

Expansion & Prosperity

Ambitious Vision

Revenue Growth

Sustainable Development

Vibrant Community

Power Supply Security & Reliability

Renewable Energy

Supply Chain Flexibility

Leading Customer Experience

Flexibility & Transformation



Annual Report 2023

Strategic Partnerships

Social Responsibility

Organization & Governance

Operational Excellence

Research & Development

Institutional Excellence

Transparency & Integrity

Support & Empowerment

Improve Efficiency

Local Content

Integrated Nationalization

National Transformation



الشركة السعودية للكهرباء

Saudi Electricity Company

Diligently Serving You

Saudi Electricity Company’s (SEC) business strategy and activities are intricately aligned with both the Saudi Vision 2030 and the Sustainable Development Goals (SDGs) outlined by the United Nations (UN). SEC is dedicated to advocating for energy efficiency, ensuring the secure and reliable provision of electricity, advancing energy transition, and preserving resources. The company also prioritizes fostering economic diversification, community development, and transparency in business practices.

In alignment with the Kingdom’s aspiration to achieve Net Zero emissions by 2060, SEC through its decarbonization projects is working towards their ambition of Net Zero emissions by 2050 ⁽¹⁾. The company actively collaborates with the Ministry of Energy on grid interconnection and supports the National Liquid Displacement Program, contributing to the Kingdom’s ambitious goal of generating 50% of electricity from renewable sources, 50% from natural gas, and transitioning to a cleaner energy mix by 2030.

SEC recognizes the significance of Environmental, Social, and Governance (ESG) factors in ensuring long-term business success and is dedicated to sustainable and responsible business conduct. The company’s commitment to sustainability goes beyond fostering business resilience and ensuring regulatory compliance. It serves as a catalyst for bolstering investor confidence, reducing costs, mitigating risk, achieving environmental stewardship, fostering customer loyalty, and attracting top-tier talent.

ESG Journey

SEC has made significant strides in advancing the ESG agenda throughout the year. The progress is underscored by the successful rollout of its ESG strategy, after being endorsed by the Board. Concurrently, the establishment of the ESG Governance framework serves as a cornerstone, facilitating cohesive and collective sustainability actions across the company. To fortify its commitment to developing sustainability competencies, the company has invested considerable efforts in knowledge-sharing sessions aimed at socializing ESG principles across business lines.

Within SEC’s environmental sustainability ambitions, the integration of renewable energy with the National Grid is pivotal. Progress on this front has been substantial, with the company remaining on track to complete 25 renewable energy integration projects by 2026. Additionally, efforts have been initiated to develop a roadmap for circular economy programs, optimizing the use of valuable resources. Furthermore, the company’s commitment to energy efficiency and data tracking is evident in the deployment of innovative digital solutions. The expanded adoption of these solutions ensures accurate tracking of resources used in generation.

Recognizing the strategic importance of diversity and inclusion, SEC has taken concrete steps by establishing a dedicated Diversity and Inclusion department enabling the company to empower women and youth (18–35-year-old) in the workforce through various avenues.

In parallel, SEC remains steadfast in its dedication to community enrichment, emphasizing the importance of fostering valuable relationships with the communities the company serves. Charitable activities, including the impactful Ihsan Care initiative, employee deduction initiative, and various community projects, showcase the company’s commitment to giving back and contributing to the betterment of society.

Further strengthening its commitment to ESG in 2023, SEC announced its ambition to achieve Net Zero emissions by 2050 and signed 8 Memoranda of Understanding (MoUs) with leading local and international companies. The agreements were signed during COP28 in line with SEC’s endeavor towards decarbonization. These collaborations include one with the Net Zero Technology Center (NZTC) and Accenture to launch a Center of Excellence (CoE) for Sustainability, with the goal of developing solutions to reduce carbon emissions.

The ambition of SEC to achieve Net Zero emissions by 2050 and its MoUs with international companies



¹ The scope of the ambition to reach Net Zero emissions by 2050 covers SEC’s operations in the Kingdom.

