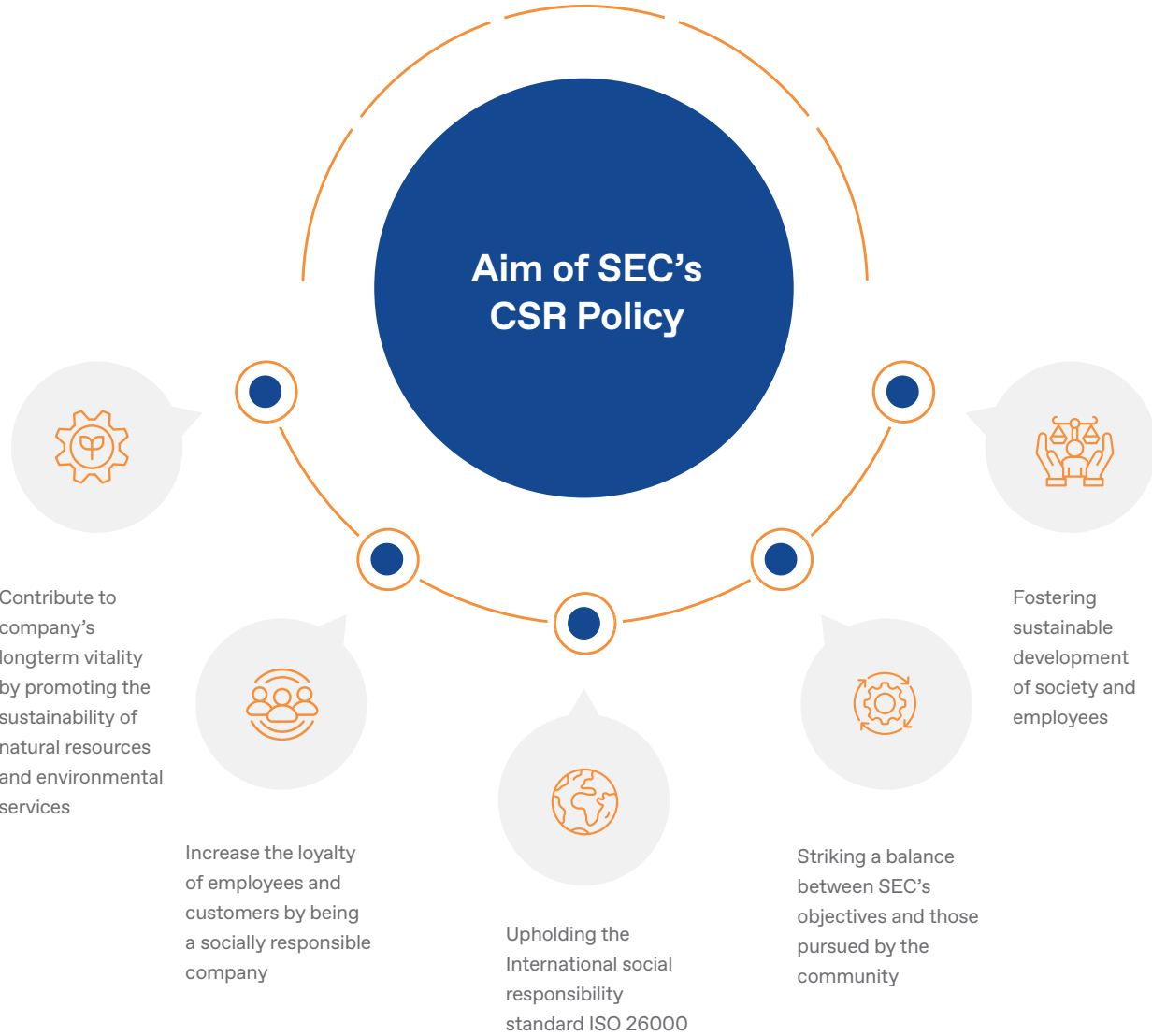
By promoting local communities, creating jobs locally, providing affordable access to energy, and improving the welfare of its customers, SEC aims to play a pivotal role in building a prosperous and stable Saudi Arabia, establishing itself as a responsible corporate citizen.

“It is our steadfast commitment to be a responsible corporate citizen and prioritize community development. We firmly believe that by investing in our communities, we can pave the way for a brighter future. Our social investments center around education, healthcare, environmental and awareness initiatives, and we take great pride in the positive impact we are able to make.”

Sami bin Abdullah AlKaoud
Senior Vice President (Acting), Corporate Communications and Marketing

CSR Policy

SEC's CSR Policy ensures relentless focus on initiatives dedicated to promoting profound social stewardship and community care. The company's ambition is unwavering - to forge a lasting impact through initiatives that prioritize support for vulnerable groups, including the elderly, the illiterate, the economically disadvantaged, and people with disabilities.



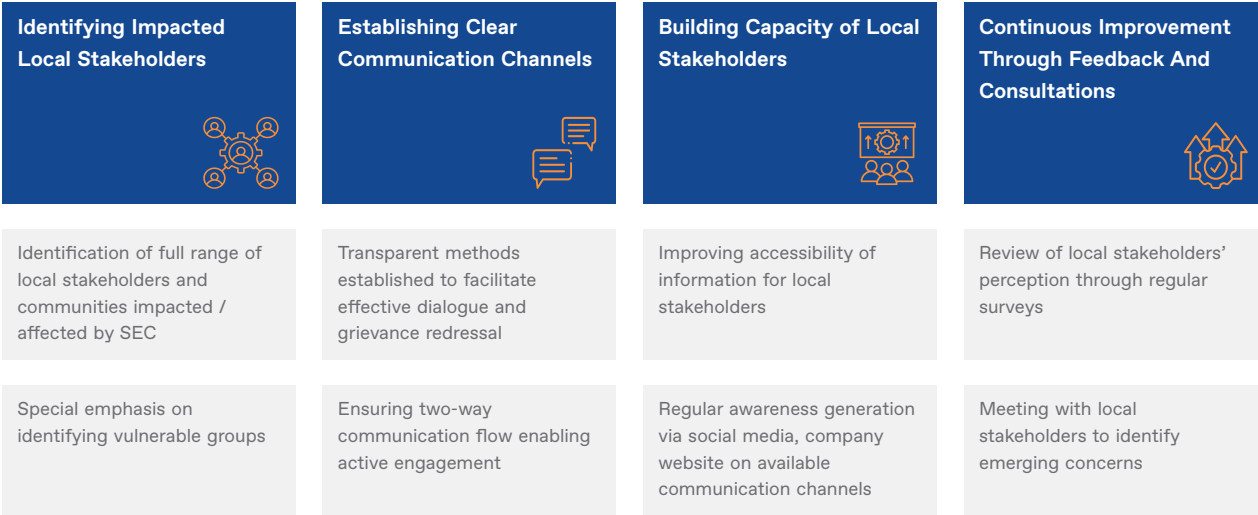
The company ensures the efficacy of its policy through robust monitoring and evaluation processes for volunteering efforts. This approach allows SEC to assess outcomes, identify areas for improvement, and make informed decisions, consistently amplifying the impact and reach of its CSR initiatives.

Local Stakeholder Engagement

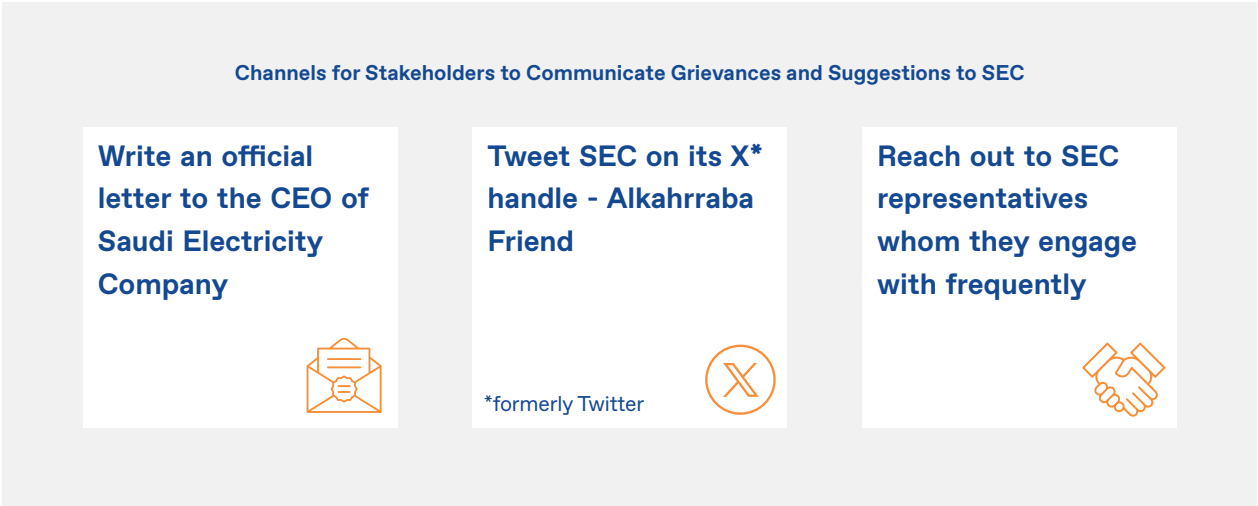
SEC powers the nation, not only by providing electricity, but also by enabling the Kingdom to achieve its Vision 2030. As an entity playing this vital role, SEC is deeply integrated into the community, impacting lives instantly and significantly. The company positively impacts employment, fosters skill development, and drives industry innovation globally while actively contributing to community development, digital empowerment, and leading discussions on important issues. Respective department managers* are responsible for engaging and communicating with diverse stakeholder groups such as communities, NGOs, and media. Oversight of these engagement activities falls under the purview of the Board of Directors (BoD) and BoD Executive Committee, which receive quarterly updates. The scope of these updates may vary based on the significance of the issues at hand.

SEC’s local stakeholder engagement strategy is driven by a robust “Local Stakeholder Engagement Framework” endorsed by the Company’s executive leadership. This framework and engagement programs carried out apply to SEC’s own operations both at corporate HQ as well as local operations.

Local Stakeholder Engagement Framework



The company maintains active communication with the media, providing necessary information promptly when required. This enables effective communication with a diverse range of stakeholders in a timely manner, fostering strong media relations within local communities. Additionally, SEC runs sector-specific media programs to address local concerns and actively engage with local journalists and news accounts. Stakeholders have access to multiple channels through which they can communicate grievances or suggestions to SEC.



* Department manager is a senior role within SEC, three levels below the CEO.

A dedicated department - Institutional and Partners Communication Department is responsible for ensuring that all stakeholder grievances and queries are promptly addressed. Correspondence addressed to the CEO is treated as part of official records and handled accordingly. Additionally, Alkahrraba Friend X (Twitter) handle is designated for reporting safety concerns related to SEC equipment in all locations in the Kingdom. If a citizen identifies a hazard involving any of the company’s assets, they can take a picture and tag SEC. The issue is then addressed, and a response is provided in the same thread, expressing gratitude for the community member’s support and concern for safety. Any grievances or suggestions from the stakeholders communicated to SEC representatives are swiftly relayed to the relevant SEC team for appropriate action.

To evaluate the company’s performance and enhance stakeholder engagement, satisfaction surveys are conducted for specific stakeholder categories. These surveys encompass metrics such as Trust and Confidence, Relationship Quality and Communication Effectiveness. In future years, SEC plans to undertake impact assessment studies to evaluate the effectiveness of its local stakeholder engagement programs.

Furthermore, the company ensures that insights gained from stakeholder engagement activities are effectively documented and shared throughout the organization. This dissemination occurs through various channels, including email bulletins, town hall meetings and the SEC internal website.

Community Investments & Programs

The Saudi Electricity Company has initiated implementing its social responsibility strategy in alignment with company wide strategic objectives and the Kingdom’s Vision 2030. The company aims to align its commercial and social goals, adhering to international standards such as ISO 26000 for social responsibility and enhancing sustainability reporting metrics.

