



البنك السعودي للاستثمار
The Saudi Investment Bank

The Saudi Investment Bank

Sustainable Finance Framework

September 2024

1 Introduction

The Saudi Investment Bank (“**SAIB**”, or the “**Bank**”), a Saudi joint-stock company and commercial bank, commenced operations in 1977 pursuant to a Royal Decree dated June 22, 1976. In 1983, the Bank adopted The Saudi Investment Bank name and moved into commercial banking. The “*Al Asalah*” Islamic Banking brand, through which the Bank provides Shariah-compliant products and services, was launched in 2006. The Bank’s *Shariah Committee* ensures adherence to Shariah principles in the Bank’s product development and services.

The Bank offers wholesale, retail, and commercial banking products in the Kingdom of Saudi Arabia, both Shariah-compliant and traditional. The Bank provides its services to the government, quasi-government, corporate, MSME, and consumer sectors. The Bank offers a range of non-interest-bearing banking products including Murabaha, Istisna’a, and Ijarah. The Bank’s product portfolio also includes several treasury and investment banking products.

The Bank operates 51 branches located throughout the Kingdom of Saudi Arabia, of which 48 offer Shariah-compliant banking services and products.

The Bank’s major shareholder with 25.61% is the General Organization for Social Insurance (GOSI). The Bank is subject to the laws and regulations of the Kingdom of Saudi Arabia and is regulated by the Saudi Central Bank (“SAMA”). The Bank also follows the regulations issued by the Ministry of Commerce (“MOC”) and the Capital Market Authority (“CMA”).

2 SAIB’s Approach to Sustainability and Contribution to Saudi Vision 2030

The Bank is committed to adopting innovative sustainable and corporate social responsibility related practices, which are aligned to its 2027 Strategy. Such activities support initiatives with communities and supporting the Bank’s activities. The Bank’s sustainability is focused on reaching out to a wide range of stakeholders it deals with, such as shareholders, employees, customers, institutions and targeted community members. The Bank looks at the 3 P’s of sustainability — *People*, *Planet*, and *Profit* as part of its strategy and contribution to sustainable development.

Saudi’s Vision 2030 is the overarching framework that drives the aspirations, policies, and plans of the Kingdom today. The Vision is founded upon 3 themes: *a vibrant society*, *a thriving economy*, and *an ambitious nation*.

The Bank plays an important role in achieving the goals of Vision 2030. For example, the theme of “*a vibrant society*” includes visions / goals related to developing our cities and achieving environmental sustainability. SAIB achieves this by providing financing toward general and urban infrastructure, through project finance; furthermore, the Bank’s Building Management System continues to show a reduction of water and electricity consumption across the Bank’s operations. Under the theme of “*a thriving economy*”, there is the vision of boosting small businesses. SAIB has grown its funding toward MSMEs in support of this vision.

The Bank’s strategy was designed with Kingdom’s Vision 2030 in mind, specifically the Financial Sector Development Program, which is closely linked to the Bank’s strategy, including driving growth, digital innovation, and the MSME sector. SAIB focuses on improving banking services and digital transformation to drive greater efficiencies and realize enhanced customer experiences. To achieve this, the strategy promotes cashless transactions, a savings culture, financial literacy, and supports the housing market through customized mortgage finance products.

2.1 ESG Governance

The Bank's Sustainability Committee, formed in December 2015, is the strategic leadership body responsible for performing an oversight, advisory and advocacy role in supporting the successful implementation of the sustainability at SAIB and monitoring of sustainability performance. The goals and function of the Sustainability Committee are to:

- Use the SAIB Sustainability Framework, Policy and the agreed associated strategic sustainability priorities and targets to guide the implementation of sustainability across all phases and functions of the organization.
- Champion and embed sustainability into SAIB's corporate strategy, policies, procedures, management systems, activities and culture.
- Identify / support the identification and implementation of sustainability initiatives that will improve performance, while providing the greatest sustainable impact.
- Measure and report on performance internally and externally, maintaining a meaningful dialogue with stakeholders.
- Periodically review and adapt (as necessary) the agreed strategic sustainability priorities and targets in the context of evolving sustainability trends, risks, and opportunities.

