

SAB's Responsible Banking Progress Statement

for PRB Signatories



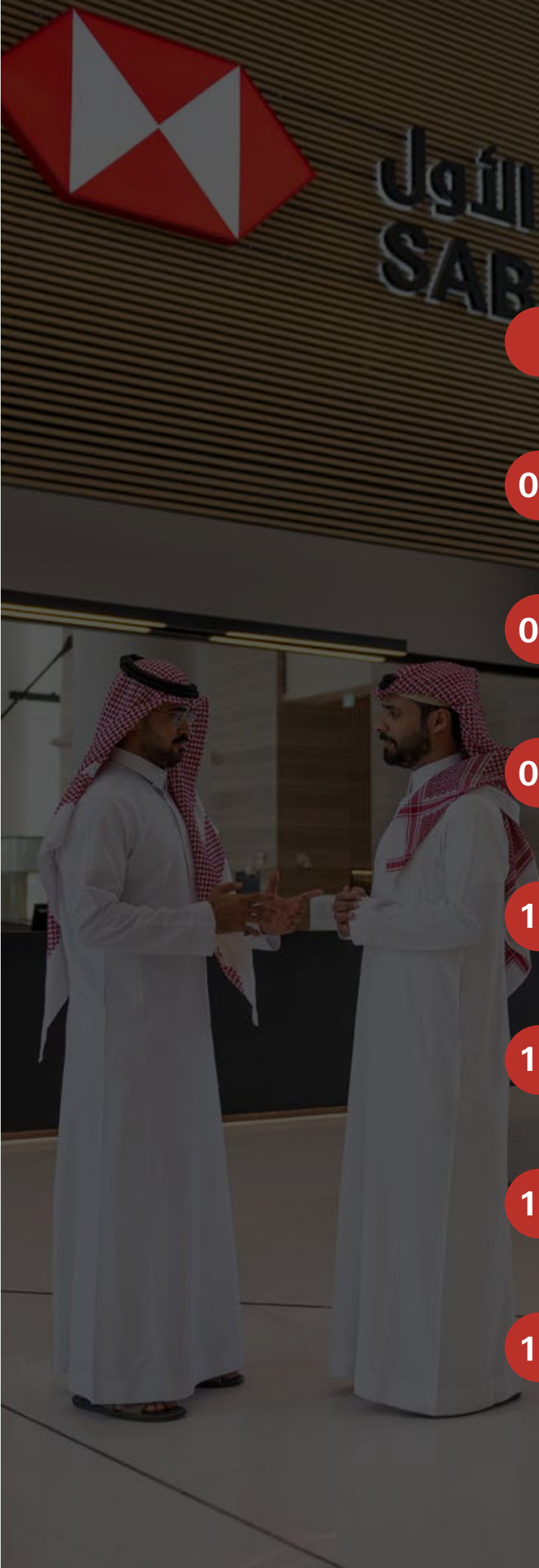


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Links & references

SAB 2024 ESG report – p.6-7, p.14-15, p.18-21, p.42-51, p.64-88, p.92-99.

SAB 2024 ESG report- p.42-51, p.65-89, p.94
Sustainable Debt Framework
Sustainable Finance Data Dictionary
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Summary Template

Principle 1:

Alignment



SAB’s ESG strategy, launched in 2022, is a fundamental component of the broader Corporate Strategy. This integration ensures that our commitment to sustainability principles shapes our decision-making processes at every level of the organisation.



Our strategy is centered on integrating ESG principles into every aspect of our business. By leveraging our partnership with HSBC, we enhance our capabilities in sustainable finance and innovation. This, combined with our alignment to Saudi Vision 2030 and sustainability goals of the Kingdom, empowers our stakeholders to thrive in a rapidly evolving financial landscape.



By aligning our ESG initiatives with Saudi Vision 2030, we contribute to the Kingdom’s goal of economic diversification and sustainable development. Through this strategic focus, we aim to create long-term sustainable value, ensuring that our operations and financing activities not only meet regulatory standards, but also positively impact society and the environment.



