

# Sustainable Finance Framework **MAY 2025**



## 1. Introduction: Objectives and Sustainability Strategy

Established in 1979 with a mission to empower the Kingdom of Saudi Arabia's (KSA) ambitious people, organization and society by providing innovative, tailored financial solutions, Arab National Bank (“anb” or “the Bank”) is among the top ten largest banks in the Middle East. Headquartered in Riyadh, Saudi Arabia, the Bank has 122 branches in Saudi Arabia and an international branch in London, United Kingdom. The Bank provides a range of financial services including retail and private banking, corporate banking, investment banking and insurance.

### 1.1 anb’s alignment with Saudi Vision 2030 and Net Zero 2060 Goal

Through its actions, the Bank seeks to fulfil its responsibility to society, contribute to achieving the nation’s sustainable development goals in line with the Kingdom of Saudi Arabia’s Vision 2030, the Kingdom’s Net Zero 2060 goals and empower the country’s citizens through a series of initiatives and programs. The goal is to achieve a better tomorrow; create the conditions for advancement and progress for all; and help shape a country that will inspire and motivate everyone.

Vision 2030 is built around three primary themes: A Vibrant Society, A Thriving Economy, and an Ambitious Nation, and includes the following strategic objectives: Enhancing government effectiveness, enabling social responsibility, growing and diversifying the economy, as well as increasing employment. Additional KSA climate programs and initiatives that the Bank is aligning with include the Saudi Green Initiative, the Middle East Green Initiative, the Circular Carbon Economy National Program, the National Renewable Energy Program, and the Saudi Energy Efficiency Program. anb's strategy aligns with these national objectives through its commitment to sustainable financing, and support for sectors such as renewable energy, green real estate, and water infrastructure, in line with the Kingdom’s goal to achieve Net Zero by 2060.

### 1.2 anb’s ESG approach

anb is committed to being a responsible corporate player and force for positive progress for its people, communities, environment and the KSA.

At anb, sustainability is deeply embedded in business, as it seeks to deliver meaningful environmental, social and governance impact across our operations and footprint. By establishing its ESG strategy, anb is driving progress in alignment with Saudi Arabia’s transformative goals and leading international standards. Through focused initiatives, it is empowering sustainable growth, supporting national priorities and delivering long-term value for its stakeholders and communities.

anb is steadfast in its commitment to achieving net zero emissions by 2060 or earlier, outpacing Saudi Arabia’s national target of 2060. Its strategy emphasizes targeted sub-segments, products and services, allowing it to expand its green and social asset portfolio while maintaining its competitive edge in critical industries. With a focus on sectors such as power, waste management, water, green real estate and aviation, anb is building on its leadership in SME financing and women’s empowerment while striving to pioneer the SME ESG transition in Saudi Arabia. This approach is closely aligned with anb's broader strategy to drive sustainable growth and deliver value in its key markets.

Emphasizing corporate sustainability, its approach includes a blend of Human Capital and CSR initiatives under the social category, while its environmental efforts currently consist of a number of energy and resource saving initiatives and partnerships. In governance, the Bank uphold standards through quality control and information security certifications, aligning with global standards like the United Nations Sustainable Development Goals (SDGs) and Saudi Vision 2030.

### 1.3 ESG areas of focus for anb

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|---|--|
| <p><b>Our environment</b></p> <p><b>Safeguarding our natural environment</b></p>  | <p>We are committed to reducing our ecological footprint while contributing positively to the environment.</p> <p>Our decarbonization strategy takes a science-based approach, with an initial focus on high-emission sectors such as power and aviation.</p> <p>We aim to secure a fair market share in Saudi Arabia's growing pipeline of ESG projects, fully aligned with the Kingdom's Net Zero 2060 and Vision 2030 objectives.</p> <p>Our net zero 2060 strategy focuses on high-emission sectors such as power and aviation, with additional sectors being integrated to achieve comprehensive decarbonization across financed activities.</p> <p>We are prioritizing Scope 3 emissions by calculating financed emissions and setting ambitious reduction targets to align our financial portfolio with our net zero ambitions.</p> |
| <p><b>Our society</b></p> <p><b>supporting the success of our people, communities, and country</b></p>  | <p>Leadership and talent development are key strategic priorities for the Bank.</p> <p>anb's Human Resources Group's (HRG) has embarked on a differentiated employee value proposition to attract and retain talent and motivate staff to achieve the Bank's strategic objectives.</p> <p>HRG has played a pivotal role in accelerating employees' embrace of its organization-wide transformation program, resulting in a well-equipped, resilient and agile workforce, that aims to achieve the best results, strengthen the Bank's presence, and provide the easiest and fastest solutions for our valued customers.</p>  |
| <p><b>Our communities &amp; country</b></p> <p><b>Developing a groundbreaking banking experience that mirrors the values of our society and supports the Kingdom's comprehensive development strategy</b></p> | <p>Our efforts in partnerships and initiatives are centered on driving economic growth, enhancing community welfare, and improving lives across Saudi Arabia, all in alignment with the objectives of Vision 2030.</p> <p><b>Fueling the growth of SMEs</b></p> <p>SMEs are pivotal to Saudi Arabia's Vision 2030, driving economic diversification, innovation and employment generation.</p> <p>At anb, we recognize the critical role SMEs play and are deeply committed to supporting their growth and success.</p>  |

As a leading bank in SME financing, our initiatives align seamlessly with Vision 2030's goals, and we are proud to be recognized for our leadership, particularly in partnership with government-backed programs like Kafala and Monsha'at.

