

Environmental, social and governance in focus

While the ESG story has been progressing at SABB for some time, 2022 has seen a significant step forward where the organisation's intention on ESG has formally come together in the form of an ESG strategy. The Bank is broadening the scope of its strategy from profitable growth to equitable growth, keeping environmental and social factors front and centre. SABB has always been known for good governance, transparency, and openness, and this year the Bank focused on engagement with existing relationships across SABB's stakeholder universe on social, environmental, and governance commitments that have been made. This is the first time SABB will be issuing a standalone ESG report complementing the annual report, and the next few pages will summarise the focus on ESG at SABB, as detailed within the ESG report (for more information please visit the ESG microsite at www.sabb.com). This section along with the ESG Report is intended to provide sufficient information for our readers to take into account the significant steps SABB is taking to incorporate ESG factors across the Bank's business and functions.

Our ESG strategy

Overview

This year, we have announced our new environmental, social, and governance (ESG) strategy. This followed much reflection and contemplation on how SABB could make an environmentally astute socio-economic impact to support the Kingdom's Vision 2030 and Net-Zero ambitions. ESG is now a central pillar at the core of our strategy and major steps are being taken to create awareness and embed ESG into the minds of our employees across all levels and throughout our banking operations and products. We recognise that to achieve these long-term national and international goals is a journey, and we are marking 2022 as the start of our journey. As we integrate ESG into the DNA of our business, it will continually shape our business priorities and Stakeholder relationships. Our eventual aim is to broaden all of our decision-making beyond economic factors and take people and planet into account for the longevity of our organisation.

The strategic alliance with HSBC uniquely positions SABB to drive the ESG initiatives for Saudi Arabia's financial sector. SABB can bring global expertise and experience in developing ESG solutions, taxonomies, disclosures, and best practices to the Kingdom. The depth of SABB's Board on the topic of ESG also plays to our strength in providing direction to our Bank and delivering a larger impact to the financial eco-system, applying the highest level of standards and adopting best practices.

SABB's ESG strategy elaborates the following focal elements:

Economic: SABB continues to recognise its economic responsibility to help develop a sustainable economy for the Kingdom. Hence, the Bank is incorporating ESG considerations into investments, products, and services.

Environment: Our banking business practices appreciate the impact of our clients' operations on the sustainability of the economy and the natural ecosystems. Hence, as a start, the Bank has played a direct role in national efforts to replenish natural ecosystems such as the Saudi Green Initiative espoused in the Kingdom's Vision 2030 plan.

Social: SABB's direct social impact and responsibilities are towards its people, the Saudi society, our clients and suppliers, and the impact within the value chain of our clients. As the success of the Bank is interdependent with the planet and the social eco-system that SABB operates within, we aim to enable the creation of an inclusive and diverse society that provides sustainable jobs, education, entrepreneurial opportunities, and social welfare across all levels, especially including underprivileged citizens.

Governance: Central to our governance approach is weaving ESG considerations into our business strategy while driving integrity and responsibility in all decision-making. We are redesigning governance and risk management frameworks that will enable the assessment of high-risk sectors that align to our sustainability focus.



Allocate financing toward a just and sustainable economy

- **Support the transition of our customers** to a more sustainable and diversified economy through our **products and services**
- Scale up **sustainable financing and investments to SAR 34 bln by 2025**, supporting the Kingdom's Vision 2030
- **Measure the carbon footprint** of our portfolio, and **pursue decarbonisation by 2060 or sooner**, with an active focus on a just transition
- Align our operations and supply chain to ambitious science-based targets and key milestones by 2030, to achieve Net-Zero in our operations by 2035
- Plant one million trees to offset 0.9 million tons of CO2



Play a leading role to shape an inclusive and diverse society, positively impacting our Stakeholders

- Further develop our digital capabilities to **build sustainable financial capability amongst our customers** and across the Kingdom
- Ambitiously pursue playing our part in **closing the regional savings gap**
- Continue to actively shape and advance the **development of ESG and the sustainable finance market across the Kingdom**
- **Remove barriers for women and para-abled** for engagement in financial services, including financing for female-led enterprises