We are committed to providing comprehensive information on our ESG approach, in line with key national and global standards and frameworks for sustainability and climate-related disclosures.



By prioritising sustainability in our business practices, we are committed to being a leader in responsible banking while contributing to the prosperity of the Kingdom and its citizens.



Our ESG report aligns with the Sustainability Accounting Standards Board (SASB), International Financial Reporting Standards (IFRS) S1 and S2, as well as the UN Sustainable Development Goals (SDGs).



We also proudly align ourselves with the principles prescribed by the United Nations Global Compact (UNGC), being the first bank in Saudi Arabia to do so, reinforcing our commitment to responsible business practices that promote sustainability, human rights, and ethical labour standards.

In 2024, our CEO signed the UN Women’s Empowerment Principles (UN WEPs), emphasizing the need for corporate action to promote gender equality and women empowerment.

Our CEO is appointed as the Chair of the ESG Saudi Bank Advisory Committee (EBAC) under the supervision of SAMA. Furthermore, we are also actively involved in the Corporate Sustainability Policy Development Working Group to support the development of sustainability reporting standards under the mandate of Ministry of Economy and Planning (MEP).

For more information about our ESG Strategy, please refer to our 2024 ESG Report.

Principle 2:

Impact & Target Setting

We have conducted a detailed impact analysis process using a materiality assessment, as well as the UNEP FI Portfolio Impact Assessment Tool to better understand the positive and negative impacts associated with our lending portfolio.

Our materiality assessment was informed by using direct stakeholder information through engaging with both internal and external stakeholder groups, including representatives from employees, customers, suppliers, and members of the community. These stakeholders were invited to rate various ESG topics based on their perceived importance to SAB through surveys facilitated by a third party. The materiality assessment was additionally guided by global frameworks such as the SDGs, as well as national strategies including Saudi Vision 2030. Detailed information on the materiality assessment process can be found in our 2024 ESG report.

The UNEP FI Portfolio Impact Assessment Tools have also been used to assist in the impact analysis. This analysis was conducted using 2023 data, covering the Bank's Corporate and Institutional Banking (CIB) business, which makes up 75% of our total portfolio.

Next year, we aim for the Portfolio Impact Assessment Tools to cover 100% of the CIB and Wealth and Personal Banking (WPB) activities. To ensure alignment with the anticipated expanded coverage, we have purposely selected our UN PRB targets with the aim to cover both portfolios.

As an outcome of the impact analysis process, we have prioritized a) Climate Stability and b) Availability, Accessibility, Affordability, Quality of Resources and Services, as the two most significant impact areas where the Bank can support sustainable development within the Kingdom.

we have adopted an ambitious target to allocate

SAR 34 billion

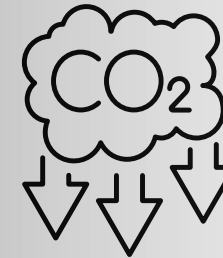
towards sustainable finance and investments by 2025

and have successfully achieved

SAR 19 billion

as of year-end 2024

We aim to integrate the new targets set against the impact areas identified using the UN Portfolio Impact Assessment Tool within the existing sustainable finance target of **SAR 34 billion**.

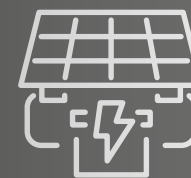


Climate Stability:

Saudi Arabia has stated its ambition to achieve Net Zero by 2060 and replace 50% of its energy mix with renewables by 2030. This is leading to a large expansion of renewable energy projects in the country. In light of this, as part of our overall ambition of SAR 34 billion of sustainable financing, we have set a target to allocate SAR 16 billion of financing towards green finance focused on renewable energy as an area of priority. We aim to achieve this target by the end of 2025 and have already made progress on this front, with some notable examples of green projects that are being financed including:

NEOM
GREEN
HYDROGEN
COMPANY
شركة نيوم للهيدروجين الأخضر

NEOM Green Hydrogen Project: we are providing financing for the world's largest carbon-free green hydrogen and green ammonia plant through a green loan facility. Projections indicate a potential output up to 600 tonnes of green hydrogen daily, saving up to 5 million tonnes of CO2 per year.



