



بنكي
2025
MY BANK

Sustainable Finance Framework

February 2022

1. Introduction

Riyad Bank ("Riyad Bank", or the "Bank") was founded in 1957 and is now one of the largest financial institutions in Saudi Arabia and the Middle East, with a strong commercial and retail franchise. It is headquartered in Riyadh, Saudi Arabia with a network of 341 branches, including offices in London, Houston (USA) and Singapore, and more than 5,900 employees. Riyad Bank is supervised by the Saudi Central Bank and operates through the four following main operating sectors:

- **Retail Banking:** Provides banking services to individuals through its network of branches throughout the Kingdom, as well as private and diamond banking centres.
- **Corporate Banking:** Provides corporate banking services, and mainly provides all credit facilities and cash management services, corporate deposits, accounts receivable, and other credit facilities.
- **Treasury and Investment:** Provides money market services, trading services, treasury services, as well as managing the Bank's investment portfolio
- **Investment and brokerage services:** Provides investment management services, and asset management activities related to dealing, administration, arrangement, advising, and securities custody services.

Mobilising its substantial capital base and decades of expertise, Riyad Bank is a leader in all areas of Saudi finance as a key financier and arranger of syndicated loans in the Kingdom, including most of the Kingdom's notable infrastructure projects as well as financing of syndicated loans in the GCC Region. In addition, Riyad Bank provides individual solutions that are designed to meet the needs and requirements of all economic segments.

In 2018, the Riyad Bank launched a five-year transformation plan in order to address the performance gaps within the Bank and make the most of the opportunities available in the Kingdom.

In light of recent developments including the impact of COVID-19, changes in the macro economic environment, plunge in oil prices and consolidations between some of the major players in the Saudi banking industry, Riyad Bank has refreshed its Strategy in 2020 to accelerate its transformation plan. The revised strategy has identified a list of key objectives and initiatives in order to achieve its aspirations by 2025. These goals include becoming:

- the most profitable bank, by achieving highest ROE relative to its top peers,
- most efficient, by generating the lowest cost to income relative to top peers,
- bank of choice for both of customers and employees, by achieving 60%+ NPS score and ranking on the top decile of the OHI, and
- most digitally enabled bank, by increasing the share of digitally active customers to more than 60%.

This strategy aligns strongly with their continued efforts in financing Government projects in order to support Saudi Arabia's Vision 2030¹, which is the Kingdom's strategic roadmap to transform its economy and unlock future opportunities. 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.

In particular, Riyad Bank contributes to the achievement of Vision 2030 through its role in financing and accelerating the energy transition and driving a new wave of investment in line with the Kingdom's goal to achieve Net Zero by 2060. The Bank's Green and Renewable Banking (refer to section 1.4 below) offering is the cornerstone of its efforts in this regard. In addition, as part of its Bukra strategy (refer to section 1.2 below), Riyad Bank is one of the most significant financers of small and medium-sized enterprises (SMEs) in Saudi Arabia, which is a segment that is expected to be one of the future pillars of the Kingdom's economy and therefore key to achieving Vision 2030.

1.1 Riyad Bank's Sustainability Approach and Governance

Sustainability Approach

Riyad Bank's Corporate Social Responsibility vision is to be the regional leader in sustainable practices that add value to employees, customers, stakeholders, and the whole community of Saudi Arabia. Their mission is aligned to the United Nations Sustainable Development Goals and the Kingdom of Saudi Arabia's Vision 2030. In particular, Riyad Bank is committed to supporting the Kingdom's energy transition agenda and the environmental targets of Vision 2030, such as increasing the share of renewable energy in the energy mix to 50%, planting 10 billion trees and reducing annual emissions by 278 million tons of CO2 equivalent by 2030. Riyad Bank delivers impactful corporate social responsibility practices integrated into the Bank's Strategy and Operations. The vision is outlined and driven through the Bank's Bukra Strategy, which is also aligned to the Ten Principles of the UN Global Compact and the UN Convention on the Rights of Persons with Disabilities.

Sustainability Governance

The CSR Committee, headed by the Chairman, includes the CEO and Chief Experience Officer (CXO), representatives of the Bank's divisions and the CSR Department under the Communication and Customer Experience Division, oversees the strategy and its implementation, sets standards and targets, determines new initiatives, and reviews and assesses ongoing programs and projects.