Community Investments (Million SAR)

	2020	2021	2022	2023
Employee payroll donations	5.50	6.41	7.58	5.52
Sponsorships	1.35	2.35	3.15	1.35




SEC's Achievements in Community Engagement



Our Actions


Community Service

- Implemented a home restoration initiative within the Makkah Cultural Forum initiative, with the participation of 15 employees
- Conducted a blood donation campaign within the Golden February campaign with SANAD association
- Hosted Sanad Children Cancer Support Association in SEC Riyadh club during Ramadan
- 360 employees participated in blood donation campaigns




Donations & Sponsorships

- Participated in Charities Leaders training in Riyadh in leadership, planning, and finance
- Initiated school visits via strategic partnership with the Ministry of Education to introduce the danger of electricity and the ways to prevent it in the central south eastern western sectors. Total of 46 schools were covered as part of the safety visits



Environment & Safety

- Initiated safety tours in the Western and Central Sectors
- Conducted World Environment Day activities in the central, south, eastern and western sectors where 80 SEC employees participated
- Implemented tree planting and landscape initiative in Riyadh city



10

Responsible Governance

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Vision 2030
Objectives

5.3 Engage effectively with citizens

Integrated Energy
Strategy Alignment

01. Integrity & Transparency

UN Sustainable
Development Goals

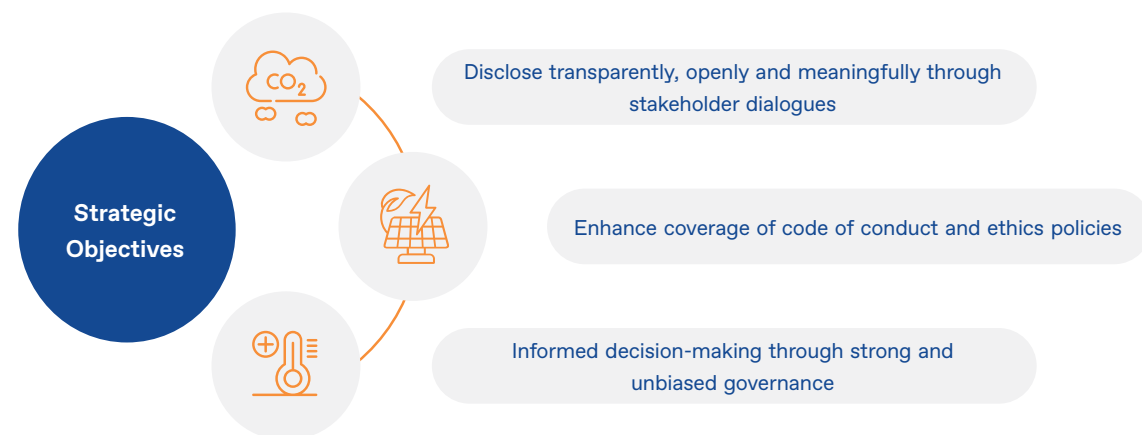


Responsible Governance

The Saudi Electricity Company (SEC) places utmost importance on building trust both within the organization and externally, viewing it as intricately linked to good governance practices. This dedication is manifested through the assurance of an effective board, transparent committees, ethical operations, and responsible relationships with stakeholders such as suppliers and the community. SEC's comprehensive ESG strategy, endorsed by the Board, underscores the company's dedication to sustainability, responsible business practices, and the creation of long-term value, shaped by insights from internal and external stakeholder consultations, as well as investors' expectations.

In alignment with its vision, objectives, and strategies, SEC is devoted to supporting the Kingdom's Vision 2030, by unlocking the potential for other revenue streams and being responsible in business. While SEC is focused on transitioning towards a cleaner energy mix including the displacement of liquid fuel from its feedstock by 2030, the company is looking into adding new generation capacity from renewables through partnerships with the private sector. In addition, as the sole transmitter and distributor of electricity in Saudi Arabia, it has allocated substantial capital investment to upgrade the grid's infrastructure. SEC has started the roll out of 22 new renewable interconnection projects by 2025 with total renewable capacity of about 19 GW. Almost 6 projects have been completed as of 2023. SEC aims to allocate 75% of total procurement spending to locally owned manufacturers by 2030 and has launched the "Build and Employ National Abilities" (BENA) program focused on increasing localization in energy products, and the Saudi Skills Development Program which strengthens local suppliers, showcasing dedication to regional economic growth and future prosperity. SEC supports the Kingdom's Vision 2030 goal of being responsible in business by fostering excellence in governance.

The dynamic approach taken by SEC considers all perspectives, maintaining alignment with the overarching business strategy. This is reinforced by executive-level governance and heightened accountability, collectively contributing to the cohesive and effective implementation of ESG initiatives. The company is resolute in upholding the highest standards of transparency, accountability, and ethical conduct in its operations, ensuring sustainable growth and building trust among its stakeholders. SEC's commitment extends to the continuous refinement and improvement of governance structures, demonstrating its dedication to adaptability and responsiveness to the evolving landscape of corporate governance principles and industry standards, while implementing robust governance structures and policies which ensure ongoing accountability and oversight.



SEC's responsible governance strategy revolves around three strategic pillars to ensure thorough implementation of initiatives. Firstly, transparent disclosures are ensured through regular engagement with stakeholders. Secondly, SEC seeks to enhance coverage of Code of Conduct and Ethics to ensure alignment with international best practices, conduct periodic reviews and keep updating the Code of Conduct and policies. Lastly, SEC ensures informed decision-making by planning to launch comprehensive employee governance awareness programs, coupled with an updated corporate governance manual. This chapter addresses key governance elements at SEC, including corporate governance, business ethics and integrity, emergency response planning, sustainable financial performance, data privacy, digitalization, research, development & innovation, and supply chain.

Corporate Governance

Strong and effective corporate governance helps cultivate a culture of integrity, transparency, compliance with laws and regulations and protection of shareholder rights. SEC recognizes that good corporate governance fosters ethical and sustainable business operations, providing the company with a competitive advantage in its opportunities. Effective corporate governance with strong board oversight ensures protection of shareholder rights, keeping the company's integrity intact.

To ensure strong, transparent, and effective corporate governance, SEC's Policy, Criteria and Procedures for Board of Directors Membership outlines a comprehensive set of governance policies to be followed by the Board of Directors, Board Committees, and other key functions and personnel. These policies cover a wide range of key areas, including shareholder rights, board members' election and responsibilities, internal control systems, stakeholder engagement, disclosure, transparency, and more.

The company has also established other policies that complement and reinforce its commitment to good governance. These include the Shareholders & General Assembly Rights Charter, as well as specific charters for the Board of Directors, Board Committees, and Executive Committee. To ensure that the governance standards are fully embraced and upheld throughout the Company, there is an Internal Governance function that operates under the Board Secretary. This function is responsible for ensuring the Board's governance and promoting awareness of the governance principles and policies. Furthermore, it serves as a key communication channel for the company's position on regulatory capital markets compliance and emerging governance trends.



Strong corporate governance is fundamental to our success, ensuring transparency, accountability, and responsible decision-making. This trust-building foundation enables us to deliver reliable and sustainable electricity, contributing to a thriving energy sector and a prosperous nation.

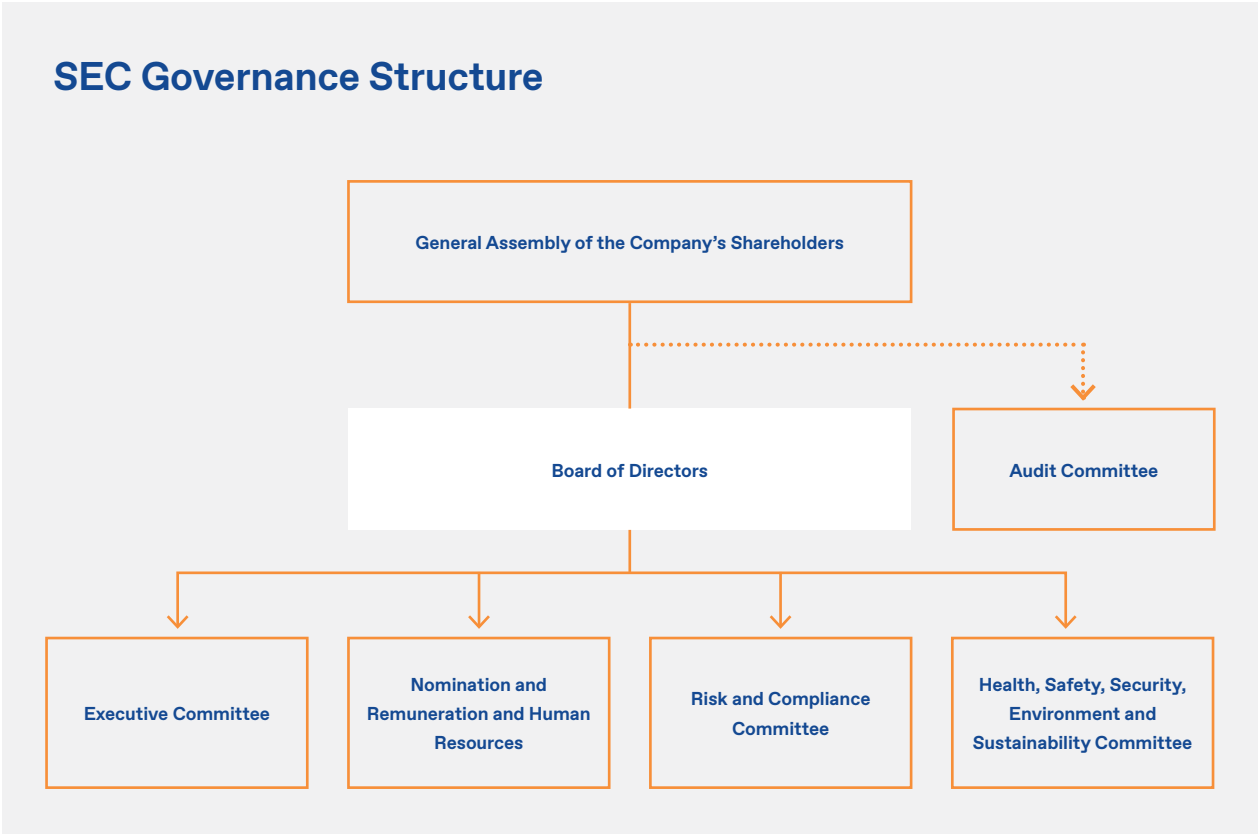


Abdulaziz bin Khalid Albilali

Senior Vice President (Acting) Legal Affairs and Secretary of the Board of Directors

Corporate Governance Structure

The Board consists of 9 Board Members appointed by the General Assembly and is required to meet at least quarterly every year. To enhance its supervisory role, the Board of Directors has established the following committees: The Audit Committee; The Executive Committee; The Risk and Compliance Committee; The Nomination, Remuneration and Human Resources Committee; and the Health, Safety, Security, Environment and Sustainability Committee.



Board and its Committees

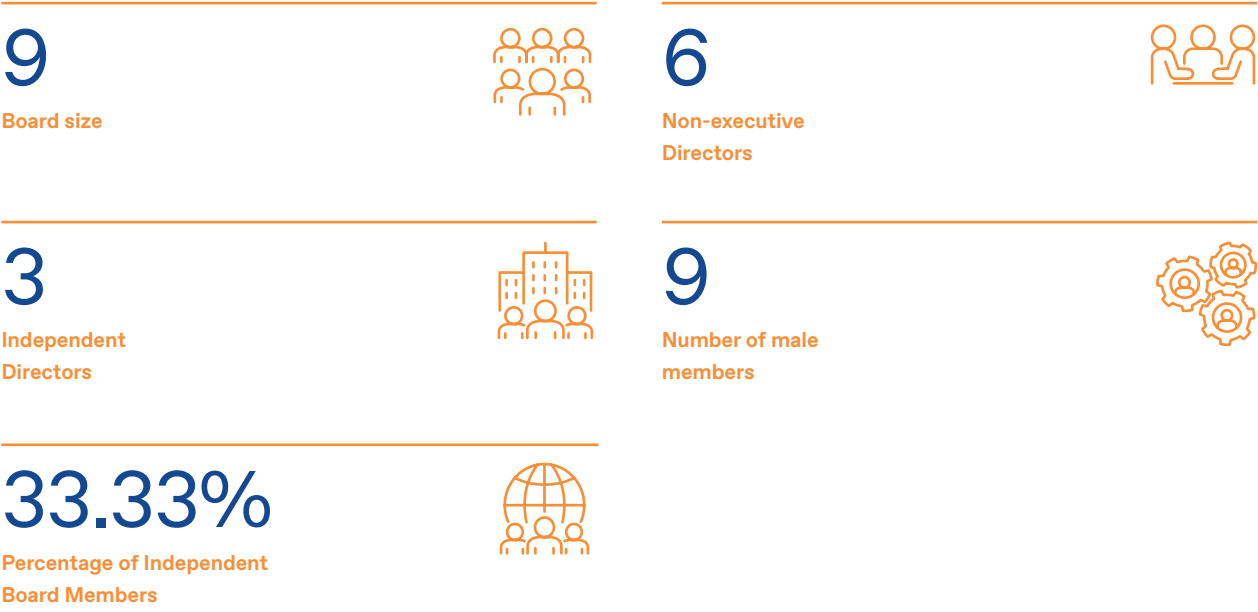
SEC’s Board members have broad international exposure, significant leadership experience and bring diverse backgrounds from various industries, including power generation, government, education, law, investment, project management, management consulting, capital markets, and finance.

The stewardship of the company is overseen by the Board of Directors, appointed by the General Assembly of Shareholders. From within its ranks, the Board selects a Chairman and a Vice Chairman. Committee members are nominated by the Board of Directors, with the Board retaining the authority to adjust memberships as needed. The Board evaluates members’ independence and expertise in line with the Capital Market Authority (CMA)’s laws and regulations governing SEC.

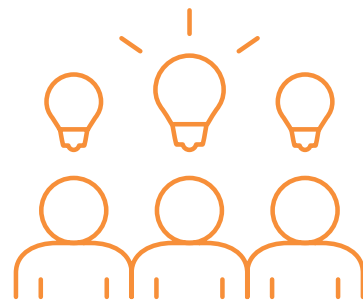
During 2023, the board comprised of 9 members in total. In 2023, the Board held 11 meetings with an attendance rate over 92%. The average tenure of board members is three years. To uphold accountability and effectiveness, SEC conducts annual performance evaluations for the Board, Board Committees, Board Members, and the CEO overseen by the Chairman of the Board and Independent Board Members. Non-Executive Board Members conduct assessments of the Chairman of the Board. The Chairman, appointed by the Board, cannot hold any executive position within SEC. An independent third-party conducts a comprehensive Board performance evaluation every three years, ensuring a rigorous and objective assessment process.

As the representative of all shareholders, the Board actively upholds duties of care and loyalty, safeguarding company interests and maximizing overall value. While delegating powers, the Board retains ultimate responsibility for the Company’s actions. The Board of Directors Charter outlines specific authorities, including establishing policies, devising strategy, setting objectives, and ensuring internal control effectiveness. The Board oversees business plan implementation, resource availability, and formulates policies for stakeholder relationships. Additionally, the Board ensures accurate data disclosure and establishes effective communication channels for continuous shareholder engagement.

