

# SUSTAINABILITY GOVERNANCE

- ▶ **GRI 2-9 Governance structure and composition**

▶ **GRI 2-12 Role of the highest governance body in overseeing the management of impacts**

▶ **GRI 2-13 Delegation of responsibility for managing impacts**
- ▶ **GRI 2-17 Collective knowledge of the highest governance body**

▶ **GRI 2-18 Evaluation of the performance of the highest governance body**

ACWA Power enhanced its governance and management frameworks to accelerate the Company’s sustainability objectives. The Board of Directors ('the Board') provides comprehensive oversight of environmental, social, governance, and economic considerations, reflecting our commitment to integrating these elements into our core business strategies and day-to-day operations. This top-level engagement ensures that our sustainability vision remains integral to long-term corporate planning, financial viability, ethical conduct, and risk management across the Company.

## Clear responsibilities and integrated oversight

ACWA Power’s governance structure ensures that sustainability responsibilities are clearly defined at every level:

### 1. Board of Directors and its Committees

- ▶ The Board is the highest decision-making authority, setting the Company’s strategic direction and overseeing performance in areas such as environmental protection, social impact, ethical business conduct, and financial resilience.
- ▶ Board Committees with specialised focus areas provide guidance on risk management, governance practices, health and safety, workforce well-being, and other priorities, supporting a holistic approach to sustainability.

### 2. Management Committee and Executive Leadership

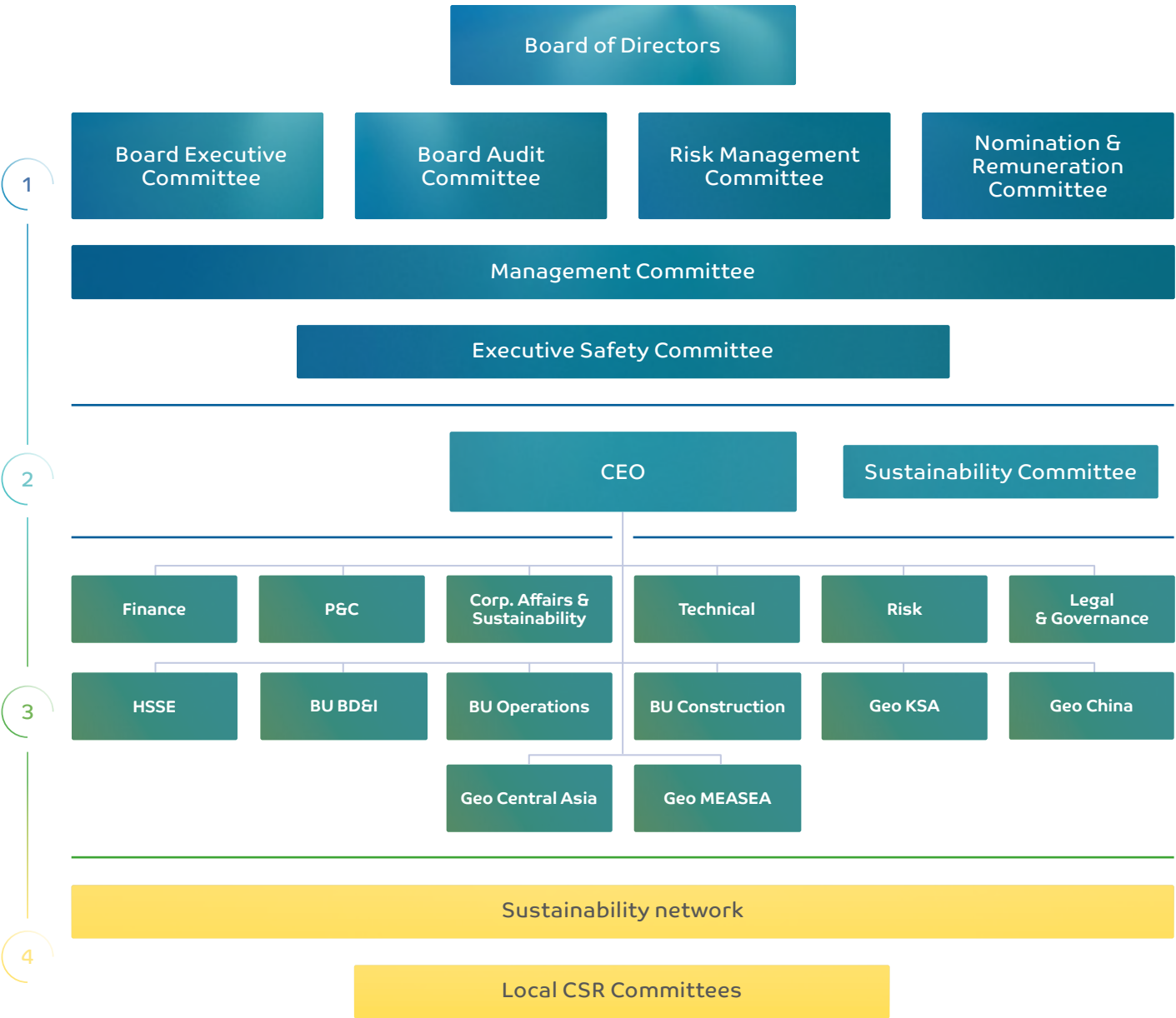
- ▶ Led by the CEO, the Management Committee is responsible for executing the Board’s directives, integrating environmental and social considerations alongside governance and economic imperatives—such as responsible capital allocation—into operational and strategic decisions.
- ▶ A dedicated Sustainability Committee, operating under the Management Committee, coordinates sustainability-related activities across business units, shaping our approach to various sustainability priorities.