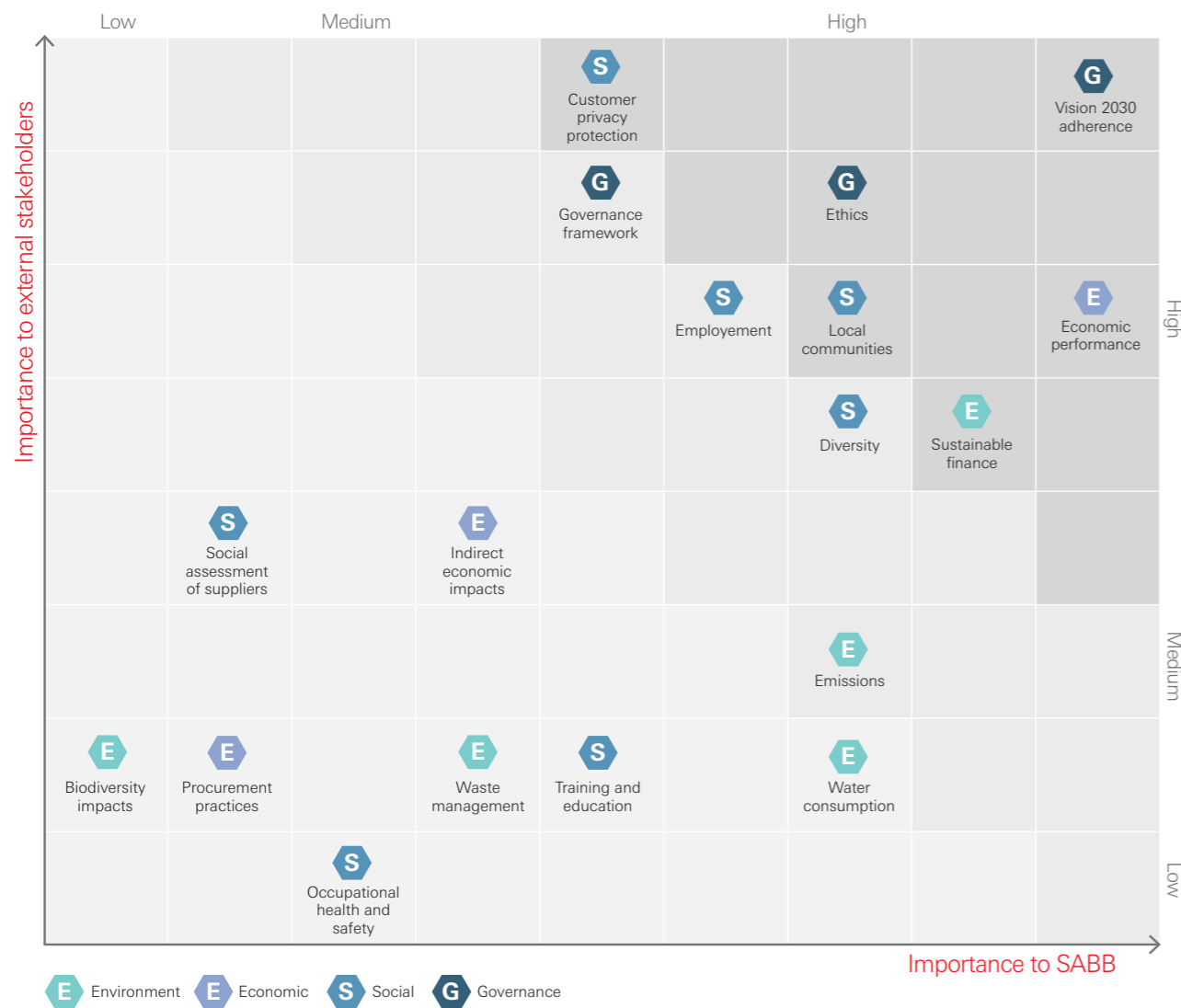
Commitment towards a high standard of governance, driving integrity and responsibility in all decision-making

- **Deploy** an ESG governance structure
- **Embed ESG into all departments, functions, and staff members**, for every financial decision to be reviewed through an ESG lens
- **Partner with an international body** to build reporting and disclosure frameworks for enhanced transparency
- **Roll out an updated corporate governance framework** in line with international best practices

Our material matters

SABB's Materiality Matrix maps and prioritises key areas of sustainability that influence the implementation of our ESG Strategy. This matrix considers economic, environmental, social and governance issues that have an impact on our ESG journey. These issues can be direct or indirect and have positive or negative impacts on SABB's efforts. Materiality assessment is key to identifying the sustainability issues that are most relevant to SABB and our material Stakeholders.