Solar PV investments: we are also providing financing for three large-scale solar PV projects in central and north Saudi Arabia. The projects Ar Raas 2, Saad 2 and Al Kahfah will have an aggregate capacity of 4.5 GW, that are sufficient to power approximately 4 million homes.



Availability, Accessibility, Affordability, Quality of Resources and Services:

Another critical deliverable within the Saudi Vision 2030 relates to increasing home ownership to 70% with an aim to improve quality of life for citizens, drive economic diversification, and provide access to affordable and safe housing for families. We partner with the Real Estate Development Fund (REDF) to support a subsidized mortgage program for our retail clients.

Through this scheme, we dedicate financing to the REDF government scheme for affordable housing and construction of homes for low-income individuals.

To support this impact area, we aim to allocate SAR 15 billion out of our commitment of SAR 34 billion to support projects within the REDF subsidized mortgage program, as this directly links to the identified key impact area.

We aim to achieve this target by the end of 2025. We are already demonstrating progress on this front, as the REDF-supported mortgages grew 20% in 2024.

Along with the identified impact areas deemed most important and addressing the UNEP FI Climate Change and Healthy & Inclusive Economies priority areas, we have also undertaken action related to the other UNEP FI priority areas, including:



Nature and biodiversity:

We are committed to supporting initiatives that promote environmental conservation and sustainability. Through funding local projects focused on reforestation, waste reduction, and renewable energy, we aim to enhance biodiversity and foster a healthier environment, reinforcing our dedication to environmental stewardship and community well-being.

Our various initiatives include community clean-up such as 'Cleaning One Million Square Metres' desert project, collaborating with the Saudi Wildlife Commission on initiatives designed to protect wildlife and preserve endangered flora, and by financing research on the impacts of human activity on marine environment. We have also committed to support Saudi's Green Initiative (SGI) where we established various targets, such as tree plantation, mangrove plantation, and providing viable native plant seeds.



Human Rights:

We are aligned with the principles of the United Nations Global Compact (UNGC), reinforcing our commitment to responsible business practices that promote human rights and ethical labour standards.

We are dedicated to integrating these principles into our corporate strategy and operations, ensuring our actions positively impact both the global community and the Kingdom. Our commitment is actively sponsored by our CEO and is publicly available on the UNGC website. We are focused on enhancing our communication of progress reports, detailing our initiatives in social and environmental stewardship.

By embracing the UNGC's ten principles, we strive to uphold human rights and promote fair labour practices while actively working to reduce our ecological footprint.

Principle 3:

Clients & Customer



We offer a variety of sustainable financing products that enable clients to transition to sustainable and low-carbon activities. Our sustainable investment products are designed to finance economic activities with a positive environmental or social impact.

We identify key strategic business opportunities in sustainable finance by developing products that align with international standards and contribute to the UN SDGs. In 2024, we launched sustainability-linked loans (SLLs), designed to incentivize borrowers to achieve specific environmental and social performance targets.

These loans reflect our commitment to support clients in their sustainability journey, while promoting responsible financial practices that contribute to a sustainable economy. The full list of sustainable finance products that we offer can be found in our Sustainable Finance Data Dictionary.

Our client engagement strategy is designed to actively support customers in their transition journey. For example, to support climate and reputational risk management, we have implemented an enhanced client engagement approach, whereby Corporate Relationship Managers engage with customers to complete a Transition Engagement Questionnaire (TEQ) for designated borrowers. The TEQ is applicable for wholesale borrowers and prioritised for hard-to-abate sectors that are most likely to be impacted by the transition to a low-carbon economy. The TEQ plays a crucial role in evaluating client transition plans and identifying opportunities to support our customers on their transition journey and understand the associated risks.


