

# TOWARDS A BRIGHT AND SUSTAINABLE FUTURE

Annual Report  
2022



الشركة السعودية للكهرباء  
Saudi Electricity Company  
Diligently Serving You

## About This Report

The Board of Directors of the Saudi Electricity Company (SEC) is pleased to present to shareholders its annual report on the company's performance and financial results for the fiscal year ended on 31/12/2022. These results were achieved thanks to Almighty Allah's blessings, and through efforts made across the company and its subsidiaries to improve performance and capabilities, achieve shareholder goals and gain the confidence of subscribers and customers. The report includes a detailed summary of the company's performance, and addresses the general indicators of the company's strategy and efforts of SEC to promote social responsibility and develop programs that are tailored to benefit employees.

This report includes a summary outlining SEC's progress in integrating corporate governance and related disclosures into its annual reporting, such as the composition and functions of the Board of Directors and its committees, and the remuneration of Board members and senior executives. This report was prepared in accordance with the requirements of the Companies Law contained in paragraph (2) of Article (76), and paragraph (1) of Article (121) issued by Royal Decree No. (M/132) dated 1/12/1443H corresponding to 30/6/2022. It is also prepared in accordance with the requirements of the Capital Market Authority (CMA) contained in Article (87) of the Corporate Governance Regulations, and Articles (12, 20, 48) of the executive regulation of the Companies Law relating to Listed Joint Stock Companies.

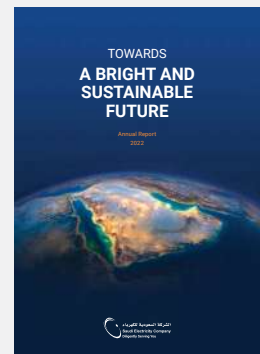
This annual report covers the financial and operational aspects of the Saudi Electricity Company and its subsidiaries, and was issued in two versions, in Arabic and English. This printed version of the annual report is identical to the electronic (PDF) version available on the ([www.se.com.sa](http://www.se.com.sa)) company's website. In the event of any conflict between the two versions, the Arabic text shall prevail.

### Opinions and comments

At the Saudi Electricity Company, we welcome your feedback and opinions, and strive to use them to improve our reporting. Please do not hesitate to contact us through any of the following channels:

✉ [SEC-SH@se.com.sa](mailto:SEC-SH@se.com.sa)


🌐 [www.se.com.sa](http://www.se.com.sa)



Scan the QR code to view the 2022 Annual Report and the rest of the previous years' reports on the company's website




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The Custodian of the Two Holy Mosques  
**King Salman bin Abdulaziz Al-Saud**

May Allah Protect Him



His Royal Highness  
**Prince Mohammad bin Salman bin Abdulaziz Al-Saud**  
Crown Prince, Prime Minister, May Allah Protect Him

# Chairman's Message



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

“

We are keeping pace with the rapid developments and changes shaping the Saudi economy and are redoubling our efforts to drive progress and prosperity forward toward the Kingdom's Vision 2030 goal of a bright, sustainable future.

”

The Saudi Electricity Company is a systemically important enabler of the Kingdom's Vision 2030 economic and societal growth plan, providing the highly efficient, reliable electrical service to power its sustainable growth. This aligns with the aspirations of the Kingdom's visionary leadership, the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, and His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, with unwavering support and guidance from His Royal Highness Prince Abdulaziz bin Salman, the Minister of Energy, May Allah protect them. With his blessings, SEC achieved its strategic objectives in 2022.

As the Saudi economy continues to expand robustly, the Saudi Electricity Company harnessed every resource available, both human and material, to sustain the thriving growth called for to realize the Kingdom's vision. In the process, SEC is emerging as one of the Middle East's preeminent electricity sector leaders by providing cutting-edge energy services, an extraordinary customer experience and innovative, sustainable solutions. In parallel, SEC is investing in its skilled workforce, protecting the environment and leading digitalization of the electricity sector, in accordance with corporate governance regulations and related systems. SEC believes in the importance of governance in protecting shareholder rights by promoting a culture of sustainability, disclosure and transparency to stakeholders, supplemented by effective internal controls.

To enhance customer trust and satisfaction, the Saudi Electricity Company is focused on delivering six main strategic objectives to advance along its sustainable development path. Those objectives are to provide: supply security and reliability, operational safety and excellence, Environmental, Social, Governance (ESG) programs, financial sustainability, a plan to further localization and local content, and a high-level of customer experience. To support the strategic reform mission of this journey, SEC is leveraging key enablers such as digitalization, data, innovation, new strategic partnerships, investments in human capital, and research, development and implementation studies.

The impressive achievements of SEC in 2022 resulted from the company's ongoing fruitful cooperation with all key members of the Saudi energy ecosystem, led by the Ministry of Energy, whose generous support empowered SEC to meet its objectives and maintain its leadership role in the sector.



With this annual report, it brings me great pleasure to provide a summary of the key milestones reached by the Saudi Electricity Company in 2022, as well as to highlight our development plans and future projects, which, Allah willing, will contribute to accomplishing our strategic objectives.

During 2022, the Company maintained a strong financial position, with total assets valued at approximately 479.5 billion riyals, representing an annual growth rate of 1%, and equity increased by 2.2% to reach 257.1 billion riyals. The Company's net profit amounted to 15.1 billion riyals, with a decrease/increase of 5.2% compared to the previous year. The Board of Directors recommended distributing dividends of 2.9 billion riyals, with 0.70 riyals per share.

Clearly, the improvement in SEC's financial position was supported in part by the Kingdom's stimulative economic policies, which generated strong national economic growth that benefited SEC's business.

As a result, in February 2022, Fitch Ratings raised the Saudi Electricity Company's credit rating to A from A-, with a stable outlook. The company's standalone rating, which excludes government support, was also upgraded by Fitch.

With these upgrades, SEC has effectively maintained a strong investment grade credit rating that is equivalent to the sovereign rating assigned to the Kingdom itself by globally recognized credit rating agencies. In fact, SEC enjoys one of the highest credit ratings of any company in the Kingdom, as the credit rating by the credit rating institutions (Standard & Poor's) (A), (Fitch) (A), (Moody's) (A1), with a stable outlook by (Standard & Poor's), (Fitch) and a positive outlook by (Moody's). This distinguished position stems from SEC's superior financial performance and efficiency, which is supported by a set of core principles intended to strengthen SEC's credit rating. Through ongoing collaborative efforts, SEC, with the help of Allah, will continue to reach new heights of excellence and achievement under the highest professional standards in the energy field. The figures presented in this report contain good news for SEC shareholders and will help our company win new domestic and international financial supporters convinced by our strategy and results. This widening, deepening base of trust, in turn, will sustain our progress moving forward.

During 2022, SEC improved its operating expense performance (OpEx) by aligning the planned budget with actual spending, in accordance with the regulatory requirements of the Saudi Water & Electricity Regulatory Authority (WERA). An investment strategy has also been devised that is not subject to WERA regulations and established investment policies.

The company proceeded to build and implement a governance model for its wholly-owned subsidiaries, and raise the level of institutional maturity and independence for these companies. Valley Solutions Company was established as a limited liability company wholly owned by Saudi Electricity Company to organize and develop mobile generation business in the Kingdom..

Major gains were made in 2022 in the area of customer service and satisfaction. Customer satisfaction surged to 75% from 69% in 2021 as SEC significantly opened walk-in service centers and implemented a range of digital services that saved consumers time and bolstered the customer experience. During 2022, The average time to supply new connection was reduced by 23%.

Significant gains were also recorded in the area of localization, where SEC's initiatives increased the ratio of purchases from local factories to 71% from 68% in 2021. The local content ratio has been enhanced to be 55% compared to 54% in 2021, thanks to the flexible supply chain the Company established in the Kingdom. This has significantly enhanced the national capabilities of local manufacturers and companies, generating job opportunities for national talents, and helping drive Saudi GDP growth. I would like to mention three initiatives in 2022 that especially helped SEC raise the level of customer and partner satisfaction, which will enhance all of our efforts in the future:

- In job creation and workforce development, SEC raised the Saudization of its workforce once again, to 93.75%, from 93.66% in 2021.
- New measures to empower women at SEC were introduced during 2022, raising workforce diversity and creating opportunities for male and female employees.
- Carbon emissions were reduced during 2022 as SEC remained on target to meeting the Kingdom's goal of generating 50% of electricity from renewable energy sources, and 50% from natural gas, by the year 2030.

For myself and my colleagues on the Board of Directors, for our Executive Management team, and for all of our employees, I express my profound gratitude to His Majesty the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, and His Royal Highness Crown Prince Mohammed bin Salman, for their boundless encouragement and support, which made these 2022 achievements possible. May Allah preserve them. I also extend my gratitude to His Royal Highness Prince Abdulaziz bin Salman, the Minister of Energy, and Chairman of the Ministerial Committee for Restructuring the Electricity Sector, as well as the esteemed members of the Committee, for their unfailing support and attention to the company's operations. I take great pride in the achievements of our most valuable resource, the entire SEC workforce, who helped SEC realize its strategic objectives with dedication, creativity and loyalty across all departments, sectors and subsidiaries. I ask Almighty Allah to guide us towards attaining even greater milestones, achievements and developments in the electricity industry as we work to advance the Kingdom toward fulfillment of its ambitious Vision 2030 goals.

May Allah bestow upon our magnificent nation boundless prosperity, impenetrable security, and unwavering safety under the sagacious guidance of our wise government.

# CEO Message



**Eng. Khaled bin Hamad Al-Gnoon**  
Chief Executive Officer

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Our investments focus on enhancing the reliability and efficiency of the electricity system by augmenting the reliability of the power transmission grid to make our energy generation more efficient. We also plan to facilitate the production of electricity from renewable sources, while improving the quality of our distribution network by automating and enhancing the level of electricity service.

”

In constant pursuit of excellence, the Saudi Electricity Company is committed through its vision, objectives and strategies to supporting the strategic goals of the Ministry of Energy and WERA. SEC plays a pivotal and integral role in the Kingdom's economic development, and benefits from the strong visionary government leadership provided by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz and His Royal Highness Crown Prince Mohammed bin Salman bin Abdulaziz, with unwavering support and guidance from His Royal Highness Prince Abdulaziz bin Salman, the Minister of Energy. May Allah protect them. Our Board of Directors, Executive Management team and the entire staff of SEC are working tirelessly to make the Kingdom's Vision 2030 a reality.

To achieve our aims, the Saudi Electricity Company has aligned its strategic investment program with the priorities of the National Plan for the Kingdom's electricity sector. The main objective is to level up the quality and reliability of the electricity service provided to end consumers, in addition to achieving the sustainability objectives outlined in Vision 2030. Our investments are primarily focused on enhancing the reliability and efficiency of the electricity system. This entails augmenting the reliability of the power transmission grid to enhance the efficiency of energy generation, while facilitating production from renewable energy sources and automating our distribution network.

One of our key strategic objectives is to improve the efficiency of our service, which in turn improves its reliability. To achieve this, SEC has implemented a range of initiatives, including using cutting-edge drone and artificial intelligence (AI) technologies to oversee the Kingdom's electricity transmission lines. Additionally, we have launched initiatives designed to develop advanced systems that mitigate electricity outages and provide optimal services to our valued customers.



I am pleased and proud to present the following significant achievements made by SEC in 2022:

### **Financial Performance**

With the continued implementation of our regulatory and financial reforms, and in close collaboration with the relevant authorities within the electricity sector integration system, our Company has made significant investments to meet the growing demand for electricity services, while improving the quality of services provided to customers, and enhancing the efficiency and reliability of the electricity sector. This was reflected in the continued growth in the Company's capital project portfolio, total operating assets, and revenues achieved in 2022. As we reflect on the year 2022, the Company's revenues increased by a 4% to reach 72.1 billion riyals. This led to achieving operating profits of 18 billion riyals, which represents a 2.4% increase compared to the previous year. Additionally, our net income amounted to 15.1 billion riyals, reflecting a 5.2% increase compared to the previous year.

In a clear endorsement of SEC's financial position and creditworthiness, the company has effectively sustained a strong investment grade credit rating that is equivalent to the sovereign credit rating of the Kingdom, as the credit rating by the credit rating institutions (Standard & Poor's) (A), (Fitch) (A), (Moody's) (A1), with a stable outlook by (Standard & Poor's), (Fitch) and a positive outlook by (Moody's).

### **Expansion Projects**

To accommodate growing electricity demand, the Saudi Electricity Company has made great strides through expansion projects in transmission and distribution networks, along with diversifying the Kingdom's exports of energy through international interconnection. The Kingdom's electricity grid has been connected to GCC countries via the GCC Interconnection Line, with a further phase set to link the Arab Republic of Egypt and the study of linking with the Republic of Iraq and the Hashemite Kingdom of Jordan, as the precursor to a long-term expansion of interconnection to Europe. Moreover, the Company supports the national mega projects stemming from the Kingdom's Vision 2030, including NEOM, Qiddiya, the Red Sea Project, and housing projects, which will stimulate demand for electricity services and catalyze growth in the grid. It is anticipated that over 400,000 new customers will be assimilated in the upcoming year of 2023.

### **Distribution & Customer Services Business Line**

The Distribution & Customer Services BL made significant gains during 2022 in improving service continuity, reducing outages and shortening connection lead times for consumers. By using cutting-edge technologies to boost

network security and reliability, SEC raised service continuity to consumers by 45% during 2022 from the previous year. The average time to supply new connection lead time for new customers fell to 4.5 working days in 2022 from 5.9 days in 2021. As a result, the customer satisfaction rate rose to 75% during the year from 69% in 2021. The indicators of average interruption duration and average number of interruptions per customer have improved by more than 10 %. The automation rate of SEC's distribution networks nearly doubled during 2022 to 16.23 from 8.76 in 2021, an investment plan was adopted to raise SEC network reliability indicators into the top quartile of major cities.

### **Generation Business Line (Power Production)**

In a major achievement, the Saudi Electricity Company raised the produced energy from its power plants during 2022 to 202.7 terawatt-hours, which accounted for a 57% share of total electricity produced across the Kingdom. Approximately 348 million barrels of oil-equivalent were consumed, with an efficiency of 37.18% in 2022 versus 37.16% in 2021. To secure optimal efficiency and reliability of operations and maintenance, SEC completed a broad program of maintenance during the year. In all, 27 production units were thoroughly overhauled, 80 units received moderate maintenance and 119 received light maintenance. The establishment of multiple power plants at different points during the year posed significant challenges, which were overcome in strict compliance with local and international health, safety, security, fire prevention and environmental legislation and standards.

### **Electricity Transmission**

In electricity transmission, National Grid SA executed numerous upgrades of existing power plants during 2022 to improve and develop the transmission grid and enhance its efficiency. During the year, 1,465.41 km-circular of overhead networks and underground cables were added to the system, representing a 1.6% increase from 2021. The total length of the transmission grid lines reached 92,999.20 km-circular by the end of 2022. Moreover, 19 power conversion plants were integrated, including 72 transformers with a total capacity of 10,015 MVA, bringing the total number of conversion plants to 1,209, containing 3,857 transformers with a total capacity of 474,262.80 MVA. Additionally, 2,476 kilometers of optical fibers were added to increase the reliability of the communication network, bringing the total length of the network to a record 84,715 km.

## Renewable Energy

Guided by our objectives and plans in the field of renewable energy, the Company has partnered closely with the Ministry of Energy and played a leading role in achieving an optimal energy mix. This mix is set to shift away from an over dependence on liquid fuels to natural gas and renewable energy. By 2030, the installed capacity of renewable energy will soar to an unprecedented 50% of total installed capacity. To this end, a bespoke program for renewable energy integration projects has been crafted to contribute to the realization of our strategic objective, which aligns with the Integrated Energy Strategy.

## Developments of the Company's Automation Plans

Digital transformation and automation play a major role in sustaining the Company's journey towards global digital leadership, serving the interests and operations of our stakeholders. With the invaluable support of the Ministry of Energy, the Company has installed approximately 11 million smart meters in the past three years, a major milestone in the field of network automation. Customers can readily access myriad services through multiple communication channels that facilitate prompt and easy access to our Company's services. The Company has launched new smart services through the AL KAHRABA Application, as it aims to automate 40% of distribution network feeders by the end of 2025.

## Environmental, Social, and Governance (ESG)

The Saudi Electricity Company is working to reduce carbon emissions and enable a targeted energy mix in the Kingdom of Saudi Arabia to generate 50% of electricity from renewable energy sources and 50% from natural gas by 2030. The company has implemented best global practices in the field of environmental preservation and ESG enhancement, resulting in a 25% improvement in its performance compared to the previous year, as evaluated by S&P Global, a global leader in this field.

## Integrated Dawiyat

As part of its objectives of deploying broadband with FTTH technology, Integrated Dawiyat has achieved several milestones during 2022, most notably:

- Signing an agreement with ROSHN Real Estate Company, a PIF company, where Integrated Dawiyat Company will build the communications infrastructure for both the Sedra project in Riyadh and the Al-Arous project in Jeddah. This agreement enables the Company to offer wholesale services for the communication infrastructure for the two projects, which could serve up to 85,000 residential units.
- Signing an agreement with RQEEM for Smart Solutions (a company owned by the Royal Commission for Jubail and Yanbu), to enable SEC to offer wholesale services for the communication infrastructure for Al-Matarfiya neighborhood, which currently has more than 3,000 houses.
- Connecting fiber optic to more than 52,000 households during the past year, bringing the total number of connected households to 700,000 households.
- Activating service for more than 340,000 customers since the launch of the open network service.
- Receiving communication infrastructure in new housing schemes located within growth areas for more than 155,000 residential units in 2022.

## Corporate Social Responsibility

As part of its humanitarian mission, SEC during 2022 took considerable efforts to advance its corporate social responsibility activities, and achieved a range of accomplishments:

- SEC donated 2 million SR to Ehsan Platform.
- SEC employees donated more than 5 million SR to charities through the deduction program.

## **Workforce**

The number of employees in the Saudi Electricity Company exceeded 32,000 during 2022, with Saudi nationals accounting for more than 93.75% of them, compared to 93.66% at the end of 2021.

## **National Content and Localization**

Localization and local content serve as pivotal strategic objectives and core pillars of the Saudi Electricity Company. In this spirit, the "BENA" program was established to further the localization initiative. By optimizing the efficiency and value of its supply chains, SEC substantially raised the level of localization and local content. In 2022, the localization rate rose to 71% in the electrical industries, and the local content rate rose to 55%, up from 68% and 54%, respectively, in 2021. This increased level of local involvement returned value to the Saudi economy and advanced the Kingdom's goals in diversity, sustainability and global competitiveness. By implementing a multitude of initiatives and capabilities in response to the Council of Ministers' Resolution No. 658, which requires enforcement of local content regulations and requirements for enterprises in which the state or the Public Investment Fund holds a stake of more than 50%, SEC has effectively established a flexible supply chain in Saudi Arabia, complemented by a comprehensive workforce development scheme.

Finally, with modesty and gratitude, it is paramount to underscore the exceptional and qualitative accomplishments witnessed this year across all levels. Our success is primarily owed to the blessings of Allah and the unwavering support to the energy system from our wise leadership, may Allah strengthen them. Additionally, the assiduous oversight of HRH the Minister of Energy – may Allah protect him – has been instrumental in our achievements. Equally noteworthy is the unrelenting diligence and perseverance of all our colleagues at SEC, whose efforts have strengthened the system's capacity to realize the targets of the Kingdom's Vision 2030.

In closing, on behalf of everyone at SEC, I would like to offer my sincere thanks once again to the leadership of the Kingdom of Saudi Arabia for their unrelenting support and vigilant supervision of SEC's activities. I also express my heartfelt thanks to our esteemed Board of Directors, whose ceaseless efforts and unwavering dedication have been instrumental in seizing every opportunity and empowering Executive Management to enhance the quality of service we provide to our valued customers. As we pursue excellence and advance the Kingdom's objectives, we beseech Almighty Allah to guide us on our journey to achieve the aspirations of our honorable leaders.









# 01

## Who We Are

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## Company Profile

The core activities of Saudi Electricity Company include the generation, transmission and distribution of electricity within the Kingdom of Saudi Arabia. The company is the main producer of electricity, and the sole owner of transmission and distribution networks throughout the Kingdom, serving all types of consumers.

The Saudi Electricity Company is indirectly owned by the Government of Saudi Arabia. The majority shareholders include the Public Investment Fund and Saudi Aramco.

At SEC, we have an unwavering commitment to protect our employees, our community and our environment, by seeking to manage risks resulting from our operations. The Saudi Electricity Company is committed to integrating the highest operational excellence standards in the areas of health, safety and the environment into all of our daily activities to consistently generate outstanding performance in reliability, efficiency and profitability.

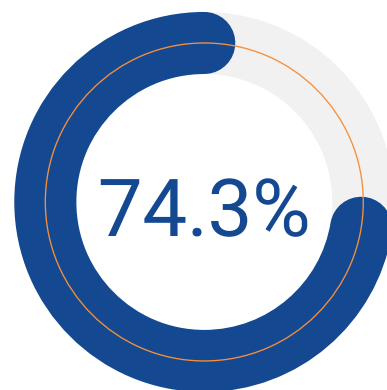
### Electric Power Generation

In terms of electricity production and generation in the Kingdom, the Saudi Electricity Company ranks first, with more than 65% of the total installed capacity of 83 Gigawatts. The company also indirectly owns 16.5 GW of installed capacities through partnerships with independent power producers (IPPs) and independent water and power producers (IWPPs), in which the company has shares ranging from 5% to 50%.

### Electric Power Transmission

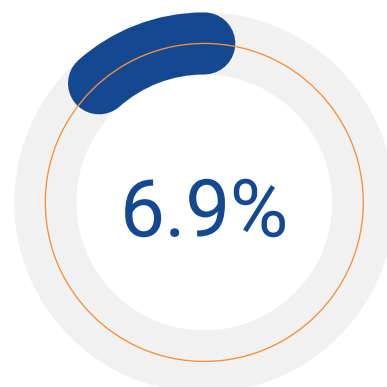
The electric power we produce through our network is transmitted as high-tension and high-voltage electrical energy. Our electricity Distribution Business Line oversees the supply of electricity to customers through substations that are connected to high-voltage transmission stations. A core mandate of Saudi Electricity Company is to raise the efficiency of the Saudi electrical system by economically operating all generating stations connected to the electrical grid, and maintaining the transmission network to ensure delivery of electricity to all parts of the Kingdom. This is achieved in several ways.

### Substantial Shareholders \*



Public Investment Fund (PIF)

(Represents the fund's largest portfolio)



Aramco Power

\* A person or entity holding (5%) or more of the class of shares of the Company



A common way, with high reliability, is to expand and enhance the transformer station- and transmission line-network. Another way is by leveraging next-generation communication networks to transmit information at very high speeds as light through fiber optic cables to supply electricity to all parts of the grid, linking generating stations and transmission stations, and monitoring and controlling them with high reliability and speed through regional and national control centers.

### **Distribution and Customer Services**

The tasks of distributing electric power and customer services are based on receiving and distributing power from electrical transmission networks and providing customers with safe electrical services with reliability and high quality, and issuing and distributing electricity consumption invoices to customers through our smart meters. Our unwavering commitment to quality and best practices guides our distribution plans and customer service. Priorities laid out in a series of pillars, objectives and performance standards include: raising the rates of electrical service delivery to new customers in cities, villages and communities; the continuous improvement of distribution networks; raising energy efficiency and facilitating service delivery procedures; the development of customer service centers; the application of the latest technologies; and continuous attention to raising the efficiency and performance of front-line employees.

Servicing the Two Holy Mosques and the Holy Sites tops the list of our priorities, and is conducted through intensive efforts to ensure customer satisfaction and raise the level of confidence in the electrical services provided. To guarantee satisfaction, we leverage all available technologies for digital transformation and provide services through multiple communication channels, which delivers benefits to customers quickly and easily.

SEC has one of the highest credit ratings in the Kingdom, and currently enjoys strong international investment grade ratings from international credit rating agencies. Our financial strategy is predicated on SEC maintaining a high-quality investment grade rating linked to the Kingdom's own sovereign valuation, to access funding sources and instruments in local and international markets. In doing so, SEC is able to maintain sufficient liquidity to meet investment needs, and supply appropriate liquidity for day-to-day operations and short-term financing needs. The company is always looking to build long-term relationships with a wide range of supportive financing partners that can help SEC leverage its strong operational inflows to meet operational and investment expenses, and to strengthen its financial position.

To raise operational excellence, SEC has in place strategic and investment plans that are intended to further its operational goals, the performance of capital projects, and the development of Environmental, Social and Governance (ESG) management strategies. At SEC, progress toward key benchmarks is closely tracked, and follow-up is routine to measure the quality of service level agreements, strategic partnerships, and the drafting of important new company policies, procedures and manuals. The company also leads the relationship with the Water & Electricity Regulatory Authority (WERA), in the interest of the electricity sector, in addition to managing and supervising the data and data bank of the Saudi Electricity Company, monitoring and managing the performance of the Saudi Electricity Company and its subsidiaries with comprehensive performance indicators, and striving to maximize non-regulated revenues in order to enhance financial sustainability.

The Saudi Electricity Company has taken the Kingdom's Vision 2030's ambitions as an inspirational reference to achieve its national transformation. As such, it kept pace with technological development, and harnessed its energies and capabilities to achieve its aspirations in digital empowerment in all areas of its work and in keeping a high national spirit. Today, the company is taking advanced steps towards serving the visions and ambitions of its customers throughout the Kingdom. In November 2019, it took a very important step in the field of digital transformation by signing a project to install more than 10 million smart electric meters in more than 13,000 cities, municipalities, villages and communities at the kingdom's level. The project began in March 2020 and was completed in record time in under 13 months. The digitalization represented a major contribution toward energy efficiency and quality of life in the Kingdom. The campaign to install the smart meters nationwide had the full backing of the Saudi government and the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz, his Crown Prince, His Royal Highness Prince Mohammad bin Salman, and follow-up support from His Royal Highness, Prince Abdulaziz bin Salman, Minister of Energy. May Allah protect them all.

## Electricity Journey



The Saudi Electricity Company was established as a public shareholder company headquartered in Riyadh in 2000. Creation of SEC came after a 25-year period of mergers and consolidations in the sector that ultimately led to the dissolution of two predecessor organizations -- the Public Electricity Corporation in the northern region, and Saudi Unified Electricity Companies in the rest of the country.

On the regulatory side, the Saudi Ministry of Industry and Electricity was established in 1975 and was replaced in 2003 by the Ministry of Water and Electricity. This ministry was transferred later to the Ministry of Energy, Industry and Mineral Resources. Today, the Saudi Electricity Company is the major supplier of electricity to the Kingdom, operating through four geographic regions: the Central Region centered on Riyadh and environs, the Western Region including Makkah, Jeddah and Al Madinah; among others; the Southern Region, including Jizan, Aseer and Najran; and the Eastern Region, including Dammam, Al-Ahsa, Al Jawf and the Northern Border Protectorates.

## The Company's Business Areas within the Kingdom

### Central Region

Consists of five departments  
Riyadh city and its governorates,  
Al Qassim, Al-Kharj, Al Dawadmi, and Hail.

### Eastern Region

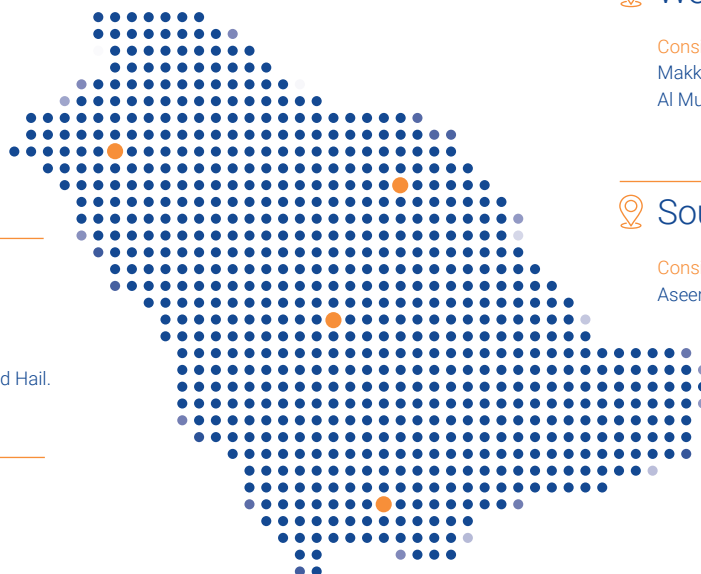
Consists of five departments  
Dammam, Al-Ahsa, the northern  
region, Al-Jawf, and the Northern  
Borders governorates.