2.2 Contribution toward Sustainability

SAIB endeavours to enable the Kingdom's Vision 2030, by lending to environmentally friendly projects. The Bank has a responsibility to support the Saudi Arabian communities that form our customer base, and to help the disadvantaged. The Bank also has a responsibility to minimize its environmental footprint and conserve natural resources to ensure continued long-term value creation.

Financing of Environmental Friendly Projects

SAIB recognizes the importance of sustainability, and continuously assesses new sustainable business opportunities. The Bank proactively supports sustainable initiatives through the financing of environmentally friendly projects that center around renewable energy, recycling, water treatment, wastewater treatment, hazardous waste disposal, and other environmental services.

SME Financing

SAIB offers comprehensive financing solutions for SMEs, including guaranteed financing toward SMEs as part of the Small and Medium Enterprises Loan Guarantee (Kafalah) Program. The Kafalah Program, launched by The Saudi Industrial Development Fund (SIDF) provides guarantees for SAIB to assist MSMEs and entrepreneurs in obtaining necessary financing.

Kafalah Program seeks to achieve the goals and themes of Saudi Vision 2030, with the goal of having an effective positive impact on the development and sustainability of SMEs sector in the interest of the Kingdom's economy.

Furthermore, as part of its agreement with Monshaat, SAIB provides access for its clients to the Bawabat Altamweel Funding Portal, which is an online portal that allows entrepreneurs and MSMEs to submit their financing requests to selected financing providers, including SAIB.

Secured Financing Program with Agricultural Development Fund (ADF)

SAIB launched the Secured Financing Program in cooperation with the ADF, which aims at providing various financing products and credit services to achieve food security and sustainability of natural resources. The agreement is an important step towards enhancing agricultural development initiatives through sustainable financing, enabling ADF and SAIB to contribute to the development of the economic and agricultural sector and to achieving the ideal partnership between the government and private sectors.

Sustainable Operations and Global Reporting Initiative (GRI) reporting

To develop a comprehensive understanding of the environmental impact of the Bank's energy usage and emissions, the Bank implemented a Building Management System (BMS) across all branches in the Kingdom to guide the minimization of our environmental impact.

The Saudi Investment Bank retained its GRI Community membership for the year. The GRI Community is a global collaborative network of companies and Stakeholders committed to transparent ESG and overall sustainability reporting.

3 Sustainable Finance Framework

SAIB intends to use this Framework as the basis to issue Green, Social or Sustainability Bonds, Sukuk and Loans ("Sustainable Financing Instruments"). The Sustainable Financing Instruments will fund Eligible Sustainable Projects that conform to the sustainable finance principles listed below:

- the International Capital Market Association ("ICMA") Green Bond Principles ("GBPs") 2021 (within June 2022 Appendix 1)¹, Social Bond Principles ("SBPs") 2023² and Sustainability Bond Guidelines ("SBGs") 2021³; and/or
- the Loan Market Association ("LMA") Green Loan Principles ("GLPs") 2023⁴ and Social Loan Principles ("SLPs") 2023⁵.

In aligning with the above principles and guidelines, the Bank's Sustainable Finance Framework is presented through the four core components of the GBPs, SBPs, SBGs, GLPs and SLPs as well as their recommendation for external review:

- 1) Use of Proceeds
- 2) Process for Project Evaluation and Selection
- 3) Management of Proceeds
- 4) Reporting

Bond(s) and Sukuk issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such bonds and any loans entered into under this Framework will

¹ In alignment with ICMA Green Bond Principles, June 2021 (with June 2022 Appendix 1), <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² In alignment with ICMA Social Bond Principles, June 2023, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

³ In alignment with ICMA Sustainability Bond Guidelines, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁴ In alignment with LMA Green Loan Principles, February 2023, <https://www.lsta.org/content/green-loan-principles/>

⁵ In alignment with LMA Social Loan Principles, February 2023, <https://www.lsta.org/content/social-loan-principles-slp/>

be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.