Beyond financing, we provide comprehensive support to SMEs through digital solutions, technical assistance and financial literacy programs. Innovations such as our digitized SME app and optimized onboarding processes streamline access to banking services and enhance the overall experience for our SME clients.

Through these initiatives, we empower businesses and contribute to creating a thriving and inclusive economic landscape, reinforcing anb's commitment to building a vibrant and resilient future for the Kingdom.

#### **Enhancing community impact through strategic CSR**

In 2024, anb made major strides as a catalyst for positive social and economic transformation, guided by Vision 2030's pillars of fostering a vibrant society, a thriving economy and an ambitious nation.

With a robust CSR strategy rooted in governance and sustainability, we strengthened our alignment with national priorities and global frameworks, including the United Nations Sustainable Development Goals. This comprehensive approach ensures our initiatives deliver measurable social impact and enduring benefits to communities.

Our CSR framework is structured around 4 pillars: community empowerment, economic growth, environmental sustainability and youth and women empowerment. This holistic strategy integrates advanced evaluation mechanisms to ensure the longevity of our initiatives and optimize their impact while adhering to the highest ESG standards. By leveraging strategic partnerships and innovative programs, we continue to expand our contributions to community development and the Kingdom's broader developmental movement.

## **1.4 ESG Governance Structure**

anb has embraced a forward-thinking ESG strategy, underscoring its commitment to embedding sustainability across all aspects of its operations. It is focused on helping its clients transition to sustainability while driving profitability through effective climate risk management and the decarbonization of its portfolio.

From the highest levels of its Board of Directors and senior management to every talented and dedicated employee across its operations and branches, everyone is individually and collectively committed to doing their part, leveraging the bank's resources and capabilities to stimulate meaningful change every day.

To bring this vision to life, anb has implemented a dedicated ESG function within its Strategy Transformation Office. This structure is supported by clearly defined roles across central teams, business lines and control and support functions, ensuring seamless execution.

To further strengthen its efforts, anb has established standardized reporting and disclosure guidelines, ensuring consistency and transparency in communicating its ESG impacts and carbon emissions to stakeholders. Additionally, anb has developed this Sustainable Finance Framework (“SFF” or “Framework”) aligned with its ESG strategy and materiality assessment, providing a structured foundation for guiding sustainable financing activities.

### 1.5 Management of environmental and social risks

To achieve anb’s ambitious ESG goals, it has integrated ESG considerations into its risk management and credit review processes, ensuring that ESG risks are assessed comprehensively at both the client and portfolio levels.

In addition to these external efforts, anb has incorporated ESG practices into its internal operations, addressing Scope 1 and Scope 2 emissions through sustainable procurement, facilities management and environmentally conscious initiatives. This holistic approach reflects our unwavering determination to deliver long-term value, drive sustainable growth and contribute meaningfully to the Kingdom’s broader economic and environmental aspirations.

### 1.6 Rationale for establishing a Sustainable Finance Framework

In support of our overarching mission, we have developed a firm-wide sustainability strategy. This inaugural Sustainable Finance Framework forms part of our sustainability strategy: the Bank intends to issue green, social, sustainable or transition bonds, loans and/or sukuk (together called as “sustainable debt instruments”) that advance KSA’s Vision 2030 and the United Nations Sustainable Development Goals (SDGs) in alignment with global market best practices and standards, including the International Capital Market Association (ICMA) Principles and the Loan Markets Association (LMA) / Asia Pacific Loan Market Association (APLMA) / Loan Syndications and Trading Association (LSTA) Principles, as listed below.

- Green Bonds/Loans/Sukuk: an amount equivalent to the proceeds raised will be allocated towards one or more green project categories as listed below in section 2 – Use of Proceeds;
- Social Bonds/Loans/Sukuk: an amount equivalent to the proceeds raised will be allocated towards one or more social project categories as listed below in section 2 – Use of Proceeds;
- Sustainable Bonds/Loans/Sukuk: an amount equivalent to the proceeds raised will be allocated towards both green and social project categories as listed below in section 2 – Use of Proceeds;
- Transition Bonds/Loans/Sukuk: an amount equivalent to the proceeds raised will be allocated towards transition project categories listed below in section 2 – Use of Proceeds;

Through this robust Sustainable Finance Framework (“SFF” or the “Framework”), we aim to channel financing toward transformative green and social initiatives, delivering measurable value for the Kingdom’s economy, environment and communities. This approach reflects our unwavering dedication to empowering progress and fostering a sustainable future. This Framework and any subsequent issuance of and reporting on sustainable debt instruments will be aligned with the following international guidance materials:

- ICMA Green Bond Principles (June 2021 with June 2022 Appendix 1)<sup>1</sup>
- ICMA Social Bond Principles (June 2023)<sup>2</sup>
- ICMA Sustainability Bond Guidelines (June 2021)<sup>3</sup>
- ICMA Guidance on Green, Social and Sustainability Sukuk (April 2024)<sup>4</sup>
- ICMA Green, Social, and Sustainability Bonds: A High-level Mapping to the Sustainable Development Goals (June 2023)<sup>5</sup>
- LMA/APLMA/LSTA Green Loan Principles (February 2023)<sup>6</sup>
- LMA/APLMA/LSTA Social Loan Principles (February 2023) <sup>7</sup>

