

Riyad Bank

Transition Finance Framework 2026



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1 - Introduction

1.1 Riyadh Bank Sustainability Journey

In January 2025, Riyadh Bank, one of the leading financial institutions in the Kingdom of Saudi Arabia (KSA), announced the launch of its Sustainability strategy in a white paper, setting a new benchmark for sustainability in Middle-Eastern banking. Riyadh Bank's Sustainability strategy is accompanied by a comprehensive 3-year roadmap for the bank's sustainability journey, setting a clear path for the bank to create long-term value for its stakeholders and contribute to a sustainable future for the Kingdom and the region.

Our aspiration is to become one of the regional leaders in sustainability in the banking and financial sector. The establishment of a Transition Finance Framework (TFF) is an important KPI outlined in the Sustainability strategy, as it will contribute to the scaling of sustainable finance products. There is a clear opportunity to support KSA's decarbonization and energy transition efforts, and Riyadh Bank aspires to position itself at the forefront of the region's sustainable energy transition.

Riyadh Bank is proud to be among the first banks globally – and part of a selective group of regional leaders – to receive external validation and assurance for its TFF. This milestone underscores the bank's commitment to transparency, credibility, and alignment with international best practices in supporting a just and orderly transition. Details of the Second Party Opinion by Moody's can be found at the [following link](#).

1.2 Riyadh Bank Sustainable Finance Commitments and Targets

Riyadh Bank is committed to driving the transition toward a low-carbon economy by supporting key industries in reducing their emissions. The bank is already active in both green and social project financing in the Kingdom, and intends to replicate this successful business model with ongoing and future transition project financing. Riyadh Bank's target of SAR 20 billion in sustainable financing by 2030 will be recalibrated to reflect the expanded scope of the Sustainable Finance Framework (SFF) along with the new TFF, with plans underway to enhance and expand the ambition.

To establish its position as a leader in sustainable financing regionally, Riyadh Bank has also prioritized seven sustainable finance products / services offerings. These targets represent activity that has been ongoing for a number of years, building on Riyadh Bank's sustained efforts to integrate sustainability into its financing and investment strategies. The sustainability strategy also includes sector-specific interim emission reduction targets that are aligned with the IEA Net Zero Emissions by 2050 and World Energy Outlook 2023 reference scenario, ensuring they reflect global best practices and science-based pathways for emissions reductions. We will continue working closely with our clients, stakeholders, and industry partners to drive measurable progress towards net-zero emissions in alignment with Saudi Vision 2030 objectives, as well as to support the Kingdom's plans to achieve net zero emissions by 2060.



1.3 Understanding Transition Finance (Market Developments)

Transition finance is recognized as a critical priority to accelerate climate action and provide the capital to support an orderly and real economy transition to net zero. The topic is an evolving field that is not yet at the stage where a common approach or methodology is available. Whilst the global sustainable finance market for financing green, social, sustainable, or sustainability-linked debt instruments have well established guidelines and a substantial transaction volume; a standardized recognition and understanding of transition finance is still in progress.

Recent developments such as the publication of transition finance guides by international bodies and the emergence of national taxonomies are helping to build clarity and consistency in this space. Financial institutions are also increasingly developing their own transition finance frameworks to define credible transition activities, set eligibility criteria, and ensure alignment with evolving market standards. By leveraging their influential role in capital allocation, financial institutions are not only mobilizing funding toward high-emitting sectors with credible transition plans, but also setting expectations for transparency, accountability, and impact measurement. As market participants gain experience, convergence around best practices and disclosure standards is expected to enhance transparency, comparability, and investor confidence – ultimately strengthening the role of transition finance as a bridge toward a low-carbon economy.

Indicative guidance by the International Energy Agency (IEA) estimates that over the next decade approximately USD 400-500 billion per year in investment can be supported by transition finance, with more than half of these investments expected to be in Emerging Market and Developing Economies. In KSA, transition finance presents a significant opportunity to accelerate the decarbonization of key sectors in the local economy, while supporting the Kingdom's ambitions under Vision 2030.