3.1 Use of Proceeds





SAIB will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part, sustainable projects which meet the eligibility criteria of the following Eligible Green and/or Social Project categories (“**Eligible Sustainable Projects**”), as defined below.


Eligible loans can include financing or refinancing of entities where at least 90% of the financing recipient’s revenue is derived from sources that meet the relevant eligibility criteria in one or more of the categories set out below and whose activities do not contradict with the Exclusion Criteria (“**pure-play entities**”).

A maximum 3-year look back period will apply for refinanced projects and SAIB expects each issuance under this framework to be fully allocated within 2 years from the date of issuance. The Bank will, where possible, disclose to investors the expected share of financing versus refinancing for any Sustainable Financing Instrument.




Eligible Green Categories

| GBP Category | Eligibility Criteria |
|--|--|
| Renewable Energy  | Projects related to the production, transmission and distribution, and storage of energy from the following renewable sources (including manufacture of dedicated components for renewable energy): <ul style="list-style-type: none"> • Solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources) • Wind energy • Green hydrogen and green ammonia (from electrolysis powered by 100% renewable energy including wind and solar) and limited to a lifecycle GHG emissions intensity at or below 3kgCO₂e/kgH₂ • Hydropower, including pumped storage, with either a power density above 5W/m² or lifecycle GHG emissions intensity below 100gCO₂e/kWh • Bioenergy projects supporting electricity generation with emission intensity below 100gCO₂e/kWh, with feedstock being sourced from sustainable sources (e.g. agricultural residues or forestry residues) or waste sources that do not compete with food sources or deplete existing terrestrial carbon pools |
| Clean Transportation  | Projects related to acquisition, operation and maintenance of low carbon vehicles for passenger and freight transportation. For non-fully electrified transportation, it should meet the following criteria: <ul style="list-style-type: none"> • Passenger and public transportation, including buses, train and rail (under 50gCO₂/p-km up to 2025, and 0gCO₂/km thereafter) • Freight transportation (under 25gCO₂/t-km up till 2030, 21gCO₂/tkm from 2030 up to 2050) Projects supporting the deployment of electric vehicles including charging infrastructure |

| | |
|---|--|
| <p>Energy Efficiency</p>  | <p>Projects that reduce energy consumption:</p> <ul style="list-style-type: none"> • Projects improving operational energy efficiency by at least 20% compared to the average of national energy consumption of an equivalent project or technology • District cooling systems with at least 30% improvement in energy efficiency • Investment in smart energy grids, energy meters and energy management systems • Upgrading older generation (3G/4G) telecommunications infrastructure and networks to 5G • Energy efficient equipment for buildings including LED lighting and HVAC and supporting infrastructure <p><i>For the avoidance of doubt, improvement activities that result in the lock in of fossil fuel technologies will be excluded</i></p> |
| <p>Green Buildings</p>  | <p>Projects related to acquisition, development, construction and refurbishment of buildings that belongs to the top 15% in terms of energy efficiency of their local market or have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, including:</p> <ul style="list-style-type: none"> • LEED “Gold” or above • Mostadam “Gold” or above • BREEAM “Excellent” or above • Global Sustainability Assessment System (GSAS) “3 star” or above • EDGE (certified, advanced, zero carbon) <p>Projects related to acquisition, development, construction and refurbishment of data centres with a PUE of under 1.5</p> |
| <p>Pollution Prevention and Control</p>  | <p>Projects related to construction, upgrades and renovation of facilities for collection, sorting, processing and conversion and treatment of waste, including:</p> <ul style="list-style-type: none"> • Waste collection and storage • Waste sorting, separation and material recovery • Recycling and reuse of waste products into usable products / new materials • Biological treatment facilities (including anaerobic digestion and composting facilities) • Waste to energy plants, where recyclables are sorted and there is bottom ash recovery. Lifecycle GHG emissions intensity of energy produced is less than 100gCO₂e/kWh |
| <p>Sustainable Water and Wastewater Management</p>  | <p>Projects related to construction, upgrades, renovations or improvements for transportation and treatment of wastewater, including:</p> <ul style="list-style-type: none"> • Water and wastewater treatment plants (WWTP) including reuse of WWTP effluents • Sewer systems and pumping stations <p>Projects that increase water-use efficiency, such as water recycling and reuse projects, water saving systems, technologies and water metering</p> <p>Investment and expenditures in desalination plants powered by electricity with an average carbon intensity at or below 100gCO₂e/kWh over the residual asset life and based on reverse osmosis technology</p> |