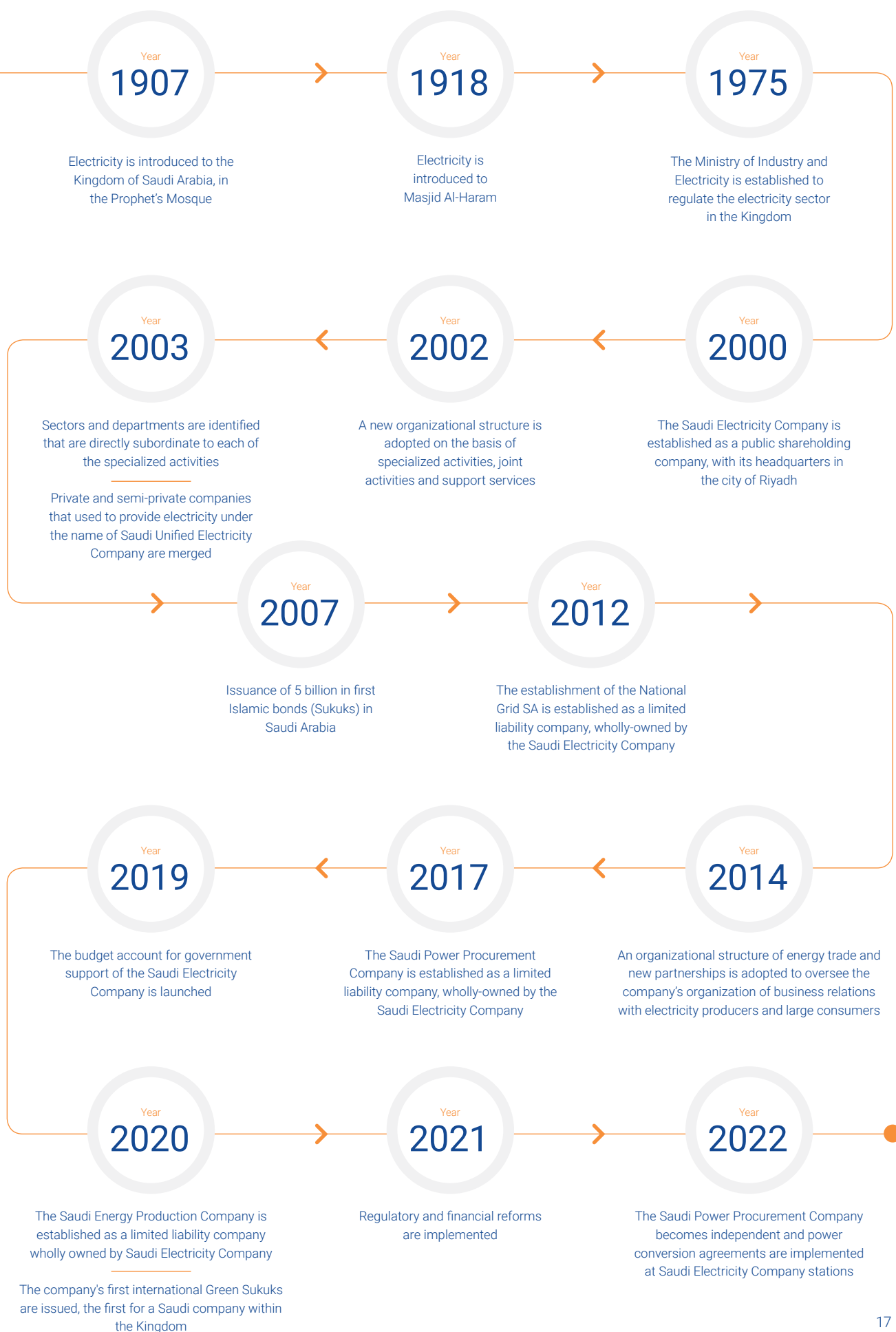
### Western Region

Consists of five departments  
Makkah, Jeddah, Al Madinah  
Al Munawwarah, Tabuk, and Taif.

### Southern Region

Consists of four departments  
Aseer, Jizan, Najran, and Al Bahah.





## Company in Numbers

Total electricity sold

**298,702** GWh



Total grid-connected actual capacity

**83.5** Gigawatts



Total directly owned actual capacity

**54.5** Gigawatts



Total electricity produced

**202,704** GWh



Number of customers

**10.9** million



Smart electric meter coverage

**100%** at the level of the Kingdom



Number of full-time employees

**32.2** thousand employees



Strong investment grade credit rating similar to sovereign classification

**(A1)** **Moody's**  
**(A)** **Standard & Poor's**  
**(A)** **Fitch**

### 5 ISO Certificates

Human Resources Development Sector

**ISO 9001:2015**

Industrial Security Sector

**ISO9001**

Standards and Metrology Department

**ISO9001 - ISO37301**

Social Responsibility Sector

**ISO 26000**



#### Excellence Award

In Corporate Governance Index



#### Award of the Year

In the field of environmental, social and corporate governance and sustainability

Recognized as Best Deal for SEC's agreement with Japan Bank for International Cooperation to finance green projects worth USD 500 million



#### Best Finance Award

In the field of energy

Figures in thousand Saudi Riyals

Revenue

**72,079,424** with increase rate 4%

Net Profit

**15,135,224**

Total Profit

**19,759,817**

Total Equity

**257,050,724**

Operating Profit

**17,985,939**

Total Assets

**479,481,536**

Earnings per Share

**1,79** Saudi Riyals



\*Compared to the previous year.

## Subsidiaries and Investees

In the investment field, the Saudi Electricity Company seeks to maximize non-regulated revenues, which enhances the financial sustainability of the company by developing new investment opportunities, and maximizing existing investments by managing and evaluating the performance of SEC's portfolio companies, managing investment projects in the industrial and digital fields, and marketing successful employee ideas that support the Kingdom's Vision 2030. All of these efforts enhance localization and help develop the Saudi economy. Our prominent achievements in this areas during 2022 were:

### Top Investment Achievements in 2022

01 >

Non-regulated investment strategy development (Water & Electricity Regulatory Authority) and the development of investment policies.

02 >

Activating investment portfolio management to follow up and support subsidiaries.

03 >

Building and implementing a corporate governance model in wholly-owned subsidiaries, and raising the level of institutional maturity and independence of these companies.

04 >

Establishing and operationalizing the Solutions Valley Company, a limited liability company wholly-owned by the Saudi Electricity Company.

05 >

Developing and organizing the work of providing mobile generation at the Kingdom level.

06 >

Studying more than 35 investment opportunities in various fields.





**The company owns shares/quotas in the capital of each of the subsidiaries and investees as follows:**

01

The Saudi Energy Production Company

2,000,000

Saudi Riyals

Place of founding  
Kingdom of Saudi Arabia

Place of Activity  
Kingdom of Saudi Arabia

Ownership  
100%

Conducting electricity generation activity in accordance with the terms of the license issued by the Water & Electricity Regulatory Authority (WERA) including electricity generation, co-generation of water and steam production, owning, operating, maintenance, development, financing and providing maintenance, operation and asset management services in the field of electricity generation and co-generation production.

02

National Grid SA

10,000,000,000

Saudi Riyals

Place of founding  
Kingdom of Saudi Arabia

Place of Activity  
Kingdom of Saudi Arabia

Ownership  
100%

Transmitting electricity, operating, controlling, maintaining power systems, and leasing line capacities of transmission networks.

03

Dawiyat Telecom Company

50,000,000

Saudi Riyals

Place of founding  
Kingdom of Saudi Arabia

Place of Activity  
Kingdom of Saudi Arabia

Ownership  
100%

Establishing, leasing, managing, and operating electricity and fiber optic networks to provide telecommunication services.

04

Saudi Electricity Company for Projects Development

5,000,000

Saudi Riyals

Place of founding  
Kingdom of Saudi Arabia

Place of Activity  
Kingdom of Saudi Arabia

Ownership  
100%

Managing construction projects, setting detailed designs, purchasing materials, and implementing projects in the power sector.

05

Integrated Dawiyat Telecommunications and Information Technology Company

1,000,000

Saudi Riyals

Place of founding  
Kingdom of Saudi Arabia

Place of Activity  
Kingdom of Saudi Arabia

Ownership  
100%

Establishing, leasing and operating telecommunications networks, transmitting, owning and developing telecommunications, providing communications services, data transmission and complete information technology to individuals, public and private institutions. To achieve this, the company has to carry out all the work related to its activities, such as selling, purchasing, renting, leasing fixed and movable assets, as well as establishing the infrastructure necessary to carry out its activities, including buying other companies, investing in regional and international transit gates for communication, information transfer and pivotal and international communication plans.

06

Solutions Valley Company

5,000,000

Saudi Riyals

Place of founding  
Kingdom of Saudi Arabia

Place of Activity  
Kingdom of Saudi Arabia

Ownership  
100%

Providing operation and maintenance services, digital solutions and technical consulting services.

07

Saudi Power Procurement Company \*

2,000,000

Saudi Riyals

Place of founding  
Kingdom of Saudi Arabia

Place of Activity  
Kingdom of Saudi Arabia

Ownership  
100%

Carrying out the activity of (Principal Buyer) in accordance with the terms of the license issued by the Water and Electricity Regulatory Authority (The Authority) which includes the introduction of electricity generation projects, sale and signing the necessary agreements, and the purchase of fuel to achieve the company's goals and supply it to the producers who signed agreements with the company to convert energy and import and export electric power to people outside the Kingdom according to the method or issued rules.

\* Pursuant to the approval of the General Assembly of the company on January 30, 2022 and on June 29, 2022, the Saudi Electricity Company (The seller) concluded a sale and purchase agreement to sell its share in the Saudi Power Procurement Company to the government represented by the Ministry of Finance and the Ministry of Energy (The buyer), provided that the sale value is paid in the equivalent of the value The book value of the net assets of the Saudi Power Procurement Company, according to the financial statements at the end of the second quarter of 2022.

\* Pursuant to the approval of the General Assembly of the company on January 30, 2022 and on June 29, 2022, the Saudi Electricity Company (The seller) concluded a sale and purchase agreement to sell its share in the Saudi Power Procurement Company to the government represented by the Ministry of Finance and the Ministry of Energy (The buyer), provided that the sale value is paid in the equivalent of the value The book value of the net assets of the Saudi Power Procurement Company, according to the financial statements at the end of the second quarter of 2022.

## 08 Saudi Electricity Global Sukuk Company

1	US Dollar	
Place of founding Cayman Islands	Place of Activity Cayman Islands	Ownership 100%

A company operating as a Special Purpose Vehicle (SPV) to provide services and support for the issuance of global Sukuks.

## 09 Saudi Electricity Global Sukuk Company 2

1	US Dollar	
Place of founding Cayman Islands	Place of Activity Cayman Islands	Ownership 100%

A company operating as a Special Purpose Vehicle (SPV) to provide services and support for the issuance of global Sukuks.

## 10 Saudi Electricity Global Sukuk Company 3

1	US Dollar	
Place of founding Cayman Islands	Place of Activity Cayman Islands	Ownership 100%

A company operating as a Special Purpose Vehicle (SPV) to provide services and support for the issuance of global Sukuks.

## 11 Saudi Electricity Global Sukuk Company 4

1	US Dollar	
Place of founding Cayman Islands	Place of Activity Cayman Islands	Ownership 100%

A company operating as a special purpose entity to provide services and support for the issuance of global Sukuks.

## 12 Saudi Electricity Global Sukuk Company 5

1	US Dollar	
Place of founding Cayman Islands	Place of Activity Cayman Islands	Ownership 100%

A company operating as a special purpose entity to provide services and support for the issuance of global Sukuks.

## 13 Saudi Electricity Global Sukuk Company Program

100	US Dollar	
Place of founding Cayman Islands	Place of Activity Cayman Islands	Ownership 100%

A company operating as a special purpose entity to provide services and support for the issuance of global Sukuks.

## 14 Electricity Sukuk Company

500,000

Saudi  
Riyals

Place of founding  
Kingdom of Saudi Arabia

Place of Activity  
Kingdom of Saudi Arabia

Ownership  
100%

Providing the service and support needed for Sukuks and bonds issued by the Saudi Electricity Company.

## 15 Green Saudi Company for Carbon Services

1,000,000		Saudi Riyals
Place of founding Kingdom of Saudi Arabia	Place of Activity Kingdom of Saudi Arabia	Ownership 51%

Developing and managing the carbon emission reduction systems and programs, the clean development mechanism projects in accordance with international and regional protocols, and related local regulations, for its benefit or for the benefit of others, and to run the activities of the business of carbon emission reduction certificates issued by emission reduction programs and registering it for its benefit or for third parties' benefit in the global, regional and local markets.

## 16 Dhuruma Electricity Company

4,000,000

Saudi Riyals

Place of founding

Kingdom of Saudi Arabia

Place of Activity

Kingdom of Saudi Arabia

Ownership

50%

Electric power generation.

## 17 Hajr Electricity Production Company

2,506,230,000		Saudi Riyals
Place of founding Kingdom of Saudi Arabia	Place of Activity Kingdom of Saudi Arabia	Ownership 50%

Owning, generating, producing, transmitting, and selling electricity in the Qurayyah project in the eastern region, and carrying out related work and activities.

## 18 Al-Mourjan for Electricity Production Company

1,403,850,000		Saudi Riyals
Place of founding Kingdom of Saudi Arabia	Place of Activity Kingdom of Saudi Arabia	Ownership 50%

Developing, establishing, owning, operating, and maintaining the Rabigh project in the western region, in addition to transmission and sale of water and electricity and carrying out related work and activities.

## 19 Global Data Hub Company

10,000,000		Saudi Riyals
Place of founding Kingdom of Saudi Arabia	Place of Activity Kingdom of Saudi Arabia	Ownership 50%

Construction, acquisition, operation, maintenance and commercial exploitation of information centers.

## 20 | Gulf Cooperation Council Interconnection Authority

**1,407,000,000** US Dollar

Place of founding	Place of Activity	Ownership
Kingdom of Saudi Arabia	The Arab Gulf States	<b>31.6%</b>

Connecting electrical networks between member states by providing the necessary investments to achieve the technical and economic benefits stipulated in the Authority's system.

## 21 | Al-Fadhili Cogeneration Company

**1,500,000** Saudi Riyals

Place of founding	Place of Activity	Ownership
Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	<b>30%</b>

Production of electric power, water vapor, distilled water, power connected water and water of similar purity.

## 22 | GCC Electrical Testing Laboratory Company

**612,000,000** Saudi Riyals

Place of founding	Place of Activity	Ownership
Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	<b>25%</b>

Engineering activities for electrical projects, excavations, security, safety and chemical, energy efficiency project management activities, energy design review services, measurement and energy verification services activities, measurement, calibration and verification laboratories.

## 23 | Rabigh Electricity Company

**923,750,000** Saudi Riyals

Place of founding	Place of Activity	Ownership
Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	<b>20%</b>

Developing, establishing, owning, operating, and maintaining the Rabigh project in Holy Makkah region, in addition to transmission and sale of water and electricity and carrying out related work and activities.

## 24 | Shuaibah Water & Electricity Company (SWEC)

**1,560,500,000** Saudi Riyals

Place of founding	Place of Activity	Ownership
Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	<b>8%</b>

Development, construction, acquisition, operation and maintenance of the Shuaibah 3 project for the co-generation of water and electricity in the Shuaibah area, transmission and selling water and carrying out related work and activities.

## 25 | Shuaibah Expansion Holding Company

**175,818,000** Saudi Riyals

Place of founding	Place of Activity	Ownership
Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	<b>8%</b>

The activities of holding companies, i.e., units that acquire assets that hold a dominant share of capital for a group of subsidiaries, whose main activity is the ownership of that group.

## 26 | Shuqaiq Water and Electricity Company (SQWEC)

**1,120,000,000** Saudi Riyals

Place of founding	Place of Activity	Ownership
Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	<b>8%</b>

Development, establishment, ownership, operation and maintenance of the Shuqaiq 2 project for the co-generation production of water and electricity in the Shuqaiq area.

## 27 | Jubail Water and Power Company (JWAP)

**882,500,000** Saudi Riyals

Place of founding	Place of Activity	Ownership
Kingdom of Saudi Arabia	Kingdom of Saudi Arabia	<b>5%</b>

Development, construction, ownership, operation and maintenance of Jubail water and electricity project in Jubail industrial zone.

## Vision

We serve our  
customers and  
country by delivering  
world-class power  
services

## Mission

We power the Kingdom  
that energizes the world

# 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



## Board of Directors







**H.E. Dr. Khaled bin Saleh Al Sultan**  
Chairman of the Board  
Non-executive member



**H.E. Dr. Najm bin Abdullah Al-Zaid**  
Vice Chairman of the Board  
Non-executive member



**Eng. Isam bin Alwan Al-Bayat**  
Member of the Board  
Non-executive member



**Eng. AbdulKarim bin Ali Al-Ghamdi**  
Member of the Board  
Independent member



**Dr. Raed bin Nasser Al-Rayes**  
Member of the Board  
Non-executive member



**Mr. Walid Ibrahim Shukri**  
Member of the Board  
Independent member



**Eng. Nabil Abdulaziz Al-Naim**  
Member of the Board  
Non-executive member



**Mr. Mohammed bin Abdulrahman Albalaihed**  
Member of the Board  
Non-executive member



**Dr. David Crane**  
Member of the Board until 25/08/2022  
Independent member



**Mr. Scott Mathew Prochazka**  
Member of the Board since 06/12/2022  
Independent member





# 02

## Strategy and Business

A statement of the company's main activities and their contributions to our results.

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## General Indicators of The Company's Strategy

The Saudi Electricity Company's vision is to be the leader in providing energy services, as well as well as providing exceptional customer service, through innovative and sustainable solutions. Our mission is to deliver best-in-class customer experience and add value to shareholders by investing in employees, protecting the environment and systematically embracing digitalization in the electricity sector.

During the year, we were able, praise be to Allah, to launch a number of strategic programs that fulfilled company objectives by drawing on our commitment to continuous improvement and development. These enhancements raised the quality of our business, our level of performance excellence and improved the services we provided. This continual aspiration toward excellence drives our company and lies at the heart of our success.



## Strategic Goals



## Strategic Programs



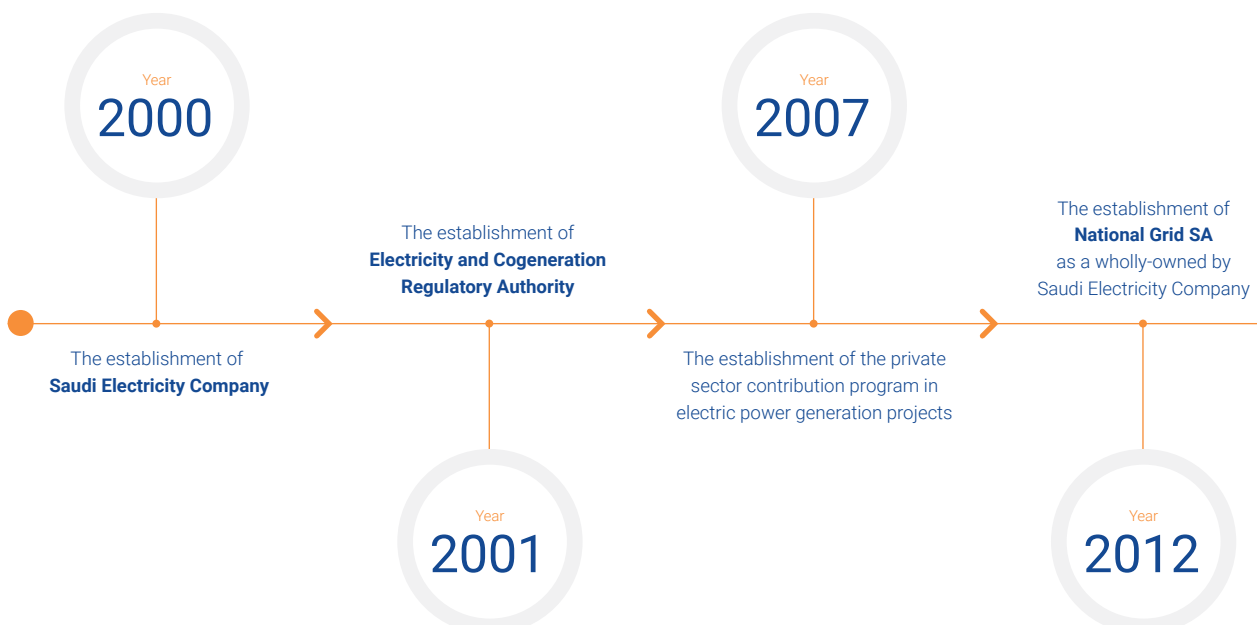
The following six enablers have been identified to support the implementation of the Saudi Electricity Company's strategic initiatives



## Regulatory and Financial Reforms

In Saudi Arabia, the government and private sector are working closely together to improve the quality of electricity service provided to consumers. A major step was taken in November 2020, when a Royal Decree created a package of regulatory and financial reforms for the electricity sector. The lead body overseeing the roll out of this major effort is The Supreme Committee for Energy Mix Affairs for Electricity Production and Enabling Renewable Energy, which is headed by His Royal Highness The Crown Prince, Deputy Prime Minister and Chairman of the Council of Economic and Development Affairs, Prince Mohammad bin Salman bin Abdulaziz, who also oversees the activities of the Ministerial Committee for the Restructuring of the Electricity Sector. This panel consists of His Royal Highness the Minister of Energy, His Excellency the Minister of Finance, the Minister of Economy and Planning, the Chairman of the Board of Directors of the National Center for Privatization & PPP (NCP), His Excellency the Governor of the Public Investment Fund, as well as electricity sector integration teams, which include all relevant agencies and private sector entities that are working together to achieve the Kingdom's vision and objectives for the electricity sector.

### The landmark stages of regulatory and financial reform in the Saudi electricity sector







His Royal Highness  
**Prince Abdulaziz bin Salman bin Abdulaziz Al-Saud**

Minister of Energy, The Chairman of Ministerial Committee  
for the Restructuring of the Electricity Sector



## The reforms support the foundations of the Kingdom's electric power sector strategy, which include:

01

Ensuring the delivery of safe, adequate, high quality and efficient electricity supply to all consumers.

02

Raising efficiency to ensure the reduction of providing electrical service costs.

03

Raising the quality of electrical service and focusing on attaining consumer satisfaction for services provided in the Kingdom.

04

Creating a stimulating and attractive environment for investment in the electricity sector that contributes to economic development and is in line with the requirements of the Kingdom's Vision 2030.

05

Demonstrating environmental stewardship and commitment to enable the Kingdom to achieve its sustainable development goals.

06

Promoting the development of local content, by localizing national industries, and developing national capabilities.

These reforms address a number of regulatory and financial challenges that the electricity sector and the Saudi Electricity Company have faced in the past, and lay the foundation for a sustainable, stimulating and attractive financial structure for investment in the electricity sector. The reforms are expected to reflect positively on the sector's performance, enabling it to increase plant generating efficiency, reduce the use of liquid fuels, raise the level of environmental compliance, and enhance the reliability of the electricity transmission network. The reforms also enable the production of electricity from renewable energy sources, to achieve optimal energy mix targets for electricity production, and to improve and automate distribution networks to meet our objective of enhancing the reliability of service to the customer.

### The regulatory and financial reforms issued by the Royal Decree included the following:

- Cancellation of the government fee which the company was subject to paying pursuant to Royal Decree No. (14006) dated 23/3/1439H corresponding to 1/1/2021.
- Adopting the Minimum Operating Cost Model to regulate SEC's revenue, which decided the required revenue for the fiscal year of 2020. This revenue will cover SEC's total operating and financing costs including the distribution of dividends to all shareholders including the Public Investment Fund.
- Implementing a Regulatory Asset-Based Model as a mechanism to regulate the Saudi Electricity Company's revenue, starting from fiscal year 2021.
- Reclassification of SEC's net government liabilities.

### The Balancing Account

The company received the letter from the Minister of Energy, Chairman of the Ministerial Committee for the Restructuring of the Electricity Sector and the Saudi Electricity Company No. 2057 dated 29/03/1442H corresponding to 15/11/2020, affirming the cancellation of the government fee as of January 1, 2021, and the approval

of the regulation of the Saudi Electricity Company's revenues according to the regulatory asset-based model organized with a weighted regulatory return on the cost of capital according to a 6% percentage as specified in the letter. The regulatory reform also includes continuing the budget account's application, which was specially created in early 2020 to provide direct support to the sector and the company. In accordance with the updated required revenue regulations of the regulatory asset-based model, the balancing fund has been maintained by covering the difference between the approved required revenue and the company's actual operating income from the tariff applied by the Water and Electricity Regulatory Authority.

According to the required revenue organization, the company periodically calculates the entitlement to the amount of the budget account and is recognized in the consolidated income statement under other operating income.

### Mudaraba Agreement

On November 15, 2020, the Company signed a Mudaraba Agreement with the government, represented by the Ministry of Finance, to convert the net financial obligations owed to the government by the Company, amounting to SR 167.9 billion, into an equity classified financial instrument.

According to this agreement, the financial instrument is unguaranteed, indefinite, refundable, and is at an annual profit margin of 4.5% for a period of 3 years ending in 2023. The profit margin ratio is determined beyond 2023, with a negative difference of 1.5% from the company's weighted average cost of capital determined in each regulatory cycle (every 3 years). The profit margin shall be payable in the event that it is decided to distribute cash dividends to holders of ordinary shareholders and receiving of payments of the balancing accounts due amounts. This instrument shall be Shariah-compliant, classified under equity, and has no impact on the percentage of ownership of the company's shareholders and their related rights.



### **Establishment of a Contractual Reserve to Pay the Profits of the Mudaraba Agreement**

The General Assembly meeting held on 27/12/2020 approved the establishment of a contractual reserve for the purpose of paying the profits of the Mudaraba instrument concluded between the company and the government represented by the Ministry of Finance. It authorized the Board of Directors to transfer from the company's retained earnings to the contractual reserve and authorized also the Board of Directors to use the contractual reserve to pay the profits of the financial instrument in accordance with the provisions of the Mudaraba Agreement. During the fiscal year 2022, an amount of 7,661 million riyals of retained earnings was transferred to the contractual reserve for the profits of the financial instrument (Mudaraba instrument), compared to an amount of 7,661 million riyals transferred from retained earnings to the contractual reserve for the profits of the financial instrument during the fiscal year 2021. An amount of 7,661 was disbursed during the year 2022 for the profits of the financial instrument (Mudaraba instrument) by deducting from the contractual reserve.

### **Financial and Regulatory Reforms to Continue in 2022**

The Council of Ministers issued Resolution No. (227) dated 18/04/1443H approving the separation of the Saudi Power Procurement Company, which is wholly owned by the Saudi Electricity Company, and transferring its ownership to the government. This decision came as part of the electricity sector's restructuring program and in continuation of the financial and regulatory reforms mentioned above, and announced in November 2020 by the Ministerial Committee for Restructuring the Electricity Sector. This plan aims at reinforcing transparency in commercial relations among parties operating in the electricity sector, and to activate work mechanisms on economic basis, thereby contributing to the realization of the kingdom's electricity sector goals, including reducing the use of liquid fuels, raising the level of environmental compliance, and enhancing the reliability of electricity transmission and distribution networks. These measures will enable the production of electricity from renewable sources to achieve an optimal energy mix for electricity production, and also help improve and automate distribution networks to raise service quality to customers in line with the Kingdom's Vision 2030 objectives.

The General Assembly of the Saudi Electricity Company held on 30/01/2022 approved the sale and transfer of the Saudi Electricity Company's entire shares in the Saudi Power Procurement Company (Principal Buyer) to government ownership.

Signing a sale and purchase of shares agreement to transfer the Saudi Electricity Company's entire ownership in the Saudi Power Procurement Company to government ownership on 29/06/2022.

Signing of commercial agreements with the Saudi Power Procurement Company (Principal Buyer) and related parties on 29/06/2022:

- Framework agreement for business transfer.
- Energy Conversion Agreement.
- Bulk energy supply agreement.
- Novation of fuel supply agreements.
- Fuel distribution agreements.
- Fuel stock sale agreement.
- Agreements to novate the company's rights and obligations in energy purchase agreements with independent production companies and cogeneration companies to Principal Buyer.

### **Attention to the Development of the Company's Performance in Accordance with Financial and Regulatory Reforms**

The Saudi Electricity Company has signed service level agreements with all of its subsidiaries in accordance with the requirements of the Water & Electricity Regulatory Authority, through which all regulatory, legislative and legal aspects have been covered.

In order to keep pace with the Kingdom of Saudi Arabia's electricity sector's financial, structural and regulatory reforms, and in implementation of Royal Decree No. (16031) dated 21/3/1442H corresponding to 07/11/2020, which covers the adoption of the revenue requirement methodology according to the Regulatory Asset-Based Model starting from 01/01/2021, the company has implemented a plan aimed at developing the performance of the company and its subsidiaries, and holding workshops related to the required revenue methodology, in a way that contributes to keeping pace with the electricity sector's reforms in the Kingdom.

### **Positive Effects of Financial and Regulatory Reforms on the Financial Position and Credit Rating of the Company**

- Financial and regulatory reforms enhance the financial and operational sustainability of the company.
- The Mudaraba agreement – signed to address the accumulated financial obligations due to the government – supports the company's financial position and makes its capital structure more sustainable.
- Improving the company's credit record and therefore its ability to finance its future investments.
- As a testimony of the successful implementation of financial and regulatory reforms in the sector and the company and confirming the company's improved financial position and creditworthiness, Fitch Ratings Agency raised the credit rating of the Saudi Electricity Company from A- to A, with a stable outlook. In addition, Standard & Poor's raised the company's credit rating from A- to A with a stable outlook, and the outlook for the company's credit rating was modified to positive by Moody's, thus the company maintains a strong investment grade credit rating equivalent to the Kingdom's sovereign credit rating by international credit rating agencies. This is considered one of the highest credit ratings for companies rated in the Kingdom, and the credit rating came by Standard & Poor's, Fitch and Moody's at grades (A, A, A1), respectively, with a stable outlook by Standard & Poor's, Fitch and Positive Outlook by Moody's.

## Operational Performance

### Key Performance Indicators for 2022

In terms of increasing the security and reliability of energy supply, the company has accomplished exceptional achievements by investing in transmission and distribution networks, and complementing them with important capital projects, which in turn have improved the continuity of electrical service to customers by up to 45% compared to the previous year.

Based on the company's interest and eagerness to enhance the customer experience and build its corporate identity, the company has established various centers to communicate effectively with customers, in addition to launching many smart and highly efficient digital services. As a result, the lead time for an electricity service connection was reduced by more than 23% versus 2021. These efforts led to an increase in customer satisfaction to more than 75%.