Composition of Board of Directors



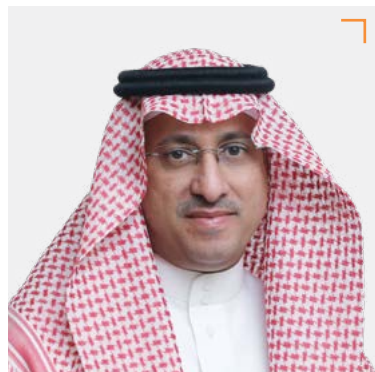
Board of Directors



H.E. Dr. Khaled bin Saleh AlSultan
Chairman of the Board of Directors
Non-Executive Member

Holds a Ph. D. in Industrial Engineering and Operations Research from the University of Michigan, USA. He is also the former President of King Abdullah City for Atomic and Renewable Energy. He has experience in energy and policy and is a former and current member of more than 40 councils in government sectors, civil, non-profit and academic.

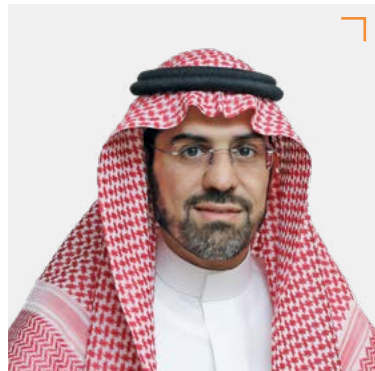
Appointment Date: 21/01/2021



H.E. Dr. Najm bin Abdullah AlZaid
Vice Chairman
Non-Executive Member

Holder of a Ph.D. in Law from George Washington University, USA, he is the Deputy Minister of Justice of Saudi Arabia and a valued member of the BoD of the National Center for Privatization as well as Capital Market Authority. He is also a member of the Regulatory Policies and Supervision Committee at the Saudi Stock Exchange "Tadawul".

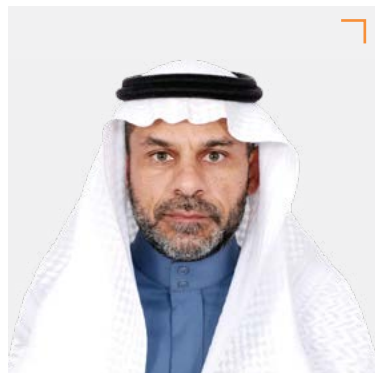
Appointment Date: 21/01/2021



Dr. Raed bin Nasser AlRayes
Board Member
Non-Executive Member

Holds a Ph.D. in Business Administration from the University of Bradford in the UK. He is the CEO of Saudi Industrial Investment Company (Dussur) and consultant to H.E. the Minister of Energy, Industry and Mineral Resources. He is also the former deputy CEO at Arab Petroleum Investments Company and has multiple experiences in the financial business field.

Appointment Date: 21/01/2021



Mr. Walid bin Ibrahim Shukri
Board Member
Independent Member

Holder of a Bachelor's degree in Industrial Management from King Fahd University of Petroleum and Minerals, and a Certified Public Accountant (CPA) from the American Association of Certified Public Accountants (ASCA) and the Saudi Organization for Auditors and Accountants. He has extensive experience in the financial and accounting fields and memberships in the BoD of multiple companies and auditing committees.

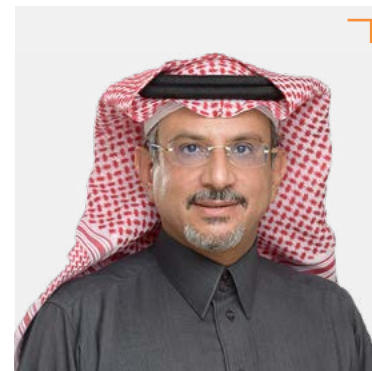
Appointment Date: 21/01/2021



Eng. Abdulkarim bin Ali AlGhamdi
Board Member
Independent Member

Holder of a Master's degree in Chemical Engineering from the University of Pittsburgh, USA, he is the Executive Vice President at Saudi Aramco. He is also the Vice President of Project Management at Saudi Aramco. He has multiple memberships in the BoD of many companies.

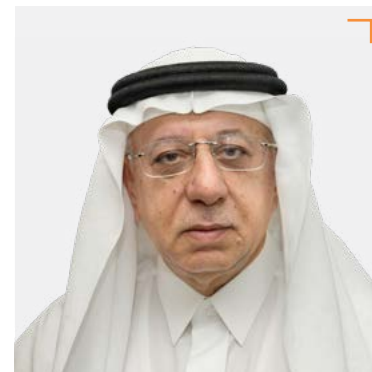
Appointment Date: 21/01/2021



Eng. Nabil bin Abdulaziz AlNaim
Board Member
Non-Executive Member

Holder of a Master's degree in Business Administration from MIT's Sloan School of Management, USA. He is the Vice President of Digital Transformation at Saudi Aramco and is experienced in the digital transformation sector and has many memberships on several BoDs.

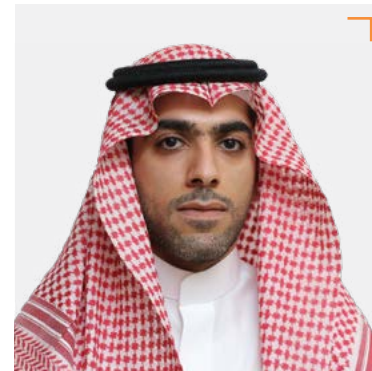
Appointment Date: 21/01/2021



Eng. Isam bin Alwan AlBayat
Board Member
Non-Executive Member

Holds a Master's degree in Electrical Engineering from King Fahd University of Petroleum and Minerals and is the Vice President of Electricity at Saudi Aramco. He brings valuable experience from the energy and electricity sectors.

Appointment Date: 21/01/2021



Mr. Mohammed bin Abdulrahman AlBalaihed
Board Member
Non-Executive Member

Holder of a Bachelor's degree in Financial Management, a Chartered Financial Analyst and a Master's degree from London Business School, UK. He is the head of energy sector of the Investment Management Department at Public Investment Fund and has extensive experience in the field of private capital and projects financing, and memberships in many committees.

Appointment Date: 24/08/2021



Eng. Scott Matthew Prochazka
Board Member
Independent Member

Holds a Bachelor's degree in Chemical Engineering from the University of Texas at Austin and is the CEO at Centrepoint Energy Company. He has experience in the chemical and resources sector and holds multiple board positions at energy companies in the USA.

Appointment Date: 06/12/2022

Board Committees

The Board of Directors is supported by five Committees in carrying out its oversight functions, each fulfilling distinct oversight roles. Roles, responsibilities, and Committee Members' engagement are summarized for clarity and efficiency.

Executive Committee

Responsibilities	Members
<ul style="list-style-type: none">Oversee the review of plans, restructuring activities, and the company's general budget, including capital and operational aspects.Assess proposed projects, financing methods, and regularly evaluate company achievements.Contribute to the development of strategic plans, including potential mergers and acquisitions, while providing recommendations to the Board on loans, mortgages, guarantees, and new capital investments.	<ul style="list-style-type: none">Khaled Bin Saleh Al Sultan (Chairman)Isam Bin Alwan AlBayat (Member)Abdulkarim Bin Ali Al-ghamdi (Member)Mohammed Bin Abdulrahman Al-bilaiheda (Member)

Audit Committee

Responsibilities	Members
<ul style="list-style-type: none">Formed by the General Assembly, the Committee oversees the company's activities, verifies report and financial statement integrity, and monitors internal control systems.Recommend external auditor appointments, assesses their independence, and collaborates on the audit plan.Review preliminary and annual financial statements, auditor observations, and internal audit reports.Evaluate control efficiency, risk management, and compliance for business integrity.	<ul style="list-style-type: none">Walid bin Ibrahim Shukri (Chairman)Suleiman bin Abdulaziz Al-Tuwaijiri (Vice President)Isam bin Alwan AlBayat (Member)Khaled bin Salem Al Rowais (Member)Amr bin Khaled Kurdi (Member)

Risk and Compliance Committee

Responsibilities	Members
<ul style="list-style-type: none">Oversee the identification and monitoring of risks and threats impacting the Company's strategic objectives and evaluate and recommend measures to suppress or mitigate risks.Monitor compliance with regulations, establish an effective control environment, and provide recommendations to the Board of Directors on risk and compliance.Handle matters related to business integrity, fraud risk, and operational resilience, including business continuity management.	<ul style="list-style-type: none">Walid bin Ibrahim Shukri (Chairman)Najm bin Abdullah AlZaid (Member)Nabil bin Abdulaziz AlNaim (Member)Tarek bin Abdulaziz Al-Rukhaimi (Member)Scott Matthew Prochazka (Member)

Nomination and Remuneration and Human Resources Committee

Responsibilities	Members
<ul style="list-style-type: none">Review remuneration policy, conduct periodic reviews, and recommend remuneration for the Board, committees, and senior executives.Review annual remuneration, provide recommendations and oversee nominations, ensuring no conflicts of interest.Nominate the CEO, advise on tenure, allocations, and bonuses.Determine necessary qualifications for committee memberships, with a focus on the Audit Committee.	<ul style="list-style-type: none">Abdulkarim bin Ali AlGhamdi (Chairman)Raed bin Nasser AlRayes (Vice President)Khalid bin Saleh AlSultan (Member)Najm bin Abdullah AlZaid (Member)Mohammed bin Abdulrahman AlBalaiheda (Member)

Health, Safety, Security, Environment and Sustainability Committee

Responsibilities	Members
<ul style="list-style-type: none">Evaluate and approve leaders' practices in health, safety, security, environment, and sustainability.Review and approve the implementation of strategic transformation projects, including technical standards.Monitor indicators and provide direction on training requirements for all employees for HSSE matters.Assess plans for security threats, and oversee crisis and security disaster management plans.	<ul style="list-style-type: none">Nabil Bin Abdulaziz Al-naim (Chairman)Isam Bin Alwan Al-bayat (Member)Scott Matthew Prochazka (Member)Talal bin Abdulrahman Al-Enezi (Member)Khalid bin Ali Al-Olayani (Member)



Remuneration of Members of the Board of Directors and Executive Management

Subject to the statutory requirements, the company’s Articles of Association, and the requirements of the Corporate Governance Regulations, the remuneration of the members of the Board, its Committees and Executive Management adheres to the following criteria:







- To be consistent with the company’s strategy and objectives.
- To provide remunerations that encourage the members of the Board and Executive Management to ensure the company’s success and long-term development, such as linking the variable part of the remuneration to long- term performance.
- To provide remuneration that is determined based on the job level, duties, and responsibilities of the incumbent, as well as the educational qualifications, practical expertise, skills, and level of performance.
- To be consistent with the magnitude, nature, and level of risks at the company.
- To take into consideration the other companies’ practices with regard to determining remunerations, while avoiding unjustifiable increase in remunerations and compensations.
- To solicit, retain and motivate professional talents, without undue exaggeration of these talents.
- To prepare in coordination with the Nomination and Remuneration Committee upon new appointments.
- To regulate granting of shares in the company for members of the Board and the Executive Management, whether such shares are newly issued or acquired by the company.
- To provide remuneration that is fair and proportionate to the competencies of the member and the duties and responsibilities assigned to and carried out by the Board members, in addition to the objectives set by the Board to be achieved during the fiscal year.
- To provide remuneration that is based on the Nomination and Remuneration Committee’s recommendation.
- To provide remuneration that is proportionate with the company’s activity and the skills required to manage it.
- To take into consideration the sector in which the company operates, its size and the experience of the Board of Directors for determining the remuneration.
- To provide remuneration that is reasonably sufficient to attract, motivate and retain Board members with appropriate competencies and experiences.
- A member of the Board may receive remuneration for their membership in the Audit Committee formed by the General Assembly or for any executive, technical, administrative, or additional advisory activities assigned to their by the company under a professional license. Such remuneration is in addition to the other remuneration, which they may receive as a member in the Board and in the Committees formed by the Board of Directors, in accordance with the Companies Law and the Articles of Association.
- The remunerations of the Board members may vary in magnitude to reflect their experience, terms of reference, tasks assigned to them, their independence, the number of meetings they attend and other considerations.
- If the Audit Committee or the Authority finds out that the remuneration paid to any member of the Board or the Executive Management is based on incorrect or misleading information submitted to the General Assembly or included in the Annual Report of the Board of Directors, the company has the right to request such member to refund such remuneration.

Remuneration of Board of Directors, Its Committees and Senior Executives

- The remuneration and all the benefits, if any, of a Board member shall be as approved by the Ordinary General Assembly in accordance with the official resolutions and instructions issued in this regard and within the limits stipulated by the Companies Law and its regulations.
- The remuneration of the Board member may be a certain amount or an attendance allowance for the meetings or in-kind benefits or a certain percentage of the net profits, and two or more of these benefits may be combined.
- If the remuneration is a certain percentage of the company’s profits, such percentage shall not exceed (10%) of the net profits after deducting the reserves (approved by the General Assembly in application of the provisions of the Companies Law and the company’s Articles of Association) and after distributing dividends of not less than (5%) of the company’s paid-up capital to the shareholders. Entitlement to such remuneration shall be pro rata with the number of meetings attended by the member, and every estimate to the contrary shall be null and void.
- In all cases, the total amount of remuneration and benefits received by the Board member, whether financial or in kind, shall not exceed five hundred thousand Saudi Riyals annually in accordance with the rules prescribed by the competent authority.
- The remuneration of an independent member of the Board shall not be a percentage of the profits achieved by the company, nor shall it be based directly or indirectly on the profitability of the company.