Progress indicator: In accordance with the limits issued, a major portion of the CIB exposure is under the scope of TEQs. In addition to the hard-to-abate sectors, the scope of the TEQ’s also includes sector agnostic projects which have significant environmental impact.

In 2024, SAB was selected as a sustainability “Champion” by MEP to guide four corporate clients in their journey to develop, implement and disclose ESG practices.


Principle 4:

Stakeholders


At SAB, we deeply appreciate the viewpoints of our stakeholders and prioritise active engagement to gather valuable insights and cultivate relationships. Stakeholders play a crucial role in our decision-making processes, particularly when it comes to identifying material issues as highlighted in the 2024 ESG report.



In the 2024 ESG Report, we detail our continuous efforts to strengthen connections with each of our identified stakeholder groups, showcasing the various methods we employ to facilitate dialogue and collaboration. We provide concrete examples of engagements, illustrating how we have incorporated stakeholder input into our practices. This includes focus group discussions, surveys, awareness events and other enagement methods.



Our refreshed materiality assessment was informed by engaging both internal and external stakeholder groups, including representatives from employees, customers, suppliers, and members of the community.



By fostering open communication and transparency, we aim to ensure that our stakeholders feel valued and heard, ultimately driving our strategic commitment to mobilise finance to support the transition towards a more sustainable economy. Through these engagements, we not only enhance our understanding of stakeholder concerns but also align our objectives with their expectations, paving the way for a more resilient and inclusive future.

Principle 5:

Governance & Culture

At the heart of our governance model is a diverse and experienced Board of Directors, tasked with guiding the Bank’s ESG vision and strategy. An effective board fosters a culture of informed decision-making. We have established comprehensive policies and procedures that promote ethical behaviour and compliance, reinforcing our dedication to responsible banking practices. This governance framework not only mitigates risks but also enhances the Bank’s reputation and operational resilience. At the core of our ESG governance framework is the commitment to transparency and accountability, ensuring that ESG considerations are embedded in our strategic decision-making processes. The governance structure delineates the roles and responsibilities of key bodies, including the Board of Directors, the Board Committees, and Management committees such as the ESG Steering Committee.

The Board of Directors are responsible for long-term sustainable performance and growth. It retains the ultimate responsibility for ESG matters. The Board and senior leadership contribute to and oversee the evolution of ESG’s strategy. Additionally, the Board provides feedback on targets, endorses the ESG report, and regularly receives updates on ESG performance and sustainable finance, relying on the information provided by the ESG Steering Committee.

The ESG Steering Committee (SteerCo) is the main entity driving the ESG agenda across the organisation. The committee works in close synergy with all executives and reports to the Executive Committee (EXCOM). It is responsible for the governance, oversight, approvals, and coordination of all initiatives implemented under our ESG strategy. It also ensures that we deliver against our publicly disclosed targets and objectives within the stipulated timelines.

We have also established an ESG office dedicated to executing the ESG strategy in practice. In our 2024 ESG report, we highlight various other governance tools to manage ESG risks and opportunities related to our portfolio; such as a Sustainable Finance Governance structure, Sustainable

Finance Data Dictionary, Sustainable Debt Framework, as well as a dedicated Risk Management Framework aligned with the BCBS Principles for the Effective Management and Supervision of Climate-related Financial Risk.

We have also set up a Climate Risk Oversight Forum (CROF) to implement our approach to climate risk management and governance across all lines of defense, as well as continued integration of responsible practices throughout the Bank, while updating several of our (risk) policies to cover our exposures to climate, environmental and social risk.

We actively foster a culture of responsible banking throughout the bank by embedding

ESG into internal and external employee training and performance management. Additionally, to drive a culture of responsible banking internally, we have appointed ESG Champions throughout the organization, who help to embed our ESG Strategy internally.

Progress indicator: Every member of the Management Committee, as well as the teams that report to the Committee, has specific ESG Key Performance Indicators (KPIs) integrated into their individual performance scorecards. These metrics are broadly linked to their variable compensation, reinforcing our commitment towards sustainable and responsible business practices through leadership accountability.