1.2 Bukra Strategy 'Today's Investments, are Tomorrow's Hope'.

In 2019, Riyad Bank launched "Bukra," a strategy built around clear metrics and driven by four key pillars: Community, Knowledge, Economy and Environment. The ultimate goal is to make Bukra a leading program in the social development field and to create more sustainable initiatives for a better future.

¹ <https://www.vision2030.gov.sa/>

The four foundational pillars of Bukra are broken down and defined as:



Through Bukra, the Bank aims to deliver on the following United Nations' Sustainable Development Goals:



Bukra has allowed Riyad Bank to consolidate and track its achievements and impact against the four pillars. Below are key highlights:

SAR 17 million
donated to the Health
Endowment Fund in 2020

SAR 10.73 million
supporting the Ministry of
Human Resources and Social
Development and the
General Authority for Awqaf
in 2020

247,050ml of blood
donated by Riyad Bank
employees in 2021

**100,000 meals and
10,000 food boxes**
distributed around the
Kingdom during Ramadan in
2021

**School supplies for
2,000 orphans**
through Back to School
Campaign

57% of paper waste
recycled in 2021

Total of 5,045 KG of plastic
and paper waste recycled,
which resulted in saving
20.18 tons of CO2, 11.6 cubic
meters of landfill, 35,315
gallons of water, 20,180 KW
of energy and 85.7 trees

**Main buildings &
warehouses
electricity
consumption**
reduced by 30% in 2021
saving 20% in costs

**Total of SAR 42
million**
to support the Center for
Autism Research

811
volunteering hours by
395
employee volunteers in
2021

123,255 people benefitted
from financial literacy
program through
collaboration with the
national Corporate Social
Responsibility Center to
provide financial literacy
training courses

SAR 15,646,855.29
donated through Riyad Bank's
charity accounts and different
channels

**Riyad Bank
collaborated with
Ertiq** Organization to
recycle PC-hardware items
with a total of 226 Computer
PCs, 225 LCD Screens, 22
printers, and 5 scanners

1.3 Supporting Financial Inclusion and Awareness

MSME Lending: As a leading Bank in the region, Riyad Bank is committed to playing an influential role in all sectors of the economy. Therefore, supporting micro, small and medium enterprises (MSMEs) businesses through a range of product offerings to service their unique needs, is a key priority for the Bank.

Riyad Bank's MSME programmes are delivered in support of the 'Kalafah Program', a government-led strategy that is backed by Kafalah and the SMEs Bank and channels lending to smaller enterprises. Through the provision of financing guarantees by the government, the 'Kalafah Program'² helps to fund small and medium enterprises (SMEs) that might not be able to source financing through normal banking channels.

Of all the lending directed to smaller firms since the inauguration of the Kafalah programme, Riyad Bank has financed more than a quarter and in 2021 financed 41% of the total number of firms on the programme. In response to the pandemic, the program was expanded by a government initiative in March 2020 in order to channel another \$13.33 billion in financial aid to smaller firms. In recognition of Riyad Bank's contribution to the Kalafah Program, Riyad Bank was ranked number one in financing MSMEs in cooperation with the Kafalah Program in 2021 for the second year in a row. In 2021, Riyad Bank was also awarded Best Bank for SMEs in the Middle East 2021 by both Euromoney and AsiaMoney.

Some of the product offerings and development by Riyad Bank to support MSMEs:

Initiated the implementation of the Saudi Central Bank Initiative (Payments Deferment Program) with all its supportive programs for the sector, including the Guaranteed Financing Program for People Affected by the Coronavirus Pandemic, as well as postponement of payments for MSMEs not included in the Saudi Central Bank Initiative



² <https://www.kafalah.gov.sa/en/About/Pages/default.aspx>

Affordable Housing: Under the Vision 2030 objective of “2.6.2 Enable suitable home ownership among Saudi families”, the Kingdom launched the Housing Program in 2018 as one of the Vision Realization Programs to provide housing solutions that enable Saudi families to own suitable housing based on their personal needs and financial capabilities³. The program also seeks to improve housing conditions through the provision of government-guaranteed financing solutions, increasing the supply of housing units at reasonable prices within record time, and implementation of programs specialized in securing housing for the society’s underprivileged.