The company has taken important steps to localize electric power industries, by raising the percentage of purchases from local factories to 71%, enhancing the capabilities of local manufacturers and national companies, and supporting job opportunities for national cadres and competencies.

The company has sought to implement best international practices in preserving the environment and promoting social responsibility and governance. Upon evaluation by one of the best international companies in these fields (S&P Global), the company raised its performance by 25% last year.

The length of transmission network lines reached 92,999 km-circular, an increase of 1.6% over last year.

The length of distribution network lines reached 782,361 km-circular, an increase of 6% over last year.

The number of customers in 2022 reached more than 10.9 million customers by added more than 398 thousand new customers during the year.

54,533 Megawatts

The company's  
actual generation  
capacity



Annual Rate of Change ▼ -1%

41

Generating  
Plants

Number of power  
generating plants



83,539 Megawatts

Total actual  
network actual  
capacity



Annual Growth Rate ▲ 1%

65,301 Megawatts

Total maximum  
load



Annual Growth Rate ▲ 2%

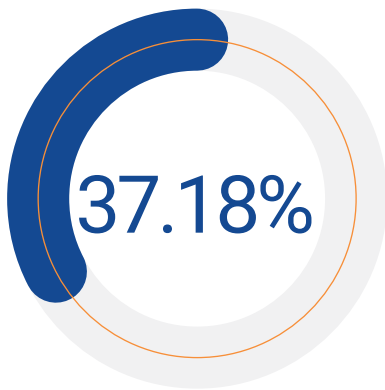
202,704 GWh

Total produced  
power



Annual Growth Rate ▲ 8%





Thermal efficiency of generated power from the generating plants of the Saudi Electricity Company



Thermal efficiency of generated power from the total capacity on the grid

---

**362,729** GWh

Power transmitted on networks



Include wheeling energy to the transmission system's users

---

**298,702** GWh

Total sold electric power



Include wheeling energy to the transmission system's users

---

**348** barrels of oil equivalent  
**million**

Fuel consumed in the company's generating plants including insulated distribution and rentals



---

**10** barrels  
**million**

Diesel fuel consumed in generating plants including isolated distribution and rentals





## Electric Power Generation

The largest producer of electric power in the Kingdom and the Middle East

Electric power generation is one of our core business lines, which contributes to the stability of the electrical system through 477 electric power-generating units installed at 41 power plants distributed throughout most regions of the Kingdom. The existing power generating fleet varies from small 15 MW units to large modern 720 MW units.

These units utilize a variety of technologies to generate electricity and have a total capacity of more than 54,445 Megawatts, representing about 65% of the total power production capacity in the Kingdom, making the Saudi Electricity Company the largest producer of electricity in the Middle East and North Africa.

### Electric Power Production Units

#### Simple cycle

31.5%

#### Combined cycle

27.6%

#### Steam cycle

40.8%

### Main Activities and Achievements

During 2022, the electric power produced by our plants reached 202.7 Tera-watt Hour, constituting more than 57% of the total electricity produced in the Kingdom. Also, 348 million barrels of oil equivalent were consumed, with a production efficiency of 37.2%.

In order to ensure the continuity of highly efficient and reliable operation and maintenance activities, the business line completed all planned maintenance plans during 2022, namely:

#### 27 Units

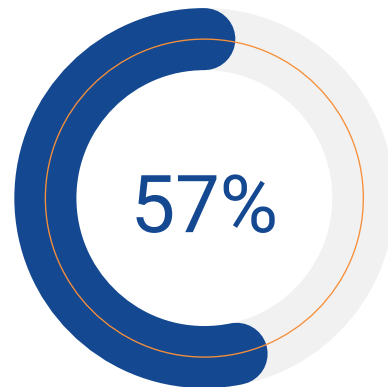
Major overhaul

#### 80 Units

Moderate Maintenance

#### 119 Units

Light Maintenance



Percentage of total energy produced in the Kingdom

477

units

Total power generating units



83,539

Megawatts

Total actual network installed capacity



Annual Growth Rate ▲ 1%

65,301

Megawatts

Total maximum load



Annual Growth Rate ▲ 2%

202,704

GWh

Total produced power



Annual Growth Rate ▲ 8%





Since our generating plants were all built at different times in the past, the company faced significant challenges to meet the highest levels of compliance with local and international regulations and standards in the fields of occupational safety and health, security, fire protection and environmental compatibility. That's why during 2022, we authorized a number of improvement projects aiming to ensure compliance and compatibility with the occupational safety, health and environmental policies.

## Distribution of production capabilities and units within the Kingdom

### Eastern Region

**14,254** Megawatts  
75 production units



### Western Region

**18,852** Megawatts  
136 production units



### Central Region

**16,090** Megawatts  
210 production units



### Southern Region

**5,249** Megawatts  
56 production units



## Electric Power Transmission

We pride ourselves on being the sole electric power transmission company in the Kingdom

The electrical system is operated, and loads are followed up, around the clock, with the goal of maximizing the efficiency of the electrical system. The economical operation of all power plants connected to the electrical grid is key, to ensure a highly reliable and stable transfer of electric power to load centers across the Kingdom. SEC is also responsible for the expansion and enhancement of the electrical transmission network for transformer stations and transmission lines 110 kV and above, as well as for enhancing the capacity of the telecommunications network through multiple stages including planning, designing, implementing projects, and ensuring the development of programs and operations in different sectors.

The company's mission is to economically operate its power generating stations and transmit highly reliable electric power from production sites to consumption centers. Another mission is to study and issue expected loads and to develop plans that will enhance the electrical system to meet expected loads in coming years, in addition to serving major customers, anticipating their needs and coming up with the best ways to supply them with electricity. The company also strives to create a suitable and stimulating environment for its employees with the aim of developing their expertise to achieve excellence in operational planning.



# 1,209

Substations

Number of transmission substations



Annual Growth Rate ▲ 2%

# 3,857

Transformers

Number of power transformers



Annual Growth Rate ▲ 6%

# 474,263

MVA

Capacity of transmission substations



Annual Growth Rate ▲ 3%

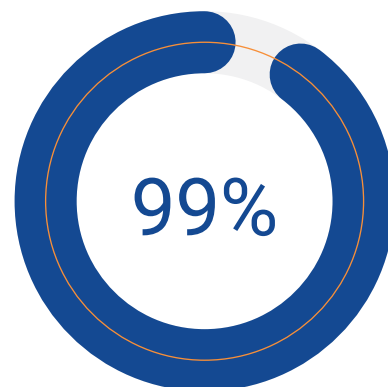
# 92,999

km-circular

Lengths of transmission network lines



Annual Growth Rate ▲ 2%



Electrical network coverage

## Main Activities and Achievements

The company focused on carrying out the application of its strategic plan to raise technical and financial efficiency, enhance reliability, and apply asset management and digital transformation in the business and services provided, with a focus on developing capabilities of employees and meeting customer and stakeholder expectations through:

Forming committees that track the progress of projects and programs to ensure objectives are met.

Implementing a communications plan with National Grid SA to raise awareness and job engagement, stimulate involvement and align departmental work to be in harmony with strategic objectives.

Applying a special mechanism for National Grid SA to identify the drivers of success that contribute to strategic objectives achievement. This will help to accurately identify key performance indicators (KPIs) and strategic projects to ensure, Allah willing, that they are clearly and effectively linked to achievement of the strategic objectives.

Developing and implementing governance structures, including defining roles and responsibilities, to control the implementation of strategic initiatives and projects and make sure targeted outputs are delivered.

Developing the capabilities of supervisors of strategic programs and projects.





Based on plans and objectives that focus on developing electricity supplies while reducing their costs, as well as completing the national electrical network, we completed a number of new transmission projects during 2022 to strengthen existing stations, which further enhances the transmission network and raises its efficiency. The company added overhead networks and underground cables, transmission substations, and fiber optic networks. The added overhead networks and underground cables amounted to 1,465.41 km-circular, which represents 1.6% of the existing networks at the end of 2021, as follows:

### Total of added overhead networks and underground cables

**1,465** km-circular

#### At the high-voltage level 110-132 kV

**265** km-circular  
Added lengths



#### At the ultra-high voltage level 230-380 kV

**1,201** km-circular  
Added lengths



**182** km-circular  
Underground cables



**100** km-circular  
Underground cables



**84** km-circular  
Overhead networks



**1,101** km-circular  
Overhead networks



**19** substations  
New transmission substations







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# 2,476

Added fiber  
optic network  
lengths

Km



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# 84,716

Total of fiber  
optic network  
lengths

Km

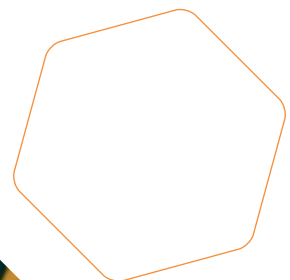


Annual Growth Rate ▲ 2%

## Fiber Optic Network

The company owns the latest communications modes to transmit information at very high speeds through light signals that pass through fiber optic cables which run along lines in the electrical transmission network, connecting generation plants and transmission stations.

The real-time monitoring and control of plants and stations through regional and national control centers is one of the great advantages of innovative technologies such as smart networks, which enables rapid follow-up with high levels of reliability and speed. The company began planning the Fiber Optic Network in 2009, as it began to expand and modernize the electricity transmission network. At first, fiber optics were added to connect regions within the Kingdom. Separately, internal networks in each region were also enhanced. The resulting robust infrastructure, based on fiber optics, supports the company's own digital transformation and operating efficiency goals. In 2022, the company added fiber optic network lengths measuring 2,476 Km, bringing the total length of the fiber optic network to over 84,716 km-circular, which placed the company among the largest fiber optic networks in the region.



## Distribution & Customer Services

Distribution's main tasks include receiving and distributing power from transmission networks and providing customers with reliable electrical service, while improving the service-level provided. The company is committed to carrying out its annual plans and programs to provide high-quality services through the use of the latest cutting-edge technology and by facilitating access to service.

### Main Activities and Achievements

#### Servicing the Two Holy Mosques and Sites

Each year, servicing the Two Holy Mosques and Holy Sites with electric power is one of our highest priorities, in which we remain focused on stabilizing the system and providing service with high reliability around the clock. Our efforts in servicing the visitors of the Two Holy Mosques this year were highlighted in the success of the Hajj and Umrah seasons for the year 1443/1444H, and the implementation of delivery requests for pilgrims' housing camps in record time and before the start of the Hajj season for the year 1443H.

#### Customer Service

- Working diligently to achieve superior customer satisfaction and raising the level of customer confidence in the electrical services provided.
- Launching successive packages of initiatives and projects and forming high-efficiency specialized teams to meet challenges and overcome difficulties.
- Taking advantage of all modern technologies available for digital transformation and providing services through multiple communication channels that allow customers to take advantage of SEC's services quickly and easily.
- Launching 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.
- Launching the first phase of the delivery journey, developing and allocating a mechanism for follow-up and escalation to prioritize major customer requests. Also, raising customer service quality by developing a program to improve the customer experience within customer centers, developing the customer's digital experience, and enabling deferred payment procedures.
- Launching new smart services through the ALKAHRABA application, such as knowing your own consumption pattern, comparing those with neighboring customers, knowing your current meter reading, including load pattern, and facilitating alerts and notifications due to high consumption.
- Developing digital communication channels and electronic payment services.
- Reducing the invoice issuing time to two working days after meter reading and rehabilitating service offices with a unified identity.
- Establishing a comprehensive quality center to follow up on the performance of customer service office quality when addressing customer complaints and launching an external communication platform to communicate with customers after addressing a complaint, and closing complaints after ensuring the customer is satisfied.
- Reducing the average response time to reply to customers at call centers to 30 seconds and reducing the average response time to reply to customers on Twitter to less than 5 minutes.







The company is working diligently to achieve customer satisfaction and raise the level of confidence in electrical services.

Different payment options for customers



Real-time consumption reading



Alerts and notifications for high consumption



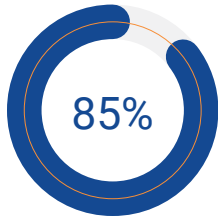
Developing digital communication channels



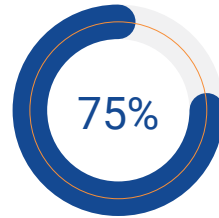
### Operational Excellence

- Developing a special strategy for distribution and customer service, linked to SEC's general strategy, and integrating it across the company through initiatives and indicators and projecting them on all organizational units.
- Working to connect all housing projects to electrical service to raise system reliability.
- Launching two supply initiatives to NEOM, and to the Namar and Al Aarid projects, and finalizing them in record time.
- Completing the connection systems of smart meters project and raising the accuracy of meter coordinates.
- Launching a network automation project and completing the signing of contracts with contractors.
- Launching an initiative to raise the quality of project implementation and supervising the work of the unified contract.
- Implementing an action plan for the demolition projects in Jeddah and Makkah in record time by removing more than 300,000 meters and more than 1,300 stations without any significant observations from government agencies, praise be to Allah, while maintaining the reliability of sensitive sites excluded from demolition, and maintaining the reliability of service in sites and neighborhoods affected by the displacement of residents from the demolished neighborhoods.
- Launching the remote disconnection and restoring service and developing a special screen to follow up on orders in all sectors, following up on sensitive customers, developing the SMOC system to support the improvement of operational work, including lost reading notes, disconnection and restoration, and launching the combined emergency interruption tickets service and its reports.
- Launching the escalation mechanism for the administrative levels of major customer requests and completing the service of dealing with the customers' electric malfunctions benefiting from the mobile generation service.
- Linking the Field Force Management System (FFMS) with the smart meters system, as well as linking FFMS, SAP-PM, SAP ISU and GIS to notify customers of scheduled outages and launch the service in all electricity departments in the geographical sectors, thus enhancing the reliability of service provided to the customers.

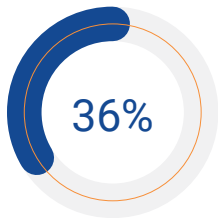
## Key Operational Performance Indicators



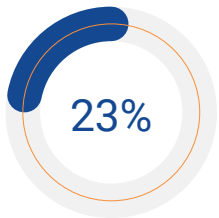
**Automating transmission networks**  
85% improvement to reach 16.23%  
from last year



**Customer satisfaction percentage**  
To reach 75%



**Average duration of closing complaints**  
36% Improvement



**The average time to supply new connection**  
23% improvement , and  
achieving 4.5 working days

## Network Expansion

- A total of 28,314 new transformers for 69 kV and below were added, an increase of 4% of the total distribution transformers at the end of 2021, and a capacity of 17,570 MVA, an increase of 5% over the total capacities at the end of 2021.
- Overhead networks and underground cables for 69 kV and below were also added, with a length of 44,207 km-circular, an increase of 6% of total networks at the end of 2021.
- Connecting electricity service to more than 398 thousands new customers, reaching more than 10.9 million customers by the end of 2022.

**28,314** km-circular

**New transformers**

For 69 kV and below



**44,207** km-circular

**Overhead networks and underground cables**

For 69 kV and below



---

**629,074** transformers

Number of  
distribution  
transformers



Annual Growth Rate ▲ 5%

---

**10.9** million

Total number of  
customers



Annual Growth Rate ▲ 4%

---

**320,659** MVA

Capacity of  
distribution  
transformers



Annual Growth Rate ▲ 6%

---

**398+** thousand

Total number of  
new customers



---

**782,361** km-circular

Distribution  
network lengths



Annual Growth Rate ▲ 6%

---

**298,702** GWh

Total of sold  
electricity



Annual Growth Rate ▲ 2%





## New Growth Opportunities and Business Development Investments

Through its Investments Sector, the Saudi Electricity Company seeks to maximize non-regulated revenues to enhance the company's financial sustainability by developing new investment opportunities and maximizing existing investments by managing the portfolios of subsidiaries.

The Investments Sector evaluates the performance of SEC subsidiaries, manages industrial and digitalization investment projects and markets successful employee ideas that support the Kingdom's Vision 2030. These efforts enhance localization and help develop the Saudi economy. Major achievements in 2022 in this area were:

- Developing a non-regulated investment strategy (Water & Electricity Regulatory Authority) and building investment policies.
- Activating investment portfolio management that follows up and supports subsidiaries.
- Building and implementing a corporate governance model in wholly-owned subsidiaries, and raising the level of institutional maturity and independence of these companies.
- Establishing and operationalizing the Solutions Valley Company, a limited liability company wholly-owned by the Saudi Electricity Company.
- Developing and organizing the work of providing mobile generation across the Kingdom..
- Studying more than 35 investment opportunities in various fields.

### 01

#### Integrated Communications and Information Technology

The Integrated Dawiyat Company for Telecom and Information Technology is a limited liability company wholly-owned by the Saudi Electricity Company. It was established to provide wholesale infrastructure services to major communications companies. One of the most important goals of the company is to establish and operate advanced fiber-optic networks in addition to benefiting from the fiber-optic system owned by the company.

The company seeks to improve the quality and speed of the Internet in the Kingdom, in an effort to achieve the Kingdom's Vision 2030 goals. SEC supports initiatives to deploy fiber optic broadband to households, to enable telecommunications companies to provide services to customers.

700 thousands households

Households  
connected to  
fiber optics



52+ thousands households

Fiber optics  
connected during  
2022



340+ thousands customers

Activation of open  
network services



## Company's Tasks

The Communications and Information Technology Commission granted the company a license to provide infrastructure wholesale services, which entitles Integrated Dawiyat for Telecommunications & Information Technology to provide wholesale services for telecommunications infrastructure within the following services:

Dark fibers and culverts, including the provision of interconnection services for tower sites or active fixed access services, and wholesale services for active fixed data links, including active fixed access services, small cells, internal solutions and wireless access points.

## Main Activities and Achievements

In partnership with telecommunications companies (service providers), Integrated Dawiyat Company plans to open channels of communication and understanding with several entities and telecommunications companies to provide outstanding high-speed and reliable telecommunications services. To achieve this, the following work has been completed:

**Signing an agreement with ROSHN Real Estate**, a Public Investment Fund (PIF) company, through which Integrated Dawiyat Company will establish the telecommunications infrastructure in both the SEDRA project in Riyadh and ALAROUS project in Jeddah. This agreement will enable the company to provide wholesale services for telecommunications infrastructure in both projects, which may have up to 85,000 housing units.

**Signing an agreement with RQEEM for Smart Solutions** (a company owned and a subsidiary of the Royal Commission for Jubail and Yanbu) enabling the company to provide wholesale services for telecommunications infrastructure in Matrafiya neighborhood to more than 3,000 households so far. This agreement will increase the coverage of the fiber optic network and help the company's ability to expand into new industrial cities such as Jazan and Ras Al-Khair, and new neighborhoods in Jubail.

**Connecting fiber optics to more than 52,000 households** in 2022, bringing the total number of households connected to fiber optics to 700,000 households.

**Service activation for more than 340,000 customers** from the launch of the open network service.

Securing the telecommunications infrastructure in new residential projects located within the national growth areas for **more than 155,000 housing units** during the year 2022, provided that the service will be delivered to them at occupancy.

**Extending the concession agreement between the company and King Salman Energy Park (SPARK)** for an additional five years to reach a period of 15 years.

**Signing a memorandum of understanding with TAWAL Company to enhance the efficiency of digital infrastructure in the Kingdom**, where Integrated Dawiyat Company enables Tawal to connect telecommunications towers in various regions of the Kingdom using the optical fiber network according to the latest technical standards.

**A memorandum of understanding was signed between the Ministry of Communications and Information Technology (MCIT), the National Development Fund (NDF) and Integrated Dawiyat Company** to study areas of cooperation in financing aerodynamic optical fibers infrastructure projects and data centres within the scope of Dawiyat Integrated Company's work.

Global Data Center, one of the companies in which Integrated Dawiyat Company invests in, and which specializes in major data center services, has **signed with a group of companies to lease a total of 3 MW for 5 and 10 years**.

**The company completed the pilot project for aerodynamic optical fibers** in Hautat Sudair and another project in the city of Al Baha in Al Aqiq Governorate. The pilot project achieved great success and confirmed the project's high feasibility.

The **Saudi Electricity Company for Projects Development** is a wholly-owned limited liability subsidiary of the Saudi Electricity Company. It is considered the engineering arm of SEC that designs, manages, supervises and implements projects. It also focuses on the localization of engineering, the digital expertise of company employees and on reducing capital costs.

#### Company's Operations

The operations of the company include engineering, design and supervision of implementation of electricity generation and transmission projects to proper engineering quality specifications. Duties include cost and schedules monitoring, maintaining environmental and social requirements, and the safety of employees. The company is also responsible for developing creative ideas that improve performance effectiveness and increase value-added.

The company seeks to develop projects involving specialized and qualified cadres of Saudis who have the experience, knowledge and ability to become future leaders to address the different needs of the electricity sector in the Kingdom. The company envisions competing for projects tendered in the local and international markets.

#### Main Activities and Achievements

Supervising projects that will enhance the capabilities of the electrical transmission network with transformer stations and transmission lines. The size of the project portfolio reached SR 58 billion, including the company's capital projects and the major customers' projects.

Supervising a number of important strategic projects such as the Saudi-Egyptian interconnection project valued at SR 3.85 billion, Aramco projects valued at SR 3.55 billion, the Ministry of Housing's projects valued at SR 2.32 billion, and NEOM projects valued at SR 1.5 billion.

Enhancing generation capacity by operating a steam unit in the Green Duba plant project with 260 MW capacity and connecting it to the grid.

Adding 31 new power plants and upgrading 4 existing ones with a total transformer capacity of 18,655 MVA.

Adding overhead lines and underground cables to the transmission network with 151 circuits and a total length of 2,564 km-circular.

Tendering, awarding and signing contracts for 131 projects with a total actual value of SR 18.8 billion, including transmission projects with a total length of 3,281 km-circular and a total conversion capacity of 35,002 MVA.

Applying the EPCM methodology by signing new transmission projects at 36% of the total approved capital budget value for the year, and realizing an achievement of more than 120% of those planned for this year.

Issuing 344 contractual certificates for transmission projects (technical completion – initial taking over – final taking over). A total of 260 financial projects with a total value of SR 61 billion were also closed.

Documenting 27 creative ideas with improvement studies submitted by company employees during the year 2022, which contributed to a financial saving of SR 62 million.

Achieving 45 million working hours without debilitating injuries or deaths during the year 2022 in the projects supervised by the company, as a result of the commitment of the company's employees and contractors to occupational health, safety and environmental regulations (average number of workers 19,074 workers/day). A total of 21,711 inspection field visits to project sites were carried out, resulting in 65,177 observations that were corrected during the year.

Providing engineering supervision of the communication network systems (SDH) replacement with transmission stations in the central region with modern (MPLS-TP) technology project, as well as the modern digital wireless communication system (radio) project with 168 sites at transmission and conversion substations distributed in the central, eastern and southern regions.

Full supervision of the integrated security systems projects Phase II and III and the fire protection project Phase II in generating transmission stations, as part of a package of programs to enhance the reliability and security of fire protection systems in the company's various facilities.

In a unique achievement, the operation of the modern telecommunications network development project that uses broadband technology (DWDM) in transformative transmission stations was completed. The project contributed to the speed of data transfer and helped Dawiyat to achieve the Saudi Electricity Company's investment vision.

Preparing and issuing 130 tenders for major customers' projects with a total value of more than SR 25 billion, as well as preparing and offering 35 contracts worth SR 3,855 million for projects serving various sectors of the Saudi Electricity Company (The Saudi Energy Production Company - Distribution - The National Grid SA - Saudi Power Procurement Company).

Managing the operations of the 13 and 14 station projects for 11 gas units and providing the network with a production capacity of 7 Terawatt hours during the summer season 2022 without significant interruptions.

Reviewing more than 21,000 engineering submissions, drawings and detailed designs of transmission network project equipment, with an increase of more than 60% from 2021.

Representing the Saudi Electricity Company with the Ministry of Energy in the liquid fuel displacement program, one of the Vision 2030 programs, by awarding and signing a contract for the first project of the program in the 10<sup>th</sup> station with a value of SR 679 million.

Improving and developing work with partners and stakeholders, as five agreements were signed with Aramco and an agreement was signed to manage and supervise the operation and maintenance of power plants at land ports between the Zakat, Tax and Customs Authority and the Saudi Electricity Company.

Developing employee capabilities and keeping pace with global engineering developments and project management initiatives, including the issuance of 144 professional certificates to SEC employees during the which brings the total number to 472 professional certificates across the company.

Preparing technical-economic feasibility studies for gas conversion projects for the generation stations targeted in the liquid fuel displacement program in the Kingdom (Ministry of Energy).

The Saudi Electricity Company got the full grade assessment in accordance with the Water and Electricity Regulatory Authority's requirements through the review and monitoring of internal audit reports for the quality of the company's performance indicators data (KPIs) for the year 2022.

**58 billion**

SR

Project  
portfolio size



**13.6 billion**

SR

Capital assets  
added to the  
company





## 03

### Power Services and Intelligent Solutions

The SEC subsidiary **Solutions Valley Company** was established under the Board of Directors Resolution No. 201 on 21/6/2021, to enable SEC to provide its specialized services to customers outside the organization, such as operation and maintenance, energy services, and smart solutions.

#### Company Tasks

The aim of Solution Valley Company is to leverage Saudi Electricity Company's resources and expertise to raise production efficiency and diversify the financial income stream by providing integrated solutions and targeting gaps in local markets for SEC customers, providing new customer segments with professional and high-quality services.

#### Main Activities and Achievements

The company is still in the establishment process and is working to attract the necessary expertise to reach target markets. Below are some of the services that are being worked on in the first phase:

01

Providing operation and maintenance services for special networks.



02

Providing engineering consulting services in the field of electric power



03

Supervising and regulating the provision of temporary power services





## Research & Development, Innovation and Institutional Excellence

Work on updating the Saudi Electricity Company's research, development and innovation strategy to keep pace with the Kingdom's vision in R&D.

Work on a plan to transform the Saudi Electricity Centre for Research and Development in Dhahran Techno Valley from a cost center to a profit center.

Raise the scope of application of quality programs (process improvement programs) to include a number of field improvement operations, and a number of joint operations with entities outside the company such as secretariats and municipalities to improve and raise the quality of processes and outputs.

Reach the market with innovative products in the electric power field, and build portfolios of opportunities, challenges and innovative solutions with strategic partnerships.

### Main Activities and Achievements

The company generated **financial savings and avoided a financial loss of about SR 710 million** through 239 improvement studies, and through the Ibdac program by applying employee suggestions.

**An Internet of Things (Relay Pioneer) device** was created that read the settings of relays in transmission stations after a successful field experiment at Al Mashaer station in cooperation with the National Grid SA.

**The Internet of Things device Kashif** was created with detects electrical contact with lighting poles wirelessly without any electrical connections. SEC agree with Kidana Development Company, under the auspices of the Royal Commission for the Holy City of Makkah and the Holy Sites to test Kashif in the field at specific locations in Mina, Jamarat and the Umrah passenger transport station next to Jamarat Masha'r.

**Completion of a fuel extraction research project with General Electric** to improve the combustion process of crude fuels in gaseous units through the use of emulsified fuels (WIF) to obtain lower emissions, improve performance and extend the lives of turbine parts.

**Start the implementation of the research project on adsorption cooling technology** in both the 9 generation plant in Riyadh and King Abdulaziz University in Jeddah with strategic partners Taqnia Energy, Polish Company NDC, and King Abdulaziz City for Science and Technology.

**Achieve financial revenue of SR 2.5 million** through the provision of advanced technical consultancy services from the Saudi Electricity Center for Research and Development in Dhahran Techno Valley within the Dynamic Compensators Project in the Kingdom of Bahrain supervised by the Saudi Electricity Company for Projects Development.

### SEC's top awards and certificates

The Saudi Electricity Company participates annually in the ideas competitions regionally and globally, and this year it received a record number of awards.

#### 4 Awards in the ideasUK Competition



- Best Idea Award for 2022.
- First place in the financial value category.
- First place in the health and safety category.
- Second place in the design category

#### Obtaining 3 ISO certificates in 2022



- Industrial Security Sector (ISO9001).
- Standards and Metrology Management (ISO9001).
- Standards and Metrology Management (ISO37301).







## Sustainability Overview

The Saudi Electricity Company plays a crucial role in realizing the Kingdom's Vision 2030, which is aligned with UN Sustainable Development Goals (SDGs), to expand the clean energy sector, diversify the economy, promote energy efficiency, ensure the security and reliability of supply, and enhance governance, performance and reporting.

The Saudi Electricity Company takes environmental, social and corporate governance (ESG) very seriously and considers it a key pillar of its corporate strategy. For this reason, the company is upgrading its ESG strategy to ensure it includes key transformations across the business and reflects SEC's important focus on ESG.

SEC appointed a dedicated team and head of its ESG department in 2022. The ESG department is comprised of a competent workforce and was set up to be part of the Strategic Planning & Business Development Business Line.

While this department is still growing, it is leading significant efforts in starting to embed ESG across the company. SEC also formed its first ESG committee, made up of senior leadership members, to oversee development of ESG policies.

As a starting point, SEC conducted an ESG evaluation that compared the company to 15 global and regional peers. This peer diversity enabled an objective assessment of SEC, providing best-in-class and ambitious insights for the company to aspire to. The results of the analysis enabled SEC to support the development of an ESG strategy to become a leader in the power industry.

SEC held multiple ESG committees to share knowledge with executives, obtain feedback, steer, and engage with senior leadership on key decisions. This enabled every voice to be heard and ensured timely alignment to other strategies, while promoting strong governance and accountability at the executive level for a successful and harmonized future of its ESG journey.