### 3. Functions and Networks

- ▶ Develops and refines policies, procedures, and frameworks to measure and manage emissions, environmental impacts, community engagement, and other sustainability indicators.

▶ Organises a Company-wide ‘sustainability network’, which includes representatives from each region and business unit. This network ensures
- that sustainability initiatives—covering areas such as ecological stewardship, waste reduction, occupational safety, and community well-being—are effectively implemented at both corporate and asset levels.

This chart is not intended to illustrate the hierarchal structure of the organisation, rather, it illustrates the four levels of the sustainability governance established to facilitate a cohesive approach to addressing the complex sustainability related challenges, enabling us to meet our sustainability goals while aligning with global environmental standards and fulfilling stakeholder expectations.



- 1. The Board and its Committees provide oversight of sustainability and ESG.**

**2. The Sustainability Committee is a management committee, consist of relevant C-level members, that coordinates sustainability-related activities across business units, shaping our approach to various sustainability priorities.**
- 3. Corporate Affairs & Sustainability and other functions, along with the business units, report to the CEO, who heads up the Management Committee.**

**4. The sustainability network, guided by the Sustainability & CSR department, includes additional representatives of business units and regions.**



# The role of the Board of Directors

The Board is the highest governing authority in the Company and is responsible for reviewing and approving its overall direction. This includes the review and approval of strategies and plans including, but not limited to, vision and corporate strategy, operations, ESG, funding, investments, and divestments.

The governance structure includes four respective Board Committees, established to assist the Board in fulfilling its fiduciary responsibilities by providing independent advice, guidance, and oversight with respect to their respective areas of expertise.

Underpinning our commitment to environmental stewardship, the Board has established ambitious climate objectives, aiming for carbon net zero by 2050 and a 50% reduction in specific emissions intensity (t CO<sub>2</sub>e/MWh) by 2030, relative to 2020 levels, the baseline year. For each project, ACWA Power conducts an analysis of its emissions and includes the project’s impact on overall portfolio emissions in an Investment Memo, based on which the Board Executive Committee makes investment decisions.

We therefore ensure that ESG factors are integrated into our capital allocation process. The Board receives regular updates, at least once per year (sometimes more frequently) with the forecast emissions for the Company up to 2050, inclusive of planned growth.

The Board conducts annual reviews of performance relative to long-term targets and regularly evaluates ESG strategy, performance and targets. Members of the Board are proficient in sustainability practices and have the necessary skills to address risks related to sustainability issues. Recognising that sustainability is dynamic, the Board has set up a dedicated management Committee to steer our ESG strategy, with provisions for quarterly reporting.

[For comprehensive information on the governance of ACWA Power see the Board report on page 175.](#)



# Sustainable procurement

## GRI 204-1 Proportion of spending on local suppliers

The procurement team at ACWA Power aligns its activities with the Company’s values, safety, people and performance, to meet the operational and growth requirements. To achieve this, we have

established a procurement strategy, policy and procedures to ensure that vendors are screened and monitored, thereby assessing the risk associated with working with them.