2 - Transition Finance Framework

2.1 Purpose

The purpose of this TFF is to guide the bank's efforts in supporting clients and sectors that are on credible pathways toward decarbonization and aligned with the Kingdom's climate targets such as achieving net zero emissions by 2060. This framework provides a structured approach to identifying, assessing, and financing activities that enable the gradual reduction of emissions in hard-to-abate sectors, while maintaining economic resilience and competitiveness. Through this framework, Riyadh Bank aims to facilitate an orderly and inclusive transition by offering financial solutions that incentivize meaningful and measurable progress towards lower-carbon operations. In doing so, the framework reinforces the bank's commitment to advancing the Kingdom's Vision 2030 objectives and contributing to the Saudi Green Initiative and broader sustainability ambitions.

This TFF is complementary to the existing SFF, and provides Riyadh Bank with the option to issue a transition bond, sukuk, or similar instrument should it deem appropriate, with any future issuance guided by the principles and processes set out in the SFF. Riyadh Bank's TFF augments the scope of the SFF, and will determine the eligibility of transition activities that sit outside the sustainable finance eligible activities already covered in the SFF.

2.2 Governance

This framework has been prepared by Riyadh Bank's Sustainability department, and then reviewed and approved by the Sustainable Finance Working Group (SFWG), comprised of members from departments in the bank including Treasury, Risk, Investor Relations, Corporate, Credit, Finance, and Operations. The SFWG steers the development and maintenance of the TFF, and is accountable for ensuring that all transition finance transactions conform to the definition and approach described in this TFF. Riyadh Bank is in the process of identifying its current, and calculating its future, eligible transition portfolio. Reporting of transition finance figures will be presented to the SFWG on a quarterly basis.

Riyadh Bank intends to publish, at least annually, aggregated information on its transition finance activities under this Framework, including the volume of transition finance by sector and product, the split between use of proceeds and general corporate purpose financing, and, where feasible, indicative climate impact metrics such as estimated emissions reductions or intensity improvements.

This Framework will be reviewed periodically, and at least every three years, or earlier where there are material changes in relevant international or national transition finance guidance, taxonomies or market practices that warrant an update.

2.3 Design

A thorough review of existing transition finance taxonomies, guidelines, frameworks and white papers from central banks, industry networks and associations, certification bodies as well as climate focused stakeholders was conducted to design an appropriate TFF. Notable sources for this framework include, but are not limited to:

- ICMA Climate Transition Finance Handbook (2025)
- ICMA Climate Transition Bond Guidelines (2025)
- APLMA, LMA, LSTA Guide to Transition Loans (2025)
- MAS Application of the Singapore-Asia Taxonomy in the Financial and Corporate Sectors (2025)
- TFC Sector Transition Plans: The Finance Playbook (2025)
- IEA Scaling Up Transition Finance (2025)
- UNEP FI PRB A Guide to Transition Plans for Banks (2025)
- IOSCO Report on Transition (2025)
- ASEAN Taxonomy v3 (2024)
- ASEAN Transition Finance Guidance v2 (2024)
- TFMR Scaling Transition Finance (2024)
- TPT Disclosure Framework (2023)
- CBI Climate Bonds Standard (2023)
- EC Recommendation on Transition Finance (2023)
- Singapore-Asia Taxonomy (2023)
- Japan FSA METI ME Basic Guidelines on Climate Transition Finance (2021)
- CBI Financing Credible Transitions (2020).

3 - Transition Finance Definition & Approach

3.1 Defining Transition Finance at Riyadh Bank

Riyad Bank's approach to defining transition finance has been informed by currently available information, including (but not limited to) existing peer bank transition finance frameworks, and the sources listed in section (2.3). Our approach aims to support the transitioning economy in the region, aligning internationally recognized standards with a relevant local context due to the markets Riyadh Bank operates in.

Riyad Bank has established a comprehensive list of eligible transition activities in Section 4 of this framework, and has received external verification by Moody's for the transition activities identified. The activity-level criteria and examples in Section 4 operationalise the principles set out in this Section 3. The common approach is that these transition activities are supporting projects that are not yet green, but that are achieving significant emission reductions within a specified timeframe, either by replacing carbon intensive options or by facilitating the broader use of less carbon intensive options. Riyadh Bank will continue to review and assess its list of eligible activities, and when deemed necessary, it will introduce updates that demonstrate alignment with the latest developments in transition principles and taxonomies.

For Riyadh Bank, transition finance refers to financing for activities and entities that are not yet aligned with a low-carbon end state, but which are on a credible, science-based and time-bound pathway to alignment with the goals of the Paris Agreement and the Kingdom's net zero by 2060 objective.