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

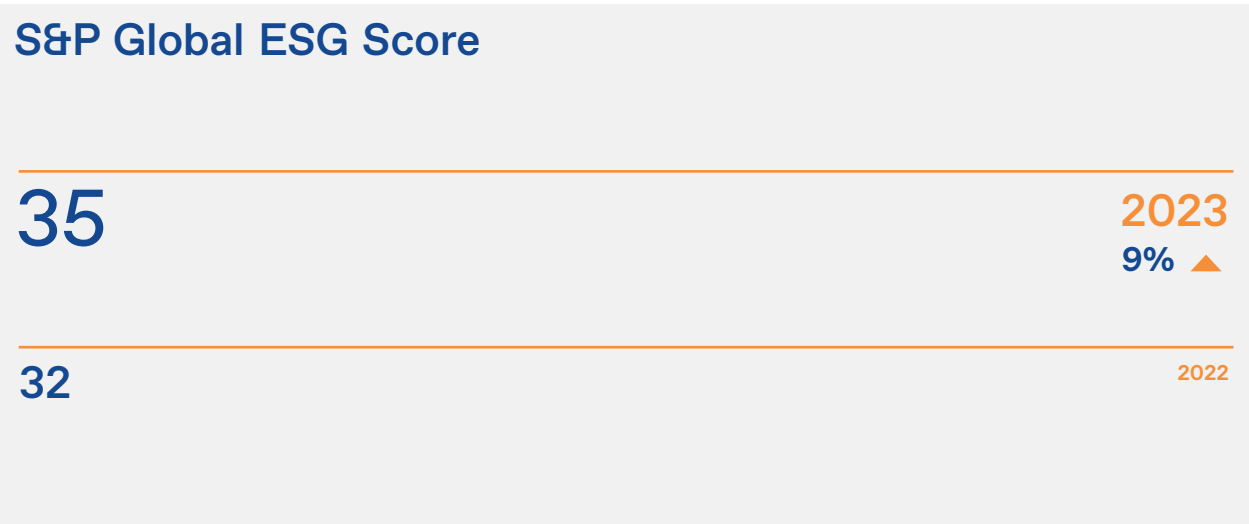
Announced Net Zero emissions by 2050 ambition in line with the KSA's endeavor to achieve Net Zero emissions.

December Driving Sustainability Innovation

Signed 8 MoUs for sustainability-focused partnerships at COP28, including one for launching a CoE for sustainability with NZTC & Accenture.

ESG Ratings

The culmination of SEC’s ESG achievements and organizational efforts were recognized by leading sustainability assessors and can be observed in the improvement across the ESG ratings



ESG Strategy

ESG North Star

Illuminating Lives for a Green and Sustainable Future

Environment Pillar		Social Pillar		Governance Pillar			
<h3>Climate Action</h3> <p>Unlocking the Kingdom's transition to renewables and net-zero</p> 		<h3>Nature & Circularity</h3> <p>Preserving the environment and biodiversity</p> 		<h3>People & Community</h3> <p>Attracting KSA's brightest and most diverse talent, driving community impact and development</p> 		<h3>Responsible Governance</h3> <p>Exemplifying transparent, ethical, accountable and responsible business</p> 	
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	

At the core of SEC’s ESG strategy lies a robust materiality assessment exercise. Throughout 2023, the company engaged with a wide set of internal and external stakeholders to capture their input. This resulted in a materiality matrix incorporating valuable insights from SEC’s key stakeholders including investors, leadership, ESG specialists, employees, regulatory bodies, suppliers, and local communities.

The company formulated an effective ESG strategy which was endorsed by the Board. The strategy established key interim and long-term targets, initiatives, and enablers to integrate ESG principles across the company. The development was grounded in stakeholder insights from materiality assessment, investor requirements, and national and international priorities of Vision 2030, the Circular Carbon Economy national program, the Liquid Fuel Displacement program, and UN SDGs. SEC extensively collaborated with its various business lines to outline ESG strategic objectives, key initiatives, and a roadmap to achieve the objectives defined.

Initiatives

Environment Pillar

Climate Action

- Implemented Smart Meter project (SMP) to monitor electricity consumption more effectively, improve service quality, optimize resource consumption, and increase access to electricity.
- Implemented high-efficiency renewable energy projects that increased consumers’ accessibility to sustainable and eco-friendly energy solutions.
- Launched services aimed at empowering customers to seamlessly connect their renewable energy resources and electric vehicle (EV) charging systems to the grid.
- Installed substation equipment featuring alternate insulating gases to effectively control and mitigate greenhouse gas emissions.
- Participated in international syndicated facility agreement to boost grid infrastructure. This entailed building smart grids, integrating renewable energy projects, and improving grid reliability.