## Our six procurement principles

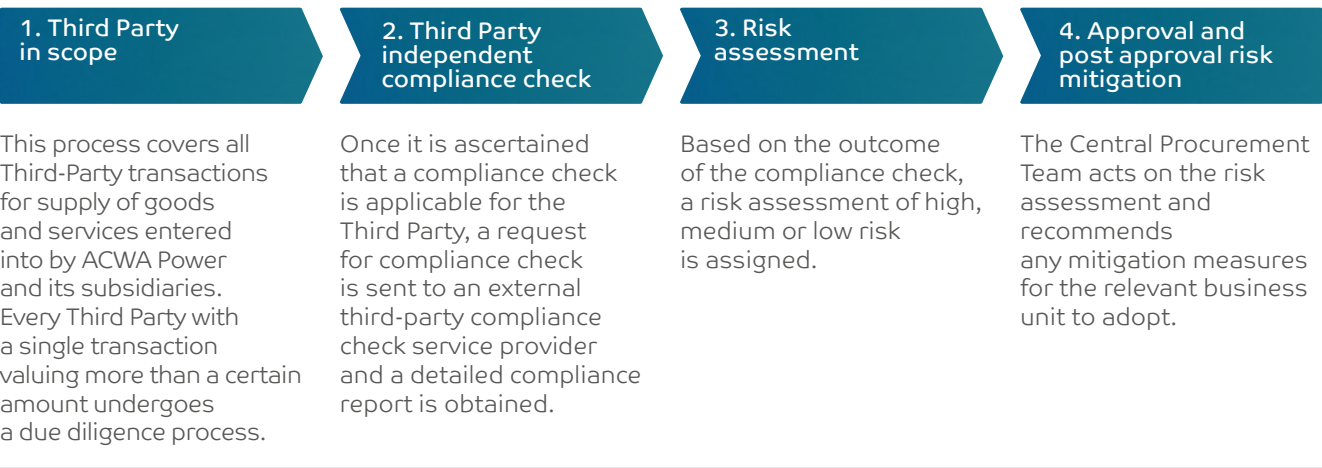
To ensure the ingenuity and entrepreneurship of the private sector and make available electricity and desalinated water in a reliable manner to support social development and economic growth of nations.



### The objective of the procurement procedure is to:

- prevent ACWA Power from entering into business relationships that may conflict with ACWA Power business principles or from liaising with, intentionally or unintentionally, with criminal elements for money laundering activities or terrorist financing activities;
- know and understand the nature and business activities (including the shareholders, owners and directors) of the vendor to help manage related risks;
- identify appropriate controls for screening a vendor in accordance with applicable laws/laid down procedures;
- comply with applicable laws and regulations;
- set out the scope and processes to mitigate any risks related to a vendor compliance check within the Company;
- set out the responsibilities of ACWA Power, and all individuals who work for ACWA Power, in observing and upholding the Company’s position on accepting vendor;
- provide information and guidance on how to deal with potential exceptions for dealing with a vendor;
- expand on the Company’s commitment to combat bribery and corruption as set out in the Company’s Code of Conduct; and
- establish and apply high standards for dealing with a vendor.

### Vendor due diligence four step process



We give due consideration to the environmental, social and economic consequences of our procurement practices and raw material sourcing. Our procurement policy and procedures set out how the procurement process operates, its application standards, and clarifies the roles and responsibilities of those involved

in procurement. In addition, the policy extends to any third-party organisations spending ACWA Power funds, ensuring that any organisations with which we collaborate, such as contractors, also consider their environmental, social and economic impact in their procurement practices.



The sustainability elements considered in procurement are:



We subject all suppliers to thorough due diligence screening and evaluation, and require them to submit an Undertaking of Code of Ethics. This crucial process combats corruption and ensures adherence to our ethical standards. By doing so, we ensure that suppliers align with our procurement principles and establish a solid foundation for continuous improvement within our supply chain. The Central Procurement team plays a key role, working closely with Compliance and HSSE departments to carefully assess new suppliers.

Once assessed, we classify suppliers into high, medium, or low risk categories. We do not engage with high-risk suppliers. For those in the medium risk

category, we develop specific plans to help improve their performance, discussing and refining these plans as necessary with the suppliers.

As part of the vendor performance management process, all vendors are subject to performance evaluation on a six-monthly basis. Our approach has identified 17 suppliers as underperforming. We have started targeted action plans for these suppliers to boost their operations. These efforts help us uphold and exceed traditional corporate responsibility standards, demonstrating our commitment to a sustainable and transparent supply chain.