Under the first phase of the program (2018-2020), it was recognized that notable success in accelerating home ownership was achieved through the modernization of housing finance, while also catering to those with income vulnerabilities through the Developmental Housing Program. The second phase (2021-2025) will entail a series of paradigm shifts including shifting the focus to support the vulnerable segment, including targeting the neediest segments and determining support levels on the basis of financial capability of beneficiaries.

Under the Sakani Program, the Kingdom is seeking to increase the percentage of Saudi families owning houses to 70% by 2030, as well as create over 38,000 direct job opportunities for Saudi citizens. Riyadh Bank is currently supporting the initiatives of the Ministry of Housing and the Real Estate Development Fund through the provision of affordable mortgage financing under government-subsidized schemes.

Corporate Social Responsibility: In 2021, in partnership with the National Centre for Social Responsibility, Riyadh Bank launched the “Treasury” initiative that targeted more than 120,000 students in more than 290 schools and universities in and outside of the Kingdom to raise financial awareness. It introduced participants to financial fraud methods and the importance of digital transformations to the payments systems. This initiative worked to emphasise Riyadh Bank’s belief in the importance of educating the Saudi community’s youth on financial matters. Spreading the culture of savings to the next generation is a key social principle in order to contribute to the financial security and stability of families and individuals, whilst also accelerating investment and development.

1.4 Contributing to Saudi Arabia’s Green Transition

In line with the Saudi Green Initiative under the Vision 2030, Riyadh Bank has launched a Green and Renewable Banking offering covering nine programs to support the energy transition in the Kingdom. The programs cover the themes of **Environment, Energy Efficiency, Renewable Energy, Consumption Rationalization, Recycling and Water and Energy Management** and addresses nine areas.

<https://www.vision2030.gov.sa/v2030/vrps/housing/>,
https://www.vision2030.gov.sa/media/ek5al1pw/housing_eng.pdf



To date, Riyadh Bank has financed 28 projects that fall under Green and Renewable Banking, providing SAR 7.4 billion of the total cost of these projects, which is in excess of SAR 52 billion.

The scope of Riyadh Bank sustainable financing efforts will grow continuously and cover all client segments and contractors aimed at repositioning Bank's portfolio toward greener industries and facilitating corporates in all the segments to realign their business models to achieve transition to a low-carbon economy.

2. Sustainable Finance Framework

Riyad Bank intends to use this Framework as the basis to issue Green, Social and/or Sustainability Bonds, Sukuk, Loans and/or other debt instruments ("Sustainable Financing Instruments"), in order to meet the sustainability commitments described above, in particular Bukra and Green and Renewable Banking. The Sustainable Financing Instruments will fund Eligible Green and/or Social Projects that conform to the sustainable finance principles listed below:

- the International Capital Market Association ("ICMA") Green Bond Principles ("GBPs") 2021⁴, Social Bond Principles ("SBPs") 2021⁵ and Sustainability Bond Guidelines ("SBGs") 2021⁶; and/or
- the Loan Market Association ("LMA") Green Loan Principles ("GLPs") 2021⁷ and Social Loan Principles ("SLPs") 2021⁸.

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:

- a) Use of Proceeds
- b) Process for Project Evaluation and Selection
- c) Management of Proceeds
- d) 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 Sukuk, bonds and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

2.1 Use of Proceeds

Riyad Bank 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 as below.
- 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.

A maximum 3-year look-back period would apply for refinanced projects and Riyad Bank 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.

⁴ In alignment with ICMA Green Bond Principles, June 2021, <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

⁵ In alignment with ICMA Social Bond Principles, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁶ In alignment with ICMA Sustainability Bond Guidelines, June 2021, <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

⁷ In alignment with LMA Green Loan Principles, February 2021, <https://www.lsta.org/content/green-loan-principles/>

⁸ In alignment with LMA Social Loan Principles, April 2021, <https://www.lsta.org/content/social-loan-principles-slp/>