1 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

2 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Social-Bond-Principles-SBP-June-2023-220623.pdf>

3 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

4 <https://www.icmagroup.org/assets/documents/Sustainable-finance/ICMA-IsDB-LSEG-Guidance-on-Green-Social-and-Sustainability-Sukuk-April-2024.pdf>

5 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Green-Social-and-Sustainability-Bonds-A-High-Level-Mapping-to-the-Sustainable-Development-Goals-June-2023-220623.pdf>

6 [https://www.lma.eu.com/application/files/8916/9755/2443/Green\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/8916/9755/2443/Green_Loan_Principles_23_February_2023.pdf)






7 [https://www.lma.eu.com/application/files/9416/9755/3230/Social\\_Loan\\_Principles\\_23\\_February\\_2023.pdf](https://www.lma.eu.com/application/files/9416/9755/3230/Social_Loan_Principles_23_February_2023.pdf)







## 1.7 Intended impact

We recognize the pivotal role we play in driving Saudi Arabia’s sustainable transition by leveraging our financing capabilities. With an estimated SAR 1 trillion financing gap to bridge by 2030, we are deeply committed to supporting the Kingdom’s Vision 2030 by advancing transition finance and empowering citizens through impactful initiatives and programs that align with national sustainable development goals.

Our efforts extend to key climate programs and initiatives in the Kingdom, including the Saudi Green Initiative, the Middle East Green Initiative, the Circular Carbon Economy National Program, the National Renewable Energy Program and the Saudi Energy Efficiency Program. We align with these objectives by actively supporting sectors such as renewable energy, green real estate and water infrastructure, reflecting the Kingdom’s commitment to achieving net zero emissions by 2060.

The following table outlines the intended impact for the Bank’s green and social financing activities: ICMA project categories invoked in this framework are mapped to the corresponding SDGs and KSA Vision 2030 targets.

| ICMA PRINCIPLES CATEGORY   | KSA VISION 2030  |
|--|--|
| <p><b>RENEWABLE ENERGY</b></p>                    | <p>The Kingdom’s target is to increase renewable energy to around 50% of the energy mix by 2030.</p>   |
| <p><b>ENERGY EFFICIENCY</b></p>                  | <ul style="list-style-type: none"> <li>● Reduce energy intensity of economy by 3% annually</li> <li>● 30–40% reduction in energy consumption in residential and commercial buildings</li> <li>● 100% of traditional lighting with energy-efficient LED lighting in public buildings and streetlights by 2030</li> <li>● 10% reduction in energy consumption in energy-intensive industries</li> <li>● 20–30% improved efficiency of appliances by 2030</li> <li>● 100% smart meter penetration by 2025</li> <li>● 40% reduction in energy consumption per cubic meter of water produced by 2030</li> </ul> |
| <p><b>CLEAN TRANSPORTATION</b></p>              | <p>Promote electric and hybrid vehicles,</p> <ul style="list-style-type: none"> <li>● 30% of vehicles in Riyadh be electric by 2030</li> <li>● 50% improvement in fuel efficiency for new vehicles by 2025</li> </ul> <p>Develop public transportation systems, high-speed rail and sustainable aviation</p> <ul style="list-style-type: none"> <li>● 5 million people using Riyadh Metro and bus networks daily</li> </ul>  |
| <p><b>GREEN BUILDINGS</b></p>                   | <ul style="list-style-type: none"> <li>● Saudi Energy Efficiency Program (SEEP) – reduce energy consumption from buildings by 30% by 2030</li> <li>● Renewable energy integration in green buildings to support 50% renewable energy target</li> <li>● 30–40% reduction in energy consumption in residential and commercial buildings</li> </ul>   |
| <p><b>POLLUTION PREVENTION AND CONTROL</b></p>  | <ul style="list-style-type: none"> <li>● Diverting 82% of waste from landfills by 2035</li> <li>● Recycling 40% of municipal solid waste by 2035</li> <li>● Recycling 85% of industrial waste by 2035</li> <li>● Processing 3 million tons of waste annually into energy</li> <li>● Recycling 60% of construction and demolition waste by 2035</li> <li>● Reduce carbon intensity of the industrial sector by 20% by 2030</li> <li>● 30% of industrial fuel consumption from gas and renewables by 2030</li> </ul>   |