## Local content

ACWA Power has been a leader in advancing local content in KSA and remains committed to enhancing this support in the future. In 2024, our updated local content strategy was approved, establishing a framework to consolidate and extend our leadership in this area. This strategy focuses on monitoring and improving ACWA Power's audited local content score, developing a clear approach to localisation, and creating a structured supplier development program that captures, qualifies, and develops local suppliers for ACWA Power projects during both construction and O&M phases.

The implementation of the Local Content Policy and Strategy aims to achieve higher local content targets and enhance operational efficiency at both the entity and project levels. The Company is committed to supporting and implementing local content across all project types during construction and operation. The minimum requirement for local content during construction is 15% and can reach up to 40%

depending on the project type, while the minimum during operation is 50%. All efforts are aligned with the relevant guidelines from authorities on how to compute local content contributions in our projects.

A critical component of our strategy includes the integration and development of the local workforce, emphasising local employment and training to meet and exceed these targets. Notably, actual local spending with Saudi-based companies and for construction activities in KSA ranges from 35 to 75%, varying by project and technology. Approximately 60% of ACWA Power's active projects are located in KSA. ACWA Power and its subsidiaries in KSA have an estimated local content score of around 46% in 2024, covering goods and services, labour, training, R&D, and depreciation in KSA.

[For more detailed information on local workforce development, please refer to page 143 of this report.](#)

# STAKEHOLDER ENGAGEMENT

▶ **GRI 2-29 Approach to stakeholder engagement**

▶ **GRI 3-1 Process to determine material topics**

▶ **GRI 3-2 List of material topics**

We conducted an extensive stakeholder survey, among 86 ACWA Power employees, to produce a comprehensive materiality assessment, which helped us identify the most material topics. We supplemented our initial materiality assessment by referencing it with the GRI reporting standards, as well as industry best practice. The materiality assessment helped us to identify our core ESG focus topics and indicators, which include climate change, water, health and safety, and governance, and to develop our ESG framework accordingly.

**Our key stakeholders include:**

- › Employees
- › Suppliers
- › Partners
- › Shareholders
- › Governments
- › Power and water providers
- › Educational institutions
- › End customers

We intend to conduct broader stakeholder engagement, on a qualitative basis, with representatives of the above groups, in the near future.

**We develop ACWA Power's materiality matrix in six steps**



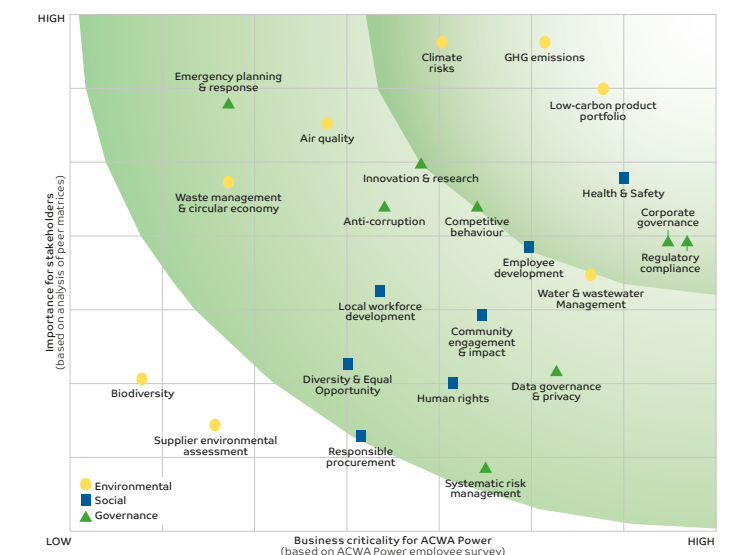
Source: BCG care experience

Importance for stakeholders assessed via BCG MMAP analysis of materiality matrices of 17 international players in the utility sector and calculation of average stakeholder importance, likely to represent international stakeholder views.

## ACWA Power project-based materiality assessments

Before and during each ACWA Power project, the Company engages with local stakeholders to conduct materiality assessments to ensure that the construction and operation of each project is managed responsibly and with sensitivity to their needs and concerns. ACWA Power, through its 100% owned subsidiary, NOMAC, actively plans operations and maintenance to include local communities, often by providing development opportunities and creating employment and training programmes for local people.

## Final ACWA Power materiality matrix



Source: business criticality assessed via materiality survey conducted with 86 ACWA Power employees from Dec 2020 – Jan 2021