Eligible Green Project Categories

GBP Category	Eligibility Criteria	Alignment to Vision 2030 Themes, Goals and Commitments ⁹
Renewable Energy 	<p>Projects related to the production, transmission and storage of energy from the following renewable sources:</p> <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 <p>Projects related to the construction of facilities and equipment (including R&D) for manufacture of raw materials for batteries dedicated to renewable energy storage</p>	<p>Increasing the contribution of renewable energy to the overall energy mix up to 50% by 2030</p> <p>3.2.4 Grow contribution of renewables to national energy mix</p>
Energy Efficiency 	<p>Projects that reduce energy consumption by at least 20% compared to the average of national energy consumption of an equivalent project or technology, such as:</p> <ul style="list-style-type: none"> District cooling systems Upgrade in grid infrastructure to improve electricity transmission efficiency and reduce transmission losses Investment in smart energy grids, energy meters, management systems and battery storage facilities <p>Improvement activities that result in the lock in of fossil fuel technologies will be excluded</p>	<p><i>"Achieving environmental sustainability"</i></p> <p>Reduce annual emissions by 278 million tons of CO₂eq as part of the Kingdom's Nationally Determined Contribution (NDC)</p>
Clean Transportation 	<p>Projects related to low carbon vehicles and associated infrastructure for public, passenger and freight transportation meeting the following criteria:</p> <ul style="list-style-type: none"> passenger cars and public rail transportation (under 75gCO₂/km up to 2020, and 50gCO₂/km thereafter up till 2030); freight transportation (under 25gCO₂/t-km up till 2030, 21gCO₂/tkm from 2030 up to 2050) <p>Projects supporting the deployment of electric vehicles charging infrastructure</p>	<p><i>"Integrating regionally and internationally"</i></p> <p><i>"Building a unique regional logistical hub"</i></p> <p>Reduce annual emissions by 278 million tons of CO₂eq as part of the Kingdom's Nationally Determined Contribution (NDC)</p> <p>3.5.2 Improve local, regional and int'l connectivity of trade & transport networks</p>

⁹ <https://www.iau.edu.sa/sites/default/files/vission2030sheetenglish.pdf>

	Projects related to the construction of facilities and equipment (including R&D) for manufacture of raw materials for batteries dedicated to development of electric vehicles	
<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>Projects related to sustainable urban drainage and that improve flood control</p> <p>Desalination plants powered by reverse osmosis technology that have an average carbon intensity at or below 100gCO₂e/kWh over the residual asset life</p>	<p><i>“Achieving environmental sustainability – promote the optimal use of our water resources by reducing consumption and utilizing treated and renewable water”</i></p> <p>2.4.1 Reduce all types of pollution (e.g. air, sound, water, soil)</p> <p>5.4.2 Ensure sustainable use of water resources</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 • Biological treatment facilities (including anaerobic digestion and composting facilities) • Waste to energy plants which sort all recyclables and have bottom ash recovery <p>Activities related to landfill or hazardous waste will be excluded</p>	<p><i>“Achieving environmental sustainability – safeguarding our environment by increasing the efficiency of waste management, establishing comprehensive recycling projects, reducing all types of pollution”</i></p> <p>2.4.1 Reduce all types of pollution (e.g. air, sound, water, soil)</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 	<p><i>“Developing our cities – steady development of our cities’ infrastructure to enhance the quality of life and meet all the needs and requirements of our citizens”</i></p> <p>2.3 Improve liveability in Saudi cities</p> <p>2.3.1 Improve the urban landscape in Saudi cities</p>

	<ul style="list-style-type: none"> • Mostadam "Gold" or above • BREEAM "Excellent" or above • Global Sustainability Assessment System (GSAS) "4 star" 	
<p>Environmentally sustainable management of living natural resources and land use</p> 	<p>Projects related to sustainable forestry practices that are certified in accordance with the Forestry Stewardship Council (FSC) or Programme for the Endorsement of Forest Certified (PEFC)</p>	<p>"Achieving environmental sustainability – preserving our environment and natural resources"</p> <p>2.4.3 Protect and rehabilitate natural landscapes</p>