To be considered transition finance under this Framework, activities should:

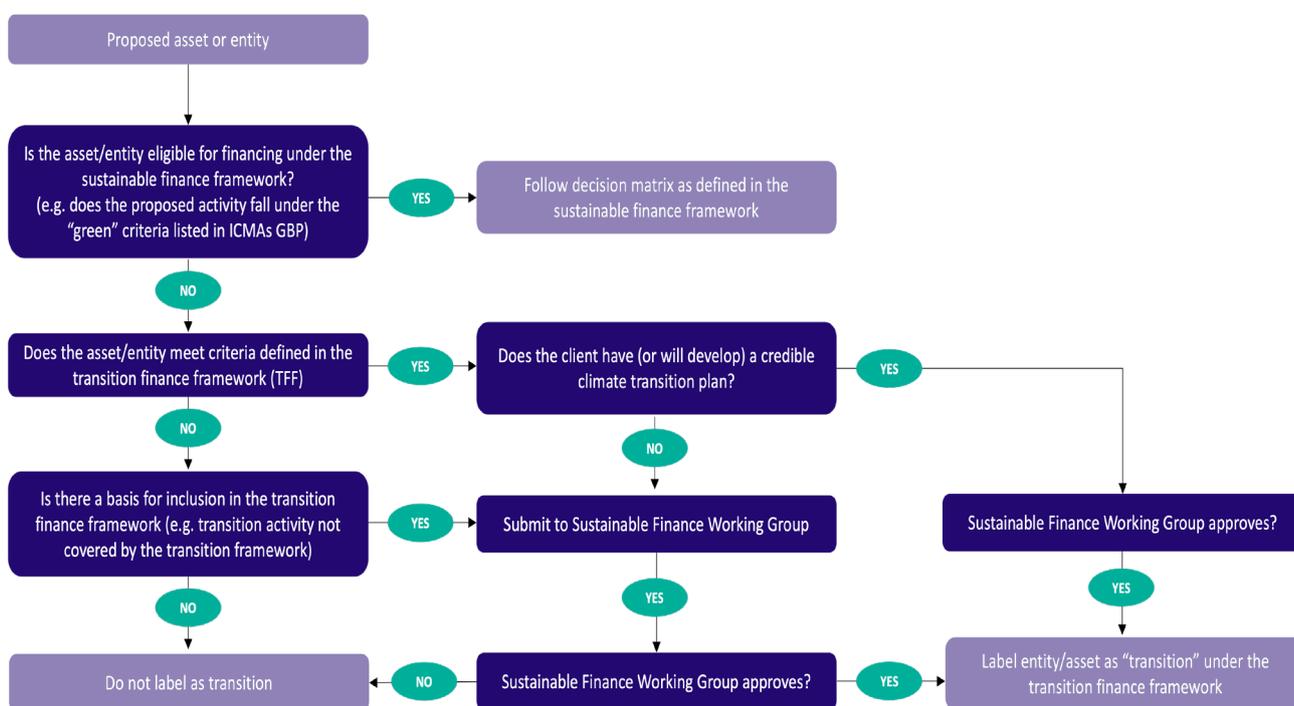
- be objectively aligned with the decarbonisation objectives of Saudi Vision 2030, the Saudi Green Initiative and relevant 1.5–2°C sectoral pathways (for example IEA or national sectoral roadmaps);
- avoid carbon lock-in, including by supporting managed phase-out or clear performance improvements that are consistent with long-term decarbonisation;
- be benchmarked to science-based thresholds or performance indicators where these are available;
- do no significant harm to other environmental objectives and respect robust social safeguards,
- contributing to a just transition;
- be impact-oriented, with measurable greenhouse gas emissions reductions or intensity improvements; and
- be used only where no commercially viable lower-carbon alternative exists today, or where the financing demonstrably accelerates the adoption of such alternatives.

For use-of-proceeds financing, eligible projects should meet Riyadh Bank's technical screening criteria for transition activities and be clearly linked to the client's transition plan and capital expenditure programme.

For general corporate purpose transition financing, in addition to the revenue-based tests used by Riyadh Bank, the client must have a credible entity-level transition plan aligned with these principles. Clients that do not demonstrate sufficient progress against their transition plans, under the conditions set below, may cease to qualify for transition finance treatment.