Executive Management Remuneration

In accordance with the procedures and standards adopted by the Board of Directors, the company shall grant its Senior Executives specific financial advantages based on the salary scale and its approved policies*. In this regard, Executive Management remuneration includes the following:

	Basic salary
	Medical insurance for the member and family
	Transportation and housing allowance
	Annual bonus linked to performance indicators for the annual evaluation
	Long-term incentive bonus, if applicable
	Any other remunerations or allowances approved by the company’s Board of Directors

Payment of Remunerations

Remunerations, as outlined in the Remunerations and Benefits Policy of the Board of Directors, its Committees, and the Executive Management are disbursed. There is no material deviation between what was disbursed and the remuneration policy for members of the Board of Directors, its Committees, and the Executive Management.

* SEC has pre-defined financial returns and relative financial metrics relevant for Chief Executive Officer’s (CEO) variable compensation based on ROA and ROE.

Business Ethics, Compliance and Transparency

Ethical and transparent business practices are indispensable in today’s corporate landscape, especially for businesses engaging with multiple stakeholders in a consumer-based society. Key variables encompassing business ethics and transparency include good leadership, proactive accountability, integrity, compliance with laws and regulations, transparent operations, and protection of stakeholder rights. SEC recognizes that loss of any of these variables jeopardizes the trust and confidence crucial for the sustaining and developing an ethical business. The company actively cultivates an environment of ethical behavior and decision-making, embedding a culture of transparent checks and balances at every step of the value chain. Additionally, SEC is committed to dedicated efforts in reporting breaches and taking prompt remedial action.

“Embracing environmental, social, and governance principles, is no longer a choice as it is a commitment. Through robust compliance and effective risk management, we will ensure our commitment to sustainable practices, social equity, ethical governance, and drive positive impact for generations to come.”

Tahir Mahmoud
Senior Vice President, Risk Management and Compliance

Incidents of Corruption, Anti-corruption Behavior, Anti-trust, and Monopoly Practices

The Business Integrity Department at SEC oversees all aspects of business ethics, including raising awareness about corruption prevention, and monitoring the hotline system. SEC acknowledges that robust monitoring is vital for sustainable growth and has implemented checks and balances to prevent incidents of corruption, anti-trust and monopoly practices. In 2023, SEC had a 30% decrease in incidents related to corruption and has taken action to prevent such incidents in the future.

Total Incidents of Breaches

Metric	2022	2023
Number of incidents of corruption	20	14
Number of breaches related to conflicts of interest	0	1
Number of breaches related to money laundering or insider trading	0	0
Number of incidents where employees were dismissed or disciplined	9	11
Number of incidents when contracts with business partners were terminated or not renewed	2	0
Number of legal actions around anti-competitive/anti-trust/monopoly legislation where organization is involved	0	0

Anti-corruption Communication & Trainings

Corruption has a negative impact on business integrity, jeopardizing social and economic development. Proactive training and monitoring provided by SEC ensures that people throughout the value chain are empowered to make ethical decisions keeping the Company’s integrity intact. In 2023, SEC covered 100% of its employees and governance body members in communication related to anticorruption policies and procedures.

Compliance with Laws & Regulations

Ambition	Baseline (2023)	Progress as of 2023
50% reduction of total incidents of non-compliance with laws & regulations by 2026	9 incidents	In progress

In 2023, SEC had 9 incidents of non-compliance with laws and regulations, 8 of them related to subsidiary in the Telecom sector and 1 regarding HR. Remedial actions have been taken to prevent any non-compliance incidents in the future.

Incidents of Non-compliance

Metric	2020	2021	2022	2023
Total number of instances of non-compliance with laws and regulations	5	4	4	9
Number of instances of non-compliance with laws and regulations for which fines were incurred	5	4	4	9
Number of instances of non-compliance with laws and regulations for which non-monetary sanctions were incurred	0	0	0	0
Number and value of fines paid for non-compliance for instances of non-compliance with laws and regulations (SAR)	60,000	35,000	750,000	820,000
Significant fines or penalties related to the environment or ecological issues*	0	0	0	0

* Significant fines or penalties mean the fine/penalty individually costs more than USD 10,000 (or equivalent when converted from local currency).

Our Actions

Code of Conduct & Ethics

- Enforced SEC's Code of Conduct & Ethics document that outlines standards for human rights, anti-corruption, competition and fair dealing and covers bribery, improper engagement with third parties, vendor selection, facilitating payments, anti-money laundering, charitable contributions and event sponsorship, solicitation and extortion, and merger and acquisition activity
- Included a clause on antitrust/ anti-competitive practices. Anti-corruption policy would cover bribery in any form



Hotline System

- Instituted the hotline system that is available to employees and external parties to report any complaints or violations of internal regulations, rules, instructions, or corporate policies



Disclosure and Transparency Policy

- Disclosed governance policies including, but not limited to: The Company's Articles of Association; Governance and other relevant documents; Annual Report of the Board of Directors; quarterly and annual financial statements and regular presentations for earnings announcements; Annual Audit Committee Report; and all declarations published on Tadawul
- Maintained additional policies that guide decision-making, such as a Policy of Criteria for Participation in the Competing Business of the Company and Conflict of Interest Policy



Compliance with Tax Laws

- Appointed an independent accountant to calculate and submit the Zakat declaration for the Company and its subsidiaries to the Authority. The department also submits a monthly withholding tax declaration. The Zakat and Tax Department calculates the Zakat allocation at the end of each year, submitting value-added tax declarations at the end of each month in compliance with applicable regulations



Emergency Response Planning

Emergency response planning is of critical importance to SEC and the Company believes in preparedness to prevent incidents that have the potential to negatively impact people, SEC's assets, or the environment. SEC takes proactive action towards minimizing the effects of a potential crisis to reduce injuries, protect the community, and maintain business continuity. It is paramount for SEC to protect all stakeholders and the Company is prepared to deal with crisis situations by reducing possible risks and has systems in place. SEC is committed to not only proactively reducing incident frequency, but also ensuring that the best and safest possible measures are implemented at all sites. SEC has an Emergency Response, Fire Prevention and Protection and Crisis Management General Instruction management system which was developed based on international standards and government regulatory requirements that is applicable to all Subsidiaries and Business Lines. The company has a worldwide best practices approach for effective implementation of Emergency Response and Crisis Management. SEC has 3 levels of command for Emergency and Crisis Management.

- Emergency Response Team at Site,
- Regional Command & Control Center Operation Areas,
- Corporate Command and Control Center-HQ.

Ensuring the integrity and reliability of SEC's assets is crucial to providing a safe working environment to the company's workforce, protecting the environment from uncontrolled hazardous material releases, and meeting the electricity demand of Saudi Arabia. SEC aligns its asset management system with international standards such as ISO 55000 that helps the company continuously improve their performance when it comes to its asset integrity. In addition to this, SEC has received third party certification on ISO-22361: Crisis Management and ISO-9001: Quality Management Assurance certification for maintaining its fire protection system.



Our Actions

Emergency Response Performance Enhancement

- Added new systems to existing resources to enhance performance: 6 New Technology Fire Trucks; 3 Rapid Intervention Vehicles (RIVs); 3 Mobile Foam Carts to fight Hydrocarbon fire; Geographic Information Systems (GIS) to respond to any incident to minimize response time by emergency responders



Safety Drills

- Conducted 799 Emergency Response drills with stakeholder involvement including scenarios on firefighting, hazardous material release, rescue and other types of emergencies
- Conducted 13 regional and corporate Crisis Management drills with main and back up Crisis Management Teams and 27 activations at Regional and Corporate crisis management level have been managed effectively
- 665 Fire Fighters from the company participated in the Challenge Contest Championship to enhance firefighting technique



Emergency Response, Crisis Management and Business Continuity

- Developed integrated pilot plan for SEC via consequence modelling from process safety information. It is planned to be implemented at all sites with strategic partner support



Crisis Management Team

- Trained 722 firefighters and fire staff at accredited training institute and because of competency enhancement emergency response team responded to 66 emergencies and mitigated it efficiently at an early stage
- Trained 75 Crisis Management members in crisis management and 91 Site managers on Incident Management System from a certified training institute
- Conducted 439 assessments on Fire Protection systems to check the readiness and its 24x7 availability



Community Awareness

- Participated in World Civil Defense Day for raising awareness among community
- Conducted 37 Corporate Social Responsibility programs and trained 3,500 community members
- Deployed the emergency response to mitigate an emergency promptly during Hajj Season



Industry Exposure

- Participated in National and International conferences to inculcate best practices in the workplace
- Presented a technical paper to showcase SEC's best practices on Emergency and Crisis Management at the International Conference on Risk Management at Mary K O' Connor at Texas, USA and the first International Scientific Forum for Security and Safety at Riyadh
- Visited by Oman Government representatives to benchmark HSSE practices from SEC and to adopt it at their workplace



Sustainable Financial Performance

SEC, underpinned by the current robust regulatory regime, is dedicated to ensuring sustained financial viability, growth, and profitability, all while responsibly addressing its environmental and social obligations and impacts. The company acknowledges the importance of integrating sustainability into its business strategy and decision-making processes, generating enduring value for stakeholders. This strategic approach involves seizing opportunities in sustainability-related sectors such as renewable energy, energy efficiency, and distributed energy. Furthermore, modern, smart, and expanded grids are essential for a successful sustainable energy transition to a diverse clean power mix. Additionally, as the economy moves to become more electric, the expansion and modernization of transmission and distribution will need to keep pace. SEC is scaling up grid investment against historical trends. This is expected to promote a positive growth outlook for SEC.



SEC strives to balance financial success with environmental and social responsibility. Our strategic approach integrates sustainability seamlessly into our business decisions, creating long term-value for stakeholders. By seizing opportunities in sustainable sectors, we aim to foster a legacy where profitability coexists with a profound commitment to the well-being of our planet and society.



Abdulaziz bin Abdulrahman AlMuhaiza

Senior Vice President, Finance & Chief Financial Officer

The company is witnessing sustainable growth in demand for electricity, reflecting demographic and economic growth in the Kingdom under Vision 2030. Electricity consumption grew by 5% in 2023 compared to the previous year, with the company extending electricity services to more than 346,000 new customers. Additionally, the transmission system customers' loads were higher and the backup capacity charges were increased. The company continued to grow its subscriber base for Dawiyat Integrated Company for Telecommunications and Information Technology services and expand its product offerings. These factors combined, in addition to new revenue from development projects to construct substations and transmission lines for the company's customers, contributed to a 4.50% increase in operating revenues in 2023 compared to the previous year, reaching 75.33 billion SAR compared to 72.08 billion SAR in 2022. Net profit in 2023 amounted to 10.25 billion SAR compared to 15.14 billion SAR in the previous year, reflecting a decrease of 32.30%, primarily attributed to increased operating and maintenance expenses due to business and asset growth, increased loads and increased maintenance programs, as well as higher financing costs and recording of non-recurring expenses. These factors were partially offset by higher operating revenues and a decrease in the provision for accounts receivable due to improved collection processes.

Key Financial Performance Metrics

Metric	2020	2021	2022	2023
Direct Economic Value Generated (Billion SAR)	70.26	68.40	73.60	75.80
Economic value distributed (Billion SAR)	68.70	64.55	68.18	76.50
Economic value retained (Billion SAR)	1.57	3.85	5.43	-0.73
EBITDA (Billion SAR)	25.22	37.10	37.44	33.92
EBITDA Margin (%)	36.70%	53.50%	51.90%	45.00%

² Economic Value Retained is the economic value generated by the company less the value distributed to the stakeholders.

The Government has historically been supportive in ensuring that SEC 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. The supportive regulatory regime demonstrates the Government’s continuous support to the electricity sector and its endeavors to raise the overall level of service to its citizens and residents across the Kingdom in line with Vision 2030 objectives.

Since fiscal year 2020, the regulatory regime has recalibrated the way in which the Government provides support for SEC and has enacted the tariff balancing account. It compensates SEC for the difference between the regulatory-determined required revenue and the actual revenues that SEC generates from applicable tariffs to end consumers.

Additionally, Dawiyat Integrated Company for Telecommunications and Information Technology (a wholly owned subsidiary of SEC) received government grant from Ministry of Communication and Information Technology for implementation of the fiber optic network as part of the national broadband initiative under Vision 2030.

Customers benefit immensely from these combinations of financial support forms received by SEC. Such support enables SEC greater financial flexibility to invest in essential projects which helps raise the quality and reliability of service. This also helps the company keep pace with increase in demand for electricity in the Kingdom while fostering the widespread adoption of renewable energy, improving energy efficiency, and facilitating access to essential services.

Financial Assistance from the Government

Type of support	2020	2021	2022	2023
Recognized Balancing Account Support (Billion SAR)	6.10	1.70	3.10	1.24
Grants Related to Fiber Optic FTTH Connections (Billion SAR)*	1.09	1.53	1.39	1.26

As a responsible electricity provider, SEC actively manages climate change risks and seizes opportunities. Embracing a holistic approach, SEC aligns near-term energy security with a steadfast dedication to long-term sustainability. Proactively exploring synergistic business models, the company strategically diversifies its portfolio into profitable sectors, including renewable energy, distributed energy, and demand side management.