| ICMA PRINCIPLES CATEGORY   | KSA VISION 2030   |
|--|---|
| <p><b>SUSTAINABLE WATER AND WASTEWATER MANAGEMENT</b></p>   | <p>Reduce daily per capita water consumption from around 263 liters in 2020 to 150 liters by 2030</p> <ul style="list-style-type: none"> <li>● Increase the reuse of treated wastewater to cover 100% of the Kingdom's municipal water by 2030</li> <li>● Reduce non-revenue water (water lost through leakage, theft, or inefficiencies) from 25% (in 2019) to 15% by 2030</li> <li>● Additional 9 million cubic meters per day of desalinated water capacity by 2030</li> </ul> |
| <p><b>ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES &amp; LAND USE</b></p>  | <ul style="list-style-type: none"> <li>● 10 billion trees planted by 2030 under the Saudi Green Initiative.</li> <li>● Restore 40 million hectares of degraded land across Saudi Arabia.</li> <li>● Increase agricultural land productivity while reducing water consumption by up to 50% in line with sustainable water use goals.</li> </ul>  |
| <p><b>ACCESS TO ESSENTIAL SERVICES</b></p>    | <ul style="list-style-type: none"> <li>● Achieve 100% universal health coverage</li> <li>● Increasing mortgage lending from SAR 280 billion (in 2019) to SAR 502 billion by 2030</li> </ul>   |
| <p><b>AFFORDABLE HOUSING</b></p>    | <ul style="list-style-type: none"> <li>● 1.5 million housing units by 2030</li> <li>● 1.2 million housing units by 2030</li> <li>● Increase homeownership from 47% in 2016 to 70% by 2030</li> </ul>  |
| <p><b>EMPLOYMENT GENERATION AND SME FINANCE</b></p>   | <ul style="list-style-type: none"> <li>● Reduce KSA unemployment to 5%</li> </ul>   |
| <p><b>SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT</b></p>   | <ul style="list-style-type: none"> <li>● Raise women's participation in the workforce from 22% in 2016 to over 30% by 2030</li> </ul>   |



## 2. USE OF PROCEEDS


Sustainable debt instruments issued under the Framework may take the form of public transactions or private placement. As provided for in the Principles, the Bank has adopted internal procedures to ensure that an amount equivalent to net proceeds raised under this Framework will be used to finance or refinance, in whole or in part, projects or activities that meet the eligibility criteria outlined below, and/or to general corporate purpose loans to “Pure Play Companies”, which are defined as companies that derive over 90% of their revenues from the green/social eligibility criteria defined below. Eligible assets will have a three-year lookback period from issuance date. An amount equal to the net proceeds raised through a sustainable debt instrument will be notionally allocated within two years of issuance.


The table below lays out the high-level green and transition project categories, the specific activities included under each with corresponding technical performance thresholds and exclusions.

### Green Project Categories



| ICMA PROJECT CATEGORIES AND SDG ALIGNMENT   | ELIGIBILITY CRITERIA   | EXCLUSIONS  |
|---|--|---|
| <p><b>RENEWABLE ENERGY</b></p>   | <p>Renewable technologies listed below and with lifecycle emissions intensity below 100g CO<sub>2</sub>/kWh</p> <ul style="list-style-type: none"> <li>• Solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources)</li> <li>• Onshore wind</li> <li>• Green hydrogen and green ammonia</li> <li>• Biofuels with at least a 65% reduction in GHG emissions compared to fossil fuels.</li> <li>• Related/supporting infrastructure, e.g., battery storage, manufacture of renewable energy technology, upgraded grid infrastructure for integration of renewable energy, microgrids and back-up systems.</li> <li>• Pumped hydro storage from renewable sources, i.e. solar, wind</li> </ul> | <p>Renewable energy that supports fossil fuel infrastructure</p> <p>Projects with life cycle GHG emissions &gt;100g CO<sub>2</sub>e/kWh</p> <p>Biofuel feedstocks from high-biodiversity areas, primary forests, peat/wetlands, or affect food security</p> |
| <p><b>ENERGY EFFICIENCY</b></p>  | <p>Development, manufacture and implementation of products or technologies that reduce the energy consumption of underlying assets, projects, appliances, products or systems, by at least 20% from baseline including:</p>  |   |

| ICMA PROJECT CATEGORIES AND SDG ALIGNMENT  | ELIGIBILITY CRITERIA  | EXCLUSIONS  |
|--|---|---|
| <p><b>ENERGY EFFICIENCY</b></p>       | <ul style="list-style-type: none"> <li>● LED lighting</li> <li>● Efficient district heating and cooling' using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat</li> <li>● Smart energy grids, energy meters, and energy management systems that promote energy efficiency             <ul style="list-style-type: none"> <li>● Battery storage connected to system meeting the below criteria: Dedicated connection to a renewable power production plant</li> <li>● Dedicated connection to a power production plant eligible under the low carbon power threshold (100g CO<sub>2</sub>/kWh) or to a system with a grid factor at or below 100g CO<sub>2</sub>/ kWh</li> <li>● The infrastructure is located on a system for which at least 67% of its added generation capacity in the last five years falls below the low carbon power threshold (100g CO<sub>2</sub>/kWh) measured on a Product Carbon Footprint (PCF) basis, over a rolling five-year average period</li> </ul> </li> <li>● Energy efficiency measures for data centers (PUE of 1.3 or lower for new centers)</li> </ul> | <ul style="list-style-type: none"> <li>● Efficiency improvements that lock in fossil fuel technology or infrastructure</li> <li>● Data centers that use over 30% more energy for cooling and other non-computing functions compared to the energy used directly by IT equipment.</li> </ul> |
| <p><b>CLEAN TRANSPORTATION</b></p>  | <p><b>Electric vehicles (with zero direct tailpipe CO<sub>2</sub> emissions) and supporting infrastructure, including</b></p> <ul style="list-style-type: none"> <li>● urban and suburban passenger land transport (buses, trains, trams, underground and elevated railways);</li> <li>● commercial fleets;</li> <li>● personal vehicles;</li> <li>● charging infrastructure.</li> </ul> <p><b>Low carbon, resilient aviation, including:</b></p> <ul style="list-style-type: none"> <li>● R&amp;D, production, procurement and use of Sustainable Aviation Fuel (65% emissions reductions of SAF compared to fossil fuels and sustainable feedstocks)</li> <li>● Zero emissions aircraft development and supporting infrastructure--...</li> </ul>   | <ul style="list-style-type: none"> <li>● Vehicles dedicated to fossil fuel transport</li> <li>● SAF feedstocks that come from high-biodiversity areas, primary forests, peat/wetlands, or that affect food security</li> </ul>  |