3.2 Decision Flowchart

The decision flowchart below sets out the process for identifying eligible transition financing:



3.3 Client Review

Riyad Bank recognizes the need to remain inclusive and supportive of the transition for as many existing and prospective clients as possible. When reviewing whether a financing will be eligible as transition finance as defined in the TFF, Riyad Bank will always assess, amongst other factors:

- the transition plans or pathways or decarbonization strategies the client produces; AND.
- the management of any identified environmental and social risks associated with the relevant purpose of the financing.

3.4 Transition Plan Assessment

Eligible transition finance activities should be with clients who have developed, or who can confidently demonstrate that they are in the process of developing, a credible, science-based transition plan. When assessing a client’s transition plans, Riyad Bank will evaluate the credibility, ambition, and feasibility of the client’s decarbonization trajectory in alignment with science-based targets and relevant sectoral pathways. The assessment will consider factors such as the robustness of interim targets, the clarity of implementation measures, governance and accountability structures, and the extent to which CapEx and/or Opex are aligned with the stated transition objectives. The bank will also review the client’s disclosure practices, including progress reporting and verification mechanisms, to ensure transparency and accountability over time. Through this assessment, Riyad Bank intends to identify credible transition opportunities, support local businesses demonstrating genuine progress towards lower carbon business models, and ultimately ensure alignment to the Kingdom’s Vision 2030 objectives and national commitments to a sustainable and diversified economy.

The four key elements of a client transition plan that will be assessed by Riyadh Bank are:

- I. Climate transition strategy and governance
 - i. Financing should be directed toward enabling company-set goals for reducing GHG emissions that are aligned with the latest climate science, specifically what's need to limit global warming to 1.5 degrees, or well below 2 degrees, as per the Paris Agreement. There should be clear oversight and governance of the strategy, as well as a detailed disclosure of the transition plan's main levers.
- II. Business model environmental materiality
 - i. The transition plan should be relevant to the core business model of the client, with a focus on financing GHG emissions reduction from core activities over time or diversification into low-carbon business activities.
- III. Science-based targets
 - i. Transition plans should reference science-based targets and transition pathways that align with recognized trajectories such as the goals of the Paris Agreement.
- IV. Implementation transparency
 - i. The plan should disclose how the allocation of capital will deliver the emission reduction goals. Relevant financial metrics in transition plans include CapEx, OpEx, and R&D-related expenditures.
 - ii. For labelled transition finance transactions with larger corporate clients, Riyadh Bank will require a documented transition plan that, at minimum, covers these four elements and is either publicly disclosed or made available to key stakeholders.
 - iii. For SMEs and privately held clients, Riyadh Bank may accept an internal transition plan, provided it addresses the same core elements and is supported by clear governance, targets and implementation milestones.
 - iv. Riyadh Bank will also assess clients' engagement strategies with suppliers, customers, employees and communities as part of the transition plan, and will maintain its own engagement and escalation approach where progress against agreed transition milestones is insufficient.

In circumstances where a transition plan is not available, evidence of transition indicators may be acceptable. The evidence should be in the form of documentation and / or climate disclosures such as:

- Publication of climate-related disclosures or relevant reporting (e.g. annual sustainability report, quarterly IR presentations);
- Corporate governance structures and processes for overseeing the transition strategy's implementation and monitoring;
- Integration of transition objectives into corporate strategy, decision-making, and remuneration;
- Expected GHG emissions reductions aligned with Nationally Determined Contributions, sector-specific pathways, taxonomies, national carbon budgets or other official frameworks consistent with the goals of the Paris Agreement;
- Time horizons for phasing out high-emitting technologies, assets, or sites;
- Allocation and share of CapEx and OpEx and disclosure of relevant joint venture and off-balance sheet investment toward transition-aligned activities, including adoption of decarbonization levers and circular transition solutions;
- Investment in R&D for low-carbon technologies or practices;
- Technology adoption milestones;
- Engagement strategies involving value chains, industry peers, governments, public sector bodies, communities, and civil society;
- Performance benchmarks (e.g. carbon intensity relative to industry averages).