Principle 6:

Transparency & Accountability

We abide by the principles of transparent reporting and accountability in disclosures of non-financial information. We, therefore, obtain external assurance for key ESG indicators. This year we have chosen PricewaterhouseCoopers Public Accountants (PwC) to obtain limited assurance for key indicators pertaining to ESG areas including:

- GHG emissions (Scope 1, 2 and 3)
- Electricity consumption
- Staff and Board diversity
- Employee training
- Penalties
- Sustainable financing and investments

Supplement Template

Principle 2:

Impact & Target Setting

We have conducted a detailed impact analysis using our 2024 materiality assessment, as well as the UNEP FI Portfolio Impact Assessment Tool to better understand the positive and negative impacts associated with its lending portfolio.

Our refreshed materiality assessment, as set out in detail in the 2024 ESG report, was informed by using direct stakeholder information by engaging both internal and external stakeholder groups. The representation included employees, customers, suppliers, and members of the community to perceive significance of these material topics to SAB. Our material topics are additionally guided by global frameworks such as the SDGs, as well as national strategies including Saudi Vision 2030. For more details about the materiality assessment process, please refer to the 2024 ESG report.

To complement the identified material topics, an impact analysis was conducted using the UNEP FI Portfolio Impact Assessment Tool for our 2023 data, focusing on the Corporate and Institutional Banking (CIB) portfolio, which makes up 75% of our total portfolio.

For our 2026 UN PRB report, we aim for the Portfolio Impact Assessment Tool to cover the WPB portfolio in addition to the existing scope. To ensure we take into account the expanded coverage, our UN PRB targets factor both CIB and WPB portfolios.

Scope: Within the Portfolio Impact Assessment Tools, we utilized the UNEP FI’s Context module for Institutional Banking Identification module to carry out an analysis of its CIB activities. The assessment was limited to the Kingdom of Saudi Arabia, which is the primary geography where we operate. The portfolio that was not included in our assessment was the Wealth and Personal Banking (WPB), which counts for the remaining 24% of the portfolio, while our Capital Market activities and subsidiaries constitutes less than 1% of our total revenue as of 2024.

Portfolio Composition: In 2023, we used the Portfolio Impact Assessment Tool to assess our CIB lending portfolio. For transparency, we have outlined below the breakdown of our total sector lending portfolio exposure at 2024 year end.

Sector Exposure	Total Exposure		
	2024	2023	2022
Government and Quasi Government	3,455,805	-	143,368
Finance	17,432,575	11,5526,275	12,013,300
Agriculture and Fishing	936,558	629,659	444,928
Manufacturing	23,535,914	22,436,306	23,545,441
Mining and Quarrying	8,640,476	7,200,480	5,140,420
Electricity, Water, Gas and Health Services	25,974,525	20,785,568	16,129,354
Building and Construction	16,847,237	16,685,491	12,693,770
Commerce	63,193,332	52,465,896	44,145,387
Transportation and Communication	13,901,290	12,996,426	11,078,876
Services	11,328,542	10,756,812	9,541,999
Credit Cards and Other Retail Lending	66,942,901	55,040,540	47,447,805
Other	9,782,906	7,727,644	2,976,653
Total Exposure	261,882,061	218,251,097	185,301,301


Context: Based on the combined results of the external engagement, materiality assessment, output from the Portfolio Impact Analysis Tool for Banks, and operational scope, we identified the most critical impact areas with respect to sustainable development in Saudi Arabia:

- 1) Availability, Accessibility, Affordability, Quality of Resources & Services,
- 2) Climate Stability,
- 3) Circularity,
- 4) Infrastructure.

