

# Environmental, Social and Governance focus

## Building on solid ESG foundations

**In 2021, SABB has continued positioning environmental, social and governance (ESG) activities at the heart of its business and operations. Following great results in 2020, the Bank continued to develop its capabilities and offerings in line with its ambitions, committed to integrating ESG into the core of our Strategy 2025 objectives.**

SABB established the ESG Working Group (WG), a bank-wide forum comprising senior management representatives from all the Bank's functions and business units. The ESG WG is tasked with progressing ESG activities across the business and measuring the Bank's progress through monthly meetings and active tracking of progress against an agreed plan. The ESG WG identified an ambitious set of ESG-related Key Performance Indicators (KPIs) to track our progress against tangible objectives, reporting on these monthly at the ESG WG meetings.

This suite of ESG KPIs, alongside other important initiatives pertaining to SABB's ESG commitment, have been achieved in 2021 and will be expanded over time as our ambition to lead the market on ESG takes shape. Examples of 2021 achievements include:

## Environment and operations

- Reviewed business travel needs, reducing overall travel in line with environmental commitments, making tangible progress
- Increased use of environmentally friendly materials for all Bank project
- Reduced annual energy and water consumption per FTE, as well as paper and plastic consumption in all the Bank's locations
- Established contracts with sustainable practices vendors, and effectively considered and managed ethical risk of procurement
- First Saudi Bank to achieve zero single-use non-recycled plastic bottles across offices, eliminating 2.6 mln plastic water bottles per annum

## Sustainable finance

- Issued first green loan in Saudi Arabia, and supported other green projects in line with the Kingdom's efforts towards sustainability
- Launched first Climate Change Equity Fund in Saudi Arabia with our partner HSBC
- Promoted green deposits and investment in green bonds and made the first green treasury deposit with the UAE HSBC subsidiary
- Established the first Shariah compliant ESG focused green deposit opportunity for depositors to contribute excess funds directly to green loans

## Diversity and inclusion

- Achieved nearly 40% female ratio in the Bank's Executive Management team (ManCom), the first bank in Saudi Arabia to reach this milestone
- Developed and promoted top female talent in senior management roles, achieving over 13% female ratio in senior management positions in several areas of the business
- Promoted active participation of women in the workplace, with ambitious targets met across businesses and functions

## Governance and training

- As part of the external assessment cycle, continued to identify Board and Board sub-committees' governance efficiencies
- Implemented a robust policy to ensure effective management of corporate governance, enabling subsidiaries and associates' business relationships to develop within a robust and controlled framework, meeting obligations to Shareholders, regulators and investors.
- Successfully digitised Board and Board sub-committees meeting packs and implemented digital signatures to ensure improved governance and effectiveness
- Implemented training guidelines for ESG and sustainability bank-wide, including Climate Risk training session for members of the Board and ManCom, with further training to be deployed to staff on a rolling basis in 2022

## Community engagement

- Continued the market-leading engagement through established programmes such as Riyali, Digital Academy, Taqadam and Khazna, reaching more of the target audience than ever before

## ESG milestones in 2021

Led the establishment of the Saudi banks' **ESG working group** under the guidance of the Saudi Central Bank (SAMA)

First Saudi Bank to achieve **zero single-use non-recycled plastic bottles** across offices

Issued **first green loan** in KSA

Launched **first Climate Change Equity Fund** in KSA

Female ratio

**Nearly 40%** in the Executive Management team

**Over 13%** in senior management positions

Implemented **Bank-wide training guidelines** for ESG and Sustainability





**Market-leading community engagement** through SABB's established programmes

- Supported the Saudi Green Initiative through the planting of 3,000 trees in the Riyadh region

In 2021, as Chair of the Managing Director’s Committee (MDC), a forum of all Saudi banks under the guidance of the Saudi Central Bank (SAMA), SABB led the establishment of the Saudi banks’ ESG Working Group, with MD/CEO participation from four other banks (Riyad Bank, Bank Albilad, Gulf International Bank, and Banque Saudi Fransi). The WG will discuss, consult and agree on how to best leverage its joint capabilities, working closely with SAMA to ensure a coherent and effective framework for managing its ESG priorities in the Kingdom of Saudi Arabia.

## New products and recognition for ESG commitment

### Innovative sustainable finance products:

<p><b>Sustainability linked loans for our corporate customers:</b> SABB participated as a mandate lead arranger for the Red Sea giga-project financing (contributing SAR 2.9 bln), the first green loan in Saudi Arabia. We also supported the Sudair Solar Power project with SAR 300+ mln financing aligned with the Kingdom’ efforts towards sustainability.</p>	
<p><b>Treasury green deposits:</b> SABB made its first placement of a green deposit in Saudi Arabia with HSBC Middle East counterpart with a total value of AED 25 mln. Moreover, Treasury concluded a green Sukuk with a total value of USD 25 mln.</p>	
<p><b>HSBC Global Equity Climate Change Fund:</b> in partnership with HSBC Saudi Arabia, SABB were the first to launch in-country access to an ESG focused investment, generating positive environmental benefits and attractive financial returns</p>	
<p><b>Green deposits for retail customers:</b> SABB was the first bank in Saudi Arabia to offer a Shariah-compliant ESG-focused green deposit, allowing depositors to contribute their excess funds directly toward funding of Green</p>	

## Recognition for Sustainability



Leading Bank in Financing Sustainable Projects in the Middle East



Outstanding Leadership in Sustainable Project Finance

## SABB's future ambition on ESG

As we move towards a comprehensive and ambitious ESG strategy for the Bank, we will look to make more commitments in line with policy, economic and scientific developments. In 2022, we will seek to make ESG commitments in the following core areas:

### Products and services

We are committed to expanding our sustainable finance products and services across our client and customer base. This will include the launching of new products alongside developing the tools and processes to measure our sustainable finance activities, in order to drive client engagement and uptake, expand the proposition and set specific targets at a later date.

We will also develop a Sustainable Finance Framework, which will set out our methodology for classifying what financing is considered sustainable. Its purpose will be to support SABB in tracking and disclosing our performance against our sustainable finance commitments. The framework

will be based on leading practices and aligned with international principles, to support growth and impact in this area.

### People

At the core of our ESG commitment is ensuring that all our Staff receive appropriate and applicable ESG training and development. In 2022, we are developing a comprehensive programme that can be delivered across all levels of the Bank and ensure a common level of knowledge and understanding on ESG and sustainable finance. In addition, we will continue to build on the climate risk awareness training provided to the Board, to ensure Board Members and Executive Management are supported in performing their oversight duties on ESG, and climate change in particular.

### Organisation

A priority in 2022 is to fully integrate ESG into existing governance and risk management frameworks. This process will be undertaken in addition to an inaugural ESG materiality assessment. At the same time, we aim to develop even more ambitious ESG KPIs and targets and use them as a

basis for including ESG success measures into the balanced scorecards of the Executive Management team.

### Stakeholders

Ensuring that our external Stakeholders are kept informed of SABB's progress on ESG and important non-financial issues, we are committed to putting in place certain actions that will facilitate this, particularly relating to external reporting. In 2022, the Bank will provide a more detailed update on our ESG strategy and priorities. We will also consider preparing for international reporting standards, alongside climate related financial disclosures.

We are also committed to ongoing external engagement, collaboration and leadership on ESG issues and promoting the ESG agenda more broadly. To this end, we will seek to play a leading role in relevant ESG and sustainable finance forums, working groups and key industry initiatives, at both a national and international level.