Eligible Social Project Categories

SBP Category	Eligibility Criteria	Alignment to Vision 2030 Themes, Goals and Commitments
<p>Employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, including through the potential effect of SME financing and microfinance</p> 	<p>Financing and/or refinancing of loans to Micro, Small and Medium Enterprises (MSME)¹⁰ and microfinance clients, as well as the provision of supportive measures including extension of payment periods (deferred payments program) and exemption of facility fees during natural disasters and pandemics</p> <p><u>Target Populations</u></p> <ul style="list-style-type: none"> • MSMEs • Women-owned and Women-focused MSMEs¹¹ • MSMEs whose economic activities have been affected by pandemics and natural disasters 	<p>To increase SME contribution to GDP from 20% to 35%</p> <p>To lower the rate of unemployment from 11.6% to 7%</p> <p>To increase women's participation in the workforce from 22% to 30%</p>
<p>Affordable infrastructure</p> 	<p>Projects that increase access to clean drinking water, sanitation facilities, including construction of public sanitation stations</p> <p><u>Target Population</u> Populations that lack access to basic infrastructure including water and basic sanitation</p>	<p>"Developing our cities – Ensure high quality services such as water, electricity, public transport and roads are properly provided"</p> <p>2.3.1 Improve quality of services provided in Saudi cities</p>

¹⁰ The micro, small and medium enterprises were classified according to the definitions of the Central Bank of Saudi Arabia (micro businesses are companies with revenues of up to SR 3 million, small-sized companies are those with revenues ranging from SR 3 to SR 40 million, and medium-sized companies are those with revenues ranging from SR 40 to SR 200 million)

¹¹ Women-owned and women-focused business are defined as at least 51% women ownership

<p>Access to essential services</p> 	<p>Projects related the construction or expansion of public hospitals, healthcare-related infrastructure and schools for the provision of public, not-for-profit, free or subsidised healthcare and education, including government-owned public-private partnerships (PPP) for the:</p> <ul style="list-style-type: none"> • Provision / distribution of healthcare equipment and public services • Provision of emergency medical response and disease control services • Provision of child, youth or adult education and vocational training services <p><u>Target Population</u> General population including populations that lack quality access to essential goods and services</p>	<p><i>“Caring for our Health – optimize and better utilize the capacity of our hospitals and health care centers, and enhance the quality of our preventive and therapeutic health care services “</i></p> <p>2.1.1 Ease the access to healthcare services</p> <p>2.1.2 Improve value of healthcare services</p> <p>2.1.3 Strengthen prevention against health threats</p> <p>4.1.1 Build a life-long learning journey</p> <p>4.1.2 Improve equity of access to education (esp. in rural areas)</p> <p>4.1.3 Improve fundamental learning outcomes</p> <p>4.1.7 Expand vocational training to provide for labor market needs</p>
<p>Affordable housing</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><u>Target Population</u> Populations eligible for government-subsidized mortgage financing schemes¹²</p>	<p>Providing 75,000 developmental housing units (2021 to 2030)</p> <p>2.6.2 Enable suitable home ownership among Saudi families</p>

Exclusion List: the proceeds of any Sustainable Finance Instruments will not be allocated to projects where the majority of revenues are derived from fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping, tobacco, alcohol, mining and/or oil and gas.

2.2 Project Evaluation and Selection Process

The Project Evaluation and Selection Process will ensure that the proceeds of any Riyad Bank Sustainable Financing Instrument are allocated to finance or refinance Eligible Sustainable Projects that meet the criteria and objectives set out above in section 2.1, Use of Proceeds.

¹² <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.

Riyad Bank'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:

- Asset, Liability and Capital Management
- Corporate Social Responsibility
- Treasury
- Wholesale Corporate Banking
- Other segments of corporate and retail bank
- Business Initiatives and Enablers
- Risk

The SFWG will be co-chaired by the Asset, Liability and Capital Management department and Corporate Social Responsibility (CSR).

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 from an environmental and social risk management perspective, as detailed below
- 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. Should a project be considered by SFWG to be no longer meeting the criteria detailed above or is subject to postponement, cancelation or divestment, Riyad Bank is committed to reallocate proceeds on a best efforts basis to ensure the full amount of proceeds are allocated to eligible projects. Such monitoring will be done throughout the life of the sustainable instruments.
- 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 credit/loan approval processes

Environmental and Social Risk Management Process

The Bank also assesses its lending activities from an environmental and social risks perspective. This allows Riyad Bank to ensure it meets its commitment to align and comply with national and international environmental and social standards, as well as local laws and regulations. In particular, for project, structured and asset financing, enhanced environmental and social assessments will be undertaken. This will involve the appointment of independent Technical Advisors and Environmental Advisors to assess both the technical viability and environmental and social impact of projects. This is in order to ensure that the transaction follows the required regulatory guidelines, standards and regulations. The Standards will include relevant Saudi requirements, as well as applicable international standards such as World Bank and IFC Environmental, Health and Safety

Guidelines, where relevant. Underlying transactions must have in place all required Environmental Operation Permits, which may be a condition precedent to any financing.