| ICMA PROJECT CATEGORIES AND SDG ALIGNMENT  | ELIGIBILITY CRITERIA  | EXCLUSIONS |
|--|---|------------|
| <p><b>CLEAN TRANSPORTATION</b></p>  | <ul style="list-style-type: none"> <li>● Low carbon and resilient operations including electrification of airport shuttles, charging stations for airport EVs, hydrogen re-fueling infrastructure for aircrafts and airport ground handling vehicles, electricity grid hardening and upgrades, renewable energy integration, air traffic management infrastructure, and systems efficiency to reduce emissions from airport operations</li> <li>● <b>Low carbon, resilient sea and coastal transport</b></li> <li>● R&amp;D, production, procurement and use of low carbon fuel alternatives for shipping</li> <li>● Zero direct tailpipe CO2 emissions ships; or</li> <li>● Low carbon and resilient shipping operations including hydrogen/methanol re-fueling infrastructure for ships, electrification of port equipment and vehicles, charging stations for EVs, and renewable energy integration.</li> </ul>  |            |
| <p><b>GREEN BUILDINGS</b></p>     | <p>Acquisition, development, construction and refurbishment of new and existing buildings that:</p> <ul style="list-style-type: none"> <li>● belong to the top 15% in terms of energy efficiency of their local market; or</li> <li>● new buildings have 10% lower Primary Energy Demand (PED) than national regulations; or</li> <li>● have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, including:             <ul style="list-style-type: none"> <li>● BREEAM Excellent or above</li> <li>● LEED Gold or above</li> <li>● Mostadam Gold or above</li> <li>● Global Sustainability Assessment System (GSAS) "4 star"</li> </ul> </li> <li>● Building renovations and retrofits that reduce energy or water use, e.g. insulation, water or energy efficient equipment, that achieve minimum 30% improvement in energy efficiency</li> </ul> |            |



| ICMA PROJECT CATEGORIES AND SDG ALIGNMENT  | ELIGIBILITY CRITERIA  | EXCLUSIONS   |
|--|---|--|
| <p><b>POLLUTION PREVENTION AND CONTROL</b></p>  | <p><b>Waste management, reduction, and recycling facilities that treat<sup>8</sup> with the following:</b></p> <ul style="list-style-type: none"> <li>● Biowaste management: composting, anaerobic digestion of food and garden/agricultural waste</li> <li>● Residual waste-to-energy generation with CCS. Threshold: minimum energy efficiency of 60% for electricity-only production or 75% for combined heat and power (CHP)</li> <li>● Material recovery facilities, such as metals, plastic, paper</li> </ul> <p><b>Greenhouse gas control:</b></p> <ul style="list-style-type: none"> <li>● Carbon capture and sequestration (CCS) projects applied to hard-to-abate sectors. Threshold: CCS 90% capture with permanent storage and high MRV</li> <li>● R&amp;D for DACC</li> <li>● Permanent geological sequestration of CO<sub>2</sub></li> </ul> <p><b>Industrial decarbonization:</b><br/>Efficiency improvements (waste heat recovery, high-efficiency motors, advanced control systems), electrification, renewable energy integration, use of sustainable materials in manufacturing processes that significantly reduce energy, water or material use e. g. clinker substitutes in cement, recycled steel, and bio-based plastics.<br/>20% reduction of emissions for industrial activities<br/>Carbon intensity thresholds for</p> <ul style="list-style-type: none"> <li>● Cement (0.498 tCO<sub>2</sub>/ton)</li> <li>● Steel (0.352 tCO<sub>2</sub>/ton), and</li> <li>● Secondary Aluminum (1.514 tCO<sub>2</sub>/ton)</li> </ul> | <ul style="list-style-type: none"> <li>● Generic waste incineration without sorting plastics and metals</li> <li>● Landfilling waste and hazardous waste</li> <li>● CCS and sequestration projects linked to fossil fuel related projects</li> </ul> |

<sup>8</sup> Waste treatment facilities must achieve a recycling rate of at least 50%; 80% for metals and 95% for critical raw materials