| | |
|---|--|
| <p>Terrestrial And Aquatic Biodiversity Conservation</p>  | <p>Sustainable aquaculture and fisheries management projects:</p> <ul style="list-style-type: none"> • Sustainable fishery certified under Marine Stewardship Council (MSC) or equivalent third-party certification • Sustainable aquaculture projects certified under the Aquaculture Stewardship Council (ASC) or equivalent third-party certification |
|---|--|

Eligible Social Categories



| SBP Category | Eligibility Criteria |
|---|--|
| <p>Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socio-economic Crises</p>  | <p>Financing and/or refinancing of loans to Micro, Small and Medium Enterprises (MSME) and microfinance clients, as well as the provision of support measures to these clients such as offering extension of payment periods and exemption of facility fees during natural disasters and pandemics</p> <p>Target Population</p> <ul style="list-style-type: none"> • MSMEs⁶ • MSMEs whose economic activities have been affected by pandemics and natural disasters • Female-owned MSMEs and female entrepreneur clients (majority owned or majority managed by females) |
| <p>Affordable Housing</p>  | <p>Financing and/or refinancing of government-supported or government-subsidized mortgages in partnership with mortgage financing programmes for the provision of affordable housing as well as projects related to the development and construction of homes covered under such programmes</p> <p>Target Population</p> <p>Populations eligible for government-supported affordable housing mortgage financing schemes⁷</p> |
| <p>Access to Essential Services (Healthcare and Education)</p>  | <p>Projects that expand access to public, not-for-profit, free or subsidised healthcare and education:</p> <ul style="list-style-type: none"> • Construction, maintenance or refurbishment of hospitals, clinics and healthcare centers • Infrastructure for the provision of emergency medical response and disease control services • Construction, maintenance or refurbishment of schools, universities, kindergartens or vocational training facilities and development of related education services and programs <p>Target Population</p> <p>General population, including populations that lack quality access to essential goods and services</p> |

⁶ Micro, small and medium enterprises are classified according to the definitions of the Central Bank of Saudi Arabia (SAMA) and the Kafalah program.

- Microenterprises (number of employees (1 to 5), sales/ revenues of the enterprise (no more than SAR 3 million)
- Small enterprises (number of employees (6 to 49), sales / revenues of the enterprise (SAR 3 million to SAR 40 million)
- Medium enterprises (number of employees (50 to 249), sales / revenues of the enterprise (SAR 40 million to SAR 200 million)

⁷ <https://portal.redf.gov.sa/en/LoanProcedures/Pages/brief.aspx>

Programs under the Real Estate Development Fund and Ministry of Housing (MOH) would provide a monthly subsidy up to SAR 500,000 that covers funding profits at a minimum rate of 35% and a maximum rate of 100% based on income thresholds. Eligibility criteria includes first time home buyers only and the program also guarantees borrowers with salaries under SAR 5,000 and segments including About to Retire customers to ensure affordability.