As part of the strategy update, SEC has revised its ESG priorities, identifying key material topics relevant to the company and collecting data from internal and external stakeholders. Executives and senior stakeholders were involved in the prioritization of the materiality assessment process to ensure executive inputs were captured. Business lines and functions were engaged thoroughly to ensure

priorities at operational level were also captured and aligned with leadership. The combination of those insights ensured that a holistic assessment of internal opinions were captured. In addition, and to capture external key stakeholder insights, the company launched its first ESG investor survey to better understand and capture their ESG interests and priorities to account for in the development of the strategy, targets and KPIs.

The company continues to develop and formulate its updated ESG strategy, set long-term ESG targets and goals and track associated KPIs, prioritize material topics, create value across the company, monitor and oversee the roles and responsibilities of other functions, work closely with other business lines to ensure ESG is embedded, and disclose SEC's ESG efforts in accordance with best disclosure standards and practices such as the Global Reporting Initiative standards and the guiding standards for ESG reports issued by the Saudi Stock Exchange Tadawul.

As a testimony to its efforts and approach to environmental, social and governance practices, the company's global sustainability assessment score issued by Standard & Poor's (S&P) has improved from 23 in 2021 to 32 in 2022. This improvement was a result of high enhancements in social and governance scores. The Morgan Stanley Capital International (MSCI) scores also increased from B to BB which reflects the recognition by external evaluators of the company's successful efforts in this regard. We expect that SEC's efforts will improve its score in the coming years due to better disclosure in alignment with ESG guidelines.

SEC's ESG journey continues! In 2023, SEC has strong ambitions to structure and develop its strategy and capabilities further, establish its ESG data office and implement its strategic roadmap to create a strong foundation for the years to come.

This will be reflected across the three pillars of environment, society, and governance, as follows:

### Environment

Within the framework of national programs in the local energy sector, the company is focusing on reducing greenhouse gas emissions (GHG) and enhancing energy efficiency by:



- Transitioning to more gas through its liquid displacement program proven to reduce GHG emissions.
- Enhancing energy efficiency through the deployment of smart grids and using digital solutions such as drones and AI to monitor its transmission network.
- Increasing digital solutions to ensure accurate tracking of resources used in its generation plants.

### Society

The company is focusing on its workforce development, health and safety and community investment by:

- Upskilling of its workforce at all levels with the purpose of raising awareness and embedding ESG at its core through training and knowledge sharing sessions.
- Using digital solutions to track safety measures in generation plants in compliance with industry safety standards combined with increased safety trainings and awareness.
- Further developing its corporate social responsibility program to support local charities and communities and allocating employee volunteering hours.

### Governance

The company is increasing its focus on strengthening its governance structure and focusing investment on digitalization:

- Enhancing its ESG reporting through transparency and accountability at the company level and updating its internal corporate governance policies.
- Increasing its compliance to additional recognized standards such as ISO.
- Using digital systems to track real time data accessible to stakeholders across the business for better management, including risk assessments and emergency planning.

### Detailed examples of the Saudi Electricity Company's efforts

#### Green House Gas Emission Reduction Progress

The company focuses on reducing greenhouse gas emissions as part of its sustainability goals. Therefore, the company has set a target to reduce Scope I and II of greenhouse gas emissions by 25% from 2016 to 2025, in line with initiatives to achieve diversification of the energy mix in the electricity

sector, which targets 50% of renewable energy sources and 50% of natural gas, represented by reaching a renewable share of total installed capacity by 2030. At the end of 2021, the company recorded a 7.4% decrease in greenhouse gas emissions compared to the base year 2016 mainly due to the cutting-edge technologies used in electricity generation, improved fuel mix used for generation, and improved thermal efficiency over the past years. As part of its efforts to improve energy efficiency, the company has achieved 100% coverage of smart meters in the Kingdom, and is also working on projects to connect renewable energy plants. Its investment plans include capital budget allocations in excess of 11 billion riyals to connect more than 25 renewable energy projects being developed across the Kingdom.

#### Green Sukuks

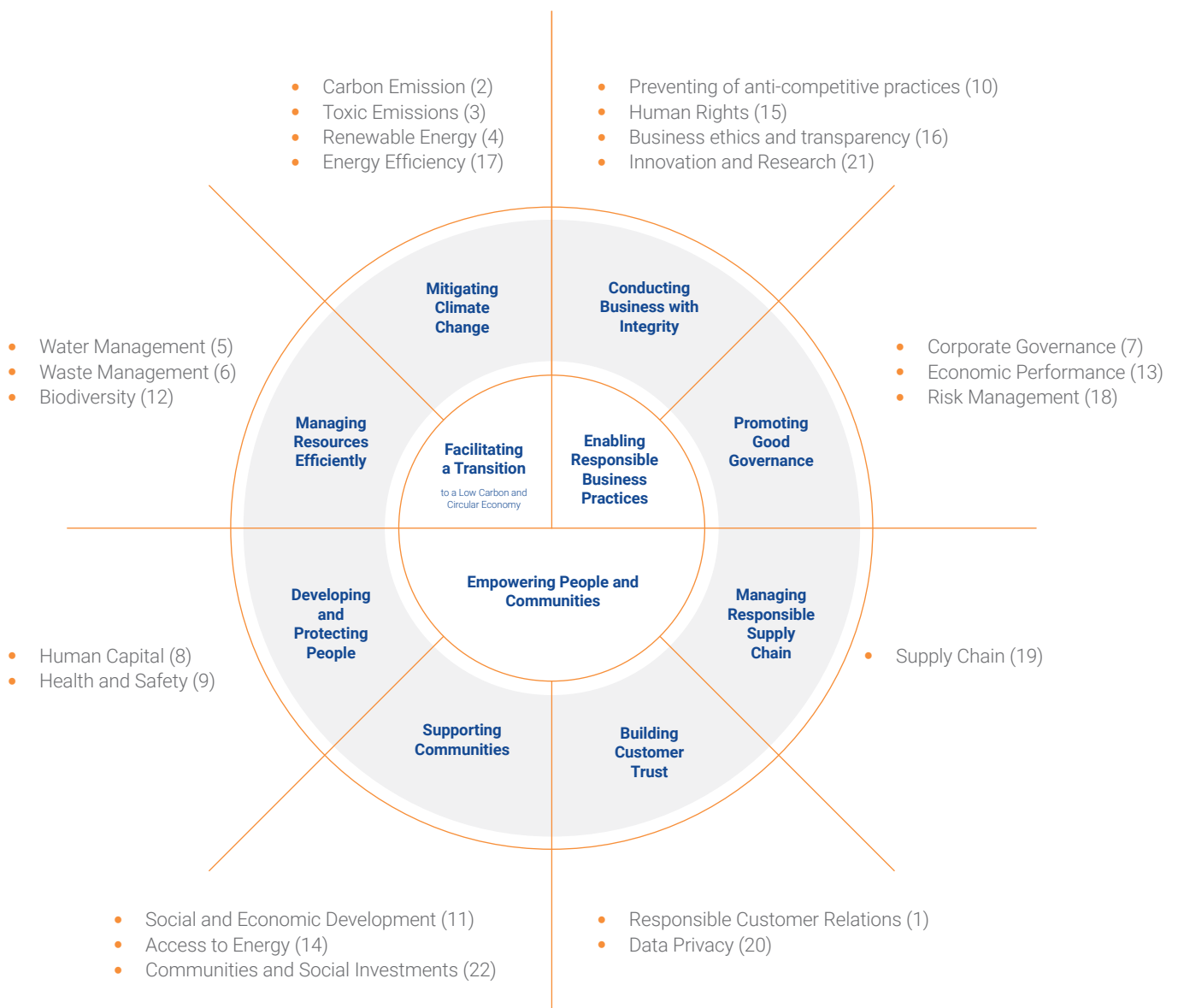
SEC has established a Green Sukuk Framework, under which SEC and its subsidiaries can issue Green Sukuks, in conjunction with SEC's sustainability strategy. The SEC's Green Sukuk framework aligns with the overarching ESG framework, which has three key objectives:

- Facilitating the transition to a low-carbon and circular economy.
- Promoting responsible business practices.
- Empowering people and communities.

These objectives align with several of the United Nations' Sustainable Development Goals (UN SDGs).

## Environmental, Social, and Governance Framework & Ambitions

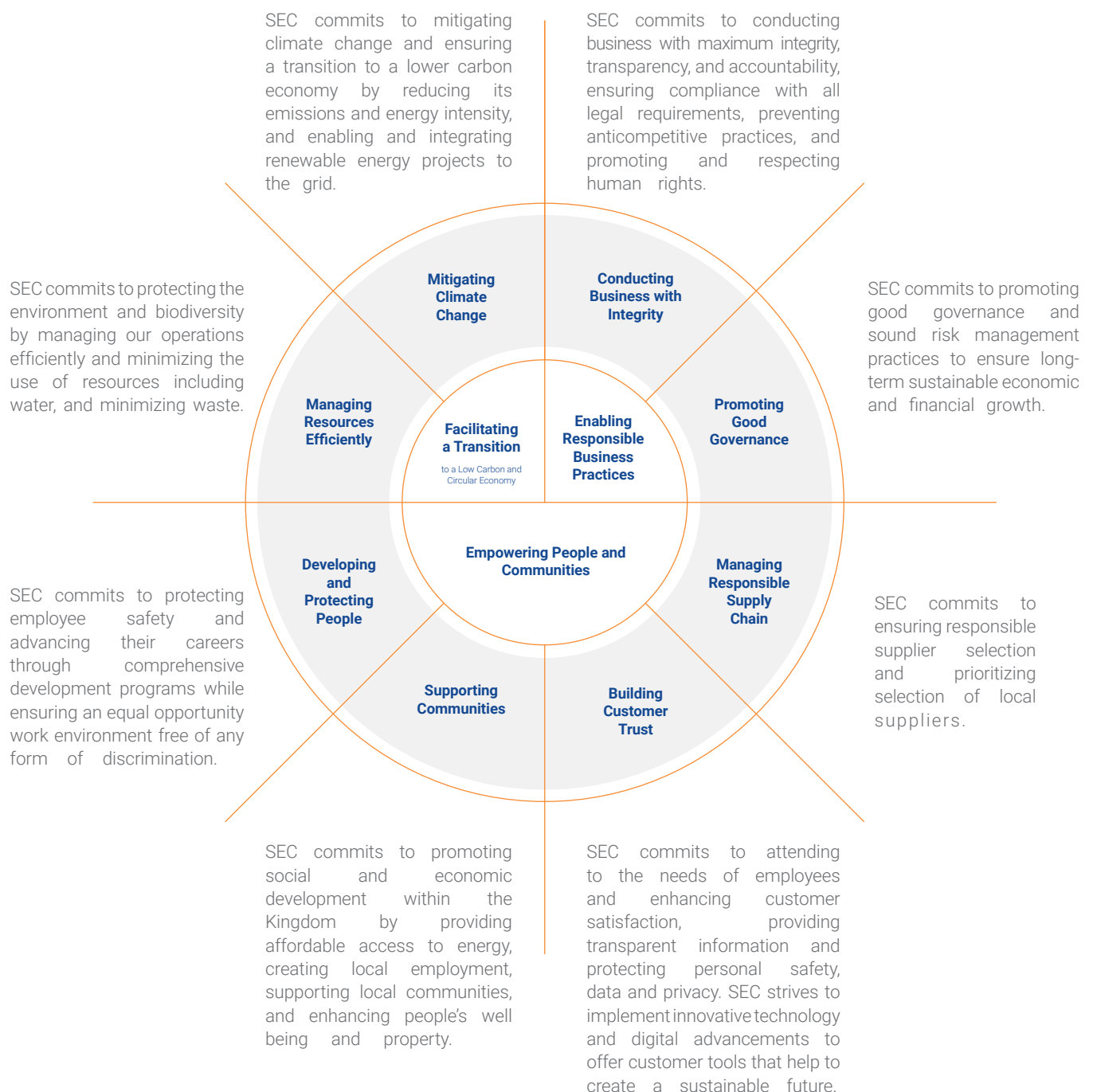
Our ESG framework includes the full range of our top-priority sustainability management strategies. The framework is organized into three key ambitions, eight themes and 22 criteria (i.e., essential ESG areas):



In alignment with our ESG framework, our ESG strategy has been developed to make sure we make steady progress towards achieving our three key ambitions. Recent ESG-related strategies we have been implementing include:

- Meeting the ESG expectations of investors and credit rating agencies, especially for our green sukuk.
- Aligning our activities with Saudi Arabia's Vision 2030 and UN SDGs.
- Identifying risk reduction and cost saving opportunities.
- Implementing measures to resolve improvement areas identified by ESG rating agencies.
- Improving SEC's reputation among its peer group of world leaders in ESG in the electricity sector.

## SEC's Commitments on ESG



## Maintaining Safety and Preserving the Environment

SEC is fully committed to occupational safety and health, employing a strategy of increasing inspections and continuous follow-up to verify compliance with safety, health and occupational standards. The goal is to reduce accidents, injuries and traffic violations. In terms of attention to the safety of customers and the public, new services have been launched to raise the level of safety in dealing with network components, such as the Alkahraba Friend service and the Aamin service, to isolate electrical networks and allow applicants to conduct work near the network safely. The company was also able in 2022 to deal successfully with a rain event that occurred in the Makkah region, restoring electrical service without recording any injuries or comprising safety, praise be to Allah. Attention to the environment is one of SEC's priority tasks, as it displaces fuel, dispenses with rented generation and activates smart grids that reduce traffic, which in turn decreases carbon emissions and helps the environment.

As the Kingdom's principal electricity provider, SEC is keen to address visual distortions in line with government directives to raise the quality of life and better the urban landscape by improving excavation levels, and reducing the impact of electrical wiring and equipment installation throughout the country.

### Restructuring the Industrial Security Sector

SEC's Occupational Health, Safety, Security and Environment Department reports directly to the CEO and is the successor to the former Industrial Security Department. This new department has responsibility for the industrial security sector, the safety sector, loss and prevention, fire prevention and control management, environment and sustainability management, and crisis and disaster management.

### Creation of Safety Departments

Safety departments have been set up throughout the company and its subsidiaries to promote a culture of safety awareness. The main tasks of these departments are maintaining the security and safety of the company's employees, customers, contractors and property, ensuring business continuity and sustainability, and ensuring compliance with legislative obligations and internal and external policies.





## Main Activities and Achievements

Based on the **industrial security sector's** mission and its efforts to achieve security excellence and ensure the security of company employees, property and customers, the company obtained the ISO 9001:2015 certificate in quality management for its security management system. It also raised the level of security and readiness of security systems during the year 2022.

In **advancing digital transformation** in the sector, SEC developed the services of the security operations system by raising the level of security readiness at sites and the efficiency and skills of employees in issues regarding data governance.

In order to **develop a safety culture** and manage its business in a way that protects the health and safety of employees and contractors, the company signed a consultancy contract with a leading company to work on developing SEC's occupational safety and health management system, including procedures, safety instructions and processes, as well as safety awareness programs.

Based on these strategic plans, and the development of business tasks and the dissemination of a safety culture, the performance indicators in safety improved and the number of work injuries decreased by 54% compared to the previous year.

The Fire Department has worked on several strategic initiatives. To achieve its objectives, a number of contracts and agreements have been signed with international companies in the field of fire protection systems, which will allow the development of the fire management system and raise the readiness of emergency preparedness.

With the issuance of the Environment Law and executive regulations developed from the environmental management system compatible with ISO standard 14001, the company progressed along its journey to constantly raise its environmental performance in line with the Kingdom's Vision 2030 plan. The company continued to work on reaching zero neutrality by identifying all sources of carbon emissions in preparation for a companywide carbon management strategy. Work is also underway to develop a roadmap to activate the circular economy.

## Environment and Safety

- In support of the Saudi Green Initiative, the company sponsored the "Let's Make it Green" campaign in Saad National Park in cooperation with the National Center for Vegetation Development and Combating Desertification, and with the participation of company employees.
- The company sponsored the Arab Conference on Occupational Safety and Health.
- Implemented awareness exhibitions for the activities of the World Day for Safety and Health at Work.
- Sponsored the International Fire Operations Conference and Exhibition.
- Participated in the Civil Defense Week with more than six pavilions in six cities and governates around the Kingdom as part of the "Your Safety is in Your Hands" campaign.

To control crises and disasters, the department has trained specialized leadership teams at the company level, in addition to emergency response teams at all company sites. Crisis management centers, basic command and control centers, and alternative command and control centers have also been established and equipped in various business areas in the Kingdom. The General Instruction Manual for Emergency Response has also been developed and adopted. In addition, the company is using an advanced global technical system for disaster and crisis management, and is seeking international accreditation in the field of disaster management.

The company **implemented 10 internal campaigns** aimed at raising awareness of safety, environment, cybersecurity, human resources services, business integrity and a number of strategic initiatives targeting all company employees.

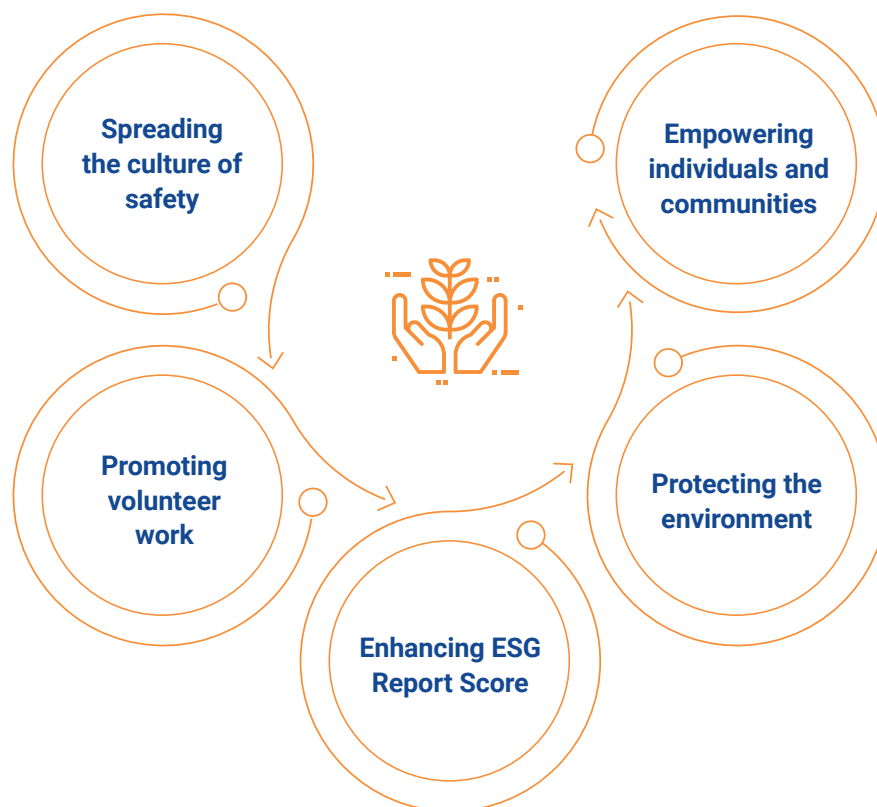




## Corporate Social Responsibility

The Saudi Electricity Company's journey to promote best social responsibility practices stems from its Corporate Social Responsibility Policy, which was developed in line with the company's strategy and the Kingdom's Vision 2030. This commitment shapes all company initiatives and activities, which aim to enhance its reputation and improve its environmental, social and governance (ESG) sustainability report score, in line with international standards for social responsibility (ISO 26000).

ESG policies and practices are based on five thematic pillars, which are being rolled out in stages under the company's transformation strategy. The five pillars are:



## Social contributions

During 2022, the company has made many social contributions represented by the Department of Corporate Social Responsibility, as follows:

### At the donations' level

#### At the company level

# 2 Million

Saudi riyals

Donations to Ihsan Care

#### At the individuals' level

# 5+ Million

Saudi riyals

Donations to charities

Through the internal deduction program, company employees donated more than SR 5 million to charities.

### At the volunteer work's level

During 2022, the company implemented several initiatives, including:

- Blood donation campaigns in business areas.
- A winter clothing initiative.
- Implement the Breakfast of Our Neighborhood initiative.
- An Iftar fasting initiative.
- A safety tours initiative for charitable associations and institutions.

## Corporate Communications and Marketing

- Organizing and coordinating the hosting of the Saudi Science and Engineering Team that won 22 awards at the International Science and Engineering Fair 2022 at SEC headquarters in Al Aarid district.
- Conducting the Communication and Love Program to greet employees on the morning of (Eid Al-Fitr – Eid Al-Adha) for 3,550 employees in 215 locations in all business areas and holy sites.

During 2022, the company continued its successful effort to promote corporate social responsibility, providing the following training opportunities:

# 1,460

Male and female students

Cooperative Training Programs

# 50

Male and female graduates

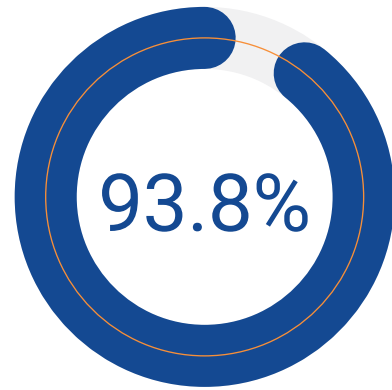
Tamheer Program supported by the Human Resources Development Fund (Goal)

On-the-job training for graduates of universities and institutes of all educational levels, and to contribute to the empowerment and supporting of talent.



## Human Capital

The Saudi Electricity Company attracted highly qualified, talented individuals with advanced levels of expertise to work in an attractive and performance-stimulating workplace environment. SEC worked diligently to enhance employee loyalty and integration, enabling the company and its subsidiaries to meet goals and objectives efficiently and effectively, boosting the success and sustainability of the business.



Saudi Localization Rate





## Main Activities

- Create an organizational environment that includes policies, rewards, a performance management system and organizational structures that enhance performance and support corporate objectives, in line with best practices.
  - Analyze, plan, attract and recruit highly qualified talent.
  - Develop leaders and ensure the readiness and effectiveness of replacement plans.
  - Train and develop the workforce to ensure efficient and effective business performance.
  - Foster a work culture derived from the company's values and objectives that will enhance performance.
  - Manage human resources processes and systems and provide automated services according to the latest practices.
  - Provide logistics services related to facilities and transportation to enable organizational units and employees to work at their best level.
  - Develop and lead implementation of a long-term human resources strategy aligned with the goals of the Saudi Electricity Company.
- 

## Main Achievements

- Developed effective, relevant processes for SEC in the area of human resources by drawing on the work of an advisory body and applying local and international best practices.
- Reviewed and developed Saudi Electricity Company's operating model, and the subsequent restructuring of relevant units called for within the organization.
- Raised the competitive level of compensation and returns for all company employees, which will help the company to maintain and attract talent.
- Raised the level of services provided to employees, including medical insurance, and improved employee housing loan policy, while disbursing an education allowance to some employees.
- Developed an operational model for human resources and support services.
- Evaluated more than 1,650 company leaders using the (PEAK) methodology by a global specialized body to develop leaders and talents and improve company services to achieve strategic goals.
- During 2022, Human Resources received the Entrepreneurship Foundation Award in Dubai for the company's application of a professional methodology in evaluating and developing the leaders of the Saudi Electricity Company.
- Developed 662 young leaders and talents.
- Achieved record employee participation in the job engagement survey, and increase the degree of integration to higher levels since the launch of the survey.
- Increased representation of women in the company by 137%.
- Held more than 190,000 training days, the highest number of training days the company has ever completed.
- Conducted a comprehensive review of all policies for completeness, compliance, and competitiveness.
- Introduction of the Employee Welfare Call Centre (333), in addition to new digital communication channels.
- Further developed the performance management mechanism by introducing a leadership effectiveness index and new guidelines for performance levels, among others, to increase the effectiveness of the performance management model at the company level.
- Developed company training facilities as well as the level of existing training service by signing and activating several agreements with strategic partners.
- Increased automation of human resources services within the digital transformation project.
- Improved recruitment processes in terms of speed and quality of selection, with an average improvement rate of 63%.
- Enhanced job engagement of employees and implemented incentive packages to meet employee needs and raise satisfaction levels. Raised the quality of employee performance measurement with the application of an employee scorecard initiative. Enhanced commitment and internal control by raising employee awareness levels of business, security and safety procedures, in particular those regarding optimal fleet use and commitments to working times. Several initiatives were also launched to develop leaders and employees, and attract many distinguished competencies at the leadership and professional level to support the strategic transformation process.
- Developed and improved organizational structures in line with the strategic transformation in business performance.
- Implemented 44 internal events targeting more than 19,000 employees across the company's locations.

## Resource Management, Localization and Local Content

Resource management, localization and local content are important priorities at SEC. Through its engineering activities at the company level, and related policies and procedures, SEC is working to enhance sustainability and performance reliability through superior resource management and a strong emphasis on localization and local content. Efforts are currently underway to apply international best practices to unify the company's specifications and standards, procurement and contracting processes, and financial and technical qualifications, to further this goal.

The company is also actively enhancing its material inventory and asset management practices, and the follow-up management of its portfolios and capital projects, to raise performance efficiency. Through its research and development activities, SEC is also encouraging innovation and institutional excellence through the use of innovation incubators, and is building the level of qualified technical capabilities within the company through specialized development programs modeled on best practices that leverage in-house expertise to upskill SEC employees.

SEC aims to increase localization and the local content of its purchases and projects, while reducing spending on foreign goods and services. The company is committed to deploying resources in a way that returns benefits to the Kingdom. It is currently pursuing initiatives to accomplish this goal, and is developing a strategy to localize materials and spare parts from the electricity industry.

### Main Activities and Achievements

#### Resource Management

SEC achieved its goal to reduce the value of inventory stock by SR 43 million in 2022 compared to 2021, to reach SR 4,281 billion, without affecting the reliability and availability of spare parts and materials in warehouses, where the availability rate was maintained at 96.27%. The volume of operations managed in the supply chain during 2022 included more than 4.5 million registered warehouse movements across the Kingdom.

#### Localization and Local Content

- The number of local-approved factories supplying materials to the Saudi Electricity Company was raised during 2022 to more than 700. Total contracts and purchases reached SR 62 billion, with the average contribution of local content reaching 35%, while procurement from national factories rose by more than 71%.
- Local content in the smart grid project was enhanced during the year, and a localization rate of 75% was achieved. The number of qualified local factories in smart ring interconnection units was increased with the addition of more than six new factories, enabling an annual production capacity of more than 50,000 units.
- Initiatives and other measures were taken to increase the local content for companies to 40% during 2022 from 18% in 2021.
- The ability to monitor compliance of contractors and suppliers with local-content rules over the life of a project was improved by introducing upgraded procedures, mechanisms and automation measures that led to efficiency gains.

4.281+ Billion Saudi Riyals

Discounted  
company inventory  
value



4.5+ Million warehouse movements

Volume of  
processes managed  
by materials  
management activity



700+ local factories

Number of  
approved local  
factories



### Contract Management

More than 1,000 contracts were signed during 2022, an increase of over 20% from 2021. The contracts signed were valued at SR 44 billion and included a number of significant strategic agreements that raised the reliability of the electrical system, in line with the Kingdom's Vision 2030 agenda. Some of these projects included:

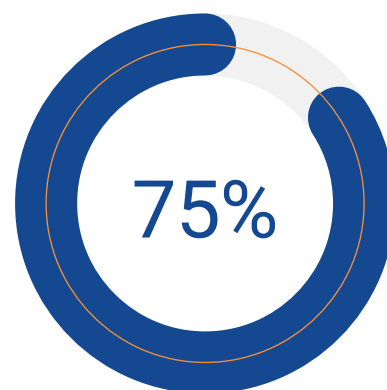
- NEOM.
- Diriyah Gate.
- The Ministry of Housing.
- Smart meter supply and installation.

Savings of more than SR 287 million were achieved through 141 tenders as a result of negotiations and the application of a single-package system for projects of a similar nature. Initiatives by SEC employees commissioned to identify financial savings opportunities played a major role in generating these savings.

# 62

Billion Saudi  
Riyals

Total Contracts &  
Purchases



Percentage of local content  
enhancement in the smart grid project



## Digitalization and Technological Transformation

To achieve its strategy of being the leading digital electricity company in the region, the Saudi Electricity Company focused on its most important enablers: digitalization and technological transformation. The digital transformation journey is embedded in all company activities. This has allowed SEC to achieve the highest levels of asset reliability and build a trusted digital brand that offers new products and experiences, by leveraging digital investments and localizing technology to grow and create jobs targeting the young men and women of the Kingdom. Artificial intelligence and deep learning capabilities are helping SEC build accurate forecasting of energy demand, improve customer experience, and enhance health, safety, security and the environment.

### Main Activities and Achievements

The development of a detailed SEC digital transformation strategy and vision, which included a practical and effective roadmap to generate cost savings and other benefits, was a major achievement during 2022. Other achievements included launching strategic projects and systems within the digital transformation initiative, and improving the quality of digital services provided to customers, by launching more than 45 new services. SEC also has leveraged company data as a new source of income by regulating the concept of investment in data.

### Future plans and initiatives

01

Launching several programs and projects to raise the level of digital maturity in the company's business



02

Diversifying the digital channels of the services SEC provides to customers



03

Raising data quality as the main pillar to open new investment horizons







## Future Plans and Projections

The Saudi Electricity Company has aligned its strategic investment program to support the Kingdom's Electricity Sector National Plan to raise the quality and reliability of service provided to consumers. This alignment also supports the sustainability goals of the Kingdom's Vision 2030. Our investments are focused on enhancing the reliability and efficiency of the electricity system. This includes improving the reliability of the power transmission network to increase generation efficiency, enabling electricity production from renewable energy sources, and enhancing and automating the distribution network.