| ICMA PROJECT CATEGORIES AND SDG ALIGNMENT   | ELIGIBILITY CRITERIA   | EXCLUSIONS   |
|---|--|--|
| <p><b>SUSTAINABLE WATER AND WASTEWATER MANAGEMENT</b></p>    | <p>Construction, extension and operation of the following:</p> <ul style="list-style-type: none"> <li>● Potable water collection, treatment and supply systems</li> <li>● Leak detection and mitigation along water distribution systems</li> <li>● Improved efficiency of wastewater collection and treatment systems, including sewer systems and pumping stations</li> <li>● Desalination plants using renewable energy technologies or that have an average carbon intensity at or below 100gCO<sub>2</sub>e/kWh over the residual asset life</li> <li>● Projects that include water efficiency, including water recycling and reuse projects, water saving systems and technologies, water metering</li> </ul>  | <ul style="list-style-type: none"> <li>● New fossil fueled water treatment or desalination plants</li> </ul>   |
| <p><b>ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES &amp; LAND USE</b></p>  | <p><b>Sustainable agriculture and aquaculture</b></p> <ul style="list-style-type: none"> <li>● Water efficient land use including drought resistant crop development, solar powered drip irrigation systems, water harvesting projects, and desert greening initiatives</li> <li>● Regenerative farming practices, precision farming, crop rotation, reduced fertilizer use</li> <li>● Sustainable fisheries and aquaculture accredited by one of the following: Marine Stewardship Council (MSC) - Aquaculture Stewardship Council (ASC) - AquaGAP standard</li> </ul> <p><b>Sustainable land management</b></p> <ul style="list-style-type: none"> <li>● Habitat protection, wildlife protection, ecosystem restoration for native species</li> <li>● Reforestation, afforestation, forest rehabilitation in support of Saudi Green Initiative and certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC)</li> <li>● Green urban planning that incorporates green infrastructure such as parks, green roofs and urban forests to increase air quality and resilience</li> </ul> | <ul style="list-style-type: none"> <li>● Efficiency improvements for fossil fueled agricultural equipment</li> <li>● Agricultural or aquaculture practices that threaten species identified as red-list endangered, threatened, or protected</li> <li>● Agriculture or forestry projects not aligned with FSC or PEFC</li> </ul> |

## Social Project Categories


| ICMA PROJECT CATEGORIES AND SDG ALIGNMENT  | ELIGIBILITY CRITERIA  | EXCLUSIONS |
|--|---|------------|
| <p><b>ACCESS TO ESSENTIAL SERVICES</b></p>  | <p>Projects related to the construction or expansion of public hospitals and schools for the provision of not-for-profit, free or subsidized healthcare and education, including government-owned public-private partnerships (PPP) covering:</p> <ul style="list-style-type: none"> <li>● Providing free medical services to people with lack of access to the hospital</li> <li>● Providing life saving hospital programs free of charge</li> <li>● Installment payment for uninsured patients with no interest</li> <li>● Education program for the medical staff</li> <li>● Provision / distribution of healthcare equipment and public services.</li> <li>● Infrastructure for the provision of emergency medical response and disease control services.</li> </ul> <p><b>Target Population:</b><br/>General population including populations that lack quality access to quality education and healthcare</p> |            |
| <p><b>AFFORDABLE HOUSING</b></p>          | <p>Projects related to financing and/or refinancing of government-supported or government-subsidized mortgage financing programmes (including mortgage financing and financing of development / construction) for the provision of affordable housing</p> <p><b>Target Population:</b><br/>Populations eligible for government subsidized mortgage financing schemes</p>  |            |

| ICMA PROJECT CATEGORIES AND SDG ALIGNMENT   | ELIGIBILITY CRITERIA  | EXCLUSIONS |
|---|---|------------|
| <p><b>EMPLOYMENT GENERATION AND SME FINANCE</b></p>        | <p>SME financing - activities that support employment generation through lending to SMEs:</p> <ul style="list-style-type: none"> <li>● Financing and/or refinancing to SME and microfinance clients, as well as support measures such as extension of payment periods and exemption from facility fees during natural disasters and pandemics</li> </ul> <p><b>Target Population:</b><br/>SMEs as defined by the Saudi Central Bank (SAMA)<sup>10</sup></p>   |            |
| <p><b>SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT</b></p>  | <p>Female entrepreneurship - providing financing to the following:</p> <ul style="list-style-type: none"> <li>● Women-owned SMEs (at least 51% owned by one or more women)</li> <li>● Financial institutions helping to acquire and serve women- owned SMEs</li> <li>● Financial institutions that help to provide access to economic resources, microfinance and skills training for women on social welfare programmes</li> </ul> <p><b>Target population:</b><br/>Women-owned and Women focused SMEs</p> |            |

<sup>9</sup> 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

<sup>10</sup> SMEs (as per SAMA's definition): Small-sized enterprises are those with number of employees 6 to 49 and revenues ranging from SR 3 to SR 40 million. Medium-sized enterprises are those with number of employees 50 to 249 and revenues ranging from SR 40 to SR 200 million

## Transition Project Categories

| ICMA PROJECT CATEGORIES AND SDG ALIGNMENT  | ELIGIBILITY CRITERIA   | EXCLUSIONS   |
|--|--|--|
| <p><b>CLEAN TRANSPORTATION</b></p>  | <p><b>Low carbon, resilient aviation, including:</b></p> <ul style="list-style-type: none"> <li>• Next generation aircrafts with fuel efficiency savings of 10% to 15% as compared to ICAO's requirements and supporting infrastructure</li> </ul> <p><b>Low carbon, resilient sea and coastal transport</b></p> <ul style="list-style-type: none"> <li>• Ships that derive 100% of the energy used onboard from fuels or other energy carriers which achieve at least 80% greenhouse gas emission savings compared to their fossil fuel equivalent on a Tank-To-Wake basis</li> </ul> | <ul style="list-style-type: none"> <li>• Vehicles dedicated to fossil fuel transport</li> <li>• SAF feedstocks that come from high-biodiversity areas, primary forests, peat/wetlands, or that affect food security</li> </ul> |

### 2.1 EXCLUSIONS

The Bank will not knowingly allocate proceeds from any issuance of sustainable debt instrument to the following:

- Activities related to the exploration, production, transportation, or distribution of fossil fuels;
- Fossil fueled power generation;
- Gambling;
- Vaping, tobacco, and alcohol;
- Animal mistreatment;
- Adult entertainment;
- Conflict minerals;
- Weapons;
- Activities involving exploitation of human rights or modern slavery

### 3. PROCESS FOR EVALUATION AND SELECTION

The Bank has established a Sustainable Finance Committee (SFC), which will be responsible for governing and implementing the initiatives set out in this framework. The SFC is comprised of, but not limited to, representatives from the following departments:

- Treasury (Chair)
- Strategy / Sustainability
- Credit
- Risk Management
- Wholesale (Corporate, Commercial, Project Finance, Vision Realization)
- Retail (SME)
- Finance and Investor Relations
- (Marketing, Legal and Compliance, or any other departments as needed)

The Sustainable Finance Committee will meet quarterly to oversee the following:

- Review all new proposed eligible expenditures and endorse projects for inclusion in the Sustainability Portfolio, as appropriate, in accordance with the standards and processes set out in this framework;
- Review projects included in the Sustainability Portfolio to confirm they remain eligible for inclusion;
- Review and approve proposed allocation of proceeds and documentation of project attributes;
- Monitor the ongoing use of proceeds to confirm continued compliance with the framework;
- Monitor the nominal amount of eligible expenditures in the Sustainability Portfolio to ensure it meets or exceeds amount of all outstanding sustainable debt instruments;
- Manage any future updates to this framework;
- Review and approve the annual Sustainable Finance Report.

Deals which can be included in the Sustainability Portfolio are either (1) deals already closed before the issuance of the selected sustainable debt instrument by the Bank, or (2) newly originated deals that go through credit review and approval process after issuance has been completed.

For deals already in the Bank's books (1), the SFC, with the support of the Risk and Finance Divisions, reviews existing portfolio and shortlists deals following the below criteria:

- Expenditure falls into one of the eligible project categories;
- Expenditure was made no more than 36 months before the Bank's sustainable debt instrument;

These existing deals will thereafter be analyzed against SFF eligibility criteria to be included or not in the Sustainability Portfolio.

For newly originated deals (2), a sustainability check is integrated in the Bank's existing deal approval process for deals meeting a minimum credit exposure criteria: at origination and credit approval, deals that may be sustainable will be flagged to the Bank's SCC (Senior Credit Committee) following this process:

- Relationship Managers perform a first check of the facility's use of proceeds with regards to the relevant project category criteria and submit their view along with the credit proposal
- The credit proposal, including the sustainability check, will be verified by a Sustainable Finance Credit Specialist supporting the SCC and with the support from the Bank's Sustainability team as required, in particular for validating eligibility criteria satisfaction.
- The Sustainable Finance Credit Specialist will make a recommendation to the SCC for approval of the deal and its sustainable character and keep a record of all approved sustainable finance deals to be shared with the SFC as incoming expenditures matching the SFF (after closing of the transaction).
- The Bank's SFC will then, on a quarterly basis, screen and approve nominated expenditures for inclusion in a single portfolio, referred to as the Sustainability Portfolio.

Once an eligible expenditure has been selected for inclusion in the Sustainability Portfolio, it will remain part of the Sustainability Portfolio unless or until the relevant project is in default, has terminated, has been sold, is otherwise no longer outstanding or no longer meets the eligibility criteria described above. The Sustainability Portfolio will be managed by Finance and be subject to periodic due diligence tests.

## 4. MANAGEMENT OF PROCEEDS

The proceeds raised under each sustainable debt instrument will be deposited in the Bank's general funding accounts and an equal amount earmarked for allocation towards the Sustainability Portfolio, as approved by the SFC. If, at any time, a previously approved use of proceeds is no longer considered an approved use of proceeds, then an equivalent amount shall be credited to the balance of tracked proceeds in the Sustainable Portfolio. Any proceeds temporarily unallocated will be invested in other ESG labelled investments / instruments in-line with the bank's risk appetite, or held in or cash and cash equivalents until such qualifying ESG labelled investments / instruments are available. Finance will be responsible for tracking net proceeds and allocating proceeds to the Sustainability Portfolio, and Treasury will be responsible for investing unallocated proceeds in accordance with the criteria outlined in this framework.

The SFC will track the following for all disbursed funds:

- Sustainable debt instrument (Sukuk/Bond/Loan etc.)
- Pricing date, maturity date, principal amount of proceeds, coupon, etc.
- Project category, description, and location (if available)
- Total project cost, amount allocated and settled currency
- Amount of unallocated proceeds

## 5. REPORTING AND VERIFICATION

### 5.1 ANNUAL SUSTAINABLE FINANCE REPORT

On an annual basis, the Bank will prepare and make publicly available a report describing allocation of net proceeds and expected impact, where feasible. The Bank will continue publishing the annual report until aggregate net proceeds have been fully allocated to eligible expenditures.

Each report will cover the following:

- Balance of allocated versus unallocated proceeds
- Balance of allocated proceeds by project category, by refinancing vs financing and by geography
- List of eligible expenditures and use of unallocated proceeds (if any)
- Selected case studies with project descriptions and location, where possible and practical
- Expected impact of eligible expenditures using qualitative and quantitative KPIs selected from ICMA's Harmonised Framework for Impact Reporting
- Methodology and key assumptions used for calculation of impact metrics, where appropriate

Illustrative impact indicators that may be used to report impact for each cited project category on an annual basis have been included in a table below.