| SBP Category | Eligibility Criteria |
|--|---|
| Affordable Basic Infrastructure  | Projects to enhance access to basic infrastructure: <ul style="list-style-type: none"> Projects to reduce leakage and ensure accessibility to sufficient clean drinking water and sanitation facilities Target Population General Population |
| Food Security and Sustainable Food Systems  | Projects related to physical, social, and economic access to sufficient, safe, nutritious food: <ul style="list-style-type: none"> Access to adequate food and meeting nutrition needs, including investment in infrastructure and facilities such as warehouses to provide adequate storage, improve food conservation or improve connectivity in the food chain to reduce food losses Increasing agricultural productivity and resilient agricultural practices that support smallholder farmers Target Population General Population |

Exclusions Criteria

Proceeds of any Sustainable Financing Instruments will not be allocated to projects related to the following areas:

- Coal or gas fired power generation and distribution assets
- Coal mining and transportation
- Fossil fuel-related exploration, distribution and transportation
- Conflict Minerals
- Extractive industries and mining
- Military Contracting and Weapons
- Nuclear power generation and distribution assets
- Activities involving modern slavery, or forced labour

In addition, there are several excluded projects or sectors as a result of them being non-Shariah compliant activities, such as:

- Payday loans
- Gambling
- Adult Entertainment
- Alcohol
- Tobacco

3.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any SAIB Sustainable Financing Instrument are allocated to finance or refinance Eligible Sustainable Projects that meet the criteria and objectives set out above in section 3.1, Use of Proceeds.

SAIB's Sustainable Finance Working Group (the "**SFWG**") will be responsible for governing and implementing the initiatives set out in the Framework.

The SFWG is comprised of certain Bank management personnel, including, but not limited to, representatives from the following departments for the selection and evaluation of the Eligible Sustainable Projects:

- Finance Group
- Risk Group
- Treasury and Investments Group
- Marketing Unit
- Corporate Banking Group

The SFWG will:

- Meet at least two times each year, endeavoured to be distributed evenly throughout the year
- Ratify Eligible Sustainable Projects, which are initially proposed by the constituent team members
- Ensure that all Eligible Sustainable projects have been assessed in accordance with SAIB's credit review process, including managing environmental risks associated with lending and investments
- Undertake regular monitoring of the asset pool to ensure the eligibility of Sustainable Projects with the criteria set out above in section 2.1, Use of Proceeds, whilst replacing any ineligible Sustainable Projects with new eligible Sustainable Projects
- For allocation of proceeds to pure play entities, ensure adherence to the definition of the pure play entities as defined in the Framework
- Facilitate regular reporting on any Sustainable issuance in alignment with our Reporting commitments
- Manage any future updates to this Framework
- Ensure that the approval of Eligible Sustainable Projects will follow the Bank's existing loan approval processes

3.3 Management of Proceeds

The proceeds of each of SAIB's Sustainable Financing Instrument will be deposited in SAIB's general funding accounts and earmarked for allocation towards the Eligible Sustainable Projects using the Sustainable Finance Register.

The Sustainable Finance Register will contain the following information:

- I. Sustainable Financing Instrument (Sukuk/Bond/Loan etc.) details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
- II. Allocation of Proceeds:
 - a. The Eligible Sustainable Projects List, including for each Eligible Sustainable Project, the Eligible Sustainable Project category, project description, project location, total loan amount, the Bank's loan amount, amount disbursed, settled currency, etc.
 - b. Amount of unallocated Proceeds

Any proceeds temporarily unallocated will be invested according to the Bank's standard liquidity policy into cash and cash equivalents, in line with the Exclusion Criteria listed in the Framework.

3.4 Reporting

On an annual basis, SAIB will publish an allocation report and an impact report on its Eligible Sustainable Projects, as detailed below. This reporting will be updated annually until full allocation of the net proceeds of any Sustainable Financing Instrument issued, or until the Sustainable Financing Instrument is no longer outstanding.