3.5 E&S Risk Management

We conduct a comprehensive Environmental and Social (E&S) risk assessment for all projects financed or refinanced under our Transition Finance Framework. This includes the use of our ESG Risk Questionnaire to identify potential environmental and social risks, with the results feeding directly into our ESG Scorecard. Each client is assigned an ESG score ranging from 1 to 4, reflecting the overall ESG risk profile. We have a 2-year Risk management plan to further enhance our ESG risk capabilities in a progressive manner.

In addition to client-level scoring, all clients and projects are assigned an industry-based E&S risk category (Low, Medium, or High) based on the inherent ESG risks of their sector. This categorization determines the depth of due diligence, level of oversight, and escalation requirements. High Risk projects are subject to enhanced review and require a separate Environmental and Social Impact Assessments (ESIA).

Once the E&S risk assessment, each project is evaluated against the eligibility criteria set out in our Transition Finance Framework. Only projects that meet the transition eligibility criteria and demonstrate acceptable E&S risk levels are considered for allocation.

Eligible projects then proceed through our internal governance and approval processes, including the relevant Credit Committees and the Sustainable Finance Working Group.

We continue to monitor projects throughout their lifecycle. Regular reviews of E&S performance and compliance are conducted, and any material changes in project characteristics or risk profile may trigger reassessment. Projects may be adjusted or removed from the Eligible Projects list if they no longer meet our criteria.

Environmental risk management from a transition perspective will additionally focus on the avoidance of “carbon lock-in”. Carbon lock-in refers to the long-term dependency on high-emission assets, technologies, or infrastructure that inhibit the shift toward low-carbon alternatives. To minimize carbon lock-in and uphold the environmental integrity of transition finance activities, Riyad Bank is focused on ensuring that all eligible transition projects financed are carefully assessed, selected, and structured with a long-term alignment to credible transition plans.

Social risk management from a transition perspective will additionally focus on ensuring a “just transition”. Just transition refers to addressing the interconnected social risks that arise during decarbonization efforts, ensuring fair treatment for all stakeholders affected. Transition activities could result in adverse social impacts such as job losses and unemployment, or economic disruption in communities. These social impacts can be mitigated via e.g. upskilling and redeploying an existing workforce, active stakeholder engagement, and transparent community investments. To enable a just transition, Riyad Bank will encourage all eligible transition projects financed to be carefully assessed, selected, and structured with appropriate safeguards.

For all labelled transition finance, Riyad Bank will apply a ‘Do No Significant Harm’ lens, ensuring that activities do not undermine other environmental objectives and that robust social safeguards are in place, informed by internationally recognised standards.

Riyad Bank also expects clients’ transition plans, where relevant, to identify and manage key workforce and community impacts associated with the transition, supporting a just transition for affected employees, suppliers and local communities.

For fossil fuel-related activities, Riyad Bank will not classify as transition any financing that supports new or expanded unabated coal mining or coal-fired power generation, long-lived unabated oil and gas production assets that are inconsistent with credible net-zero by 2060 pathways, or fossil fuel infrastructure that is not compatible with credible decarbonisation strategies, such as hydrogen-ready assets, high-integrity carbon capture, utilisation and storage, or near-term phase-out backed by firm closure dates.

Where applicable, Riyad Bank will reference technical screening criteria and sectoral reference pathways from recognised sources (for example the IEA, ASEAN Taxonomy, Singapore-Asia Taxonomy and Climate Bonds Standard) to set minimum performance thresholds for eligible transition activities, and will periodically review these thresholds as global and local guidance evolves.

4 Eligible Transition Activity List

At the date of this Framework, Riyad Bank has developed a comprehensive list of over 60 eligible transition activities across 14 categories in hard-to-abate sectors. Financing transition activities can either be via use of proceeds directed towards eligible projects, or via general purposes for a client that derives 90% or more of its revenues from eligible projects. Please note that all transactions labelled as transition will remain subject to approval by the SFWG.