In order to keep pace with the expansion of capital investments, the total expenditure on the projects portfolio for the year 2023 is expected to range between 30 and 35 billion riyals.

An operational model of the Saudi Electricity Company for Projects Development will be implemented, which will be adopted with the already developed strategy.

Enabling the Saudi Electricity Company for Projects Development to be a company specialized in engineering and project management company with strong processes and governance, and will be a better vessel for SEC to achieve a strong investment plan.

The Saudi Electricity Company for Projects Development will participate with competitive, well-established capabilities in the regional market of the GCC and the MENA region.

A strategic initiative to offer, award and sign contracts for transmission projects will be implemented using the Engineering, Procurement and Construction Management (EPCM) methodology at a rate of 40% of the approved capital budget for the year 2023.

The preparation and signing of memoranda of understanding with local partners will be expanded in the Saudi market to serve the company's future goals.

Business policies and procedures in all sectors will be developed and updated to raise the overall level of corporate governance.

A mechanism will be developed to prepare tender documents and award approved capital projects and major customer requests.

Proposals to adjust iron prices for overhead line towers will be approved as well as proposals for prices of iron, oil, copper and paper insulation at converter stations transformers.

SEC is also planning to offer 16 contracts during 2023, with an allocated budget of SR 4,349 million, for public projects work at SEC, including synchronous condensate projects, security systems and firefighting projects, and second-phase distribution and advanced distribution control centers as part of SEC programs to improve the performance and automation of distribution network operations.

### Localization and Local Content

The Saudi Electricity Company has also established the Build and Employ National Abilities (BENA) program that will increase localization and local content in energy products and services. Through the BENA program, the Saudi Electricity Company will attract investments to Saudi Arabia by reshaping the tender approach to encourage the flow of investments into the Kingdom. SEC will work with its suppliers to develop Tier 2 and Tier 3 suppliers to create a strong local supply chain. Finally, the Saudi Electricity Company is working with its suppliers on a Saudi Skills Development Program that will harness the skills of the Saudi citizen and meet the energy solutions.

### Environmental, Social, and Governance (ESG)

The Saudi Electricity Company is working to reduce carbon emissions by enabling and aligning Saudi Arabia's target energy mix to generate 50% of energy from renewable resources and 50% from thermal gas by 2030. Furthermore, the Saudi Electricity Company is working in coordination with industry stakeholders to complete the total displacement of liquid fuels by gas by 2030. We have seen positive trends in reducing our carbon footprint over the past five years, driven primarily by fleet technology upgrades and improvements in the fleet technology mix. The company also sought to implement best international practices in preserving the environment and promoting social responsibility and governance. As a result, the company's performance improved from last year by 25%, in a comparison of top international companies conducted by S&P Global.

### Company's Projects and Plans in Renewable Energy

The Saudi Electricity Company (SEC) is playing a key role in the Kingdom's energy transition, shifting the optimum energy mix to natural gas and renewable energy from a heavy reliance on liquid fuels. The Ministry of Energy is working to raise the installed capacity of renewable energy to about 50% of the total installed capacity by 2030, and the Saudi Electricity Company, as the main owner and operator of the system, will connect renewable energy to the grid, paving the way for achieving the electricity sector's goals of reducing emissions and enhancing reliability. Based on the company's strategic goal of maintaining a high level of supply security and enhancing system reliability, a dedicated program has been established for renewable energy integration projects. This will achieve our strategic goal, which is in line with the integrated energy strategy. The company has also aligned its investment plan with the national priorities of the electricity sector as well as to Vision 2030's objectives. The company's investment plan was developed with the support and alignment of the Ministry of Energy and in accordance with its plans to develop the sector. That's why SEC's investments are focused on enhancing the reliability and efficiency of the electricity system, supporting grid expansion and connectivity with renewable energy plants.



## Digital and Technological Transformation

The role of digital transformation and automation in the SEC's strategy is significant, with their applications extending to all our assets, operations, and customers. With the support of the Ministry of Energy, the company has set ambitious goals to position the Kingdom's electricity sector at the global forefront, and automation and digital transformation are at the heart of those ambitions.

The company has installed more than 10 million smart meters in the past three years as a major achievement in the field of network automation, and customers can access many services online and also monitor their own consumption. The company aims to automate 40% of the distribution network feeders to improve supply security and network reliability, and as a result, state-of-the-art control centers will effectively manage the network in all regions. Internal workflows related to safety, environment, human resources and others will also benefit from digital transformation and automation to improve the performance of the company's activities. The company will invest in this area in the coming years.

## Expansion Projects

The Saudi Electricity Company is undertaking expansion projects in the transmission and distribution network to accommodate surging demand for electricity, especially from the industrial and agricultural sectors, which previously relied on liquid fuels as the main source of energy. SEC is also preparing to absorb electricity produced from renewable energy plants announced by the Ministry of Energy. The company also plays a key role in diversifying the Kingdom's exports through international interconnections, as the electricity grid has been connected to other Gulf countries through the Gulf interconnection line. The SEC transmission and distribution network is also to be connected in the first phase with the Republic of Egypt, the Republic of Iraq and the Hashemite Kingdom of Jordan, with a long-term future outlook to expand its reach to Europe. The mega national projects emanating from the Kingdom's Vision 2030, such as (NEOM, Qiddiya, Red Sea and housing projects), are also increasing the demand for electricity. During 2023, we expect to add around 398,000 new customers, which is remarkable for the company, but at the same time poses a challenge, as adding large numbers of new customers to meet the growing demand, while maintaining the improvement in operational and financial performance path, requires huge investments in the electricity grid infrastructure.





### Distribution and Customer Services

- In 2023, the goal is to increase the number of customers to more than 11.3 million, with growth rate of approximately 5%.
- The distribution network will be expanded by approximately 7%, as new lines are added to the grid, which will reach a length of 839,000 kilometers by the end of 2023.
- New transformers will be added to the distribution network, bringing the total number to 667,000 by the end of 2023, with an increase of approximately 6%.
- The degree of automation of the distribution network will be raised to 23% by the end of 2023.
- The reconnection period after payment will be reduced to 4 days.

### Integrated Dawiyat Company

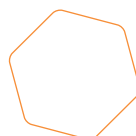
The company constantly strives to develop its business, and has as its top priority the follow up on technical events and developments in local and international markets, and the identification of new opportunities that constitute an evolution of its scope of work. Integrated Dawiyat Company works diligently to expand its business, enrich its services and make it more capable of meeting the needs of its customers, and supporting the company's contribution in accelerating the pace of the Kingdom's transformation towards a knowledge-based digital economy that will achieve the goals of the Kingdom's Vision 2030.

### Solutions Valley Company

The company aims to provide quality services and solutions in addition to its current range of services, which include sustainability solutions, recycling, energy efficiency solutions, emerging technologies and smart city solutions tailored to target markets. Work is currently being done to launch high-quality, professional services in stages, as part of a planned rollout to offer cutting-edge products in local markets.

### Human Capital

- Study the effectiveness, development and empowerment of the company's organizational structures.
- Review and develop the company's retention strategy and develop the company's talent.
- Work on improving the transparency of performance appraisal and linking performance to productivity.
- Review and develop the company's talent selection mechanism.
- Improve the effectiveness of human resources work according to the best practices of major local and international companies.
- Drive the digital transformation of the human resources business.
- Develop the role of women at various levels of the company.











# 03

## Financial Performance

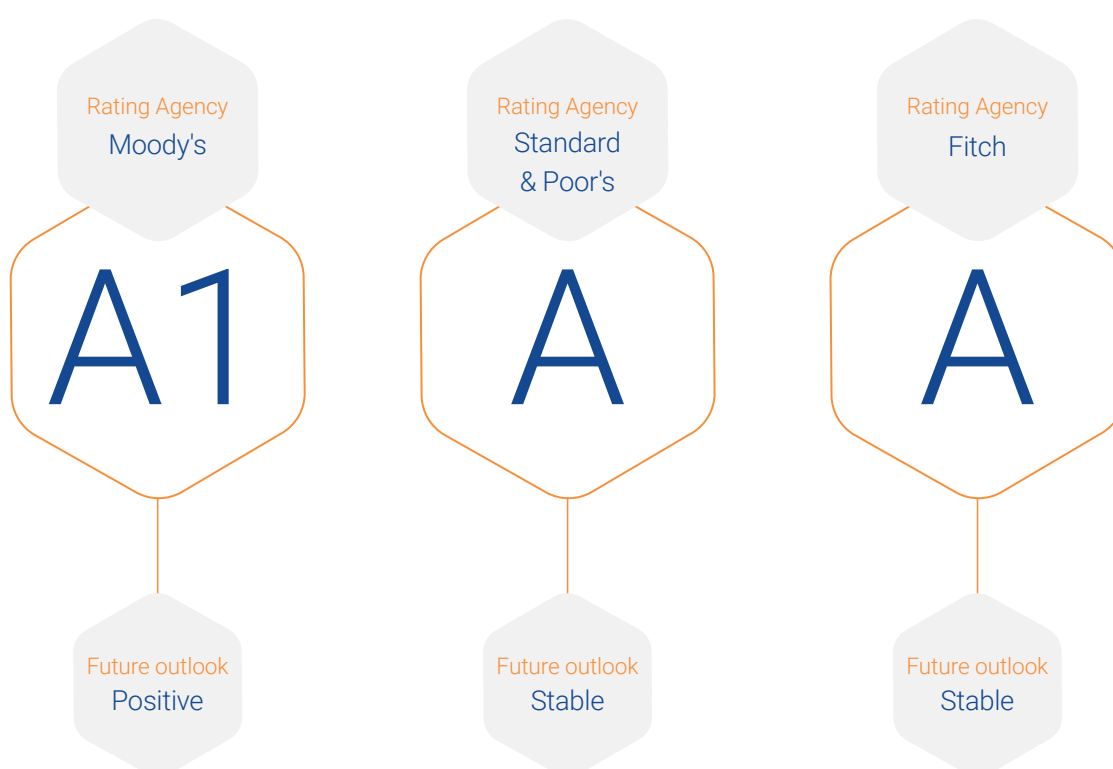
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## Credit Rating

Our financial and funding strategy is based on a set of core principles that support our strong credit rating linked to the Kingdom's sovereign credit rating, to ensure access to a variety of sources of finance, instruments and markets domestically and internationally, and to maintain sufficient liquidity to meet investment needs and maintain appropriate liquidity for daily operations and short-term financing needs. In light of this, the company is always looking to build long-term relationships with financing partners of all categories that support SEC as well as exploit its strong internal flows to meet operating and investment expense requirements and strengthen the company's financial position.

The company has succeeded in maintaining a strong investment grade credit rating from international credit rating agencies, and the company's credit rating is considered one of the highest in the Kingdom.

### Company's Credit Rating





## Financial Performance Discussion and Analysis Report

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by The Saudi Organization for Chartered and Professional Accountants. There was no deviation from these standards.

The external auditor's report did not contain any reservations about SEC's annual financial statements. Also, the Board of Directors did not recommend changing the external auditor before the end of the period for which he was appointed.

### Notes on any Material Differences in the Operating Results from the Previous Year's Results

Figures in thousand Saudi Riyals

Description	2022	2021	Changes +/-	Percentage of Change
Sales / Revenues	72,079,424	69,338,036	2,741,388	4.0%
Operating expenses	(53,929,130)	(49,680,983)	(4,248,147)	8.6%
Other Income / Expense, net	1,214,120	(812,875)	2,026,995	(249.4%)
Fuel Settlement expense	-	(207,930)		
Provision for receivable from consumption of electricity and other receivables, net	(1,378,475)	(1,074,931)	(303,544)	28.2%
Operating Profit for the Year	17,985,939	17,561,317	424,622	2.4%
Financing Costs, Net	(2,680,665)	(2,558,926)	(121,739)	4.8%
Share of gain / (loss) on equity accounted investees	307,749	(10,202)	317,951	(3116.6%)
Zakat expenses	(416,621)	(455,925)	39,304	(8.6%)
Net Profit for the Year from Continuing Operations	15,196,402	14,536,264	660,138	4.5%
Discontinued Operations		-	-	-
Loss of the Year from Discontinued Operations	(61,178)	(145,393)	84,215	(57.9%)
Net Profit for the Year	15,135,224	14,390,871	744,353	5.2%

## Operating revenues

Operating revenues in 2022 reached SR 72,079 million, compared to SR 69,338 million in 2021 with a percentage increase of 4%. This growth is due to the following factors:

- The increase in sales of electricity revenues to SR 62,334 million, compared to SR 60,989 million in the previous year, an increase of 2%. This increase is due to the return of growth in consumption from the commercial and industrial sector, in addition to the continued growth in the residential sector.
- The increase in electricity service connection revenues to SR 2,449 million in 2022, compared to SR 2,184 million in the previous year, a growth rate of 12%. The increase is attributed to the connection of electricity service to 398 thousand new customers in 2022, and the increase in amortization of deferred revenues during 2022.
- The decrease in the transmission system revenues at the end of 2022 to reach SR 1,380 million, compared to SR 1,580 million in 2021, a decrease of 13%. This decrease is due to the impact of the backup charges decrease resulting from the selling of the Saudi Power Procurement Company at the end of the first half of 2022.
- The increase in other operating revenues to SR 4,463 million in 2022, compared to SR 3,141 million in the previous year, an increase of 42%, mainly due to the company's recognition of an estimated amount of SR 3.3 billion from the balancing account for the year 2022 within the item of other operating income, compared to the recognition of an amount of SR 1.8 billion from the balancing account for the fiscal year 2021. The required revenue was approved according to the structured asset base model with a balanced regulatory return on the cost of capital, and the preliminary estimates were subject to the required revenue approved by the Ministerial Committee for Correction according to the approved methodology based on the achieved actual figures.

## Cost of Sales

Cost of sales in 2022 reached SR 52,320, compared to SR 48,796 million in the previous year, an increase of 7%. This increase is due to the following factors:

- The increase in purchased power cost in 2022 to SR 15,577 million, compared to SR 9,710 million in the previous year, an increase of 60%. This increase is attributed to factors related to the growth in demand for electrical energy and the signing of the Bulk Supply Agreement with the Saudi Power Procurement Company at the beginning of July 2022.
- The decrease in fuel at the end of 2022 reaching SR 3,736 million, compared to SR 7,682 million in 2021, a decrease of 51%. This decrease is due to the signing of the Fuel sale and supply agreement with the Saudi Power Procurement Company at the beginning of July 2022.
- Total operation and maintenance depreciation, and depreciation of the right to use assets amounted to SR 18,892 million, compared to SR 19,331 million in the previous year, a decrease of 2.3%, due to the Re-estimation of useful life of assets.

## Other income / (expenses), net

In 2022, other net income/expenses reached SR 1,214 million, compared to a loss of SR 813 million in the previous year, a decrease of 249%. This change is due to the recording of non-recurring items.

## Operating Profit

Operating profit in 2022 amounted to SR 15,135 million compared to SR 14,391 million in the previous year, an increase of 5.2%, mainly due to the increase in operating revenues and other income.

## Financing Costs, Net

The net financing costs charged to the income statement reached SR 2,681 million compared to SR 2,559 million, an increase of 5%, mainly due to the issuance of a range of bank loans.

### Net Profits

In 2022, net profits amounted to SR 15,135 million, compared to SR 14,391 million in the previous year, an increase of 5.2%. With reference to the above, the increase in net profits for the year 2022 compared to the previous year is mainly due to the following: 1) The increase in operating revenues due to the growth in demand for electric power and the increase in the amount of the balancing account compared to the previous year. 2) The increase in other income item mainly due to the recording of non-recurring items. 3) The increase in income from investments accounted according to the equity method as a result of the change in the classification of the company's investments in independent power producer from joint operations to joint ventures.

The increase in operating revenues and other income was partially offset by higher Purchased power and fuel costs impacted by the energy demand growth, as well as higher provision for electricity consumer receivables and other receivables and the marginal increase in financing costs.

### Adjusted Net Profit

The adjusted net profit (net profit attributable to ordinary shares after deducting the Mudaraba Instrument dividends of SR 7.7 billion) for the year 2022 amounted to SR 7.5 billion, compared to SR 6.7 billion for the previous year, an increase of 11%. Accordingly, the basic and diluted earnings per share amounted to SR 1.79 for the year 2022, compared to SR 1.62 for the previous year.

## Summary of Financial Results

### Income Statement

Figures in thousand Saudi Riyals

Description	2022	2021	2020	2019	2018
Operating revenues	72,079,424	69,338,036	68,708,918	65,040,000	64,063,638
Cost of sales	(52,319,607)	(48,796,076)	(60,386,393)	(58,915,883)	(58,144,024)
Gross profit	19,759,817	20,541,960	8,322,525	6,124,117	5,919,614
Administrative and general expenses	(1,609,523)	(884,907)	(1,167,370)	(1,244,525)	(1,340,032)
Total operating expenses	(53,929,130)	(49,680,983)	(61,553,763)	(60,160,408)	(59,484,056)
Other income / (expenses), net	1,214,120	(812,875)	1,610,388	1,655,738	1,436,021
Fuel settlement expense	-	(207,930)	(808,090)	-	-
Provision for receivable from consumption of electricity and other receivables, net	(1,378,475)	(1,074,931)	(253,638)	-	-
Operating profit for the Year	17,985,939	17,561,317	7,703,815	6,535,330	6,015,603
Financing expenses, net	(2,680,665)	(2,558,926)	(4,890,052)	(4,886,933)	(4,136,617)
Share of gain / (loss) on equity accounted investees	307,749	(10,202)	4,337	(40,229)	(62,338)
Zakat and income tax expenses	(416,621)	(455,925)	285,488	(220,611)	(59,515)
Net profit for the year from continuing operations	15,196,402	14,536,264	3,103,588	1,387,557	1,757,133
Discontinued operations	-	-	-	-	-
Net loss from discontinued operations	(61,178)	(145,393)	(78,040)	-	-
Net profit of the year	15,135,224	14,390,871	3,025,548	1,387,557	1,757,133



### Geographical Analysis of the Company's Revenues

The company operates in all regions of the Kingdom, and the following table shows a geographical analysis of electricity sales by region (sectors) in which the company operates:

Figures in thousand Saudi Riyals

Year	Description	Business Region				Total
		Central	Eastern	Western	Southern	
2022	Electric power sales	20,430,053	16,910,522	18,196,768	6,796,624	62,333,967
2021		19,974,386	16,598,836	17,596,327	6,819,839	60,989,388

### Statement of Financial Position

Figures in thousand Saudi Riyals

Statement	2022	2021	2020	2019	2018
Current assets	35,288,001	33,359,420	45,788,024	53,848,319	43,602,873
Other long-term assets	6,110,272	2,791,892	2,882,219	3,012,697	2,850,946
Net fixed assets	438,083,263	438,731,462	436,779,330	422,968,974	418,102,025
Total assets	479,481,536	474,882,774	485,449,573	479,829,990	464,555,844
Current liabilities	62,940,146	64,511,537	71,129,812	165,029,519	160,776,342
Long-term loans and Sukuks	80,817,728	84,613,253	100,305,959	91,763,786	88,178,140
Other liabilities	78,672,938	74,134,316	66,239,250	149,466,813	141,923,584
Total liabilities	222,430,812	223,259,106	237,675,021	406,260,118	390,878,066
Paid-up capital	41,665,938	41,665,938	41,665,938	41,665,938	41,665,938
Reserves and retained earnings	47,464,223	42,037,167	38,188,051	31,903,934	32,011,840
Mudaraba instrument	167,920,563	167,920,563	167,920,563	-	-
Total owners' equity	257,050,724	251,623,668	247,774,552	73,569,872	73,677,778
Total liabilities and owners' equity	479,481,536	474,882,774	485,449,573	479,829,990	464,555,844

## Cash Flow Statement

Figures in thousand Saudi Riyals

Statement	2022	2021
Profit of the year	15,135,224	14,390,871
Net cash generated from operating activities	42,435,016	46,283,619
Net Cash Used in Investing Activities	(30,012,269)	(26,059,773)
Net Cash Used in Financing Activities	(15,503,179)	(18,519,682)
Net Change in Cash and Cash Equivalents	(3,080,432)	1,704,164
Cash and Cash Equivalents at the beginning of the year	6,243,256	4,539,092
Cash and Cash Equivalents at the end of the year	3,162,824	6,243,256



## Loans and Sukuks

### Key financing deals during 2022

The company signed an agreement whereby it obtained joint international financial facilities for US\$ 3 billion equivalent to **SR 11.3 billion** from 15 regional and international financing entities. The term of the financing agreement is for five years (according to the terms of the agreement, the company may request an extension of the financing period for an additional two years), through which another co-financing agreement previously obtained in 2017 and due in August 2022 was repaid, in addition to financing the company's capital expenditure requirements.

The Saudi Electricity Company has entered into a facility agreement with Standard Chartered Bank and Sumitomo Mitsui Banking Corporation, which stipulates that the facilities will be guaranteed by the Swedish Export Credit Agency (EKN) and financed by the Swedish Export Credit Corporation (SEK) with a 14-year grace period, and the facilities will be used to finance part of the Saudi-Egyptian electricity interconnection project.

### Full redemption of Islamic Sukuks during 2022

On 05/04/2022, the Company announced the redemption of 100% of the total issuance of the second tranche value of international Islamic Sukuks denominated in US dollars, issued on April 3<sup>rd</sup> 2012 at a value of US\$ 1.25 billion listed on the London Stock Exchange, and the de-registration and listing of these Sukuks from the London Stock Exchange.

- The value of the redeemed Sukuks is US\$1.25 billion.
- The total number of (Sukuk/bonds) redeemed is 6,250.
- Date of cessation of trading 02/09/1443H.
- The face value of the share is 200,000 USD.
- Deposit the amounts in the Sukuk holders' accounts on 04/04/2022.
- Name of the depository and contact details: Bank (Deutsche – London Branch) as the payment agent, email (TSS-GDS.ROW@db.com).

On 25/04/2022, the Company announced its decision to redeem all local Islamic Sukuks due on May 10<sup>th</sup>, 2022 with a 100% redemption of the total issuance, listed on the Saudi Exchange (Tadawul) with symbol [5113] and issued on 26/05/1431H corresponding to 10/05/2010. Sukuk trading was suspended by the Saudi Exchange starting from 26/04/2022 due to delisting from the market.

- The value of the redeemed Sukuks is SR 5,730,690,000.
- The total number of (Sukuk/bonds) redeemed is 573,069.
- Date of cessation of trading 26/04/2022.
- Nominal value of the share upon redemption: SR 10,000
- Date of depositing funds into Sukuk holders' accounts: May 10<sup>th</sup> 2022
- Name of depository and contact details: SNB Capital, Tel No. 920000232

## Statement of commercial loans as at 31/12/2022

Figures in thousand Saudi Riyals

Statement	Total Value of Loans Principal	Loan Date	Due Date	Loans Balance at the Beginning of the Period as of 01/01/2022	Loans Withdrawals During 2022	Actual Loans Repayments during 2022	Loans Balance at the End of the Period as of 31/12/2022
Local Loan 2 – shared – Murabaha 2010	5,000,000	13-Dec-10	13-Dec-25	1,536,800	-	384,800	1,152,000
Local Loan 3 – shared – Murabaha 2016	10,000,000	19-Sep-16	25-Sep-25	3,631,746	-	907,936	2,723,810
Local Loan 8 – shared – Murabaha 2019	15,200,000	20-Feb-19	20-Feb-26	14,896,000	-	304,000	14,592,000
Local Loan 10 – shared – Murabaha 2020	9,000,000	25-Aug-20	26-Aug-27	9,000,000	-	90,000	8,910,000
Local Loan 6 – bilateral – Rajhi	3,500,000	20-Apr-17	16-Oct-26	2,598,750	-	52,500	2,546,250
Local Loan 7 – bilateral – Samba	2,400,000	25-Dec-18	25-Dec-24	2,280,000	-	60,000	2,220,000
Local Development Loan 9 – bilateral 2018	1,850,000	15-Jan-19	14-Jan-29	1,850,000	-	000	1,850,000
Local Development Loan 9 – 2021	1,000,000	15-Nov-21	15-Nov-31	1,000,000	-	10,000	990,000
Local Development Loan 11 – 2022	1,500,000	11-Aug-22	11-Aug-32	-	1,500,000	000	1,500,000
Global loan 2 (with the participation of a number of entities and with bank guarantee from COFACE France	3,709,125	22-Jun-11	14-Mar-24	660,720	-	309,393	351,327
Global loan 3 (with the participation of a number of entities and with the guarantee and the participation of Korean Export Banks) Rabigh 6	5,251,120	29-Mar-12	7-Nov-26	2,187,561	-	438,007	1,749,554
Global loan 4 (with the participation of a number of entities and with the guarantee and the participation of Korean and Japanese Export Banks) – Southern Jeddah	7,240,715	13-Dec-18	1-Nov-28	4,084,497	-	903,926	3,480,571
Global loan 6 (with the participation of a number of entities and with the guarantee and the participation of Export-Import Bank of Korea "KEXIM") – Al Shuqaiq	3,375,585	15-May-16	3-Aug-29	2,249,754	-	281,610	1,968,144
Global loan 7 (with the participation of a number of entities and with the guarantee of Export-Import Bank of Korea "KSURE") – Al Shuqaiq	1,575,336	27-Oct-16	3-Aug-29	1,050,228	-	131,418	918,810
Global loan 8 – Shared	6,562,878	8-Sep-21	14-Sep-22	6,562,878	-	6,562,878	-
Global loan 9 – JIBC Green 2021	4,500,000	7-Jul-21	15-Jun-33	000	749,275	000	749,275
Global loan 10 – Shared US\$ 3 billion	11,265,874	16-Aug-22	16-Aug-27	000	11,265,874	000	11,265,874

\* The non-extinguished portion of prepaid order and issuance expenses is deducted in advance for the amount of SR 266,681 thousands in 2022.





## Bank facilities and short-term revolving loans

Figures in thousand (Saudi Riyal / US Dollar)

Statement	Loan Currency	Loan Principle Amount	December 31, 2022
Global banks revolving loan 1	Saudi Riyals	2,000,000	2,000,000
Global banks revolving loan 2	Saudi Riyals	2,000,000	1,500,000
International syndicated revolving loan 4	US Dollars	9,665,625	5,911,576
Total			9,411,576

## Statement of "Sukuk" Issues as of 31/12/2022

Figures in thousand (Saudi Riyal / US Dollar)

Statement	Issue size	Issue date	Sukuk repayments during the year	Maturity date
Local Sukuk (3 <sup>rd</sup> Issue) in Saudi Riyals	5,730,690	2010	5,730,690	with the right of 2030 early buying in 2022, 2024, 2026
Local Sukuk (4 <sup>th</sup> Issue) in Saudi Riyals	4,500,000	2014	-	with the right of 2054 early redemption in 2024, 2034, 2044
International Sukuk (US\$1,250 million)	4,687,850	2012	4,687,850	2022
International Sukuk (US\$1,000 million)	3,750,750	2013	-	2023
International Sukuk (US\$1,000 million)	3,750,750	2013	-	2043
International Sukuk (US\$1,500 million)	5,625,600	2014	-	2024
International Sukuk (US\$1,000 million)	3,750,400	2014	-	2044
International Sukuk (US\$800 million)	3,000,800	2018	-	2024
International Sukuk (US\$1,200 million)	4,501,200	2018	-	2028
International Sukuk (US\$650 million)	2,437,500	2020	-	2025
International Sukuk (US\$650 million)	2,437,500	2020	-	2030

## Other Financial Information

There were no convertible debt instruments or any contractual securities, or any rights of subscription memorandums or similar rights issued or granted by the company during the fiscal year ended 31/12/2022.

There were no transfer or subscription rights under convertible debt instruments and any contractual securities, rights of subscription memorandums or similar rights issued or granted by the company during 2022.

### Description of any Transaction between the Company and a Related Party

The ultimate controlling party of the Group is the Kingdom of Saudi Arabia's government, where through its ownership of the Public Investment Fund, Saudi Aramco and the Saline Water Conversion Corporation, as the aforementioned entities are under the ultimate control of the Kingdom of Saudi Arabia's government, in addition to independent energy production companies and investee companies, the following is a statement of the most important transactions with related parties:

#### Sales of Electricity

Figures in thousand Saudi Riyals

	For the year ended on December 31	
	2022	2021
<b>Sales of electricity:</b>		
Group's ultimate controlling party	11,715,523	12,179,798
<b>Entities under control of the Group's ultimate controlling party</b>		
Saudi Power Procurement Company	8,479,102	-
Saudi Aramco	403,434	644,398
Saline Water Conversion Corporation	585,549	534,041
<b>Total</b>	<b>21,183,608</b>	<b>13,358,237</b>

#### Purchases of Energy and Fuel

Figures in thousand Saudi Riyals

	For the year ended on December 31	
	2022	2021
<b>Entities under control of the Group's ultimate controlling party:</b>		
Saudi Aramco	5,120,347	10,064,742
Saline Water Conversion Corporation	99,063	610,385
Fadhili Plant Cogeneration Company	95,942	697,141
Saudi Power Procurement Company	10,644,715	-
<b>Joint venture:</b>		
Dhuruma Electricity Company	347,822	659,709
Rabigh Electricity Company	426,765	885,768
Hajr Electricity Production Company	399,103	824,658
Al Mourjan for Electricity Production Company	200,328	482,402
<b>Total</b>	<b>17,334,085</b>	<b>14,224,805</b>

The Group purchases fuel from Saudi Aramco and power from the Saline Water Conversion Corporation and power production companies at rates stipulated for in the respective governmental resolutions until July 1, 2022. The Saudi Electricity Company has transferred some power and fuel purchase agreements to the Saudi Power Procurement Company, and the Group has signed a wholesale power purchase agreement with the Saudi Power Procurement Company effective July 1, 2022.