3.4.1 Allocation Reporting

- a. List of eligible Sustainable projects
- b. The amount of Proceeds allocated to each Eligible Sustainable Project category
- c. When possible, descriptions of the Eligible Sustainable Projects financed, such as project locations, amount allocated, etc.
- d. Share of financing vs. refinancing
- e. Selected examples of projects financed
- f. Amount of unallocated Proceeds

3.4.2 Impact Reporting

The Bank will provide reporting on the environmental and social benefits of the Eligible Sustainable Projects. Subject to data availability and confidentiality, impact reporting may cover the following impact reporting metrics listed below, and where available, taking reference from the relevant indicators suggested in the ICMA Harmonized Framework for Impact Reporting⁸. In addition, calculation methodologies and key assumptions will be disclosed.

⁸ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2024-updates/Handbook-Harmonised-Framework-for-Impact-Reporting-June-2024.pdf>

| Eligible Sustainable Project Categories | Impact Reporting Metrics |
|---|---|
| Green Project Categories | |
| Renewable Energy | <ul style="list-style-type: none"> • Capacity of renewable energy plant(s) constructed or rehabilitated in MW • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy) • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent (where possible) |
| Clean Transportation | <ul style="list-style-type: none"> • Number and type of clean transportation infrastructure financed • Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent |
| Energy Efficiency | <ul style="list-style-type: none"> • Annual energy savings in MWh (electricity) and GJ/TJ (other energy savings) |
| Green Buildings | <ul style="list-style-type: none"> • Type of scheme, certification level • Energy efficiency gains in MWh or % versus baseline/building code |
| Pollution Prevention and Control | <ul style="list-style-type: none"> • Waste reduced/avoided (tonnes) • Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent) |
| Sustainable Water and Wastewater Management | <ul style="list-style-type: none"> • Annual reduction in water use in % • Annual amount of wastewater treated, reused or avoided before and after the project in m3/a |
| Terrestrial and Aquatic Biodiversity Conservation | <ul style="list-style-type: none"> • Increase in area set aside for biodiversity conservation in km2 and % • Number of fisheries certified or % increase • Number of alternative feeds for aquaculture developed • Number of traceability system for fisheries implemented |
| Social Project Categories | |
| Employment Generation, and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socioeconomic Crises | <ul style="list-style-type: none"> • Number and amount of loans to SMEs • Number and amount of loans to microfinance entities |
| Affordable Housing | <ul style="list-style-type: none"> • Number of housing units constructed • Number of individuals and families benefiting from subsidized housing |
| Access to Essential Services (Healthcare and Education) | <ul style="list-style-type: none"> • Number of people benefited (e.g. patients benefited or students supported) • Number of public hospitals, clinics and health care centres financed • Numbers of places and beds • Number of schools and universities financed |
| Affordable Basic Infrastructure | <ul style="list-style-type: none"> • Number of people provided with adequate and equitable sanitation |

| Eligible Sustainable Project Categories | Impact Reporting Metrics |
|---|--|
| Food Security | <ul style="list-style-type: none"> • Number of people provided with access to affordable, safe, nutritious, and sufficient food • Farmers provided with training (climate smart training/organic etc) • Farmers provided with access to agricultural inputs (financial inputs, equipment, etc) • Increased production of Fair-Trade certified products • Improved yield • Reduced wastage • Improved soil quality • Improved water efficiency • Reduced pesticide use • Increased production with organic/sustainability standards |

4 External Review

4.1 Second Party Opinion (SPO)

SAIB has appointed Sustainable Fitch to assess this Sustainable Finance Framework and its alignment with the GBPs, SBPs, SBGs, GLPs and SLPs and issue a Second Party Opinion accordingly.

The Second Party Opinion will be made publicly available on the Bank's official website: <https://www.saib.com.sa/en/sustainability>

4.2 Post Issuance External Verification

In order to provide timely and transparent information about the reporting of the funds from Sustainable Financing Instruments issued under this Framework, the Bank intends to engage a third-party reviewer to provide an annual assessment on the alignment of the allocation of funds with the Framework's criteria.

5 Amendments to this Framework

The SFWG will review this Framework on a regular basis, including its alignment to updated versions of the Principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of the Bank and Sustainable Fitch. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.