Investment Budget for new Business Opportunities

Business Opportunity/ Revenue Stream	2023 budget (as % of electricity investment budget)	Projected budget in 2028 (as % of electricity investment budget)
Renewable Energy	0.00%	43.50%

SEC has issued the first Green Sukuk out of the Kingdom and for a utility company in the Middle East region. It was the largest Green/ESG corporate issuance in the Kingdom in 2020. Further to this pioneering position and strategic move, in early April 2023, SEC bolstered its green financing mechanisms, emphasizing renewable energy opportunities and grid integration initiatives as well as promoting energy efficiency.

SEC successfully completed a SAR 7.5 billion dual-tranche Sukuk issuance consisting of green and conventional tranches, under its international Sukuk program. The green tranche raised SAR 4.5 billion for a 10-year tenure and was based on SEC Green Sukuk Framework which was published in 2020 and covers two green projects under two distinct eligible categories with climate change mitigation co-benefits. These categories are energy efficiency (comprising projects for the procurement and installation of smart meters and renewable energy), and capital expenditure (comprising the construction and/or operation of the transmission and/or distribution infrastructure for connecting renewable energy sources to the grid).

* The number reflects the grant balance at the end of the year after adding the new grant during the year and deducting the accumulated amortization.

SEC’s SAR 7.5 Billion 10 (Green) and 30-Year Dual-tranche Sukuk attracts SAR 57.76 Billion Order Book.

The first ever 30-year Reg-S only USD benchmark senior unsecured Sukuk

Strong and resilient orderbook that peaked at over SAR 58.13 bn covering the transaction over 7.7x

Negative new issuance premium with tightening of 45bps on the 10-year and 35bps on the 30-year

Upsized transaction moving from an initial size expectation of SAR 5.63 bn to the final SAR 7.5 bn

Strong demand from the Green-investors, in particular for the 10-year Green tranche

Our Actions

Strengthening Financial Position

- Established a central administrative structure to enhance governance and continuous improvement
- Settled outstanding debts to government entities, amounting to SAR 2.6 billion
- Increased collections to SAR 62 billion, reflecting a remarkable 9.7% increase from the previous year
- Maintained a strong investment grade credit rating, equivalent to the Kingdom’s sovereign credit rating by both Moody’s and Standard & Poor’s rating agencies. Received an A1 rating and positive outlook from Moody’s, an A rating with a stable outlook from Standard & Poor’s, and an A rating with a stable outlook from Fitch. These ratings are considered one of the highest credit ratings for companies in KSA

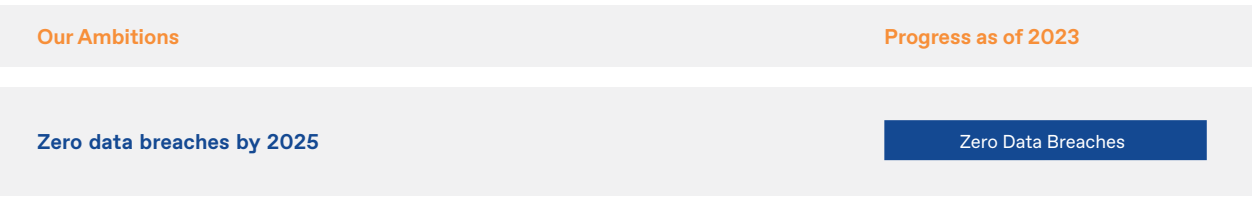
Green Financing Instruments (Sukuks)

- Formed a Green Financing Committee and developed a Green Sukuk Framework based on Green Bond Principles issued by ICMA
- Issued KSA’s first international Green Sukuk in 2020, raising SAR 4.88 billion
- Issued another sukuk in 2023 aiming to secure SAR 7.5 billion through a dual tranche sukuk, including a green tranche of SAR 4.50 billion
- Executed Projects that reduced carbon emissions, increased stakeholder confidence, and improved access to capital on advantageous terms

Data Privacy

Digital enablers have reshaped businesses and their value chains, simultaneously amplifying cyber complexity and cybersecurity risks. For SEC, a cybersecurity breach or data privacy incident poses substantial financial and reputational threats. Protecting sensitive information, complying with regulations, mitigating cyber threats, and maintaining stakeholder trust are critical elements for SEC to prevent potential financial and reputational damage. As an electric utility, SEC also recognizes the broader impact on the economy and essential services, including education and healthcare, arising from potential power disruptions due to cybersecurity incidents.

Given the sensitivity of its digital infrastructure, SEC has proactively implemented cutting-edge security technologies, including Network Access Control (NAC), Privileged Access Management (PAM), Threat Intelligence Platform, Data Classification Solutions, DB Encryption & Monitoring and Email Security. These measures underscore SEC's commitment to robust cybersecurity practices and the safeguarding of critical services and information.



Data Privacy & Cybersecurity Governance

At SEC, cybersecurity takes precedence at the Board level due to its critical and sensitive nature. Cybersecurity is a part of the Board-level Risk & Compliance Committee agenda and a designated board member with relevant experience oversees cybersecurity activities and provides technical inputs. The execution of cybersecurity initiatives is entrusted to cybersecurity sector supervised by the Senior Vice President of Digital & Technology & IT Business Line. A dedicated Cybersecurity Committee is present at the company leadership level, chaired by the VP of Technical Services Business Line, and supervised by the SVP of Digital Transformation & IT Business Line. Executive Directors from other business lines are committee members. A standalone cybersecurity function reports directly to this committee.

- To fortify cybersecurity and data protection measures, two senior-level positions have been established –
- Chief Data Officer (CDO): Responsible for managing all data privacy and digitalization efforts.
 - Chief Information Security Officer (CISO): Tasked with safeguarding company IT-OT systems from external threats.

Data Privacy & Cybersecurity Policies

SEC's Data Privacy Policy governs the comprehensive aspects of data, including collection, storage, protection, and authorization, adhering to relevant regulations. The policy is grounded in ten principles, encompassing accountability, access to data, transparency, data disclosure limitation, choice and consent, data security, limiting data collection, use, retention, and destruction, data quality, and monitoring and compliance.

Complementing the central Data Privacy Policy, SEC has established multiple supporting policies to bolster data privacy goals. These include the Cybersecurity Policy, Data Classification Policy, Data Retention Policy and Data Sharing Policy. All data privacy and cybersecurity policies are accessible on the company intranet for all employees, fostering transparency and awareness. Additionally, regular awareness messages are also shared through internal communication channels to keep employees informed.

Cybersecurity Strategy

SEC's robust cybersecurity strategy is a cornerstone in safeguarding the company against cyber threats, ensuring regulatory compliance, upholding trust and reputation, and fortifying business resilience and growth in an evolving digital landscape. This cybersecurity strategy is endorsed by the CEO of SEC, underscoring the organization's commitment to prioritizing and addressing the challenges posed by the ever-changing cybersecurity landscape.



Cybersecurity Management & Vulnerability Assessment

To effectively execute its cybersecurity strategy, SEC has implemented various processes and tools, including Personal Data Breach Process, Data Subject Request Process, Data Classification Tool and Data Leakage Prevention Tool. The privacy notice and consent message, available on SEC's public-facing website, extends to all internal and external stakeholders, encompassing the company's operations, suppliers, and customers.

To ensure the robustness of its data privacy infrastructure, SEC has instituted multiple controls to identify any gaps and takes corrective actions promptly. Strict disciplinary measures are enforced in cases where employees or suppliers violate the cybersecurity and data privacy policies of SEC.

Furthermore, ongoing initiatives such as Data Privacy Impact Assessment (DPIA) and Record of Processing Activity (ROPA), Enabling Personal Data protection (PDP) Operating Model and completing PDP register, are in progress to further enhance data privacy & cybersecurity practices. A company-wide event on data privacy is planned for the upcoming years.

Vulnerability Assessment of IT / Cybersecurity Systems

- 01 Internal Vulnerability Assessment & Penetration Testing (VAPT) to identify and address security weaknesses and vulnerabilities within an organization's internal network, systems, and applications.
- 02 Engagement with the Kingdom's National Cybersecurity Authority (NCA) on an annual basis to assess several cybersecurity controls.
- 03 Risk assessment of Operational Technology (OT) systems periodically to assess the appropriateness of established mitigation measures.
- 04 Internal audits annually to check compliance with cybersecurity and data privacy policies. Third-party audits at regular intervals.

Suspicious Activity Reporting and Escalation Matrix

SEC provides a hotline for employees to report suspicious activities related to data privacy & cybersecurity. This hotline is staffed 24/7 through several Security Operations Centres (SOC) to properly respond to cyber incidents. Additionally, a tool within the email app allows employees to report suspicious emails.

Upon receiving a report of suspicious activity, the Security Operations Centre (SOC) team creates a ticket. If the ticket is not satisfactorily resolved, it is escalated to the SoC manager. The next levels of escalation involve the Chief Information Security Officer (CISO) and, ultimately, the CEO, ensuring a structured and responsive approach to handling cybersecurity incidents.

Data Privacy & Cybersecurity Performance

SEC is proud to report that there were zero incidents of breaches w.r.t data privacy and cybersecurity in 2023

Metrics	2020	2021	2022	2023
Number of Information Security Breaches	0	0	0	0
Total Number of Clients, Customers and Employees Affected by the Breaches	0	0	0	0
Number of Incidents of Non-compliance with Physical or Cybersecurity Standards or Regulations	0	0	0	0

SEC’s commendable performance in data privacy and cybersecurity in 2023 can be attributed to several proactive initiatives and measures undertaken by the company.

Our Actions

Employee Awareness Programs

- Executed more than 180 awareness programs in 2023 including training, workshops on data sharing and data classification
- Communicated email messages, screen savers, social media posts and cybersecurity bulletins for important cybersecurity and data privacy elements
- Conducted awareness campaigns in all SEC Headquarters
- Mandated basic training on data privacy as part of mandatory trainings enforced by human resources team
- Implemented ongoing program where the company sends phishing emails periodically to measures maturity level of employees of data protection
- Conducted 3 dedicated sessions in detail for training where over 100 employees participated



Security Operations Center (SOC)

- Instituted SOC - a centralized unit that monitors and manages the company’s security posture and serves as a vigilant hub for detecting, analyzing, and responding to cybersecurity incidents with Saudi talented employees on the hotline that is staffed 24/7
- Key activities performed by the SOC are:
 - Monitoring the entire extended IT infrastructure 24/7/365 for any suspicious activity
 - Advanced security analysis for proactively hunting for threats and vulnerabilities in the IT environment
 - Responding to security incidents, including identifying the source of the incident, determining the scope of the incident and assessing the impact of the incident
 - Investigating security incidents and determining the root cause of the incident
 - Providing threat intelligence reports that includes brand protection, keywords monitoring and threat intelligence visibility for the global attacks



Digitalization

Digitalization and technological transformation are top priorities for SEC as it aspires to become the leading digital electricity company in the region. The company recognizes that embracing digitalization enhances its ability to align with ESG principles. This is achieved through data-driven decision-making, accurate and timely reporting of metrics, real-time monitoring and optimization of power distribution, and the transformation of customer experience via modern digital channels. SEC understands that without building digital capabilities, it faces the risks of inefficient operations, hindered renewable integration, vulnerability to cyberattacks and disgruntled customers. In response to these risks, SEC has developed a comprehensive digital transformation strategy and is actively driving digitization and automation of the grid. Several customer experience programs, including the Smart Meter Project (SMP), Digital Transformation for Customer Service Program, and Customer Experience Transformation Program, play a crucial role in driving digitization and automation of the grid at SEC.

To ensure continuous improvement on its digital maturity, SEC evaluates itself using a Digital Maturity Assessment Framework. In this assessment, the company is evaluated on a scale from 1 to 100 across 6 dimensions – Strategy & Governance; Organization & Ecosystem; Business process; Talent & Culture; Data & Insights; and Technology & Platforms. This initiative has also been extended to SEC subsidiaries, resulting in significant score enhancements over the years. For instance, Dawiyat Integrated Company for Telecommunications and Information Technology, a subsidiary of SEC, has demonstrated substantial growth, advancing from a baseline score of 48 in 2022 to a score of 71 in 2023, successfully meeting its target for that year. Looking ahead, Dawiyat Integrated Company for Telecommunications and Information Technology aims to further improve its score by 5 points to 76 annually starting from 2024, with the objective of reaching a score of 81 by 2025.

“ Digitalization is the key to unlocking a sustainable future for Saudi Arabia’s electricity sector. By leveraging smart technologies, we can optimize our operations, integrate renewables seamlessly, and minimize our environmental footprint. This not only strengthens our environmental performance but also ensures a reliable and affordable electricity supply for all.

Abdulaziz bin Salman AlEnezi
Senior Vice President, Digital Transformation and Technology

SEC aims to digitize its internal day-to-day operations by embracing emerging technologies. In this era of rapid change, embracing digital transformation is not a mere option; it is a strategic imperative. Our industry is undergoing a profound evolution, driven by a convergence of factors such as shifting customer expectations, regulatory dynamics, and the pressing need for sustainable and efficient energy solutions. In this context, digital and technology solutions have emerged as catalysts for innovation and growth. Our commitment to digital transformation has yielded tangible benefits across our organization. Leveraging advanced analytics, artificial intelligence, and machine learning, we have unlocked the power of data to gain valuable insights, optimize our operations, and reduce costs. By harnessing predictive maintenance algorithms, for example, we have proactively addressed equipment failures, minimizing downtime and enhancing the reliability of our services. These advancements have not only improved our operational efficiency but also strengthened our customer satisfaction. Beyond our core operations, digital and technology advancements have allowed us to foster a culture of innovation within our organization. By embracing collaboration tools, digital platforms, and agile methodologies, we have nurtured a dynamic and entrepreneurial environment. Our employees are empowered to think creatively, experiment with new ideas, and drive meaningful change. This culture of innovation has propelled SEC forward, enabling us to stay ahead of the curve and meet the evolving needs of its customers.