SAB’s identified priority impact areas:

- 1) Availability, Accessibility, Affordability, Quality of Resources & Services and
- 2) Climate Stability


The two most significant impact areas mentioned above can support sustainable development within the Kingdom. These are linked to the UNEP FI Healthy and Inclusive Economies and Climate Change priority areas. We have therefore set SMART targets and have also undertaken action for the other two UNEP FI impact areas identified, i.e. Nature and biodiversity and Human rights:



Nature and biodiversity:

We are committed to supporting initiatives that promote environmental conservation and sustainability. Through funding local projects focused on reforestation, waste reduction, and renewable energy, we aim to enhance biodiversity and foster a healthier environment, reinforcing our dedication to environmental stewardship and community well-being.

Our various initiatives include community clean-up such as ‘Cleaning One Million Square Metres’ desert project, collaborating with the Saudi Wildlife Commission on initiatives designed to protect wildlife and preserve endangered flora, and by financing research on the impacts of human activity on marine environment. We have also committed to support Saudi’s Green Initiative (SGI) where we established various targets, such as tree plantation, mangrove plantation, and providing viable native plant seeds.



Human Rights:

We are aligned with the principles of the United Nations Global Compact (UNGC), reinforcing our commitment to responsible business practices that promote human rights and ethical labour standards.

We are dedicated to integrating these principles into our corporate strategy and operations, ensuring our actions positively impact both the global community and the Kingdom. Our commitment is actively sponsored by our CEO and is publicly available on the UNGC website. We are focused on enhancing our communication of progress reports, detailing our initiatives in social and environmental stewardship.

By embracing the UNGC’s ten principles, we strive to uphold human rights and promote fair labour practices while actively working to reduce our ecological footprint.

Performance measurement: To measure our performance related to the two significant impact areas, we have identified sectors and industries that are responsible for significant environmental impact.

To address the Climate Stability impact area, we determined that sustainable finance can be a key lever to mitigate climate change impact. This is also aligned with the priorities under Saudi Vision 2030. The allocation of funds aims to substantially reduce carbon emissions, whilst also providing cleaner air, healthier communities, and climate resilience for Saudi Arabia.

To promote Availability, Accessibility, Affordability, Quality of Resources & Services, we have recognized affordable housing as a key contributor. This is aligned with the national priorities laid out under Saudi Vision 2030 and the priorities under the National Housing Program, set up to address the challenge of high housing costs and give more low and middle-income families a realistic plan of owning a home. This is intertwined with inclusive economic growth, reduced inequality and promoting social stability.

As part of the ESG Strategy, we adopted an ambitious target to allocate SAR 34 billion towards sustainable financing products and investments by end of 2025.

Referring to the considerations in the impact analysis above, we have set two SMART targets linked to two key impact areas, covering the scope of both our CIB and WPB portfolio.

Key Impact area: Availability, accessibility, affordability, quality of resources and services

Target: We are partnering with the Real Estate Development Fund (REDF) to support a subsidized mortgage program. Through this program, we dedicate financing to the REDF government scheme for affordable housing and construction of homes for low-income individuals. We aim to allocate SAR 15 billion to support projects within the REDF subsidized mortgage program remit.

Our aim is to allocate SAR 15 billion through the REDF subsidized mortgage program by end of 2025.

Alignment: To improve the availability, accessibility, affordability and quality of resources and services, and to address the UNEP FI priority area to promote Healthy and Inclusive Economies, we determined that increasing financing towards affordable housing can make substantial impact. This also contributes to the critical deliverable within the Saudi Vision 2030, which aims to increase home ownership to 70% whilst improving quality of life for citizens, drive economic diversification, and provide access to affordable and safe housing for families. The REDF program is prioritized under the National Housing Program, set up to address the challenge of high housing costs and give more low and middle-income families a realistic plan to owning a home. Our target also addresses inclusive economic growth and reduced inequality, while promoting social stability.

Implementation and monitoring: For implementation and monitoring, the mortgages are governed by standardized guidelines that ensure eligibility is limited to low-income households, thereby directly addressing the availability and affordability of resources and services impact area, ensuring that the integrity of the goal is effectively safeguarded by reaching the intended beneficiaries related to this impact area.