## Year-end Balances Arising from Sales of Electricity/Purchases of Energy and Fuel/Loans

Figures in thousand Saudi Riyals

	For the year ended on December 31	
	2022	2021
<b>Due from related parties:</b>		
Ultimate controlling party of the Group – Consumers Electricity Receivables, Government Electricity Receivables	5,760,367	5,005,267
<b>Entities under control of the Group's ultimate controlling party:</b>		
Saudi Aramco – Consumers Electricity Receivables	205,742	403,922
Saline Water Conversion Corporation – Consumers Electricity Receivables	243,181	288,354
Fadhili Plant Cogeneration Company loan	251,745	253,874
Global Data Center Company loan	55,250	45,250
Al Mourjan for Electricity Production Company	39,706	-
<b>Total due from related parties</b>	<b>6,555,991</b>	<b>5,996,667</b>
<b>Due to related parties:</b>		
Group's ultimate controlling party – Government Payables		
Government payables	-	4,570,538
<b>Total due to related parties</b>	<b>-</b>	<b>4,570,538</b>
Due to entities under control of the Group's ultimate controlling party		
Saudi Aramco	-	683,830
Saline Water Conversion Corporation	313,425	359,437
Government payable expenses	6,273,726	4,727,404
<b>Total</b>	<b>6,587,151</b>	<b>5,770,671</b>

## Loans and Advances from Related Parties

Figures in thousand Saudi Riyals

	For the year ended on December 31	
	2022	2021
<b>Loans and advances from the government:</b>		
Group's ultimate controlling party		
Deferred government grants	1,398,714	1,525,987
Ministry of Finance loan	-	541,475
<b>Total</b>	<b>1,398,714</b>	<b>2,067,462</b>

\* The Group calculated and paid Mudaraba profit of SR 7.6 billion for the year ended 31 December 2022 (31 December 2021: SR 7.6 billion) in accordance with the provisions of the Mudaraba Agreement.

## Details of Shares and Debt Instruments Issued by Each Affiliate and Investee

<b>01</b>   The Saudi Energy Production Company <small>Shares / Number of Shares</small> <b>200,000</b> Quotas <small>Debt Instruments</small> None	<b>02</b>   National Grid S.A. <small>Shares / Number of Shares</small> <b>200,000,000</b> Quotas <small>Debt Instruments</small> None	<b>03</b>   Dawiyat Telecom Company <small>Shares / Number of Shares</small> <b>5,000,000</b> Quotas <small>Debt Instruments</small> None
<b>04</b>   Saudi Electricity for Projects Development Company <small>Shares / Number of Shares</small> <b>100,000</b> Quotas <small>Debt Instruments</small> None	<b>05</b>   Dawiyat Integrated Telecommunications & Information Technology Company <small>Shares / Number of Shares</small> <b>100,000</b> Quotas <small>Debt Instruments</small> None	<b>06</b>   Saudi Power Procurement Company * <small>Shares / Number of Shares</small> <b>200,000</b> Quotas <small>Debt Instruments</small> None
<b>07</b>   Solutions Valley Company <small>Shares / Number of Shares</small> <b>500,000</b> Quota <small>Debt Instruments</small> None	<b>08</b>   Saudi Electricity Global Sukuk Company <small>Shares / Number of Shares</small> <b>1</b> Quota <small>Debt Instruments</small> US Dollars 1.75 billion	<b>09</b>   Saudi Electricity Global Sukuk Company 2 <small>Shares / Number of Shares</small> <b>1</b> Quota <small>Debt Instruments</small> US Dollars 2 billion
<b>10</b>   Saudi Electricity Global Sukuk Company 3 <small>Shares / Number of Shares</small> <b>1</b> Quota <small>Debt Instruments</small> US Dollars 2.5 billion	<b>11</b>   Saudi Electricity Global Sukuk Company 4 <small>Shares / Number of Shares</small> <b>1</b> Quota <small>Debt Instruments</small> US Dollars 2 billion	<b>12</b>   Saudi Electricity Global Sukuk Company 5 <small>Shares / Number of Shares</small> <b>1</b> Quota <small>Debt Instruments</small> US Dollars 1.3 billion
<b>13</b>   Saudi Electricity Company for the International Sukuk Program <small>Shares / Number of Shares</small> <b>100</b> Quotas <small>Debt Instruments</small> None	<b>14</b>   Electricity Sukuk Company <small>Shares / Number of Shares</small> <b>10,000</b> Quotas <small>Debt Instruments</small> 5.73 billion riyals in the amount of 3 sukuk 4.5 billion riyals in the amount of 4 sukuk	<b>15</b>   Saudi Green Company for Carbon Services <small>Shares / Number of Shares</small> <b>1,000,000</b> Quotas <small>Debt Instruments</small> None

\* Pursuant to the approval of the General Assembly of the company on January 30, 2022 and on June 29, 2022, the Saudi Electricity Company (The seller) concluded a sale and purchase agreement to sell its share in the Saudi Power Procurement Company to the government represented by the Ministry of Finance and the Ministry of Energy (The buyer), provided that the sale value is paid in the equivalent of the value The book value of the net assets of the Saudi Power Procurement Company, according to the financial statements at the end of the second quarter of 2022.



<p><b>16</b>   Dharma Electricity Company</p> <p>Shares / Number of Shares</p> <p><b>400,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>	<p><b>17</b>   Hajr Electricity Production Company</p> <p>Shares / Number of Shares</p> <p><b>250,623,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>	<p><b>18</b>   Al-Mourjan for Electricity Production Company</p> <p>Shares / Number of Shares</p> <p><b>1,000,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>
<p><b>19</b>   Global Data Hub Company</p> <p>Shares / Number of Shares</p> <p><b>1,000,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>	<p><b>20</b>   Gulf Cooperation Council Interconnection Authority</p> <p>Shares / Number of Shares</p> <p><b>1,407,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>	<p><b>21</b>   Al Fadhli Co-Generation Company</p> <p>Shares / Number of Shares</p> <p><b>150,000</b> Quotas</p> <p>Debt Instruments</p> <p>None</p>
<p><b>22</b>   GCC Electrical Testing Laboratory Company</p> <p>Shares / Number of Shares</p> <p><b>61,200,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>	<p><b>23</b>   Rabigh Electricity Company</p> <p>Shares / Number of Shares</p> <p><b>92,375,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>	<p><b>24</b>   Shuaibah Water &amp; Electricity Company (SWEC)</p> <p>Shares / Number of Shares</p> <p><b>156,050,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>
<p><b>25</b>   Shuaibah Expansion Project Company Ltd.</p> <p>Shares / Number of Shares</p> <p><b>17,581,800</b> Quotas</p> <p>Debt Instruments</p> <p>None</p>	<p><b>26</b>   Shuqaiq Water and Electricity Company (SQWEC)</p> <p>Shares / Number of Shares</p> <p><b>112,000,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>	<p><b>27</b>   Jubail Water and Electricity Company (JWAP)</p> <p>Shares / Number of Shares</p> <p><b>88,250,000</b> Shares</p> <p>Debt Instruments</p> <p>None</p>



**A Statement of the Value of Statutory Payments Due and Payable for the Payment of any Zakat, Taxes, Fees or any Other Entitlements, which have not been Paid until the End of the Annual Fiscal Period, with a Brief Description and a Statement about them and the Reasons thereof**

The table below shows the value of receivables to regulatory or supervisory bodies in the country:

Figures in thousand Saudi Riyals

Statement	2022	2021
Custom fees	2,566	66,225
Zakat and tax	123,422	82,883
General Organization for Social Insurance	1,032,188	968,722
Other	77,459	66,745
<b>Total</b>	<b>1,235,635</b>	<b>1,184,575</b>

**Investments or Reserves created for the Benefit of the Company's Employees**

**Savings Program**

The company has created an optional savings program to motivate employees and boost their sense of loyalty and affiliation to the company. This contributes to raising employee performance levels, and attracting qualified Saudi cadres and motivating them to continue serving the company, as well as helping Saudi employees collect savings and benefits from these savings upon retirement or service termination.

The company allocates a portion of employee salary to optionally invest it for the benefit of the employee who joins the program. The company chooses suitable areas to invest the program's funds in accordance with the terms of Islamic investment and in low-risk portfolios, and in the interests of the participating employees.

The company contributes 100% of an employee's monthly contribution and credits it to their account. The employee's entitlement is calculated according to the company's principles starting from 10% upon the completion of the first year of subscription and up to 100% upon completion of the tenth year of participation. The employee's entitlements are calculated from this participation in case the subscription ends in accordance with the statutory regulations. The following is an explanation of the change in the contribution of the employees participating in the program, as well as the company's contribution during the year:

Figures in thousand Saudi Riyals

Statement	Employee's contribution	Entitlements to the employees from the company's contribution
Balance at the beginning of the year	728,892	915,598
Net added/excluded during 2022	53,115	96,542
Balance at the end of the year	782,007	1,012,140



### Housing Loans program

For the 14<sup>th</sup> consecutive year, the Company has continued to provide the Housing Loan program to Saudi employees through the local banks in accordance with the program's regulations to finance the ownership, construction or completion of housing construction in a format compatible with the provisions of the Islamic Law (Murabaha), with the company's contribution to a 70% to 100% of the profit margin of the financing amount, where the company's contribution stops at the employee's end of service or for any other reason or in the event of early repayment. The total amount disbursed during the year 2022 amounted to 116,452,059 Saudi riyals.

### Other notes

- There were no convertible debt instruments and any contractual securities, right of issue memoranda or similar rights issued or granted by the company during the financial year ended 31/12/2022.
- There were no transfer or subscription rights under convertible debt instruments and any contractual securities, right of issue memoranda or similar rights issued or granted by the company during 2022.

### Description of the Main Activities of the Company

Activity	Percentage of fixed assets	Percentage of operating expenses
Electric power generation	%28	%26
Electric power distribution	%41	%16
Distribution and customers' services	%28	%57
Support organizational activities	%3	%1
<b>Total</b>	<b>%100</b>	<b>%100</b>



## Corporate Governance

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## Members of the Board of Directors

1

### H.E.Dr. Khaled bin Saleh Al Sultan

#### Chairman of the Board

Non-Executive Member



Holder of a PhD in Industrial Engineering and Operations Research from University of Michigan, USA.

#### Positions and Experiences

- Former President of King Abdullah City for Atomic and Renewable Energy.
- Held the position of Undersecretary of the Ministry of Higher Education for Educational Affairs.
- Former Manager of King Fahd University of Petroleum and Minerals.
- Former and current member of more than 40 councils in government sectors, civil, non-profit and academic.
- Member of the Board of Directors of the General Authority for Military Industries.
- Member of the Board of Directors of the Riyadh Development Authority.
- Member of the Board of Directors of MiSK Foundation.
- Member of the Board of Directors of MiSK International Schools.
- Member of the Board of Directors of MiSK City.
- Member of the Board of Directors of Riyadh Schools.

Current companies in which he is a member of the Board of Directors or one of their directors:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Tatweer Educational Technologies (Tetco)	Inside the Kingdom	Governmental Body
Tatweer Education Holding Company	Inside the Kingdom	Governmental Body
Corporate Governance Center	Inside the Kingdom	Limited Liability Company
Saudi Technology Development and Investment Company	Inside the Kingdom	Unlisted Joint Stock





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## H.E.Dr. Najm bin Abdullah Al-Zaid

### Vice Chairman of the Board

Non-Executive Member



Holder of a PhD in Law from George Washington University, USA.

#### Positions and Experiences

- Deputy Minister of Justice of Saudi Arabia.
- Co-founder of ZS&R Law Firm in Association with Hogan Lovells.
- Board member of the Capital Market Authority.
- Head of Governance and Legal Group at Al-Rajhi Bank.
- General legal counsel at the Capital Market Authority.
- Member of the technical team representing the Kingdom of Saudi Arabia in the negotiation for joining the World Trade Organization in 2005.
- Legal consultant in the Legal Department of the Islamic Development Bank Group.
- Legal consultant in the Legal Department of the World Bank Group in Washington.
- Member of the Bureau of Investigation and Public Prosecution.

Current companies in which he is a member of the Board of Directors or one of their directors:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Gulf International Bank - Bahrain	Outside the Kingdom	Unlisted Joint Stock
Gulf International Bank - Saudi Arabia	Inside the Kingdom	Unlisted Joint Stock

Previous companies in which he held the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
ZS&R Law Firm	Inside the Kingdom	Professional Company



3

### **Eng. Isam bin Alwan Al-Bayat**

#### **Member of the Board**

Non-Executive Member

Holder of a Master's degree in Electrical Engineering from King Fahd University of Petroleum & Minerals.

#### **Positions and Experiences**

- Vice Chairman of the Electricity Sector at Saudi Aramco.
- Career progression at Saudi Aramco in many fields.



4

**Eng. AbdulKarim bin Ali Al-Ghamdi****Member of the Board**

Independent Member



Holder of a Master's degree in Chemical Engineering from University of Pittsburgh, USA.

**Positions and Experiences**

- Vice President of Projects at Saudi Aramco.
- Vice President of Power Systems at Saudi Aramco.
- He has multiple memberships in the Board of Directors of many companies.

Current companies in which he holds the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Sadara Chemical Company	Inside the Kingdom	For-profit Company
Jazan Integrated for Gas and Energy Transformation	Inside the Kingdom	Non-profit Company
Saudi Aramco Company	Inside the Kingdom	Listed Joint Stock

Previous companies in which he held the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Saudi Aramco Power Company	Inside the Kingdom	Limited liability Company



5

## Dr. Raed bin Nasser Al-Rayes

### Member of the Board

Non-Executive Member

Holder of a PhD in Business Administration from Bradford University, United Kingdom.

#### Positions and Experiences

- Chief Executive Officer of the Saudi Industrial Investments Company (Dussur).
- Consultant of H.E. the Minister of Energy, Industry and Mineral Resources.
- Vice Chairman and Director General of Arab Petroleum Investment Corporation (APICORP).
- He has multiple memberships in the BODs and multiple experiences in the financial business field.

Current companies in which he is a member of the Board of Directors or one of their directors:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Awqaf Investment Company	Inside the Kingdom	Unlisted Joint Stock
GE Saudi Advanced Turbines	Inside the Kingdom	Limited Liability Company
Saudi Industrial Development Fund	Inside the Kingdom	Governmental Company
Saudi Arabian Industrial Investments Company (Dussur)	Inside the Kingdom	Unlisted Joint Stock



6

**Mr. Walid Ibrahim Shukri****Member of the Board**

Independent Member



Holder of a Bachelor degree in Industrial Management from King Fahd University of Petroleum and Minerals, and a Certified Public Accountant (CPA) from the American Society of Certified Public Accountants and from the Saudi Organization for Auditors and Accountants.

**Positions and Experiences**

- Former Senior Partner, Saudi PricewaterhouseCoopers.
- Leading team of Middle East, PwC.
- Former Administrative Partner, Saudi PwC.
- Consultant at Ernst & Young.
- Advisor to the Board of Directors of the Middle East Paper Company (MEPCO).
- Former member of the Audit, Risk and Compliance Committee at Takween Advanced Industries.
- Former member of the Board of Directors and Chairman of the Audit and Risk Committee of United Matbouli Group.
- Former Board Member, Chairman of the Audit, Risk and Compliance Committee and Member of the Remuneration Committee of Aircon International, based in Australia.
- Former member of the Audit Committee of Bupa Arabia for Cooperative Insurance.
- He has extensive experience in the financial and accounting fields and memberships in the Board of Directors of multiple companies and auditing committees.

Current companies in which he holds the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Saudi Agricultural and Livestock Investment Company (SALIC)	Inside the Kingdom	Unlisted Joint Stock
Saudi Telecom Company (STC)	Inside the Kingdom	Listed Joint Stock
Middle East Paper Company (MEPCO)	Inside the Kingdom	Listed Joint Stock

Previous companies in which he held the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
KANOO Group	Inside the Kingdom	Limited Liability Company
Al-Hokair Group	Inside the Kingdom	Limited Liability Company
Saudi Mechanical Industries	Inside the Kingdom	Unlisted Joint Stock



7

**Eng. Nabil Abdulaziz Al-Naim****Member of the Board**

Non-Executive Member



Holder of a Master's degree in Business Administration from the Sloan School of Management, Massachusetts Institute of Technology, USA.

**Positions and Experiences**

- Vice President of Digital Transformation, Saudi Aramco.
- Former Vice President of Affairs, Saudi Aramco.
- He has many memberships on several Board of directors.

Current companies in which he is a member of the Board of Directors or one of their directors:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Wa'ed Ventures (Aramco)	Inside the Kingdom	Limited Liability Company
Saudi Aramco Energy Ventures	Inside the Kingdom	Limited Liability Company
Saudi Aramco	Inside the Kingdom	Listed Joint Stock





8

## Mr. Mohammed bin Abdulrahman Albalaihed Member of the Board

Non-Executive Member

Holder of a Bachelor Degree in Financial Management as a Chartered Financial Analyst and a Master's degree from London Business School, UK.

### Positions and Experiences

- Director of the Investment Department at the Public Investment Fund.
- Assistant manager at Sanabil Investments.
- He has extensive experience in the field of private capital and projects financing, and memberships in many companies and committees.

Current companies in which he holds the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
The National Energy Services Company	Inside the Kingdom	Unlisted Joint Stock
Saudi Investment Recycling Company (SIRC)	Inside the Kingdom	Unlisted Joint Stock
National Water Company	Inside the Kingdom	Unlisted Joint Stock
Industrialization and Energy Services Co. (TAQA)	Inside the Kingdom	Unlisted Joint Stock
National Industrial Development Center	Inside the Kingdom	Unlisted Joint Stock
Power Solutions Industries	Inside the Kingdom	Unlisted Joint Stock
Water Solutions Company	Inside the Kingdom	Unlisted Joint Stock

Previous companies in which he held the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Eastern Province Cement Company	Inside the Kingdom	Listed Joint Stock
Saudi Jordanian Investment Fund Co. (PSC)	Inside the Kingdom	Unlisted Joint Stock
Virgin Mobile Saudi Arabia	Inside the Kingdom	Unlisted Joint Stock
Fund of Funds Company	Inside the Kingdom	Unlisted Joint Stock
Power & Water Utility Co Jubail & Yanbu	Inside the Kingdom	Unlisted Joint Stock

9

**Dr. David Crane**

Member of the Board until 25/08/2022

Independent Member



Holder of a PhD in Law from Harvard University, USA.

**Positions and Experiences**

- CEO of Climate Real Impact Solutions.
- He has several board memberships.

Current companies in which he is a member of the Board of Directors or one of their directors:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Tata Steel	Outside the Kingdom	Listed Joint Stock
Climate Real Impact Solutions	Outside the Kingdom	Listed Joint Stock

Previous companies in which he is a member of the Board of Directors or one of their directors:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Source Global	Outside the Kingdom	Unlisted Joint Stock
Jera	Outside the Kingdom	Unlisted Joint Stock





10

### Eng. Scott Mathew Prochazka

Member of the Board since 06/12/2022

Independent Member

Bachelor of Science in Chemical Engineering from the University of Texas at Austin.

#### Positions and Experiences

- Currently serving as director at Black Hill Energy and Li-Cycle.
- Previously worked at CenterPoint Energy (CNP).
- Holds multiple board positions at energy companies in USA.

Current companies in which he holds the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
Firefly	Outside the Kingdom	Private
Good Charlie	Outside the Kingdom	Private
Black Hills Energy	Outside the Kingdom	Listed Joint Stock
Li-Cycle	Outside the Kingdom	Listed Joint Stock
Peridot 2	Outside the Kingdom	Listed Joint Stock

Previous companies in which he held the position of a board member or one of its managers:

Company	Place of Incorporation (Inside/Outside the Kingdom)	Legal entity
CenterPoint Energy, Inc.	Outside the Kingdom	Listed Joint Stock
Enable Midstream	Outside the Kingdom	Listed Joint Stock

## Committee Members from Outside The Board



01

**Mr. Khaled bin Salem Al Rowais**

Member of the Audit Committee

Holder of a Bachelor's degree in Accounting from King Saud University.

### Positions and Experiences

- He served as Senior Vice President of Finance at the Saudi Arabian Mining Company (Ma'aden)
- Senior Vice President of Phosphate Sector at the Saudi Arabian Mining Company (Ma'aden).
- Senior Executive Advisor of the Saudi Arabian Mining Company (Ma'aden).
- He held many positions in the Saudi Central Bank, SABIC and Ma'aden.
- He has many memberships in boards and their committees, and extensive experience in the field of Accounting, Finance and Corporate Finance, Mergers and Acquisitions.



02

**Dr. Suleiman bin Abdulaziz Al-Tuwaijiri**

Member of the Audit Committee

Holder of a PhD in Accounting from Case Western Reserve University, USA.

### Positions and Experiences

- CEO of the National Agricultural Development Company (NADEC).
- Former CEO of the Saudi Arabian Amiantit Group of Companies.
- Associate Professor, Department of Accounting, King Fahd University of Petroleum and Minerals.
- He is highly experienced in the field of financial and accounting business, and has memberships in several companies, audit committees, and in the academic field.





03

### **Dr. Amr bin Khaled Kurdi**

#### **Member of the Audit Committee**

Holder of a PhD in Accounting from North Texas University, USA.

#### **Positions and Experiences**

- Chief Financial Officer of the Company for Cooperative Insurance (Tawuniya).
- Former Chief Business Officer at the Saudi Industrial Investment Group (SIIG).
- Chief Financial Officer at the Saudi Arabian Amiantit Company.
- He is highly experienced in the financial and accounting business, and has memberships in corporate Boards of Directors and audit committees.



04

### **Eng. Tarek bin Abdulaziz Al-Rukhaimi**

#### **Member of the Risk and Compliance Committee**

Holder of a Bachelor's and Master's degrees in Civil Engineering from King Saud University.

#### **Positions and Experiences**

- Chief Governance, Risk and Compliance Officer at the Events Investment Fund.
- Member of several risk and sustainability committees in listed and governmental companies.
- He served previously as CEO of several financial companies.
- He has more than 30 years of experience in the financial services industry, banking, investment, banking management, and risk management.

## Members of The Executive Management



01

**Eng. Khaled bin Hamad Al-Gnoon**  
Chief Executive Officer  
Saudi Electricity Company

Holder of a Master's degree in Business Administration from Dublin University, Ireland, and a Bachelor's Degree in Electrical Engineering from King Fahd University of Petroleum & Minerals.

### Positions and Experiences

- Chief Executive Officer since 20 June 2022 of the Group, which is the largest producer, transmitter and distributor of electrical energy in the Middle East and North Africa.
- Chairman of the Board of Managers of SEC's most important subsidiaries, with 31 years of experience in the company.
- Appointed as Chief Executive Officer on June 7, 2021, and Executive Vice President of Distribution & Customer Services.
- Member of the Board of Directors of Dawiyat.
- Member of the Executive Committee of the Saudi Energy Efficiency Center.
- Member of the Board of Directors and the Audit Committee of the Saudi Authority for Industrial Cities and Technology Zones – Modon.
- Member of the Development and Facilities Committee of the Riyadh Municipality Council.
- Member of the Project Coordination Committee of the Riyadh District Secretariat.
- Member of the High Commission in Riyadh – Urban Observatory Committee.
- Member of the Civil Defense Committee of the Riyadh District.

Appointed as of June 20, 2022



02

**Eng. Ibrahim bin Mohammed Alkhenizan**  
Executive Vice President  
Distribution and Customer Services

Holder of a Master's degree in Business Administration and a Bachelor's degree in Electrical Engineering from King Saud University. He also holds a qualification in the Advanced Leadership Initiative (ALI) Program from Harvard University, USA.

### Positions and Experiences

- He previously held positions of Head of the Middle Sector for Distribution and Customer Services, Head of the Project Implementation Sector, and Director of Project Management.
- He served as Chairman of the Board of Directors of the Saudi Electricity Company's Energy Services.
- Acting CEO of the Projects Development Company.
- Acting Executive Vice President for Strategic Planning and Business Development.
- Member of the Board of Managers of Integrated Dawiyat Company for Telecommunications & Information Technology, and Saudi Electricity Company for Projects Development.
- Member of the Committee to support the treatment of visual distortion under the umbrella of the Ministry of Municipal and Rural Affairs and Housing.
- During his 19 years at SEC, he has held multiple positions, most notably as Head of High Voltage Projects Sector, Head of the Middle Sector for Distribution and Customer Services, and Executive Vice President of Distribution and Customer Services.

Appointed as of July 18, 2022



03

### **Eng. Khaled bin Salim Al-Ghamdi**

Senior Vice President  
Digital and Technological  
Transformation

Holder of a Master's degree in Information Systems from the University of Phoenix, USA, and a Bachelor's degree in Systems Engineering from King Fahd University of Petroleum and Minerals.

#### **Positions and Experiences**

- He held several leadership positions at Saudi Aramco including Director of Digital Strategy, Investments and Growth, Project Manager of Aramco's Industrial Revolution 4 Lab, Head of Advanced Process Solutions, and Head of Process Automation Systems.
- He has 20 years of experience in the fields of engineering, digital transformation, automation and information technology.



04

### **Mr. Manish Manchandya**

Executive Vice President  
Chief Financial Officer

Holder of an MBA in Finance, with a specialization in Finance, from (ICFAI) University, Institute of Chartered Certified Financial Analysts of India. He completed his Executive Program in Public Administration from MIT Sloan Business School.

#### **Positions and Experiences**

- He joined SEC in 2008, and has held various positions in the finance team.
- He was previously Head of the Treasury Sector, Head of Corporate Finance and a Senior Financial Analyst at SEC.
- He was a Client Relationship Manager at HDFC Company for Asset Management in India.
- He has extensive experience in treasury and capital markets. Under his leadership, SEC's Treasury team completed several historic benchmark capital market transactions.
- He has a keen interest in digital transformation and the use of technology to improve financial systems and is leading the digital transformation of the financial function at the Saudi Electricity Company.



05

#### **Eng. Sultan bin Rashid Almahasheer**

Senior Vice President  
Occupational Health, Safety, Security  
and Environment

Holder of a Master's degree in Strategic Business and Information Systems from the United Kingdom, and a Bachelor's degree in Mechanical Engineering from King Fahd Petroleum University.

##### **Positions and Experiences**

- He joined SEC's Occupational Health, Safety, Security and Environment department in September 2022 after holding various positions at Saudi Aramco for 30 years.
- He participated in many administrative and scientific courses, most notably the development of senior leadership from Harvard University, USA.

Appointed as of September 1, 2022



06

#### **Mr. Feras bin Hassan Al-Mulla**

Senior Vice President  
Legal Affairs & Board of Directors'  
Trustee

Holder of a Bachelor's degree in Law from King Saud University and a Master's degree in Law from Southern Methodist University, USA. In addition, he holds a qualification in the Advanced Leadership Initiative (ALI) Program from Harvard University, USA.

##### **Positions and Experiences**

- He served as General Manager of Legal and Corporate Affairs at Microsoft.
- Director of the Legal Department at the Saudi Stock Exchange (Tadawul).
- Director of Contracts Department at the Communications and Information Technology Commission.
- Legal Advisor at the Saudi Central Bank.
- Certified arbitrator from the Ministry of Justice.
- Member of the Board of Directors of the Saudi Electricity Company for Projects Development.



07

**Eng. Sami bin Abdullah AlKaoud**  
Senior Vice President (Acting)  
Corporate Communications and  
Marketing

Holder of a Bachelor degree in Electrical Engineering from King Saud University in Riyadh.

**Positions and Experiences**

- He has held several positions at the Saudi Electricity Company and is the Head of Distribution Services Sector.
- Director of the Distribution Engineering Department in the Central Sector.
- Director of Compliance, Performance Quality and Risk Department.
- Member of the Board of Directors of the Saudi Energy Production Company, and the Board of Executive Sponsors of the Executive Youth Council.

Appointed as of October 4, 2022



08

**Eng. Abdulkarim bin Abdulaziz Al-Rasheed**  
Senior Vice President  
Human Resources and Support  
Services

Holder of a Bachelor's degree in Computer Science from King Saud University, in addition to a group of professional certificates in the field.

**Positions and Experiences**

- He worked as Vice President of Human Resources at Dr. Sulaiman Al Habib Medical Group.
- Vice President, Business, Distribution & Services at the Olayan Group.
- General Manager of Human Resources at PepsiCo International.
- Head of Support and Assistance Sector at Lazurde Company.





09

### Mr. Peter John Chambers

General Auditor  
Internal Audit

Holder of a Bachelor degree in Science (Management) in the UK, a Chartered Accountant in Public Accounting – UK, as well as a Certified Fraud Investigator from the USA.

#### Positions and Experiences

- He is an expert in governance and control, and has held a number of important positions in several companies, most notably Mubadala Investment Company in the United Arab Emirates.
- Partner in BDO Chartered Accountants and Advisors, United Arab Emirates, as well as in PwC in the UK.



10

### Mr. Tahir Mahmood

Senior Vice President  
Risk Management and Compliance  
Department

Holder of a Bachelor's degree in Finance.

#### Positions and Experiences

- Head of Risk, Compliance and Internal Audit at UK Power Networks, and a member of the Risk, Compliance and Audit Committees.
- Certified Systems Auditor (CISA) and a member of the Certified Global Management Accountants.
- He held several senior positions in Finance, Regulation and Insurance (Risk, Compliance and Internal Audit) at National Grid Plc, Centrica Plc, and finally at UK Power Networks, UK and US.
- He has 27 years of experience in the energy sector.





11

**Eng. Ibrahim bin Fahd Al Jarbou**  
Executive Vice President  
of Generation

Holder of a Bachelor degree in Electrical Engineering from King Saud University in 1993.