Category	Eligible Activity Criteria
Agriculture	<ul style="list-style-type: none"> - Switch to short rotation advanced-bioenergy crop production on marginal lands and pasture land. - Changes to animal feed to reduce nitrous oxide and methane emissions. - Agricultural machinery that reduces emissions but is not at or fully zero emissions today. - Technology that leads to better manure management via improved storage and handling. - Installation/retrofit of energy efficient cold chain and processing facilities. - Nutrient management plan. - Phytosanitary management plan.
Aluminum	<ul style="list-style-type: none"> - Thermal efficiency improvement. - Novel anode technologies. - Retrofitting of smelters. - Use of renewable energy for smelting. - Aluminum recycling/production of secondary Aluminum. - Production of end consumer aluminum products (input consists of 90% scrap / recycled aluminum)
Automotive	<ul style="list-style-type: none"> - Development, production and sale of full hybrid and plug-in hybrid vehicles where there is a sunset date, and where it doesn't lead to displacement of battery-electric or fuel-cell-electric vehicles. - Energy-efficient engine (focused on heavy duty vehicles). - Improved aerodynamics and tire design (focused on heavy duty vehicles).
Aviation	<ul style="list-style-type: none"> - Airplane energy efficiencies (providing at least 15% improvements vs previous technologies) - Low-carbon fuel use (e.g. SAF, Synthetic Fuels) or fuel cells. - Energy efficiency improvements relating to infrastructure.
Carbon Capture Utilization & Storage	<ul style="list-style-type: none"> - On industrial plants, bio-energy plants. - On cement factories. - On oil refineries - Infrastructure to transport captured CO2. - R&D and demonstration for eligible CCUS projects. - For waste composting / GHG capture solution for anaerobic digestion. - CCUS shipping tankers. - Direct Air Capture and Storage (DACCS). - Bioenergy Carbon Capture and Storage (BECCS).

Cement	<ul style="list-style-type: none"> - Blending of alternative materials into cement to replace clinker (inc. limestone and calcined clay). - Material efficiency by using less input. - Electric cement kilns. - Waste reduction, collection and sorting.
Chemicals	<ul style="list-style-type: none"> - Shift towards circular plastics processes. - Alternative feedstocks for organic chemicals production (e.g., biofuels). - Chemical recycling of plastics.
Emissions Reduction on Existing Fossil Fuels	<ul style="list-style-type: none"> - Midstream and downstream operations. - Improvement of existing transmission grid or development of new transmission grid for primarily (>50%) renewably-sourced electricity.
Hydrogen	<ul style="list-style-type: none"> - Enabling new infrastructure (e.g. hydrogen fueling stations, import and export terminals, dedicated hydrogen pipelines). - Enabling infrastructure repurposing (e.g. of existing gas pipelines). - New hydrogen-based industrial plants. - Electrolyser capacity at industrial sites. - Hydrogen use in refineries, power plants, cement factories. - Production and use of blue (CCUS-enabled) hydrogen. - Development of ports to produce hydrogen and ammonia for use in chemical and refining industries and to refuel ships.
Iron & Steel	<ul style="list-style-type: none"> - Scrap-based production of steel. - Scrap-based Electric Arc Furnace (EAF). - Direct Reduced Iron (DRI) using low-carbon fuels (hydrogen/biogas/biochar). - Iron ore electrolysis. - Electrification of ancillary equipment. - Partial hydrogen injection into commercial blast furnaces. - Smelting reduction. - Natural-gas-based Direct Reduced Iron (DRI) with CCUS. - Increasing thermal efficiency.
Logistics	<ul style="list-style-type: none"> - Information and Communication Technology (ICT) that improves asset utilization, flow, and modal shift, regardless of transport mode. - Transition long-haul road freight to more carbon-efficient alternatives (rail, coastal shipping). - Use of alternative fuels for heavy-duty road transport.
Mining	<ul style="list-style-type: none"> - Mining of critical minerals for use in energy transition technologies (e.g. copper, cobalt, manganese, lithium, nickel, rare earth metals).
Nuclear	<ul style="list-style-type: none"> - Research into nuclear processes with minimal waste from the fuel cycle. - Greenfield nuclear power generation. - Extension of existing nuclear power generation assets. - Nuclear small modular reactors (SMR) when used for industrial heat or co-generation.
Shipping	<ul style="list-style-type: none"> - Operational and energy efficiency measures (e.g. fleet management, optimized routing, slow steaming, wind-assistance technologies). - Retrofitting of vessels to run on low carbon fuels (e.g. batteries, ammonia, hydrogen). - Financing of ships powered by alternative / low-carbon fuel including LNG, internal combustion engines for ammonia, electric engines driven by batteries or green hydrogen fuel cells).

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Thank you



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