Target Progress & Milestones: We have already made significant progress through REDF in line with our 2025 Sustainable Finance and Investment commitment of SAR 34 billion. Notably, our REDF-supported mortgages grew 20% in 2024. The following table provides the portfolio balance per year and cumulatively for the REDF portfolio, as compared against the target.

Year	Per Year (SAR,bn)	Cumulative (SAR,bn)
2022	1.54	1.54
2023	4.84	6.38
2024	5.83	12.21
2025 Target	-	15

Future Target Setting:

As part of our 2026 strategy refresh, we will establish new targets beyond 2025. This will ensure continued progress under the UN PRB framework and reflect our long-term ambition to scale up sustainable finance. The extended targets will build on the foundation achieved to date, and will be published in our 2026 submission.

Key Impact Area: Climate Change

Target: As part of our ESG Strategy, and the target to allocate 34 billion towards sustainable financing products and investments by 2025, we have also placed a significant focus on climate change mitigation and green financing.

Our aim is to allocate SAR 16 billion through financing of renewable energy to directly target the key impact area identified by end of 2025.

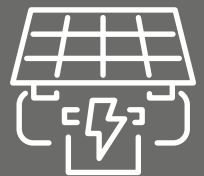
Alignment: To improve Climate Stability, and to address the UNEP FI Climate Change priority area, sustainable financing is recognized as an important contributor towards reducing impact of climate change. This approach is aligned with the priorities under Saudi Vision 2030 and the Kingdom’s target to achieve Net Zero by 2060 and to increase the share of renewable energy in power production to 50% by 2030. Pursuance of these targets has led to expansion of renewable energy projects in the Kingdom.

Implementation and monitoring: To monitor our sustainable finance target, we use a three-layered oversight mechanism. Following the origination of business opportunities by respective business, the first layer is the ‘Transaction Review Forum’. This layer comprises of the CIB Sustainable Finance Forum (CSFF), and is responsible for approving, monitoring, and addressing issues at transaction or customer level. The CSFF includes the Wholesale Credit Risk and Compliance departments, as well as the ESG Office to engage with relevant team members to ensure compliance. All information from the CSFF is meticulously documented and shared with the sustainable finance reporting team and the ESG Steering Committee. The second layer is ‘Review, Definition Setting, and Monitoring’. This stage of oversight is deeply informed by our Sustainable Finance Data Dictionary and Product Governance frameworks. The Product Governance Framework helps identify which products, listed in the Data Dictionary, can be originated by business divisions. At this level, sustainable finance issuances are overseen, monitored and reported collectively by the SAB Finance team and ESG Office. The final layer is ‘Review and Oversight’ wherein the Finance team provides monthly reports to the ESG Steering Committee. This is followed by diligent oversight from the Board Executive Committee and the Board of Directors to ensure that the lending activity is aligned with our strategic direction and all escalated issues are adequately addressed.

Target Progress & Milestones: We aim to achieve our target by the end of 2025, with some notable examples of green projects that are already being financed including:

NEOM
GREEN
HYDROGEN
COMPANY
شركة نيوم للهيدروجين الأخضر

NEOM Green Hydrogen Project: we are providing financing for the world’s largest carbon-free green hydrogen and green ammonia plant through a green loan facility. Projections indicate a potential output up to 600 tonnes of green hydrogen daily, saving up to 5 million tonnes of CO2 per year.



Solar PV investments: we are also providing financing for three large-scale solar PV projects in central and north Saudi Arabia. The projects Ar Raas 2, Saad 2 and Al Kahfah will have an aggregate capacity of 4.5 GW, that are sufficient to power approximately 4 million homes.

Year	Per Year (SAR,bn)	Cumulative (SAR,bn)
2022	-	-
2023	3.9	3.9
2024	8.5	12.4
2025 Target	-	16

Future Target Setting:

As part of our 2026 strategy refresh, we will establish new targets beyond 2025. These will ensure continued progress under the UN PRB framework and reflect our long-term ambition to scale up sustainable finance. These extended targets build on the foundation achieved to date, and we intend this to be published in our 2026 report.