**Positions and Experiences**

- He held various positions at the Saudi Electricity Company during his 25 years at the company.
- He served as CEO of the National Grid SA for approximately three years.
- He worked on the restructuring of generation activity and led its transformation into the Saudi Energy Production Company (SEPC).
- He is a member of a number of Boards of Directors of the Saudi Electricity Company (Dawiyat Integrated Company for Communications and Information Technology – Solutions Valley Company – and Saudi Electricity Company for Projects Development).
- In external memberships, he is the Vice Chairman of the Board of Directors of the GCC Interconnection Authority (GCCIA), the Chairman of the Audit and Risk Management Committee, and a Member of the Projects and Tenders Committee at the Authority. He is also a member of the Board of Directors of the Arab Union of Electricity.

Appointed as of July 18, 2022



12

**Eng. Abdallah bin Abdul Mohsen Al-Madi**  
Executive Vice President  
Services and Contracts

Holder of a Master's degree in Business Administration from the Massachusetts Institute of Technology (MIT), a Master's degree in Business Administration from King Saud University, and a Bachelor's degree in Electrical Engineering from King Fahd University.

**Positions and Experiences**

- He held several positions at the Saudi Electricity Company during 21 years, such as Head of the Central Sector for Distribution and Customer Services, and Executive Vice President of Services and Contracts.
- He was appointed as CEO of Solutions Valley Company in August 2022.
- He is a strategic leader with experience in increasing SEC's non-regulatory financial returns.
- He has a proven track record of leading improvement initiatives and is highly skilled in financial analysis for different types of projects.
- He is a Member of the Saudi Electricity Company for Projects Development and the Saudi Energy Production Company.



13

### Eng. Mazen bin Ali Albahkali

Executive Vice President  
Strategic Planning & Business  
Development

Holder of a Master's degree in Electrical Engineering from Carnegie Mellon University and a Bachelor's degree in Electrical Engineering from King Saud University in Riyadh.

#### Positions and Experiences

- He spent most of his career at General Electric.
- He served as Marketing Director for the GE Grid in the Middle East, North Africa and Turkey.
- He served as CEO of GE Power Services in Saudi Arabia and Bahrain.
- He has extensive knowledge and experience of more than 23 years.

Appointed until April 28, 2022



14

### Mr. Manish Manchandya

Executive Vice President (Acting)  
of Strategic Planning and Investments

Holder of an MBA in Finance, with a specialization in Finance, from (ICFAI) University, Institute of Chartered Certified Financial Analysts of India. He completed his Executive Program in Public Administration from MIT Sloan Business School.

#### Positions and Experiences

- He joined SEC in 2008, and has held various positions in the finance team.
- He was previously Head of the Treasury Sector, Head of Corporate Finance and a Senior Financial Analyst at SEC.
- He was a Client Relationship Manager at HDFC Company for Asset Management in India.
- He has extensive experience in treasury and capital markets. Under his leadership, SEC's Treasury team completed several historic benchmark capital market transactions.
- He has a keen interest in digital transformation and the use of technology to improve financial systems and is leading the digital transformation of the financial function at the Saudi Electricity Company.





15

**Eng. Riyadh bin Fahd Al-Zamil**  
Executive Vice President  
Generation

Holder of a Bachelor's degree in Mechanical Engineering, and a Master's degree in Business Administration.

**Positions and Experiences**

- Executive Director of Generation Operation at Central – Saudi Electricity Company.
- Plant Manager (PP10).
- Director of Generation Technical Support (Acting).
- Director of outside Riyadh Power Plant (Acting).
- Director of Mechanical and Civil Engineering Division.
- Technical Team leader at the power plant in Qassim.
- Power Generation Specialist.
- Mechanical Maintenance Engineer at Saudi Aramco.
- Saudi Iron and Steel Co. (Iron).

Appointed until May 26, 2022



16

**Mr. Monther bin Mahmoud Tayeb**  
Senior Vice President  
Communications & Public Relations

Holder of a Bachelor's degree in Applied Linguistics from King Saud University, and a Master's degree in Mass Communications from the University of Leicester, UK.

**Positions and Experiences**

- Strategic Communication Advisor at the Royal Commission for the Development of Riyadh.
- General Manager of Corporate Communications at Almarai Company.
- General Manager of Corporate Communications at BAE Systems.

Appointed until October 4, 2022



17

### Eng. Khaled bin Salim Al-Ghamdi

Executive Vice President  
Technical Services

Holder of a Master's degree in Information Systems from the University of Phoenix, USA, and a Bachelor's degree in Systems Engineering from King Fahd University of Petroleum and Minerals.

#### Positions and Experiences

- He held several leadership positions at Saudi Aramco including Director of Digital Strategy, Investments and Growth, Project Manager of Aramco's Industrial Revolution 4 Lab, Head of Advanced Process Solutions, and Head of Process Automation Systems.
- He has 20 years of experience in the fields of engineering, digital transformation, automation and information technology.





## Heads of Subsidiaries



01

**Eng. Waleed bin Abdullah Al-Saadi**  
Chief Executive Officer  
National Grid SA

Holder of a Bachelor's degree in Electrical Engineering from King Saud University.

### Positions and Experiences

- He has rich technical and managerial experience of more than 27 years in this field, which he uses to enhance SEC's on-site operations and advance its ambitious strategic objectives.
- Served as Vice President of Technical Services and Vice President of Engineering at the National Grid SA since 2012.
- Worked in the field of operation and maintenance of the power transmission network from 1995 to 2012.
- He was appointed as Deputy Human Resources, as well as Deputy Liaison and public relations.
- Member of several technical committees.
- He has presented papers at more than 12 international symposiums.
- He played an active role in a variety of different committees in both the Saudi Electricity Company and the National Grid SA.
- Member of the Boards of Directors of several entities, including the GCC Electrical Testing Laboratory Company, the Arab Operations and Maintenance Council (OMAINTEC), and Solutions Valley Company.



02

**Eng. Mahdi bin Nasser Al-Dosary**  
Chief Executive Officer  
Saudi Electricity Company for  
Projects Development

Holder of a Bachelor degree in Electrical Engineering from King Saud University in 1995, and a Master's degree in Business Administration from Massachusetts Institute of Technology (MIT) in 2019.

### Positions and Experiences

- He has 27 years of experience in the energy sector in the Kingdom of Saudi Arabia.
- He joined the Saudi Electricity Company in 1995. Since joining, he has worked in the company's different sectors, starting in the maintenance sector, then moved to the engineering & projects sector from 2004 until he was appointed Head of Engineering and Projects Ultra Voltage Network in 2013.
- Chairman of the Board of Directors of the GCC Electrical Testing Laboratory Company since 2015.
- He has participated in several international conferences as an official spokesperson, and has presented many scientific papers at international forums.
- Member of several international bodies and energy related organizations.



03

**Eng. Ibrahim bin Fahd Al Jarbou**  
Chief Executive Officer (Acting)  
Saudi Energy Production Company

Holder of a Bachelor degree in Electrical Engineering from King Saud University in 1993.

**Positions and Experiences**

- He held various positions at the Saudi Electricity Company during his 25 years at the company.
- He served as CEO of the National Grid SA for approximately three years.
- He is currently the Executive Vice President of Generation at the Saudi Electricity Company, where he worked on the restructuring of generation activity and led its transformation into the Saudi Energy Production Company (SEPC).
- He is a member of a number of Boards of Directors of the Saudi Electricity Company (Dawiyat Integrated Company for Communications and Information Technology – Solutions Valley Company – and Saudi Electricity Company for Projects Development).
- In external memberships, he is the Vice Chairman of the Board of Directors of the GCC Interconnection Authority (GCCIA), the Chairman of the Audit and Risk Management Committee, and a Member of the Projects and Tenders Committee at the Authority. He is also a member of the Board of Directors of the Arab Union of Electricity.



04

**Eng. Wael bin Ali Al-Ghamdi**  
Chief Executive Officer (Acting)  
Integrated Dawiyat Company for  
Telecommunications & Information  
Technology

Holder of a Bachelor's degree in Computer Science from King Saud University.

**Positions and Experiences**

- Member of the Board of Directors of Integrated Dawiyat Company.
- Chairman of the Board of Directors of the Global Data Center Company.
- He held the position of CEO of Machinestalk Company for IoT Solutions and Applications from 2015 to 2017.
- He progressed in several executive positions at Mobily from 2005 to 2015.
- He progressed in several leadership positions at King Abdulaziz City for Science and Technology – Internet Services Unit from 1999 to 2005.
- He has extensive knowledge and leading experience in the Information and Communications Technology field spanning more than 20 years.

Appointed as of February 1, 2022





05

**Eng. Abdallah bin Abdul Mohsen Al-Madi**  
Chief Executive Officer (Acting)  
Solutions Valley Company

Holder of a Master's degree in Business Administration from the Massachusetts Institute of Technology (MIT), a Master's degree in Business Administration from King Saud University, and a Bachelor's degree in Electrical Engineering from King Fahd University.

**Positions and Experiences**

- He held several positions at the Saudi Electricity Company during 21 years, such as Head of the Central Sector for Distribution and Customer Services, and Executive Vice President of Services and Contracts.
- He is a strategic leader with experience in increasing SEC's non-regulatory financial returns.
- He has a proven track record of leading improvement initiatives and is highly skilled in financial analysis for different types of projects.
- He is a Board Member of the Saudi Electricity Company for Projects Development and the Saudi Energy Production Company.



06

**Eng. Ahmed Bin Abbas Sindi**  
Chief Executive Officer  
Integrated Dawiyat Company for  
Telecommunications & Information  
Technology

Holder of a PhD in Industrial Engineering and Operations, University of Michigan, Ann Arbor.

**Positions and Experiences**

- Executive Chairman of Dawiyat Telecom Company.
- Executive chairman of Etihad Atheeb Telecom.
- Member of the Board of Directors of Integrated Dawiyat Co.
- Member of the Board of Directors of GDH Company for Data Hubs.
- Member of the Board of Directors of the Saudi Authority for Industrial Cities and Technology Zones (Modon).
- Deputy Governor of the Communications and Information Technology Commission.
- Executive Chairman, Global Star (High Star) Satellite Communications Company.

Appointed until January 31, 2022



07

**Mr. Osama Bin AbdulWahhab Khawandanah**  
Chief Executive Officer  
Saudi Power Procurement Company  
(Principal Buyer)

Holder of a Master's degree in Accounting, Ball State University, USA, and a Bachelor's degree in Accounting, San Diego State University, USA.

**Positions and Experiences**

- Senior Vice Chairman for Energy Purchase and Partnerships, Saudi Electricity Company.
- Board of Directors Member, Saudi Power Procurement Company.
- Chairman of the Board of the Green Saudi Company for Carbon Services.

Appointed until April 28, 2022.



08

**Eng. Mazen bin Ali Albahkali**  
Chief Executive Officer  
Saudi Power Procurement Company  
(Principal Buyer)

Holder of a Master's degree in Electrical Engineering from Carnegie Mellon University and a Bachelor's degree in Electrical Engineering from King Saud University in Riyadh.

**Positions and Experiences**

- He spent most of his career at General Electric.
- He served as Marketing Director for the GE Grid in the Middle East, North Africa and Turkey.
- He served as CEO of GE Power Services in Saudi Arabia and Bahrain.
- He has extensive knowledge and experience of more than 23 years.

Appointed as of April 28, 2022







## The Board of Directors and Its Committees

The Company's Board of Directors consists of six non-executive members and three independent members. The names of the Board members and the classification of their memberships in the Company are as follows

S.N	Name	Classification of Membership		
		Executive	Non-executive	Independent
1	Khaled Bin Saleh Al Sultan		✓	
2	Najm Bin Abdullah Al-Zaid		✓	
3	Raed Bin Nasser Al-Rayes		✓	
4	Isam Bin Alwan Al-Bayat		✓	
5	AbdulKarim Bin Ali Al-Ghamdi			✓
6	Walid Bin Ibrahim Shukri			✓
7	Nabil Bin Abdulaziz Al-Naeem		✓	
8	Mohammed bin AbdulRahman Al-Bilaihed		✓	
9	David Crane*			✓
10	Scott Mathew Prochazka**			✓

\* Resigned from the membership of the Board of Directors and its committees on 25/08/2022.

\*\* Appointed as a member of the Board of Directors on 06/12/2022.

The Board of Directors of the Company held (14) meetings during 2022, and the following is a statement of the names of the members of the Board of Directors and the number of meetings attended by each member

Attending ✓ Absence x

Name	Number of Meetings and their Dates														Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	08/02	15/03	17/05	26/05	19/06	29/06	02/08	21/08	06/09	02/11	09/11	15/11	06/12	27/12	
Khaled Bin Saleh Al Sultan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Najm Bin Abdullah Al-Zaid	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Isam Bin Alwan Al-Bayat	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
AbdulKarim Bin Ali Al-Ghamdi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Raed Bin Nasser Al-Rayes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Walid Bin Ibrahim Shukri	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
Nabil Bin Abdulaziz Al-Naeem	✓	✓	✓	✓	x	✓	✓	x	✓	✓	✓	✓	✓	✓	12
Mohammed bin AbdulRahman Al-Bilaihed	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	14
David Crane*	✓	✓	✓	✓	✓	✓	✓	✓							8
Scott Mathew Prochazka**														✓	1

Date of the last General Assembly meeting: 17/05/2022

\* Resigned from the membership of the Board of Directors and its committees on 25/08/2022.

\*\* Appointed as a member of the Board of Directors on 06/12/2022.

## 1. Audit Committee

The Audit Committee was formed by a decision of the Ordinary General Assembly. The committee consists of five independent members, including two members of the Board of Directors, and three members from outside the Board, including four members specialized in financial and accounting affairs.

The Audit Committee carries out its work in accordance with the controls of the internal audit committee's work regulations approved by the Ordinary General Assembly. The committee is concerned with monitoring the company's business and verifying the integrity and integrity of reports, financial statements and internal control systems. The Committee recommends to the Board of Directors the appointment and dismissal of the external auditor, determining his fees and ensuring his independence, as well as studying the audit plan with the auditor and expressing observations thereon. The committee also reviews the plan and reports of the internal audit and the oversight bodies, and verifies the executive management's implementation of corrective measures, and other actions on a regular and regular basis, in a way that enables it to evaluate the efficiency and effectiveness of control activities, manage risks, and ensure compliance and business integrity.

The Committee held (8) meetings during 2022, as shown in the following table:

Attending ✓ Absence x

Name	Membership Nature	Number of Attended Meetings	Meetings Dates							
			01/13	03/09	05/12	06/19	08/16	09/12	10/02	11/06
Walid Bin Ibrahim Shukri	Chairman	8	✓	✓	✓	✓	✓	✓	✓	✓
Sulaiman Bin AbdulAziz Al-Tuwaijri	Vice Chairman	8	✓	✓	✓	✓	✓	✓	✓	✓
Isam Bin Alwan Al-Bayat	Member	8	✓	✓	✓	✓	✓	✓	✓	✓
Khaled bin Salem Al Rowais	Member	8	✓	✓	✓	✓	✓	✓	✓	✓
Amr bin Khaled Kurdi	Member	8	✓	✓	✓	✓	✓	✓	✓	✓

## 2. Executive Committee

The Executive Committee consists of (5) members

The Committee is responsible for reviewing plans and studies related to the restructuring of the company's business lines, reviewing the general budget (capital and operational budgets) and projects proposed by the Executive Management, as well as studies, plans, and financing methods related thereto. It is also responsible for conducting a periodic review of the company's achievements, participating in developing the company's new strategic plans, including opportunities for mergers and acquisitions, and providing executive recommendations to the Board of Directors with regard to loans, mortgages and security requests, and reviewing and evaluating proposals for new capital investments.

The Committee held (6) meetings during 2022, as shown in the following table:

Attending ✓ Absence x

Name	Membership Nature	Number of Attended Meetings	Meetings Dates					
			02/08	03/15	06/29	09/06	11/15	12/26
Khaled Bin Saleh Al Sultan	Chairman	6	✓	✓	✓	✓	✓	✓
David Crane*	Vice Chairman	3	✓	✓	✓	x	x	x
Isam Bin Alwan Al-Bayat	Member	6	✓	✓	✓	✓	✓	✓
AbdulKarim Bin Ali Al-Ghamdi	Member	6	✓	✓	✓	✓	✓	✓
Mohammed Bin AbdulRahman Al-Bilaidh	Member	6	✓	✓	✓	✓	✓	✓

\* Resigned from the membership of the Board of Directors and its Committees on 25/08/2022.

### 3. Nominations and Remuneration Committee

The Committee consists of (5) members

The Committee is responsible for developing a clear policy for the remuneration of members of the Board of Directors, its Committees and the Executive Management, and for the following: clarifying the relationship between awarded remunerations and the adopted remuneration policy, and identifying any material deviation from this policy; conducting a periodic review of the remuneration policy and evaluating its effectiveness; providing recommendations to the Board of Directors on the remunerations for members of the Board, its Committees and Senior Executives in accordance with the approved policy; reviewing the rules for the distribution of annual remunerations approved by the Board of Directors and providing recommendations to the Board of Directors in respect thereon; providing recommendations to the Board of Directors on the nomination and re-nomination of its members in accordance with the approved policies and standards; preparing a description of the capabilities and qualifications required for the Board membership and Executive Management functions; conducting an annual review of the necessary skills or expertise required for the membership of the Board of Directors and Executive Management; conducting an annual review of the necessary needs for skills or experience appropriate to the membership of the Board of Directors and executive management functions; reviewing the structure of the Board of Directors and Executive Management and annually verifying the impartiality of independent members, making sure that there are no conflicts of interest if a Board member of the company is a Board member of another company; developing a job description of the Executive and non-Executive members, Independent members and Senior Executives; identifying the Board of Directors' weaknesses and strengths; reviewing general HR policies and regulations; nominating the company's Chief Executive Officer, reviewing his/her annual allocations and remunerations, and providing recommendations to the Board of Directors to extend his/her services; reviewing changes to the organizational structure of the company; reviewing rules and regulations of human resources; reviewing the company's work regulations, bylaws, and penalties and rewards regulations; reviewing the annual bonuses rules for all the company's employees, and providing recommendations to the Board of Directors in respect thereof; setting forth the qualifications required for the membership of each Board Committee, and in particular the Audit Committee.

The Committee held (16) meetings during 2022, as shown in the following table:

Attending ✓ Absence x

Name	Membership Nature	Number of Attended Meetings	Meetings Dates															
			01/30	02/01	02/28	04/11	05/15	06/19	07/18	07/30	09/05	10/11	10/25	10/27	10/31	11/02	12/06	12/19
AbdulKarim Bin Ali Al-Ghamdi	Chairman	15	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Raed Bin Nasser Al-Rayes	Vice Chairman	16	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Khaled Bin Saleh Al Sultan	Member	16	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Najm Bin Abdullah Al-Zaid	Member	16	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mohammed Bin AbdulRahman Al-Bilaihed	Member	16	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

### 4. Risk and Compliance Committee

The Risk and Compliance Committee consists of five members

The Risk and Compliance Committee is responsible for identifying and monitoring the risks and threats impacting the Company's ability in achieving its strategic aims and objectives. This includes evaluating and identifying measures in place to either mitigate or minimize the impacts of risks, and assessing the Company's ability to operate within the approved tolerance levels. The Committee also monitor adherence and compliance with relevant regulations and legislation, ensuring an appropriate and effective control environment, and reporting the necessary recommendations associated with risks and compliance to the Board. The Committee is also responsible for monitoring matters relating to business integrity, fraud risk and operational resilience involving Business Continuity Management.

The Committee held (6) meetings during 2022, as shown in the following table:

Attending ✓ Absence x

Name	Membership Nature	Number of Attended Meetings	Meeting Dates					
			02/02	06/03	10/05	19/06	01/09	08/12
Walid Bin Ibrahim Shukri	Chairman	6	✓	✓	✓	✓	✓	✓
Najm Bin Abdullah Al-Zaid	Vice Chairman	5	✓	✓	x	✓	✓	✓
Nabil Bin Abdulaziz Al-Naeem	Member	5	✓	✓	✓	✓	x	✓
Tarek bin Abdulaziz Al-Rukhaimi	Member	6	✓	✓	✓	✓	✓	✓
David Crane*	Member	3	✓	✓	x	✓	x	x

\* Resigned from the membership of the Board of Directors and its Committees on 25/08/2022.

## 5. Health, Safety, Security, Environment and Sustainability Committee

The Committee consists of (3) members

The committee is responsible for reviewing and approving the leaders' processes and behaviors on health, safety, security, environment and sustainability, and its internal procedures and standards related to the scope of work and updating it in accordance with regulatory requirements, as well as best practices. The committee is also responsible for reviewing and approving the implementation of the strategic transformation project, health, safety, security, environment, and sustainability governance systems, supporting management systems, as well as technical standards, proactive and post-performance monitoring indicators, the training matrix for all employees, and the health, safety, security, environment and sustainability management process. It also reviews and circulates near misses and incidents with high-risk consequences, reviews plans to deal with security threats and attacks on the company's facilities or assets, crisis and security disaster management plans, as well as business continuity procedures, and ensures that they are periodically updated.

The Committee held (2) meetings during 2022, as shown in the following table:

Attending ✓ Absence x

Name	Membership Nature	Number of Attended Meetings	Meetings Dates	
			28/03	28/06
Nabil Bin Abdulaziz Al-Naeem	Chairman	2	✓	✓
Isam Bin Alwan Al-Bayat	Member	2	✓	✓
David Crane*	Member	2	✓	✓

\* Resigned from the membership of the Board of Directors and its Committees on 25/08/2022.

## Remuneration of Board Members and Executive Management

### Remuneration Policy for Members of the Board of Directors, its Committees and Executive Management

Without prejudice to the statutory requirements and 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 shall be subject to the following criteria:

- To be consistent with the company's strategy and objectives.
- Providing remunerations that will encourage the members of the Board and Executive Management to ensure the company's success and its long-term development such as linking the variable part of the remuneration to long-term performance.
- The remuneration shall be 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 be prepared in coordination with the Nomination and Remuneration Committee at the time of new appointments;
- To regulate granting shares in the company for members of the Board and the Executive Management, whether such shares are newly issued or acquired by the company;
- The remuneration shall be 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;
- The remuneration shall be based on the Nomination and Remuneration Committee's recommendation;
- The remuneration shall be 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;
- The remuneration shall be reasonably sufficient to attract, motivate and retain Board members with appropriate competencies and experiences;
- A Board member may receive remuneration for his/her membership in the Audit Committee formed by the General Assembly or for any executive, technical, administrative or advisory additional activities assigned to him/her by the company under a professional license. Such remuneration is in addition to the other remuneration, which he/she 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 company's Articles of Association;
- The remunerations of the Board members may vary to reflect the member's experience, specialties, tasks assigned to him/her, his/her independence, the number of meetings he/she attends and other considerations;
- If the Audit Committee or the Authority found 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 Members of the Board of Directors and its Committees**

- 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, 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 Remunerations**

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. Executive management remuneration includes the following:

- Basic salary.
- Medical insurance for him and his family.
- Transportation allowance.
- Housing allowance.
- Annual bonus linked to the performance indicators according to the annual evaluation in this regard.
- Long-term incentive, if any.
- Any other remunerations or allowances approved by the company's Board of Directors.

### **Payment of Remunerations**

Remunerations – as provided in the Remunerations and Benefits Policy – shall be paid in Saudi Riyals or its equivalent in any other currency, and payment shall be made by direct deposit to the bank accounts specified by the person concerned.

## Board of Directors' Remunerations

Fixed Remunerations							
	Designated Amount <sup>(1)</sup>	Allowance for Board sessions attendance	Total allowance for Board sessions attendance	In-kind Benefits	Remuneration for technical administrative and advisory activities <sup>(2)</sup>	Remuneration of Chairman, Managing Director or Secretary if he is one of the members <sup>(3)</sup>	Total <sup>(4)</sup>
<b>First: Non-executive members</b>							
1. Khaled Bin Saleh Al Sultan	392,000	42,000	66,000	0	147,000	1,500,000	2,147,000
2. Najm Bin Abdullah Al-Zaid	348,428.25	42,000	63,000	40,571.75	6,000	0	500,000
3. Raed Bin Nasser Al-Rayes	235,000	42,000	48,000	28,750	21,000	0	374,750
4. Isam Bin Alwan Al-Bayat	495,000	42,000	51,000	0	66,000	0	654,000
5. Mohammed bin AbdulRahman Al-Bilaihed	365,000	42,000	66,000	20,700	12,000	0	505,700
6. Nabil Bin Abdulaziz Al-Naeem	400,000	36,000	21,000	34,500	12,000	0	503,500
Total	2,235,428.25	246,000	315,000	124,521.75	264,000	1,500,000	4,684,950
<b>Second: Independent members</b>							
1. AbdulKarim Bin Ali Al-Ghamdi	378,618	42,000	63,000	16,381.77	96,000	0	595,999.77
2. Walid Bin Ibrahim Shukri	465,000	42,000	42,000	0	42,000	0	591,000
3. David Crane	195,000	18,000	24,000	0	24,000	0	306,000
4. Scott Mathew Prochazka <sup>(5)</sup>	0	3,000	0	0	0	0	3,000
Total	1,038,618	105,000	129,000	16,382	162,000	0	1,496,000

<sup>(1)</sup> The designated amount includes the annual bonus for Board membership and fixed bonuses for committee membership.

<sup>(2)</sup> Allowances for business functions and administrative and additional tasks are included in the Remuneration Policy for Members of the Board of Directors, its Committees and Executive Management, approved by the General Assembly, as well as in accordance with Article (3) of Part (II) of the Controls and Regulatory Procedures issued in implementation of the Companies Law with regard to listed joint stock companies.

<sup>(3)</sup> A remuneration for the Chairman of the Board of Directors, in accordance with paragraph (2) of Article (81) of the Companies Law.

<sup>(4)</sup> In accordance with the Remuneration Policy approved by the General Assembly, the total amount of bonuses, financial or in-kind benefits received by the Board Member does not exceed the maximum ceiling stipulated in paragraph (3) of Article (76) of the Companies Law, and this maximum limit does not include the member's remunerations for the technical, administrative or consultancy work that he may perform in favour of the company, and the remuneration of the Chairman of the board and each member of the Audit Committee. In accordance with Article (3) of the controls and regulatory procedures issued to implement the private Companies Law of listed joint stock companies.

<sup>(5)</sup> He joined the Board of Directors on December 6, 2022.



### Variable Remunerations

Share of dividends	Periodical remunerations	Short-term motivational plans	Long-term motivational plans	Shares granted (Values are entered)	Total	End of Service Benefits	Grand Total <sup>(4)</sup>	Expenses Allowance
0	0	0	0	0	0	0	2,147,000	0
0	0	0	0	0	0	0	500,000	0
0	0	0	0	0	0	0	374,750	0
0	0	0	0	0	0	0	654,000	107,598
0	0	0	0	0	0	0	505,700	0
0	0	0	0	0	0	0	503,500	24,560
0	0	0	0	0	0	0	4,684,950	132,158
0	0	0	0	0	0	0	595,999.77	43,120
0	0	0	0	0	0	0	591,000	83,315
0	0	0	0	0	0	0	306,000	325,170
0	0	0	0	0	0	0	3,000	0
0	0	0	0	0	0	0	1,496,000	451,605

The Board of Directors annually conducts an evaluation of its performance and the performance of its committees and members in accordance with the performance evaluation policy of the Board of Directors, its committees and the CEO, and in accordance with the competency evaluation models, in order to continuously improve the quality and effectiveness of performance and to identify the strengths and weaknesses of each of its members. On a regular basis, the decisions and recommendations of the Board of Directors and those related to them, and the overall performance and efficiency of the Board, are reviewed and evaluated.

## Remunerations of Committees' Members:

	Fixed Remunerations (Except Sessions Attendance Allowance)	Sessions Attendance Allowance	Total	Expenses Allowance
<b>Members of the Audit Committee</b>				
Walid Bin Ibrahim Shukri	180,000	24,000	204,000	33,918
Sulaiman Bin AbdulAziz Al-Tuwaijri	130,000	24,000	154,000	0
Isam Bin Alwan Al-Bayat	130,000	24,000	154,000	50,088
Amr bin Khaled Kurdi	130,000	24,000	154,000	29,729
Khaled bin Salem Al Rowais	130,000	24,000	154,000	29,729
Total	700,000	120,000	820,000	143,464
<b>Members of the Executive Committee</b>				
Khaled Bin Saleh Al Sultan	157,000	18,000	175,000	0
David Crane	65,000	9,000	74,000	146,142
AbdulKarim Bin Ali Al-Ghamdi	130,000	18,000	148,000	16,170
Mohammed Bin AbdulRahman Al Bilaihed	130,000	18,000	148,000	0
Isam Bin Alwan Al-Bayat	130,000	18,000	148,000	24,560
Total	612,000	81,000	693,000	186,872
<b>Members of the Nominations and Remunerations Committee</b>				
AbdulKarim Bin Ali Al-Ghamdi	143,618	45,000	188,618	26,950
Raed Bin Nasser Al-Rayes	130,000	48,000	178,000	0
Khaled Bin Saleh Al Sultan	130,000	48,000	178,000	0
Najm Bin Abdullah Al-Zaid	113,428.25	48,000	161,428.25	0
Mohammed Bin AbdulRahman Al Bilaihed	130,000	48,000	178,000	0
Total	647,046.25	237,000	884,046.25	26,950
<b>Members of the Risk and Compliance Committee</b>				
Walid Bin Ibrahim Shukri	180,000	18,000	198,000	16,170
Najm Bin Abdullah Al-Zaid	130,000	15,000	145,000	0
Tarek bin Abdulaziz Al-Rukhaimi	130,000	18,000	148,000	5,390
David Crane*	65,000	9,000	74,000	4,195
Isam Bin Alwan Al-Bayat**	0	3,000	3,000	0
Total	537,500	63,000	600,500	25,755
<b>Members of the Health, Safety, Security, Environment and Sustainability Committee</b>				
Nabil Bin Abdulaziz Al-Naeem	180,000	6,000	186,000	10,780
Isam Bin Alwan Al-Bayat	130,000	6,000	136,000	5,390
David Crane*	65,000	6,000	71,000	47,159
Total	375,000	18,000	393,000	63,329

\* Resigned from the membership of the Board of Directors and its Committees on 25/08/2022.