Our Actions

Digital Infrastructure

- Deployed smart grids and leveraged digital solutions such as drones and AI to monitor T&D network
- Enabled TAWAL Co. to connect telecom towers across the Kingdom using optical fiber network
- Leveraged digital solutions to track consumption of resources and safety measures in power generation plants
- Implemented digital communication system for T&D network across 168 sites
- Rolled-out revamped SEC website and mobile application
- Enabled real-time remote connect/disconnect for smart meters



ESG Advancement

- Minimized manual work, reducing waste generation and carbon footprint
- Automated supply chain by implementing Inventory Optimization and Supply Chain Control Tower
- Implemented Intelligent Rewards & Benefits solution to strengthen inclusivity and meritocracy in employee rewards
- Implemented Corporate Performance and EPMD solutions to monitor and report performance and compliance
- Developed Content Management System that serves as a unified platform for content access and management



Internal Operations

- Instituted Digital Maturity Assessment framework to assess the digital readiness of SEC
- Digitized supplier management including strategic sourcing, supply chain collaboration and procurement process under single platform (SAP Ariba)
- Digitalized invoicing system in alignment with ZATCA requirements
- 500+ business processes Automated and 100+ RPA completed automatically generating a cash flow forecast
- Established centralized control center with Real time Video streaming from over 1300 CCTV cameras.
- Automated executive dashboarding including corporate programs, initiatives and KPI performance
- Implemented SAP-EWM (Extended Warehouse Management) System for higher level of warehouses accuracy, automation, optimization



Customer Experience

- Launched digital dashboards to receive and process customer applications for renewable energy systems and EV charging systems
- Developed digital communication channels and electronic bill services
- Implemented Voice of Customers Program - preparing surveys to identify problems, obtain new information, and use the results of the surveys to improve customer experience
- Implemented cross channel analytics – Analysis of customer tickets and requests to identify pain points and improve overall customer support and customer experience



Spotlight: Bot Performance Analytics

SEC wanted to improve its customer interactions through WhatsApp and a chatbot and make it more efficient. The Goal was to analyze chat volumes, topics, and resolution efficiency.

Key Actions

Developed reporting system to analyze customer chat volumes and conducted diagnostic analysis to identify root causes of key questions



Upgraded the tech environment and currently undergoing code migration



Deployed on SEC PowerBI reporting server for authorized staff access



Identified issues on automation and currently addressing missing metrics due to data unavailability



Completed the data automation task for this build



Expected Benefits

Reduction in cost to serve



Improved customer satisfaction



Improved bot adoption for customers

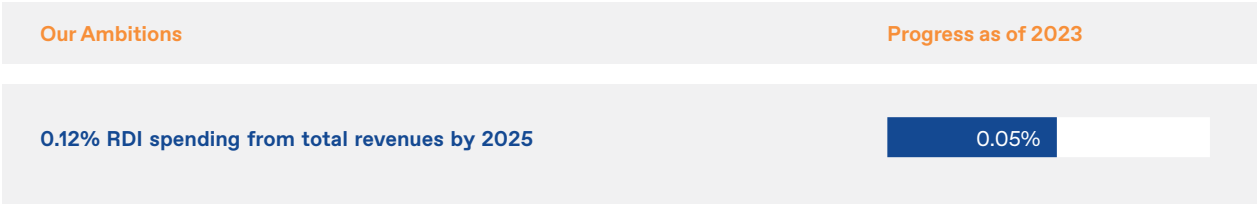


Research, Development, and Innovation

Recognizing the imperative to enhance its research, development, and innovation (RDI) capabilities, SEC is strategically positioned to gain a competitive edge through the pursuit of product excellence, process refinement, and comprehensive organizational transformation. The company has meticulously crafted a multidimensional strategy for RDI management, with the overarching goal of solidifying its leadership. Embracing an open innovation approach, SEC actively engages in extensive collaborations with industry leaders and esteemed research institutions. This concerted effort is geared towards catalyzing groundbreaking RDI across various domains such as Future Thermal Generation, Renewable Technologies, Carbon & Emissions Reduction, Future Grid, Energy Storage, E-Mobility & Charging Infrastructure, Future Customer Service and Future Customer Offering. Through these strategic partnerships, SEC is poised to lead the way in pioneering advancements that redefine industry standards and reinforce its dedication to research, development, innovation and progress.

“In 2023, we diligently crafted an encompassing Research, Development and Innovation strategy that harmoniously resonates with our company’s overarching vision. This strategic endeavor was undertaken with the utmost intention of serving as an enabler, empowering us to authentically contribute towards the realization of our ambitious corporate objectives in the forthcoming year and beyond.”

Khalid bin Salem Alghamdi
Executive Vice President, Technical Services



SEC has made notable progress in its RDI endeavors in 2023, with 33 projects slated across the electrical system domain. SEC augmented its RDI spending to 37.89 Million SAR in 2023 driven by new projects in the areas of future thermal generation, renewable technologies, carbon & emissions reduction, future grid, energy storage, e-mobility & charging infrastructure, future customer service and future customer offering. The company is determined to scale up its RDI investments in proportion to the pace of business growth. In 2023, SEC was granted 3 patents, and filed 11 patent applications with the Saudi Authority for Intellectual Property, underscoring its unwavering commitment to drive sustained innovation and research.

RDI Metrics

Metric	2020	2021	2022	2023
Total Spending on Research, Development & Innovation (Million SAR)	11.96	22.95	50.44	37.89
RDI Spending as a % of sales	0.02%	0.03%	0.07%	0.05%
Total Number of Patents Filed	5	4	7	11
Total Number of Incubated Projects	17	8	9	9
Number of Research, Development & Innovation Positions (Full-time Employees in RDI)	23	31	33	28

SEC is proactively working towards cultivating an innovation-centric environment through the adoption of various open innovation approaches such as R&D collaborations, spin-offs/start-ups, technology licensing, distributed creativity etc. SEC’s subsidiary - Dawiyat Integrated Company for Telecommunications and Information Technology is also developing an innovation pipeline through a Product Development Process (PDP) approach. The PDP process has phases such as ideation, conceptualization, implementation & monitoring. Ideation phase enables all the employees to share the ideas they may have, which is shared with the relevant team for review and validation is done through conceptualization phase. Ideas are also sourced based on latest market and industry trends through market research and feasibility studies. If the idea is found to be viable, a detailed concept is prepared, reviewed, validated and followed with implementation and further with concurrent monitoring. Following this approach, Dawiyat Integrated Company for Telecommunications and Information Technology plans to launch 3 products in 2024.

SEC’s excellence in research and innovation is rooted in its ability to proactively leverage key focus areas of Future Thermal Generation, Renewable Technologies, Carbon & Emissions Reduction, Future Grid, Energy Storage, E-Mobility & Charging Infrastructure, Future Customer Service and Future Customer Offering. SEC’s RDI strategy is aligned to the overall SEC business strategy and is in line with the direction set by Research, Development, and Innovation Authority (RDIA) and the Saudi Vision 2030.*



* Source: Saudi Vision 2030 - Kingdom of Saudi Arabia

Our Actions

Technical Consultancy Services

- Provided technical consultancy services for Dynamic Compensator project in Bahrain



Ideation Workshops

- Organized Innovation Fountains - Fostering innovation culture and reaching noble goals with innovative ideas
- Conducted DataThon - Ideation boot camp to attract monetization gurus in KSA
- Organizing ‘Let’s Think To Innovate’ - Ideation workshop within SEC to tackle in-house challenges faced by SEC employees



Collaborations

- Collaborated with ECORAS - Replacing the burners of steam boiler in one of Shoaiba Power Plant units to achieve fuel-savings and reduce emissions
- Collaborated with GE - Cooperation on the area of decarbonisation, pre and post combustion technologies for gas turbine power plants
- Collaborated with Saudi Authority for Intellectual Property - Raising awareness related to intellectual property and its fields, training, qualification, and exchanging experiences



RDI Projects

- Executing Projects related to Cryogenic Carbon Capture in Rabigh and Green Duba Power Plant with KAUST
- Executing Sorption cooling project in Power Plant 9 to utilize waste heat for cooling with TAQNIA Energy
- Developing Insulator Contamination Map & Distribution Lightning Protection Solutions,
- Carried out Fleet assessment for Rabigh and Shoaiba Power Plant with EPRI
- Developed AI and IOT based solutions:
 - Kashef - An IoT device to assist in protection against electrical faults in outdoor lighting poles;
 - Manakh - An IoT device that tracks environmental signs inside corporate buildings;
 - Spot Gard - A sophisticated industrial smartwatch that safeguards workers by detecting and alerting them to potential leaks of toxic gases and autonomously triggering rescue actions in case of accidents;
- DistriMod - Uses AI algorithms to determine the shortest electrical paths to reduce electrical losses



Supply Chain

SEC prioritizes a resilient and sustainable supply chain, vital for enduring success. Through transparent tendering, it selects responsible suppliers, ensuring quality and adherence to policies. Risk mitigation and localization efforts fortify against geopolitical risks, enabling effective response to disruptions, ensuring business continuity.

Our Ambitions

Performance in 2023

60% local content by 2025

58.09%*

72% localization by 2025 and 75% localization by 2030

70.00%

Local Supply Chain

In 2023, SEC achieved substantial progress in realizing its vision for a responsible, transparent, and localized supply chain. Local factory purchases exceeded SAR 22 billion achieving a localization rate of 70%, progressing rapidly towards achieving the target of 75% localization by 2030. The expansion of the local supplier network saw an increase in the number of approved factories by 56 factories. The establishment of the ‘Logistics Business Center’ maintained an impressive resource availability of 97.50%, up by ~2% from 2022, enhancing supply chain resilience and reducing average lead times.

Notably, SEC reduced its inventory stock value to SAR 4.09 million compared to SAR 4.60 million in 2022, resulting in a leaner and more responsive supply chain. In essence, SEC’s strategic focus on supply chain localization and lean operating mechanisms has significantly bolstered resilience, flexibility, responsiveness, and overall performance in the supply chain.

Supply Chain Localization

Focus Area	Metric	2020	2021	2022	2023
Company Level	Localization (%)	67.00%	68.10%	71.00%	70.00%

*Progress data for local content is as of 2022 as the computation of 2023 data was still in progress at the time of publication of this report.

Local Manufacturer/Contractor Procurement Spend

Focus Area	2020	2020	2021	2022	2023
Local Manufacturers	Total Spending on Manufacturers (Billion SAR)	8.33	9.00	15.35	31.00
	Total Spending on Locally Owned Manufacturers (Billion SAR)	5.51	6.13	10.90	22
	Number of Local Manufacturers	668	706	739	786
	Percentage of Procurement Spending on Locally Owned Manufacturers (%)	66%	68%	71%	70%
Local Contractors	Total Spending on Contractors (Billion SAR)	13.23	55.40	45.88	59.00
	Total Spending on Locally Owned Contractors (Billion SAR)	12.38	52.43	43.53	55.50
	Number of Local Contractors	2,220	2,826	3,533	4,639
	Percentage of Procurement Spending on Locally Owned Contractors (%)	93.51%	94.61%	95.00%	94.00%

Sustainable Supply Chain

SEC prioritizes transparency, responsibility, and accountability as part of its supply chain strategy, recognizing these elements as crucial for long-term financial performance. The company actively integrates sustainability into its strategy, meticulously identifying supply chain risks and dependencies from both ESG and business operations perspectives. This holistic approach ensures SEC’s proactive management of factors essential to sustained financial success.

Identifying significant suppliers is a critical facet of SEC’s effective supply chain risk management. These suppliers are characterized by substantial risks of negative ESG impacts¹ or significant business relevance² to the company, or a combination of both. SEC employs a systematic approach to screen suppliers, facilitating the proactive identification and addressing of potential sustainability risks within the supply chain. The number of significant Tier-1³ suppliers increased by 18% between 2022 and 2023. With a robust risk management framework and a rigorous supplier screening process, SEC effectively mitigates adverse environmental impacts, enhancing its ESG credentials in the process.

Supplier Screening*

Metric	2023
Total Number of Tier-1 Suppliers	1,237
Total Number of Significant Suppliers in Tier-1	22
% of Total Spend on Significant Suppliers in Tier-1	19%
Total Number of Significant Suppliers in Non-Tier-1	0
Total Number of Significant Suppliers (Tier-1 and Non-Tier-1)	22

To mitigate risks stemming from business relationships with suppliers, SEC conducts thorough supplier audits. These audits serve as essential mechanisms for assessing supplier performance, reliability, and compliance with established standards, regulations, and contractual obligations. The criteria include screening for key ESG criteria such as health & safety. Through these rigorous evaluations, SEC ensures the quality of its suppliers, identifies, and mitigates risks, and upholds corporate responsibility standards throughout the entire supply chain.

In 2023, the company conducted audits on 1,200 suppliers, resulting in constructive improvement actions being agreed with 69% of them.