Riyad Bank also follows an Environmental & Social Risk Acceptance Criteria ("RAC") approach as the terms and conditions for selecting the Bank's borrowers / obligors within the target market. Transactions whose underlying project and assets pose environmental and social risks may require separate Environmental and Social Impact Assessments ("ESIA") of the transaction to evaluate potential environmental risks and impacts, and to identify needed improvements that could minimize or mitigate any adverse impacts, along with suggested mitigation and management measures. Riyad Bank employs a sector-based approach where projects in sectors such as Energy, Utilities, Industrial, Petro Chemicals and Mining & Metals would require such ESIA. For sectors such as Support Infrastructure and Social Infrastructure (including schools, housing and hospitals etc.), Riyad Bank will further work with clients to outline ESIA requirements.

2.3 Management of Proceeds

The proceeds of each Riyad Bank's Sustainable Financing Instrument will be deposited in Riyad Bank'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, Bank's ownership percentage, total project cost, amount allocated, 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 or cash equivalents.

2.4 Reporting

On an annual basis following issuance, Riyad Bank 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.

2.4.1 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. Breakdown of amount of Proceeds allocated by refinancing vs new financing
- e. Selected case studies, where possible, of projects financed
- f. Amount of unallocated Proceeds

2.4.2 Impact Reporting

The Bank will provide reporting on the environmental and/or 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 Reporting¹³. For projects that are operational, Riyadh Bank will use actual measurements based on real-time performance. For projects that are yet to be operational, the Bank will use estimated measurements based on the expected performance of the project. Riyadh Bank will state in the report whether the metrics are actual or estimated. In addition, calculation methodologies and key assumptions will be disclosed.

Eligible Green and/or Social 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)
Energy Efficiency	<ul style="list-style-type: none"> Annual energy savings in MWh (electricity) and GJ/TJ (other energy savings)
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 Volume of materials produced for EV batteries
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
Pollution Prevention and Control	<ul style="list-style-type: none"> Waste reduced/avoided (tonnes) Annual GHG emissions reduced/avoided (tonnes of CO2 equivalent)
Green buildings	<ul style="list-style-type: none"> Type of scheme, certification level Energy efficiency gains in MWh or % versus baseline/building code Annual GHG emissions reduced / avoided in tonnes of CO2 equiv. vs local baseline/baseline certification level
Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> Maintenance/safeguarding/increase of natural landscape area (including forest) in km² and in % for increase Increase of area under certified land management in km² or m² and in % (in buffer zones of protected areas) Annual GHG emissions reduced in tCO₂e p.a.

¹³ <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Harmonized-Framework-for-Impact-Reporting-for-Social-BondsJune-2020-090620.pdf>

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Harmonized-Framework-for-Impact-Reporting-for-Social-BondsJune-2020-090620.pdf>

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 / amount of loans to MSMEs • Number / amount of loans to women-owned MSMEs • Number / amount of loans to microfinance entities • Number / amount of microfinance loans
Affordable Basic Infrastructure	<ul style="list-style-type: none"> • Number of people provided with adequate and equitable sanitation / clean water • Number of water infrastructure projects built / upgraded • Number of new household water connections
Access to Essential Services	<ul style="list-style-type: none"> • Number of patients reached • Number of places and beds • Number of public hospitals, clinics and health care centres financed / upgraded • Number of students reached • Number of educational facilities and / or initiatives
Affordable Housing	<ul style="list-style-type: none"> • Number of housing units constructed / financed • Number of individuals / families benefiting from subsidized housing

3. External Review

3.1 Second Party Opinion (SPO)

Riyad Bank has appointed S&P Global Ratings 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.

3.2 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.

The post issuance external verification will be made publicly available on Riyad Bank's official website.

4. 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. In case of changes that are not minor in nature, the Bank would seek an updated SPO at the relevant time. 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.