\*\* Participated in the Committee meeting as a non-member on June 19, 2022, at the invitation of the Chairman of the Committee.



**Remuneration of Five Senior Executives who received the Highest Remunerations (Including the CEO and CFO)**

Fixed Remunerations					
Salaries		Allowances		In-kind benefits	Total
7,156,286.67		2,820,860.83		-	9,977,147.50
Variable rewards					
Periodical remunerations	Earnings	Short-term motivational plans	Long-term motivational plans	Value of granted shares	Total
-	-	5,900,000	-	-	5,900,000
End of Service Benefits		Total remunerations of Executives, if any			Grand total
17,755,569.38		-			33,632,716.88

The Board member Dr. David Crane waived his annual remuneration for his membership in the Board of Directors for the year 2022, and his financial rewards for his membership in the committees of the Board of Directors for the third quarter of 2022.



# Audit Committee Report

## Report of the Audit Committee for the fiscal year ending on 31/12/2022

The Audit Committee held (8) meetings during 2022 to evaluate the effectiveness of the internal control system and the fairness of the financial statements. The Audit Committee's responsibilities include the following:

- Studying the interim and annual financial statements prepared by the company's management.
- Studying the External Auditor's reports and the management letter that includes any observations on the internal control systems.
- Recommending to the Board of Directors the appointment of the External Auditor and reviewing his plan and activities.
- Overseeing the internal audit and approving the annual risk-based audit plan.
- Reviewing the periodic reports of the internal audit, including the most important observations and follow-up corrective actions in order to enhance the company's internal control environment, noting that the Executive Management is responsible for designing and implementing internal controls and the internal control system in the company, and makes continuous improvements to raise the efficiency and effectiveness of the internal control system.

Within the limits of the results of the planned and additional audit tasks that were carried out by the internal audit and after discussion with the External Auditor and the Executive Management on the interim and annual financial statements for the year 2022, the audit committee did not find any material weaknesses in the internal control when the effectiveness of any internal control system cannot be confirmed with a degree of complete reliability.

## Recommendation of the Audit Committee about the Need to Appoint an Internal Auditor in the Company in Case no Auditor has been Previously Appointed

The Company has an internal audit business unit. The Audit Committee recommends to the Board of Directors that an Internal Auditor be appointed and will exercise his functions according to statutory requirements and best practices. An Internal Auditor has been appointed accordingly.

No recommendation has been made by the Audit Committee that are in conflict with the Board of Directors' resolutions. The Board has not rejected any of the Committee's resolutions or recommendation to appoint the Company's auditor, determine his fees, evaluate his performance or appoint the Internal Auditor.

## Important Resolutions

- On 19/06/2022, the Board of Directors issued its resolution to appoint Eng. Khaled bin Hamad Al-Gnoon as Chief Executive Officer of the Company as of 20/06/2022.
- On March 15 2022, the Board of Directors recommended to the General Assembly of the Company's shareholders the disbursement of cash dividends to shareholders amounting to SAR 2,916,615,671 for the fiscal year 2021.
- The company successfully recovered the full value of international Islamic Sukuks due on 03/04/2022, for the amount of US\$ 1.25 billion.
- On August 25<sup>th</sup> 2022, the Board of Directors approved the resignation of Mr. David Crane (Independent Member) from the Board of Directors and the Committees of the Board, effective August 25<sup>th</sup> 2022.
- On December 6<sup>th</sup> 2022, the Board of Directors approved the appointment of Eng. Scott Matthew Prochazka (Independent Member) to the Board of Directors of the Company to replace Dr. David Crane effective December 6<sup>th</sup> 2022, and this appointment will be presented to the first General Assembly meeting for approval.

### Key Financing Deals during 2022

- The company signed an agreement where it obtained joint international financial facilities for US\$ 3 billion equivalent to SR 11.3 billion from 15 regional and international financing entities. The term of the financing agreement is for five years (according to the terms of the agreement, the company may request an extension of the financing period for an additional two years), through which another co-financing agreement previously obtained in 2017 and due in August 2022 was repaid, in addition to financing the company's capital expenditure requirements.
- The Saudi Electricity Company has entered into a facility agreement with Standard Chartered Bank and Sumitomo Mitsui Banking Corporation, which stipulates that the facilities will be guaranteed by the Swedish Export Credit Agency (EKN) and financed by the Swedish Export Credit Corporation (SEK) with a fourteen-year grace period, and the facilities will be used to finance part of the Saudi-Egyptian electricity interconnection project.

### Resolutions Related to the Company's Restructuring

The Council of Ministers issued a decision approving the sale of the Saudi Power Procurement Company, which is wholly owned by the Saudi Electricity Company, and transferring its ownership to the government.

The Saudi Electricity Company (the Company) announced on 29/11/2021 corresponding to 24/04/1443H that it has received a cable from His Royal Highness the Minister of Energy and Chairman of the Ministerial Committee for the Restructuring of the Electricity Sector, stating the issuance of the Council of Ministers resolution No. (227) dated 18/04/1443H, which approves carrying out all the necessary regulatory procedures for the purchase and transfer of the entire shares of the Saudi Electricity Company in the Saudi Power Procurement Company to government ownership.

The aforementioned Council of Ministers' resolution comes as part of the electricity sector's restructuring program and in continuation of the regulatory and financial reforms mentioned above and announced in November 2020 by the Ministerial Committee for the Restructuring of the Electricity Sector which is supervised by the Supreme Committee for Energy Mix Affairs for Electricity Production and Enabling Renewable Energy, chaired by His Royal Highness the Crown Prince, Deputy Prime Minister and Chairman of the Council of Economic and Development Affairs Prince Mohammed bin Salman bin Abdulaziz. This plan aims at reinforcing transparency in commercial relations between parties operating in the electricity sector, and to activate work mechanisms on an economic basis, thereby contributing to the realization of the kingdom's electricity sector goals, including reducing the use of liquid fuels, raising the level of environmental compliance, and enhancing the reliability of electricity transmission and distribution networks to enable the production of electricity from renewable energy sources to achieve the objectives of the optimal energy mix for electricity production, improve and automate distribution networks, in order to achieve the desired goals, and improve the quality of services provided to consumers in line with the objectives of the Kingdom's Vision 2030.

The Saudi Power Procurement Company has the sole responsibility for the competitive tendering of renewable and conventional energy projects to meet the increasing demand for energy, manage the commercial agreements for the procurement and sale of energy and providing fuel as well as improving its efficiency. The transfer of ownership comes as part of the overall reforms in the electricity sector to increase efficiency and improve service for the benefit of consumers and producers alike.

The General Assembly approved the sale and transfer of the Saudi Electricity Company's entire shares in the Saudi Power Procurement Company to the ownership of the government and authorized the Board of Directors of the Saudi Electricity Company to carry out all necessary legal procedures to achieve this.

The General Assembly of the Saudi Electricity Company held on 30/01/2022 corresponding to 27/06/1443H approved the sale and transfer of the Saudi Electricity Company's entire shares in the Saudi Power Procurement Company (Principal Buyer) to government ownership, according to the announcement of the Saudi Electricity Company on the Saudi Stock Exchange (Tadawul) website on 29/11/2021 regarding receiving a cable from His Royal Highness the Minister of Energy and Chairman of the Ministerial Committee for the Restructuring of the Electricity Sector, stating the issuance of the Council of Ministers Resolution No. (227) dated 18/04/1443H approving to carry out all the necessary legal procedures for the sale and transfer of the entire shares of the Saudi Electricity Company in the Saudi Power Procurement Company to the ownership of the government, as well as to approve the authorization of the Board of Directors of the Saudi Electricity Company to carry out all the necessary legal procedures for the sale and transfer of the entire shares of the Saudi Electricity Company in the Saudi Power Procurement Company (Principal Buyer) to the ownership of the government.

Signing a sale and purchase of shares agreement to transfer the Saudi Electricity Company's entire ownership in the Saudi Power Procurement Company to government ownership.

With reference to the aforementioned, and based on the approval of its General Assembly, the Saudi Electricity Company (the Company) announced that it has signed on 29/6/2022 corresponding to 30/11/1443H a framework agreement for the transfer of business (the framework agreement) with the Saudi Power Procurement Company, which covers and fulfills all legal arrangements and procedures for the sale and transfer of assets, obligations and commercial contracts related to the business of the Saudi Power Procurement Company as a subsidiary of the Saudi Electricity Company to the Saudi Power Procurement Company as an independent and wholly-owned by the state company as of the date of 29/6/2022 corresponding to 30/11/1443H. Accordingly, on the same date of the framework agreement, energy conversion agreements, bulk power supply agreements were concluded and the fuel supply agreements and fuel distribution agreements were transferred from the Saudi Electricity Company to the Saudi Power Procurement Company, as of 1/7/2022 corresponding to 2/12/1443H. In addition, on the same date of the framework agreement, an agreement for the sale of the existing fuel stock was signed between the Saudi Electricity Company (the seller), and the Saudi Power Procurement Company and the Ministry of Finance (the buyer), provided that the sale value of the fuel stock will be paid to the Saudi Electricity Company by the buyer according to the net book value of the stock cited in its financial statements on 30/6/2022.

In addition to the above, the Saudi Electricity Company (the seller) and the Government of the Kingdom of Saudi Arabia, represented by the Ministry of Energy and the Ministry of Finance (the buyer) concluded, on 29/6/2022 corresponding to 30/11/1443H, a sale and purchase agreement to transfer the entire ownership of the Saudi Electricity Company in the Saudi Power Procurement Company to the ownership of the government, provided that the sale value is paid equivalent to the book value of the net assets of the Saudi Power Procurement Company according to the financial statements at the end of the second quarter of 2022.

## Risk Management and Control

### Sanctions and Penalties Imposed on the Company

Sanction/ Penalty Imposer	Reason	Value	Corrective action taken by the company to avoid recurrence
Communications, Space and Technology Commission	Non-compliance with the controls of the cybersecurity regulatory framework for service providers	SR 15,000	<ul style="list-style-type: none"> <li>A service level agreement was signed with the Saudi Electricity Company.</li> <li>A cybersecurity department has been established in the organizational structure of Dawiyat, which is expected to be approved by the Board of Directors during the first quarter of this year.</li> </ul>
Communications, Space and Technology Commission	Non-compliance with the prescribed time period while filing a service interruption report	SR 5,000	<ul style="list-style-type: none"> <li>Holding a session with the work team and reviewing the escalation mechanism on the system.</li> <li>Alert the responsible team to avoid repeating the error.</li> </ul>
Communications, Space and Technology Commission	Non-compliance with the prescribed time period while filing a service interruption report	SR 5,000	<ul style="list-style-type: none"> <li>Holding a session with the work team and reviewing the escalation mechanism on the system.</li> <li>Alert the responsible team to avoid repeating the error.</li> </ul>
Communications, Space and Technology Commission	Failure to provide the Commission with the required information and data regarding the separation of Dawiyat Telecom and Dawiyat Integrated	SR 50,000	<ul style="list-style-type: none"> <li>Give the Commission's requests the highest priority and the Governorate by providing them with the required data on time.</li> </ul>

### Risks and Difficulties Associated with the Generation, Transmission and Distribution of Electricity

#### Electricity Production Risks

In light of the current global challenges and to ensure the electrical system's reliability, raise readiness and reliability, and work within the systems and policies, the Saudi Electricity Company has entered a new era of business after signing energy conversion agreements (ECA) for 36 power production plants with an approximate capacity of 49 Gigawatts. This confirms that power purchase agreements are one of the most important main revenues for the company and require power production plants to ensure availability in energy production to the agreed levels and activate the auxiliary factors to ensure the highest revenues.

#### Electricity Transmission Risks:

The National Grid SA works according to the highest international standards and best practices to manage, operate and maintain the transmission network with high reliability to ensure the quality of electrical energy supply from various production sources to all its customers inside and outside the company in line with the Kingdom's Vision 2030. To manage the corporate risk related to this area, the company adopts a framework in line with the ISO 3100 with empowered and qualified cadres to analyze, evaluate and develop risk response strategies.

### Risks of Electrical Distribution

The company is working to identify and address the potential risks it faces in the provision of electricity, the most important of which is improving losses of electrical energy and improving the customer experience, through several projects and initiatives to enhance energy efficiency and achieve customer satisfaction, as the company aims to work through an approach compatible with international best practices.

### Financial risks:

#### Financial Risk Factors

The Group's operations are exposed to various market risks which include (foreign exchange risks, interest rate risks, and commodity prices risks), as well as credit and liquidity risk. The Group's comprehensive risk management program seeks to minimize potential negative impacts on the Group's financial performance. The Group uses derivative financial instruments to cover certain risks.

#### Market risk

Market risks result from volatility in fair or future cash flows of a financial instrument due to changes in market prices. There are three types of market risks:

- Foreign exchange risks.
- Interest rate risks.
- Other price risks.

#### Foreign Exchange Risks

Currency exchange risks arise when future commercial transactions, recognized assets or liabilities are denominated in a currency different from the company's currency. Foreign currency risks are linked to the change of the currency's value in relation to foreign currencies for the transactions carried out by the Group. Since the company's currency is the Saudi Arabian Riyal which is pegged to the US Dollar at a relatively fixed exchange rate (SR 3.75 per Dollar), most of the company's foreign currency transactions are in US Dollar, and as a result are currently not subject to foreign currency risks.

### Interest Rate Risks

Interest rate risks result from volatility in the fair rate or the future cash flows of a financial instrument due to changes in the interest rate market. The Group's exposure to the risk of changes in the interest rate market is mainly due to loans. Loans issued at variable rates expose the Group to a change in cash flows as a result of changes in interest rates. The Group enters into interest rate swaps to hedge interest rate risks and these swaps are classified as derivative financial liabilities in the financial position list.

The Group could allocate some hedging instruments, including derivatives, unincorporated derivatives or derivatives for foreign exchange risks as fair value precautions, cash flow precautions, or net foreign currency investments. Foreign exchange risk precautions are accounted for on company liabilities as cash flow precautions when adequate controls are in place. When establishing a hedging relationship, the company documents the relationship between the hedging instrument and its hedge line, as well as its risk management objectives and strategy for various hedging operations. In addition, when establishing hedging, the Group continuously documents whether the hedging instrument is highly effective in reversing changes in fair value or hedge line cash flows in respect of hedging risks, when hedging relationships meet all the following hedging effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The impact of credit risk does not dominate the changes in value resulting from the economic relationship.
- The hedging ratio of the hedging relationship is the same as the result of the number of its hedge line actually hedged by the Group and the number of hedging instruments the Group actually employs to hedge for that number of its hedge line.
- When the hedging relationship does not meet the requirements of the hedging effectiveness, the risk management objectives remain unchanged. The Group adjusts the hedging ratio of the hedging relationship (hedge rebalancing) to meet the controls that qualify it again.



### **Credit Risk**

Credit risks arise from cash and cash equivalents and deposits in banks and financial institutions, as well as credit exposure from sales-based debits. Participants are not individually classified and the Group assesses the customer's credit quality taking into account past experiences and other factors. Credit risk is the Group's risk of financial loss in the event that a client or other party is unable to fulfil its contractual obligations to a financial instrument, arising primarily from the Group's receivables from clients. Sales are settled in cash, through the company's payment Service "SADAD" or using the main credit cards.

The Group uses the general model for estimating the expected credit losses of government, parastatals and financial assets. Anticipated credit losses over a 12-month period, as well as expected lifelong credit losses, that have not decreased or their credit value have not decreased, are calculated based on the change in credit risk associated with the financial instrument. The Group believes that it is capable of collecting non-governmental debts through the ability of the Group to stop providing services to those who are in arrears in their debts, in addition to following up on them legally with the competent authorities.

### **Liquidity Risk**

Liquidity risks that the Group might face arise with the difficulty of raising the required funds necessary to meet the obligations associated with financial instruments. The Group's objective in managing liquidity risks is to ensure that the company has sufficient funding facilities to meet its current and future obligations. The Group aims to maintain adequate financing flexibility by keeping appropriate credit facilities in different financing formats. The company expects to meet its future financial obligations through cash flows from operations, which come mainly through cash receipts from receivables and through external financing.

### **Risks Related to the Laws and Regulations Governing the Electricity Sector in the Kingdom**

The Company may face risks associated with the regulations and provisions through the risk of amending the regulations, rules and decisions governing the electricity sector. Therefore, the company has established a compliance management system in which a mechanism has been established to monitor external regulations and legislation through compliance records to follow up on the application of

regulations and protect the company from any risks of non-compliance with regulations and rules, and where work is carried out to evaluate the level of compliance with these regulations and legislation on an ongoing basis.

### **Risks Related to the Rapid Change and Development in Technology and Information Security**

Due to the development of cyberattacks in the Kingdom of Saudi Arabia due to being one of the most targeted countries in terms of cyberattacks, and believing in the sensitivity of the infrastructure and to protect the systems used, the Saudi Electricity Company is working diligently to enhance cybersecurity to reduce the risk of cyberattacks through the highest security technology that complies with international standards. In addition, the company established several cybersecurity control centers that work around-the-clock to respond to cyber incidents in order to protect the company's assets and data, and to ensure compliance with cyber controls, frameworks and standards set by the legislative authorities in the Kingdom to raise the level of maturity in the cybersecurity business. The company, represented by the cybersecurity sector, achieved superiority in the assessment of compliance with the basic controls of cybersecurity issued by the National Cybersecurity Authority.

### **Risks Related to Maintaining Human Competencies**

It is well known that employee engagement and organizational health have a huge impact on the performance of any organization. For the previous period, the job engagement score was improved from 6.5 to 6.8 in 2022.

This year, we have worked hard to increase participation in the Job Engagement Survey, and we reached a high record of 77%. In addition, in 2023, we will align career engagement with the company's cultural transformation initiatives. Based on the latest results, we will launch initiatives to improve the six factors that received the lowest rating. We have worked on building company-wide action plans and have appointed specialized teams from the Human Resources Activity to move forward with the implementation of these plans. The Human Resources Business Partner team will support their business leaders and teams in building their business plans and ensuring that these plans are aligned with human resources initiatives and will improve employees' job engagement.

As for compensation and employees' benefits, these are considered essential components of human capital management that demonstrate the company's ability to attract and retain talent. In 2022, the Saudi Electricity Company made a series of significant improvements to the employee compensation and benefits structure with the aim of raising the company's competitiveness in the local market. Here are the most notable improvements:

- Implementation of a new pay scale.
- Improving transportation allowance.
- Introducing the children's education allowance.
- Improvements in the employees' medical insurance policy.
- Improvements in the employees' housing loan policy.
- An additional bonus for critical talent and positions.

In addition, with a review of fresh graduates' salaries, the company was able to attract outstanding young Saudi graduates, which ensured adding an adequate supply of local talent.

### Risks and Difficulties Related to Supply Chains

Since the beginning of 2022, the Saudi Electricity Company has faced repercussion risk resulting from the Russian-Ukrainian conflict crisis, which caused disruption of supply chains globally, and contributed to higher prices and increased shipping costs. Despite these challenges, the company has maintained the stability of supplies, as the company is working to strengthen the logistics system by diversifying sources of supply and focusing on alternative local sources of suppliers and manufacturers, in support of the company's plans to enhance the local content of purchases.

### Risks and Difficulties Related to Safety, Security and Environment

#### Safety and Loss Prevention

The Saudi Electricity Company is committed to the requirements of all regulatory bodies such as government agencies and national and international laws/standards by applying best practices in safety and loss prevention to protect its employees, assets and contractors. The company has adopted a strategic transformation plan to enhance safety performance from power generation through power transmission to power distribution to customers. The company has agreements with the best consulting offices to measure performance, identify gaps and propose practical plans for development. The development plan focuses on promoting a safety culture and an integrated safety

management system including security, health and process protection. The new safety management system ensures continuous monitoring, evaluation and improvement, which are the pillars of safe operational excellence and compliance.

#### Industrial Safety

The world is witnessing many events and threats that significantly affect the security situation of the Saudi Electricity Company despite the difficulties and risks related to the security situation. We seek to provide all the tools that help us maintain the safety and security of lives and property by ensuring compliance with the regulatory, legislative and legal requirements issued by the relevant authorities regarding security requirements.

#### Environmental Protection and Sustainability

The company faces great challenges to meet the growing demand for electricity, and the accompanying changes and updates in laws and environmental legislations at the local and regional levels. Despite that, the company is working to reduce dependence on oil and promote reliance on clean energy sources, optimal use of resources, reuse and recycling, waste minimization measures, as well as compliance with all prevailing environmental laws and regulations. SEC is contributing to reducing greenhouse gas emissions in order to reduce pollution and protect the environment and public health in a manner that supports sustainable development without compromising the company's commitment to providing its customers with their energy needs.

#### Media Risks

Risks arising from published content on social media is one of the challenges facing the company that might compromise its image, reputation or brand among its stakeholders and investors. Therefore, the company has developed strategies to deal with social media, and established programs for managing any potential media crises, and has equipped specialized centers to deal with this type of crises and to monitor and follow-up around the clock accurately and continuously to ensure a rapid response to the monitored cases, in order to maintain the company's positive mental image.

## Investor and Shareholder Relations

The Board of Directors did not receive any suggestions or observations from shareholders regarding the company's performance during the year 2022.

The company has worked to achieve shareholders' expectations, develop their equity and facilitate their access to information as well as enhancing the quality of disclosure of financial results, important developments and significant changes. It complied with the rules and regulations of the Capital Market Authority (CMA) and with the disclosure and transparency directives contained in Article (90) of the Corporate Governance Regulations issued by the Capital Market Authority.

The company continued its efforts to enhance communication methods with shareholders and urged them to deposit their share certificates in investment portfolios, thus achieving a smooth flow when depositing their profits in their accounts pegged to their portfolios with different banks. The company welcomes effective communication with the competent authorities in the capital market and on the exchange of information related to the company with investors and financial and investment institutions.

It is important to note that the company launched the Investor Relations Application (**SEC IR**), which aims to provide relevant data and information to investors. The Investor Relations App will enhance the communication tools between the company and investors, by providing access to company information through an easy-to-use platform.

### Investor Relations Application (SEC IR)



## Dividend Distribution Policy

The Company distributes annual net dividends as follows:

- (10%) of the net profits shall be retained to form the company's statutory reserve. The Ordinary General Assembly may decide to discontinue such reserve when the said reserve reaches (30%) of the paid-up capital.
- The Ordinary General Assembly may decide to make other reserves, to the extent that it serves the company's interest or ensures the distribution of fixed profits to shareholders as much as possible. The said Assembly may also deduct from the net profits amounts to establish social institutions for the company's employees or to assist the existing institutions.
- Subject to the provisions contained in paragraph (2) of the (second) clause of the Council of Ministers' Resolution No. (169) dated 24/9/1430H, and the Council of Ministers' Resolution No. (327) dated 24/09/1430H, a percentage not less than (5%) of the remainder of the company's paid-up capital shall be distributed thereafter.
- Subject to the provisions of Article (20) of the Articles of Association of the Saudi Electricity Company and Article (76) of the Companies Law, the remuneration of the Board of Directors shall be paid as decided by the General Assembly. The remuneration shall be commensurate with the number of meetings attended by the member.
- The company may distribute interim dividends to its shareholders semi-annually or quarterly after the company's General Assembly authorizes the Board of Directors to distribute interim dividends under a resolution renewed annually.

The company achieved a net profit of 15,135,224 riyals after deducting the zakat and before distributing the bonus of the Board of Directors' members during the year 2022. The Board of Directors proposes the distribution of these profits in accordance with the company's statutes, as follows:

Figures are in thousands of Saudi riyals

Percentage of profit proposed for year-end distribution	Total Profits
%7	2,916,616

No arrangements or agreements were made under which one of the company's shareholders waived any rights to profits.

During the financial year ended on 31/12/2022, there was no interest in the class of shares entitled to vote for any persons.

The following table shows the names and ownership of shareholders who own 5% or more and there is no change in their ownership during 2022.

Investor	Number of Shares
Public Investment Fund <sup>(1)</sup>	3,129,237,550
Saudi Aramco Power Company	288,630,420

<sup>(1)</sup> The number of shares represents the total of the two portfolios owned by the Public Investment Fund.

**Description of Any Interest, Contractual Securities and Subscription Rights Belonging to the Company's Board of Directors and Senior Executives and their Relatives in the Shares or Debt Instruments of the Company or Any of its Subsidiaries and Any Change in Such Interest:**

**Board of Directors**

Name	Beginning of the year		End of the year		Net of change	Percentage of change
	Number of Shares	Debt Instruments	Number of Shares	Debt Instruments		
Khaled Bin Saleh Al Sultan	0	0	0	0	0	0
Najm Bin Abdullah Al-Zaid	0	0	0	0	0	0
Raed Bin Nasser Al-Rayes	0	0	0	0	0	0
Isam Bin Alwan Al-Bayat	0	0	0	0	0	0
Abdul Karim bin Ali Al-Ghamdi <sup>(1)</sup>	5000	0	0	0	-5000	100% -
Walid Bin Ibrahim Shukri	0	0	0	0	0	0
Nabil Bin Abdulaziz Al-Naeem	0	0	0	0	0	0
Mohammed bin AbdulRahman Al-Bilaihied	0	0	0	0	0	0
David Crane <sup>(2)</sup>	0	0	0	0	0	0
Scott Mathew Prochazka <sup>(3)</sup>	0	0	0	0	0	0

<sup>(1)</sup> His ownership of the shares began on May 26, 2022.

<sup>(2)</sup> Resigned from the membership of the Board of Directors and its committees on 25/08/2022.

<sup>(3)</sup> Appointed as a member of the Board of Directors on 06/12/2022.

During the year 2022, there were no interest, contractual securities, or subscription rights belonging to senior executives and their relatives in shares or debt instruments of the company or any of its subsidiaries, and any change in that interest.



The company held two Ordinary General Assembly meetings on 30/01/2022 and on 17/05/2022 and the meeting was attended by

Members	Member Position
Dr. Khaled Bin Saleh Al Sultan	Chairman of the Board of Directors
Dr. Najm Bin Abdullah Al-Zaid	Vice Chairman of the Board of Directors
Eng. Isam Bin Alwan Al-Bayat	Member of the Board of Directors
Dr. Raed Bin Nasser Al-Rayes	Member of the Board of Directors
Eng. AbdulKarim Bin Ali Al-Ghamdi	Member of the Board of Directors
Mr. Walid Bin Ibrahim Shukri	Member of the Board of Directors
Mr. David Crane	Member of the Board of Directors
Eng. Nabil Bin Abdulaziz Al-Naeem	Member of the Board of Directors
Mr. Mohammed bin AbdulRahman Al-Bilaidh*	Member of the Board of Directors

\* He was unable to attend the General Assembly meeting on 17 May 2022.

#### Number of the Company's Applications to the Shareholders' Register, Dates and Reasons of these Applications

Number of the Company's applications to the shareholders' register	Date of application	Reasons for the application
6	16/01/2022	General Assembly
	17/04/2022	General Assembly
	17/04/2022	Earnings File
	23/05/2022	Company procedures
	09/10/2022	Company procedures
	17/11/2022	Company procedures



# Company Declarations in Accordance with the Corporate Governance Regulations

## 1. Corporate Governance Regulations

The Company applies all the provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority, except for what is stated in paragraph (1-a) of Article (21) regarding the development of the company's comprehensive strategy, where work is being done to update and approve the draft general strategy of the company in light of the regulatory and financial reforms done in coordination with the Ministry of Energy and the Ministerial Committee for the Restructuring of the Electricity Sector.

## 2. Accounting Records, Internal Control System, and the Company's Ability to Continue its Activity

The internal audit is an independent activity directly reporting to the Audit Committee. It performs its tasks as per the Internal Audit Charter approved by the Board of Directors. It conducts continuous financial and operational audits to assess the efficiency and effectiveness of the internal control system. The Internal Audit Business Line communicates the audit results to the Audit Committee through periodic reports indicating the observations and the implementation status of management's corrective actions.

The Audit Committee reviews the internal and external auditors' observations regarding the company's internal control system's efficiency and effectiveness. It considers relevant recommendations to improve the internal control system and communicates them to the Board of Directors. The Audit Committee also follows up on the observations that have a direct and most significant impact on the internal control system.

The Executive Management is responsible for the company's internal control system and makes continuous improvements to strengthen its efficiency and effectiveness.

The company acknowledges the following:

- The accounting records were adequately prepared; the company adopted an integrated accounting system to record financial transactions, to provide reasonable assurance for financial reporting integrity.
- No material weaknesses have come to the Audit Committee's attention that could affect the internal control system.
- There are no uncertainties regarding the company's ability to continue its business.

It should be noted that there is no internal control system that provides absolute assurance, regardless of its design and implementation effectiveness.

## 3. Business, Contracts and Company Competition

The company acknowledges that:

- There are no works or contracts to which the company is a party of, or in which it has an interest of, or for a member of the company's Board of Directors, Senior Executives or any person related to any of them.
- None of the members of the Board of Directors has engaged in any business that can compete with the company's business or any of the branches of the activity it carries out.



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