¹ Negative ESG impacts include negative impacts on living and non-living natural systems, including land, water, air and ecosystems that the organization causes or contributes to, or that are directly linked to its activities, products, or services by its relationship with a supplier
² Significant business relevance to SEC encompasses an organization’s pertinence to the industry and stakeholders
³ Tier 1 suppliers are defined as partners that SEC directly conducts business with, including contracted manufacturing facilities or production partners.
*The numbers provided in the table represent unique supplier organizations screened during the reporting period

Supplier Assessment/Audit

Metric	2023
Number of Suppliers That Are Subject to Audit	1,200
Number of Significant Suppliers That Are Subject to Audit	22
Number of Suppliers Identified as Having Significant Actual and Potential Negative Impacts	470
Number of Suppliers with Which Improvements Were Agreed Upon as a Result of The Audit	828
Number of Suppliers with Significant Actual and Potential Negative Impacts That were Terminated	6

Supplier Development

Metric	2023
Total Number of Suppliers Supported in Corrective Action Plan Implementation	139
% of Suppliers Assessed with Substantial Actual/Potential Negative Impacts Supported in Corrective Action Plan Implementation	29.57%

In summary, SEC strategically engages with stakeholders to fortify supplier relationships and aligns supply chain operations with global best practices, emphasizing sustainability, material availability, and risk reduction. In 2023, SEC implemented key initiatives to enhance supply chain management capabilities, focusing on supplier selection, localized manufacturing in accordance with the Council of Ministers’ Resolution No. 658, and supplier capability development.⁷

SEC has initiated several impactful measures to establish a localized and sustainable supply chain.



⁷ The Council of Ministers’ Resolution No. 658 enforces local content regulations and requirements for enterprises in which the state or the Public Investment Fund holds a stake of more than 50%.

Our Actions

Code of Conduct & Ethics

- Developed a 'Code of Conduct & Ethics' that suppliers acknowledge before being onboarded. This includes policies covering the following:
 - Human Rights
 - Anti-Corruption
 - Competition & Fair Dealing
 - Bribery
 - Third-Party Engagement
 - Vendor Selection
 - Facilitating Payments
 - Anti-Money Laundering
 - Charitable Contributions & Event Sponsorship
 - Solicitation & Extortion
 - M&A Activity



Localized Manufacturing

- Signed two contracts to localize the manufacturing of high and ultra-high voltage gas switches, with binding purchase agreements exceeding SAR 5.90 billion. The contracts stipulated the construction of local factories or an increase in existing local capacity within a maximum of two years



Capability Development

- Rehabilitated 56 new local factories, reinforcing the manufacturing capacities of over ten existing factories to boost annual production
- Integrated robots into manufacturing processes of three factories , aligning with the journey towards the Fourth Industrial Revolution



Spotlight: Build and Employ National Abilities (BENA) Program

In line with Saudi Vision 2030, SEC implemented the BENA program to facilitate the development and execution of its localization plans, with a key focus on local content, knowledge and capability development in areas of Manufacturing, Maintenance, Repair, and R&D.

The multi-pronged strategy includes 3 initiatives to boost the Saudi Industry: Policy development to support local manufacturers and contractors, Mechanisms to support SMEs, and Identification of investment opportunities for industry and services.

Key Actions



Reviewed the BENA Program objectives as part of Saudi Vision 2030



Contextualized the applicability of the program outcomes to SEC's business strategy



Conceptualized a high-level framework to drive the program



Developed a strategy focusing on localization, content development, SME support, and investment avenues for domestic industry



Implemented the policies, procedures, and mechanisms to support local manufacturers and industries/ services



Measured and assessed the impact against the goals. Identified improvement scope and initiated action plans

Impact Generated

Local suppliers demonstrating increased Benefited local content, assigning up to 10% of each purchase to small and medium organizations



Streamlined the review of local content plans during the contracting stage



Ensured post-contracting commitment monitoring for contractors and suppliers



Automated competitor ranking in financial evaluations using Bena Calculator



Facilitated efficient monitoring through interactive panel to oversee daily contributions in local content contracts



11

Glossary & Appendix

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Glossary

List of Acronyms

Acronym	Full Form
AI	Artificial Intelligence
BENA	Build and Employ National Abilities Program
BL	Business Line
bps	Basis Points
CBT	Competency Based Training
CDCs	Crisis and Disaster Centers
CDM	Clean Development Mechanism
CE	Customer Experience
CEO	Chief Executive Officer
CER	Carbon Emission Reduction
CITC	Communications and Information Technology Commission
CMP	Compliance Monitoring Program
CMT	Crisis Management Team
CPDP	Comprehensive Professional Development Plan
ERM	Enterprise Risk Management
ESG	Environment, Social and Governance
EV	Electric Vehicles
FABLABs	Fabrication Laboratories
FEMP	Fugitive Emission Management Plan
FGD	Flue Gas Desulfurization
FPCC	Fadhili Plant Cogeneration Company
GAMEP	General Authority Meteorology and Environmental Protection
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GEC	General Electricity Corporation
GHG	Greenhouse Gas
GOSI	General Organization for Social Insurance
GRI	Global Reporting Initiative
GWh	Gigawatt Hour
OPEX	Operating Expenditure

Acronym	Full Form
CST	Communication, Space Technology
CSP	Concentrated Solar Power
CSR	Corporate Social Responsibility
CO2	Carbon Dioxide
CO2e	Carbon Dioxide Equivalent
CRM	Customer Relationship Management
D&I	Diversity and Inclusion
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
ECA	Energy Conversion Agreements
EMS	Environmental Management System
EFQM	European Foundation for Quality Management Institute
EIA	Environmental Impact Assessment
ELDC	Executive and Leadership Development Center
EPMO	Enterprise Project Management Office
EPRI	Electric Power Research Institute
GW	Gigawatt
H&S	Health and Safety
HSE	Health, Safety, and Environment
HSSE	Health, Safety, Security, and Environment
HR	Human Resources
HRD	Human Resource Development
IFC	International Finance Corporation
IMD	International Institute for Management Development
IoT	Internet of Things
IPCC	Intergovernmental Panel on Climate Change
IPG	Initial Price Guidance
IPPs	Independent Power Producers
IPT	Initial Price Talks
IRCA	International Register of Certified Auditors
ISO	International Organization for Standardization

Acronym	Full Form
OSP	Oil Sustainability Program
OT	Operational Technology
O&M	Operations and Maintenance
PDC	Post Dated Cheques
PPEs	Property, Land, & Equipment Technology
PPA	Power Purchase Agreement
PV	Photovoltaic
PIF	Public Investment Fund
QMS	Quality Management System
QRA	Quantitative Risk Assessment
RASIC	Responsible, Accountable, Support, Information, Consulted matrix
R&D	Research and Development
RDI	Research, Development and Innovation
RDIA	Research, Development and Innovation Authority
RE	Renewable energy
RES	Resource Environmental Solutions
RG	Research groups
RPC	Rabigh Power Company
SAIDI	System Average Interruption Duration Index Compliance
SAIFI	System Average Interruption Frequency Index
SASB	Sustainability Accounting Standards Board
SAP	Systems, Applications & Products in Data Processing
SAR	Saudi Riyal
SAWEC	Shuqaiq Water and Electricity Company
SBTs	Science Based Targets
SBTIs	Science Based Targets Initiative
SCECOs	Saudi Consolidated Electricity Companies
SCR	Selective Catalytic Reduction

Acronym	Full Form
SDAIA	Saudi Data and Artificial Intelligence Authority
SDG	Sustainable Development Goals
SEC	Saudi Electricity Company
SF6	Sulphur Hexafluoride
SGI	Saudi Green Initiative
SME	Small and Medium-sized Enterprise
SMP	Smart Meter Project
SOx	Sulfur Oxides
SOC	Safety Operational Committee
S&P	Standards & Poor's
SPPC	Saudi Power Purchase Company
SPV	Solar Photovoltaic
SSE	Safety, Security, and the Environment
SSL	Saudi Sign Language
SVP	Senior Vice President
SWEC	Shuaibah Water and Electricity Company Authority
TCFD	Task Force on Climate - Related Financial Disclosures
TTP	Targeted Talent Program
UN	United Nations
URGs	Underrepresented Groups
USD Mn	United States Dollar Million
VFD	Variable Frequency Drive
VoC	Voice Of Customer
WIF	Water in Fuel
VOC	Volatile Organic Compounds
XLPE	cross-linked polyethylene
WERA	Water and Electricity Regulatory Authority

GRI Content Index

GRI Standard	Disclosure	Page Number and Report Reference	Relevant Tadawul Disclosure
GRI 2: General Disclosures 2021	2-1 Organizational details	Chapter 3: SEC at a Glance Pages: 22 to 29	Ownership and Control
	2-2 Entities included in the organization's sustainability reporting	Chapter 2: About this Report Page: 18	
	2-3 Reporting period, frequency and contact point	Chapter 2: About this Report Pages: 18, 19	
	2-4 Restatements of information	Explanations are provided in the report wherever methods have changed from past year	
	2-5 External assurance	No third-party assurance was conducted for this report. To be considered for future	
	2-6 Activities, value chain and other business relationships	Chapter 3: People & Community Pages: 26, 27	
	2-7 Employees	Chapter 9: SEC at a Glance Page: 103	
	2-8 Workers who are not employees	Chapter 9: People & Community Page: 103	
	2-9 Governance structure and composition	Chapter 10: Responsible Governance Pages: 142 to 147	
	2-10 Nomination and selection of the highest governance body	Chapter 10: Responsible Governance Page: 147	
	2-11 Chair of the highest governance body	Chapter 10: Responsible Governance Page: 144	Board
	2-12 Role of the highest governance body in overseeing the management of impacts	Chapter 10: Responsible Governance Page: 142	Board
	2-13 Delegation of responsibility for managing impacts	Chapter 10: Responsible Governance Pages: 142 to 147	
	2-14 Role of the highest governance body in sustainability reporting	Chapter 5: Driving Sustainable Transition Pages: 50, 51	Board
	2-15 Conflicts of interest	Chapter 5: Responsible Governance Pages: 150 to 152	Business Ethics
	2-16 Communication of critical concerns	Chapter 10: Driving Sustainable Transition Pages: 50 to 52	
	2-17 Collective knowledge of the highest governance body	Chapter 10: Responsible Governance Pages: 144, 145	
	2-18 Evaluation of the performance of the highest governance body	Chapter 10: Responsible Governance Pages: 142, 148	
	2-19 Remuneration policies	Chapter 10: Responsible Governance Pages: 148, 149	Pay
	2-20 Process to determine remuneration	Chapter 10: Responsible Governance Pages: 148, 149	Pay
	2-22 Statement on sustainable development strategy	Cover Page Page: 2	
	2-23 Policy commitments	Chapter 8: Nature & Circularity Page: 87	
	2-24 Embedding policy commitments	Chapter 8: Nature & Circularity Page: 87	
	2-25 Processes to remediate negative impacts	Refer "Our Actions" sub-section under Chapter 7: Climate Action, 8: Nature & Circularity, 9: People & Community, 10: Responsible Governance	
	2-26 Mechanisms for seeking advice and raising concerns	Chapter 10: Responsible Governance Page: 152	Business Ethics
	2-27 Compliance with laws and regulations	Chapter 10: Responsible Governance Pages: 150, 151	Business Ethics
	2-28 Membership associations	Chapter 4: Our Sustainability Journey Page: 42	
	2-29 Approach to stakeholder engagement	Chapter 6: Engaging Stakeholders Page: 60	

GRI Standard	Disclosure	Page Number and Report Reference	Relevant Tadawul Disclosure
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Chapter 6: Engaging Stakeholders Pages: 61, 62	
	3-2 List of material topics	Chapter 6: Engaging Stakeholders Page: 63	
	3-3 Management of material topics	Chapter 7: Climate Action; Pages: 66 to 83 Chapter 8: Nature & Biodiversity; Pages: 86 to 99 Chapter 9: People & Community; Pages: 102 to 137 Chapter 10: Responsible Governance; Pages: 140 to 171	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Chapter 10: Responsible Governance Page: 155	
	201-4 Financial assistance received from government	Chapter 10: Responsible Governance Page: 156	
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	Chapter 9: People & Community Page: 104	
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Chapter 9: People & Community Page: 129	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Chapter 10: Responsible Governance Page: 168	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Chapter 10: Responsible Governance Pages: 151, 152	
	205-3 Confirmed incidents of corruption and actions taken	Chapter 10: Responsible Governance Page: 150	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Chapter 10: Responsible Governance Page: 150	
GRI 207: Tax 2019	207-1 Approach to tax	Chapter 10: Responsible Governance Page: 152	Tax Transparency
	207-2 Tax governance, control, and risk management	Chapter 10: Responsible Governance Page: 152	Tax Transparency
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Chapter 7: Climate Action Page: 78	
	302-4 Reduction of energy consumption	Chapter 7: Climate Action Page: 78	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Chapter 8: Nature & Circularity Pages: 92, 93	
	303-2 Management of water discharge-related impacts	Chapter 8: Nature & Circularity Pages: 92, 93	
	303-3 Water withdrawal	Chapter 8: Nature & Circularity Page: 92	
	303-4 Water discharge	Chapter 8: Nature & Circularity Page: 92	
	303-5 Water consumption	Chapter 8: Nature & Circularity Page: 92	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Chapter 8: Nature & Circularity Page: 95	Biodiversity and Land Use
	304-2 Significant impacts of activities, products and services on biodiversity	Chapter 8: Nature & Circularity Page: 96	Biodiversity and Land Use
	304-3 Habitats protected or restored	Chapter 8: Nature & Circularity Page: 96	Biodiversity and Land Use
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Chapter 8: Nature & Circularity Page: 95	Biodiversity and Land Use