### 5.2 SECOND PARTY OPINION







The Bank has appointed Sustainable Fitch to assess this Sustainable Finance Framework and its alignment with the ICMA Principles and the LSTA/LMA Principles and issue a Second Party Opinion accordingly. The Second Party Opinion will be made publicly available on the Bank's official website.

### 5.3 EXTERNAL VERIFICATION

The Bank intends to engage a third-party reviewer to provide an annual assessment on the allocation of funds. Verification of key assumptions and methodologies used to calculate impact, and expected impact of eligible expenditures will be published, where feasible. This third-party verification will be made publicly available on the Bank’s website.

### 5.4 IMPACT INDICATORS

| ICMA PRINCIPLES CATEGORY   | ILLUSTRATIVE IMPACT INDICATORS  |
|--|---|
| <p><b>RENEWABLE ENERGY</b></p>                   | <ul style="list-style-type: none"> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent/a</li> <li>• Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)</li> <li>• Additional capacity of renewable energy plant(s) constructed or rehabilitated in MW</li> </ul>   |
| <p><b>ENERGY EFFICIENCY</b></p>                 | <ul style="list-style-type: none"> <li>• Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings)</li> <li>• Annual GHG emissions reduced/avoided in tonnes of CO2 equivalent</li> </ul>   |
| <p><b>CLEAN TRANSPORTATION</b></p>              | <ul style="list-style-type: none"> <li>• Passenger-kilometres</li> <li>• Annual GHG emissions reduced/avoided in tCO2 –e p.a.</li> <li>• Reduction of air pollutants</li> <li>• Reduction in grams of CO<sub>2</sub> emissions per passenger-kilometer or tonne km</li> <li>• % improvement overall fuel efficiency.</li> </ul>   |
| <p><b>GREEN BUILDINGS</b></p>                   | <ul style="list-style-type: none"> <li>• kWh/m<sup>2</sup> p.a. energy use; % reduction vs local baseline, and % of renewable energy generated on-site.</li> <li>• kgCO<sub>2</sub>/m<sup>2</sup> p.a. and annual tonnes of CO<sub>2</sub> emissions reduced vs baseline.</li> <li>• m<sup>3</sup>/m<sup>2</sup> p.a. water use; % reduction vs baseline or certification level</li> <li>• % or tonnes of waste minimized, reused, or recycled annually.</li> </ul> |
| <p><b>POLLUTION PREVENTION AND CONTROL</b></p>  | <ul style="list-style-type: none"> <li>• % or tonnes of waste prevented, reused, or recycled before and after the project.</li> <li>• Reduction in GHG emissions from waste management in tCO<sub>2</sub>-e p.a.</li> <li>• Energy recovered from waste in MWh/GWh or GJ/TJ per year.</li> <li>• % increase in materials that are reusable, recyclable, or compostable, or the absolute increase in tonnes p.a.</li> </ul>  |

| ICMA PRINCIPLES CATEGORY   | ILLUSTRATIVE IMPACT INDICATORS   |
|--|--|
| <p><b>SUSTAINABLE WATER AND WASTEWATER MANAGEMENT</b></p>   | <ul style="list-style-type: none"> <li>• % or m<sup>3</sup>/a reduction in water use before and after the project</li> <li>• m<sup>3</sup>/a of wastewater treated, reused, or avoided before and after the project, and as a %</li> <li>• Tonnes of sewage sludge treated and disposed of annually (dry solids p.a. &amp; %)</li> <li>• Tonnes of sludge reused annually (dry solids p.a. &amp; %)</li> </ul>   |
| <p><b>ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LIVING NATURAL RESOURCES &amp; LAND USE</b></p>  | <ul style="list-style-type: none"> <li>• Reduction in net GHG emissions, GHG intensity (e.g. tCO<sub>2</sub>e/unit of output) or energy intensity (e.g. GJ/ unit of output)</li> <li>• Water savings from improved irrigation, stormwater and rainwater capture, groundwater recharge and/ or the reuse of highly treated wastewater (e.g. m<sup>3</sup>/year)</li> <li>• Farmland covered by new, or rehabilitated efficient irrigation, water efficient crops and/or resource conserving crop rotation (ha or km<sup>2</sup>)</li> </ul> |
| <p><b>ACCESS TO ESSENTIAL SERVICES</b></p>    | <ul style="list-style-type: none"> <li>• Number of hospitals/schools built</li> <li>• Number of people served</li> </ul>   |
| <p><b>AFFORDABLE HOUSING</b></p>    | <ul style="list-style-type: none"> <li>• Number of units built / families with access to affordable housing units</li> </ul>   |
| <p><b>EMPLOYMENT GENERATION AND SME FINANCE</b></p>   | <ul style="list-style-type: none"> <li>• Number and value of loans extended to qualifying SMEs</li> <li>• Number of people employed</li> </ul>   |
| <p><b>SOCIOECONOMIC ADVANCEMENT AND EMPOWERMENT</b></p>   | <ul style="list-style-type: none"> <li>• Number and value of loans extended to qualifying female entrepreneurs</li> <li>• Number of people employed</li> </ul>   |