Nature & Circularity

- Adopted state-of-the-art environmental technologies, including dry low-NOx combustion systems, selective catalytic reduction (SCR) systems, seawater flue gas desulfurization (FGD), electrostatic precipitators, and the replacement of environmentally harmful chemicals to reduce toxic emissions.
- Executed numerous projects to preserve biodiversity, such as the installation of insulators on electric overhead lines to protect birds, and the implementation of an innovative project that preserves the marine environment through the cultivation of coral reefs.
- Operationalized an environmental monitoring program, for all sites that are used to store waste, to monitor the impact on air and groundwater quality.

Social Pillar

People & Community

- Launched programs to enhance the safety culture in the workplace, such as contractor safety programs and executive management safety reviews.
- Developed two applications “Siddiq Al-Kaharba” (Electricity Friends) and AMEN, to enable employees to report occupational health and safety incidents conveniently and safely.
- Designed and launched competency-based training programs to provide targeted and specialized training to employees that align with their roles and responsibilities.
- Established a nursery for working parents in company premises to foster career growth for all employees.
- Opened a Women’s Break Zone for prayer and break in the HQ at Riyadh, providing a dedicated space for female employees to take a break and relax.

Governance Pillar

Responsible Governance

- Implemented the Build & Employ National Abilities (BENA) program, which focuses on maximizing local content, transferring know-how and technologies, building national expertise in manufacturing, maintenance, repair, research and development, and developing local manufacturers and contractors.
- Established pertinent cybersecurity policies and conducted effective management of cybersecurity practices to maintain the record of zero data breaches.
- Enhanced customer satisfaction through cutting-edge digital solutions and streamlined processes aimed at elevating the overall customer experience.

Enablers of ESG Strategy

Governance



SEC established a well-defined ESG Governance Framework to delineate clear roles and responsibilities at every level. With oversight from Board of Directors, the ESG Committee comprising of key leadership members, convenes regularly to steer the ESG strategy and ensure the integration of ESG across the organization. The ESG Department drives the ESG strategy across the company. It comprises of specialists and collaborates with various business lines and external stakeholders to implement the ESG strategy. This multi-tier framework ensures effective and timely implementation of initiatives to meet SEC’s ESG targets.

Risk Management



SEC is committed to implementing an effective Enterprise Risk Management (ERM) framework to bolster the company’s pursuit of sustainability goals and objectives. The company strives to continuously improve its risk management by ensuring adequate monitoring and implementation of ERM policy and alignment with the leading industry-standard ISO 31000 - Risk Management. SEC also strives to integrate sustainability-related risks into the overarching ERM framework, aiming to examine and manage these risks with the same level of rigor applied to other risks.

Localization



Sustainable procurement is a pivotal aspect of SEC’s strategy, aiming to allocate 75% of total procurement spending to local suppliers by 2030. Additionally, in 2025, SEC plans to enhance the significance of ESG considerations in its procurement criteria. This strategy is designed not only to champion responsible business practices but also to nurture the company’s supplier network to meet ESG standards. SEC aims to offer training and guidance to local suppliers, empowering them to enhance their systems and business practices. This helps them improve their ESG performance and position themselves competitively on the global stage, fostering growth and sustainability.

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, SEC also issued another dual tranche sukuk in 2023, including a green tranche.

Digitalization



SEC is dedicated to accelerating digital transformation and developing solutions to drive action across ESG pillars. ESG-oriented digital solutions include Dawiyat Network Failure Prediction for equipment optimization, Diversity Analyzer for workforce diversity, and Employee Suggestions for workplace enhancements. SEC has also taken measures to digitize corporate governance procedures to bring in more transparency. The company leverages tools like Risk and Compliance Monitor and Back-office Productivity Monitor to improve decision-making and risk management.

The operational enablers are key drivers in transforming ESG goals from aspirations into tangible, sustainable practices that resonate throughout the entire organization.

Way Forward

SEC is poised to amplify its use of digital technologies, driving operational efficiency, reducing environmental impact, and leading the way in sustainable practices