GRI Standard	Disclosure	Page Number and Report Reference	Relevant Tadawul Disclosure
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Chapter 7: Climate Action Page: 71	GHG Emissions
	305-2 Energy indirect (Scope 2) GHG emissions	Chapter 7: Climate Action Page: 71	GHG Emissions
	305-4 GHG emissions intensity	Chapter 7: Climate Action Page: 71	GHG Emissions
	305-5 Reduction of GHG emissions	Chapter 7: Climate Action Pages: 70 to 73	GHG Emissions
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Chapter 7: Climate Action; Page: 72 Chapter 8: Nature & Biodiversity, Page: 88	Toxic Emissions and Waste
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Chapter 8: Nature & Circularity Pages: 88 to 91	Toxic Emissions and Waste
	306-2 Management of significant waste-related impacts	Chapter 8: Nature & Circularity Pages: 88 to 91	Toxic Emissions and Waste
	306-3 Waste generated	Chapter 8: Nature & Circularity Page: 90	Toxic Emissions and Waste
	306-4 Waste diverted from disposal	Chapter 8: Nature & Circularity Page: 90	Toxic Emissions and Waste
	306-5 Waste directed to disposal	Chapter 8: Nature & Circularity Page: 90	Toxic Emissions and Waste
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Chapter 10: Responsible Governance Page: 151	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Chapter 10: Responsible Governance Page: 168	
	308-2 Negative environmental impacts in the supply chain and actions taken	Chapter 10: Responsible Governance Page: 169	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Chapter 9: People & Community Pages: 104, 105	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Chapter 9: People & Community Page: 106	
	401-3 Parental leave	Chapter 9: People & Community Pages: 115, 116	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Chapter 9: People & Community Page: 109	Labor Management
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Chapter 9: People & Community Pages: 119 to 123	Health and Safety
	403-2 Hazard identification, risk assessment, and incident investigation	Chapter 9: People & Community Pages: 119 to 123	Health and Safety
	403-3 Occupational health services	Chapter 9: People & Community Page: 124	Health and Safety
	403-4 Worker participation, consultation, and communication on occupational health and safety	Chapter 9: People & Community Page: 124	Health and Safety
	403-5 Worker training on occupational health and safety	Chapter 9: People & Community Page: 123	Health and Safety
	403-6 Promotion of worker health	Chapter 9: People & Community Page: 124	Health and Safety
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Chapter 9: People & Community Page: 124	Health and Safety
	403-8 Workers covered by an occupational health and safety management system	Chapter 9: People & Community Page: 120	Health and Safety
	403-9 Work-related injuries	Chapter 9: People & Community Page: 121	Health and Safety

GRI Standard	Disclosure	Page Number and Report Reference	Relevant Tadawul Disclosure
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Chapter 9: People & Community Page: 107	Human Capital Development
	404-2 Programs for upgrading employee skills and transition assistance programs	Chapter 9: People & Community Pages: 106, 107	Human Capital Development
	404-3 Percentage of employees receiving regular performance and career development reviews	Chapter 9: People & Community Page: 105	Human Capital Development
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Chapter 10: Responsible Governance Page: 143 Chapter 9: People & Community Page: 103	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Chapter 9: People & Community Page: 115	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Chapter 9: People & Community Page: 118	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Chapter 9: People & Community Page: 117	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Chapter 9: People & Community Page: 117	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Chapter 9: People & Community Pages: 134, 135	
	413-2 Operations with significant actual and potential negative impacts on local communities	Chapter 9: People & Community Pages: 132 to 137	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Chapter 10: Responsible Governance Page: 169	
	414-2 Negative social impacts in the supply chain and actions taken	Chapter 10: Responsible Governance Page: 169	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Chapter 9: People & Community Page: 128	Privacy and Data Security

SASB Content Index

SASB Topic	Code	Metric	Page Number/ Section
Greenhouse Gas Emissions & Energy Resource Planning	IF-EU-110a.1	(1) Gross global Scope 1 emissions, percentage covered under (2) emissions-limiting regulations, and (3) emissions-reporting regulations	Chapter 7: Climate Action Page: 71
	IF-EU-110a.2	Greenhouse gas (GHG) emissions associated with power deliveries	Chapter 7: Climate Action Page: 71
	IF-EU-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Chapter 7: Climate Action Pages: 72, 73
Air Quality	IF-EU-120a.1	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) particulate matter (PM10), (4) lead (Pb), and (5) mercury (Hg); percentage of each in or near areas of dense population	Chapter 8: Nature & Biodiversity Pages: 88
Water Management	IF-EU-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Chapter 8: Nature & Biodiversity Pages: 92
	IF-EU-140a.2	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	Chapter 8: Nature & Biodiversity Pages: 92
	IF-EU-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	Chapter 8: Nature & Biodiversity Pages: 93
Coal Ash Management	IF-EU-150a.1	Amount of coal combustion residuals (CCR) generated, percentage recycled	The company does not operate coal-fired power plants
	IF-EU-150a.2	Total number of coal combustion residual (CCR) impoundments, broken down by hazard potential classification and structural integrity assessment	The company does not operate coal-fired power plants
Energy Affordability	IF-EU-240a.1	Average retail electric rate for (1) residential, (2) commercial, and (3) industrial customers	Chapter 9: People & Community Page: 129
	IF-EU-240a.3	(1) Number of residential customer electric disconnections for non-payment, (2) percentage reconnected within 30 days	Chapter 9: People & Community Page: 129
	IF-EU-240a.4	Discussion of impact of external factors on customer affordability of electricity, including the economic conditions of the service territory	Chapter 9: People & Community Page: 129
Workplace Health & Safety	IF-EU-320a.1	1) Total recordable incident rate (TRIR), (2) fatality rate, and (3) near miss frequency rate (NMFR)	Chapter 9: People & Community Page: 121
End-Use Efficiency & Demand	IF-EU-420a.2	Percentage of electric load served by smart grid technology	Chapter 9: People & Community Page: 129
	IF-EU-420a.3	Customer electricity savings from efficiency measures, by market	Chapter 7: Climate Action Page: 82
Nuclear Safety & Emergency Management	IF-EU-540a.1	Total number of nuclear power units, broken down by U.S. Nuclear Regulatory Commission (NRC) Action Matrix Column	The company does not operate nuclear power plants
	IF-EU-540a.2	Description of efforts to manage nuclear safety and emergency preparedness	The company does not operate nuclear power plants
Grid Resiliency	IF-EU-550a.1	Resiliency Number of incidents of non-compliance with physical and/or cybersecurity standards or regulations	Chapter 10: Responsible Governance Page: 160
	IF-EU-550a.2	(1) System Average Interruption Duration Index (SAIDI), (2) System Average Interruption Frequency Index (SAIFI), and (3) Customer Average Interruption Duration Index (CAIDI), inclusive of major event days	Chapter 9: People & Community Page: 126

SASB Topic	Code	Metric	Page Number/ Section
Activity Metrics	IF-EU-000.A	Number of: (1) residential, (2) commercial, and (3) industrial customers served	Chapter 9: People & Community Page: 127
	IF-EU-000.B	Total electricity delivered to: (1) residential, (2) commercial, (3) industrial, (4) all other retail customers, and (5) wholesale customers	Chapter 9: People & Community Page: 127
	IF-EU-000.C	Length of transmission and distribution lines	Chapter 9: People & Community Page: 125
	IF-EU-000.D	Total electricity generated, percentage by major energy source, percentage in regulated markets	Chapter 7: Climate Action Page: 75
	IF-EU-000.E	Total wholesale electricity purchased	N / A

TCFD Content Index

TCFD Topic	Metric	Page Number/ Section
Governance	Describe the management’s role in assessing and managing climate related risks and opportunities	Chapter 7: Climate Action Page: 67
	Describe the board’s oversight of climate-related risks and opportunities	Chapter 7: Climate Action Page: 67
Risk Management	Describe the organization’s processes for identifying and assessing climate-related risks	Chapter 7: Climate Action Page: 68
	Describe the organization’s processes for managing climate-related risks	Chapter 7: Climate Action Page: 68
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management	Chapter 7: Climate Action Page: 68
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Chapter 7: Climate Action Pages: 68, 69
	Describe the impact of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning	Chapter 7: Climate Action Pages: 68, 69
	Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Chapter 7: Climate Action Pages: 68, 69
Metrics and Targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Chapter 7: Climate Action Page: 69
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Chapter 7: Climate Action Page: 69
	Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets	Chapter 7: Climate Action Page: 69

Disclaimer and Forward-Looking Statement

Certain information contained in this report is forward-looking information based on current expectations and plans that involve risks and uncertainties. Many forward-looking statements appear in sections including but not limited to “Our Ambitions”, “Our Strategic Objectives” but there are others throughout this document which may be identified by words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “will,” “should,” “could,” “would,” “project,” “continue” and similar expressions, and include statements reflecting future results or guidance and statements of outlook. Forward-looking information includes, among other things, statements concerning SEC’s financial objectives, projected in-service dates for and expected future operations of plants or repowerings, projected renewable energy capacity and expected achievement of emission reduction goals. While every effort has been made to ensure the accuracy and reliability of information presented in this report, factors such as data collection methods and evolving reporting frameworks may contribute to minor variations in reported figures.

SEC cautions that forward-looking statements in this document are presented as of the date of this document and that there are certain factors that can cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of SEC; accordingly, there can be no assurance that such suggested results will be realized. In addition, the reader is expressly advised that the document may contain data which is unaudited and not subject to the generally accepted accounting principles. The following factors, in addition to those discussed in SEC’s Annual Report for the year ended 31 December 2023, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: the impact of recent and future regulatory changes, including tax, environmental, and other laws and regulations to which SEC and its subsidiaries are subject, as well as changes in application of existing laws and regulations; current and future litigation or regulatory investigations, proceedings, or inquiries, the effects, extent, and timing of the entry of additional competition in the markets in which SEC’s subsidiaries operate, including from the development and deployment of alternative energy sources; variations in demand for electricity; available sources and costs of commodities; the ability to complete necessary or desirable expansion or infrastructure projects, limits on capacity, public and policymaker support for such projects, and operational interruptions to distribution and transmission activities; transmission constraints; the ability to control costs and avoid cost and schedule overruns during the development, construction, and operation of facilities or other projects, due to current and/or future challenges which include, but are not limited to, changes in labor costs, availability, and productivity, challenges with the management of contractors or vendors, subcontractor performance, adverse weather conditions, shortages, delays, increased costs, or inconsistent quality of equipment, materials, and labor, contractor or supplier delay, the effects of inflation, delays due to judicial or regulatory action, nonperformance under construction, operating, or other agreements, operational readiness, including specialized operator training and required site safety programs, engineering or design problems or any remediation related thereto, design and other licensing-based compliance matters, challenges with start-up activities, including major equipment failure, or system integration, and/or operational performance, challenges related to any future pandemic health events, continued public and policymaker support for projects, environmental and geological conditions, delays or increased costs to interconnect facilities to transmission grids, and increase financing costs as a result of changes in market interest rates or as a result of project delays; legal proceedings and regulatory approvals and actions related to construction projects, the ability to construct facilities in accordance with the requirements of permits and licenses, to satisfy any environmental performance standards and the requirements of any incentives, and to integrate facilities into the SEC system upon completion of construction; investment performance of the employee and retiree benefit plans; advances in technology, including the pace and extent of development of low- to no-carbon energy and battery energy storage technologies and negative carbon concepts; performance of counterparties under ongoing renewable energy partnerships and development agreements, additional generating capacity, the ability to successfully operate the generation, transmission, and distribution facilities, the successful performance of necessary corporate functions; the inherent risks involved in operating and constructing electric generating facilities; the performance of projects undertaken by any non-utility businesses and the success of efforts to invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed; the ability of counterparties of SEC and its subsidiaries to make payments as and when due and to perform as required; the ability to obtain new short and long-term contracts with wholesale customers; the direct or indirect effect on SEC’s business resulting from cyber intrusion or physical attack and the threat of cyber and physical attacks, economic conditions in the Kingdom of Saudi Arabia, economic conditions globally and in the economies of key trading partners of Saudi Arabia, domestic factors such as: revenues from crude oil exports; the impact of the Government’s fiscal consolidation measures; the diversification of the Saudi economy; the sovereign credit rating assigned to Saudi Arabia; changes to estimates of hydrocarbon reserves; levels of unemployment; foreign currency reserves; and the maintenance of the Saudi riyal-U.S. dollar currency peg, the impact of changes in the price of oil; ongoing political and security concerns in the Middle East; present and future exchange rates, impacts from recession, inflation, interest rate fluctuations, and financial market

conditions, and the results of financing efforts; access to capital markets and other financing sources; changes in SEC’s and any of its subsidiaries’ credit ratings; the replacement of the London Interbank Offered Rate with an alternative reference rate; the ability of SEC’s electric utilities to obtain additional generating capacity (or sell excess generating capacity) at competitive prices; catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events, political unrest, wars, or other similar occurrences; the potential effects of the continued COVID-19 pandemic; the direct or indirect effects on SEC’s business resulting from incidents affecting the electric grid infrastructure, or operation of generating or storage resources; impairments of goodwill or long-lived assets; and the effect of accounting pronouncements issued periodically by standard-setting bodies.

Except to the extent required by applicable law, SEC and its management expressly disclaim any obligation to update or revise any forward-looking statement. This Sustainability Report has been prepared by Saudi Electricity Company (“SEC” or the “Company”) for information. The information contained in this report may not have been reviewed or reported on by the Company’s auditors and may not be subject to the generally accepted accounting principles. This report may contain certain forward-looking statements with respect to SEC’s strategic position, results of the business, and the company expectations in connection with the environmental, social, and governance (“ESG”) initiatives, including the ambitions set forth in this report.



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