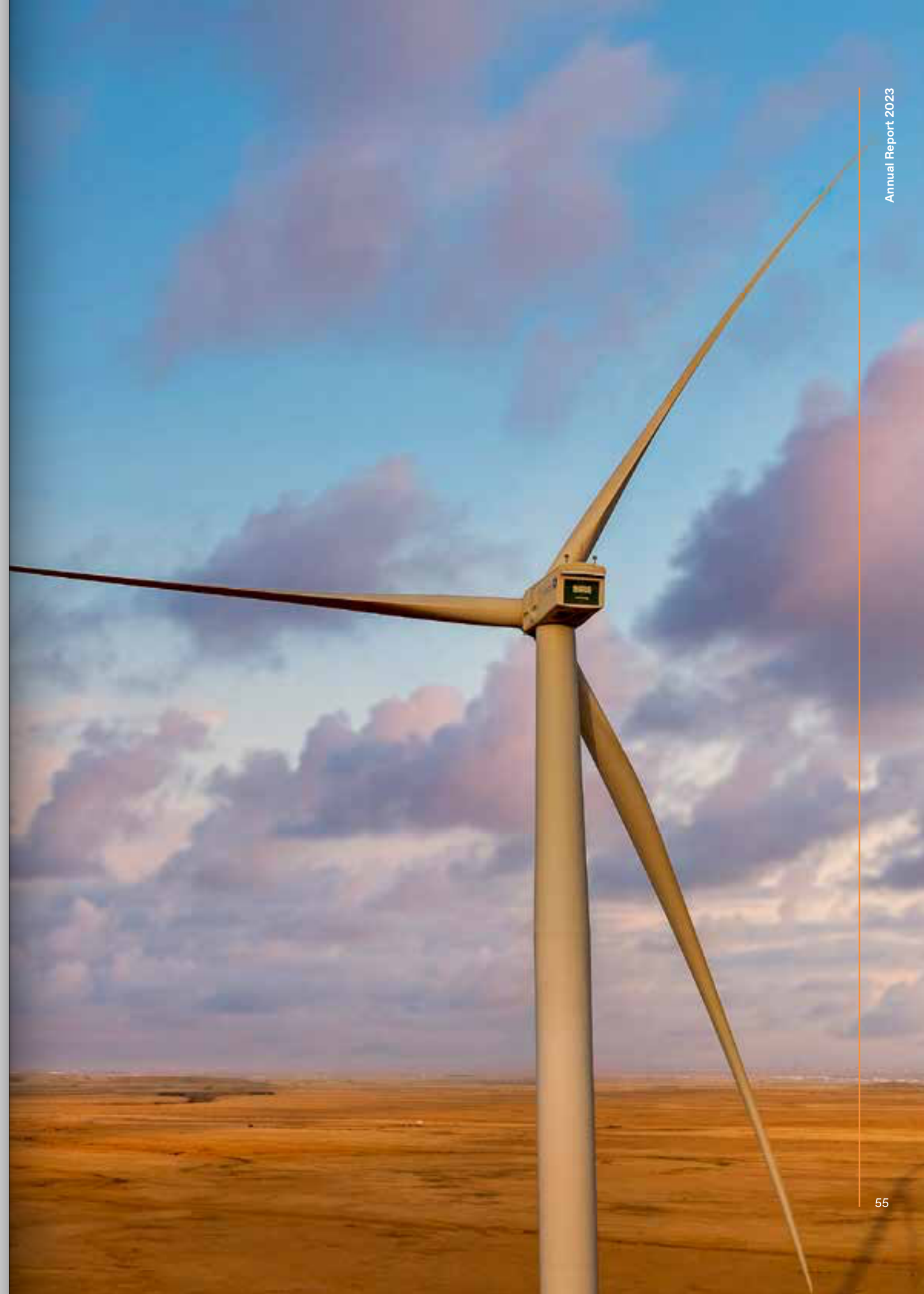
SEC is dedicated to advancing towards its ambition to reach Net Zero emissions by 2050 through a multifaceted ESG strategy. This involves technological innovation, efficiency measures, transitioning to cleaner fuels, and embracing nature-based solutions. The company remains committed to preserving nature and biodiversity, emphasizing effective resource management and vegetation protection.

Employee well-being will continue to be a top priority, emphasizing the prioritization of diversity and inclusion initiatives. This dedication extends toward cultivating a workplace culture that champions safety, equality, and professional development. A pivotal focus remains on fortifying community engagement initiatives, to nurture positive relationships and address local concerns.

SEC is poised to amplify its use of digital technologies, driving operational efficiency, reducing environmental impact, and leading the way in sustainable practices. These initiatives seamlessly align with the company's robust corporate governance framework, placing a strong emphasis on transparency and maintaining an ongoing, dynamic dialogue with stakeholders. This proactive approach ensures a continuous exchange of information, access to valuable insights, and the ongoing creation of shared value.

The comprehensive strategy underscores SEC's unwavering dedication to sustainability, responsible business practices, and the overall well-being of its stakeholders.

For information on SEC's detailed sustainability performance, please refer to the Sustainability Report 2023





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