As outlined in the following Materiality Matrix grid, environmental materiality issues for SABB include sustainable finance, emissions, water, waste and biodiversity impacts. Material issues in the social dimension entail local communities, diversity, employment, customer privacy protection, social aspects of our suppliers, training and education, and occupational health and safety. Economic material issues cover economic performance, indirect economic impacts and procurement practices, while governance issues include vision 2030 adherence, ethics and governance frameworks.



Key ESG milestones

Environment

SABB's pioneering approach to Sustainable Finance has entailed structuring a range of financial products for innovative sustainability impacts, especially as existing clients and potential clients across the Kingdom clamour for green finance solutions. SABB is the first Saudi Arabian institution to develop a Green Deposit investment option and, in partnership with HSBC, we have made seeding deposits into major regional green initiatives.

SABB is also participating in major environmental sustainability initiatives that are in line with the Kingdom's

Vision 2030. We are 're-greening' our natural environment through highly ambitious programmes such as the initiative to plant 1,000,000 trees in Saudi Arabia. The initial phase of planting the seedlings that will rejuvenate the Kingdom's greenery took place in the last quarter of 2022. As part of ongoing financial commitments, an amount of SAR 60 million has been allocated to fund subsequent phases of the programme that run up till 2027. The greening programme aims to increase the vegetation cover of the Kingdom. Combatting land degradation, desertification, preserving marine life, improving biodiversity, and reducing carbon emissions also fall within its remit.

Economic

Kingdom's first green deposit

In 2022, SABB launched the Kingdom's first green deposit to allow retail and corporate clients to safely deposit their money toward green financing initiatives

Red Sea Development

In March 2021, SABB was mandated as a lead arranger for a landmark transaction for the Red Sea Development Company's first-ever SAR-denominated Green Finance facility totalling SAR 14 bln

Best Bank for Sustainable Finance in the Kingdom Award 2022

SABB was named the 2022 'Best Bank for Sustainable Finance in Saudi Arabia' by Global Finance magazine, as part of its annual Excellence Awards

Environment

Saudi Green Initiative
SABB partnered with National Center for Vegetation Cover on the 1,000,000 trees initiative.

In 2022, we planted
50,000 trees

Recycling Programme
Since February 2022, our internal Bank Recycling Programme resulted in:

374,926 kg
waste recycled, saving
6,373 trees, 937m³ landfill, 9,933,287 Litres of water and equivalent to 2,160,593 kilowatts of energy

Transition to Net-Zero Programme
SABB's internal greening initiatives resulted in:

2.6 million
plastic water bottles saved

221,884 L
saved Bank Wide Annually via water optimisation

20 thousand
low Energy LED lights installed.
Avoiding 78,519 kg of equivalent power generated by coal

1,688,306 kw
of energy saved per year saved with the New HVAC Chillers

Social

As espoused in the UN's Sustainable Development Goals, SABB believes that no one should be left behind in the transition to sustainability. We have extended our social programmes to include customers, employees, university students, career-seekers, the para-abled, and underprivileged citizens, among others. At SABB, every Saudi citizen deserves an equal chance of living better and reaching their financial goals, even if hindered by adverse circumstances.

For our customers, we cushioned them against the adverse impact of the COVID-19 pandemic when they lost their incomes. SABB's approach included waiving certain fees and supporting eligible customers with payment deferrals. For our communities, the Bank has participated in catalytic initiatives to stimulate job creation and entrepreneurial activity. Flagship social engagement programmes include Taqadam, the entrepreneurship accelerator initiative. Riyali, our financial literacy scheme, is an expression of SABB's quest to empower communities with financial acumen. This program offer includes a suite of courses that confer financial planning skills to recipients. Broadly in the education fraternity, SABB partners with various Saudi universities and institutes to run training programs for undergraduate students, while we also offer scholarships for postgraduate study abroad.

The SABB Digital Academy assists youth in attaining skills that will enhance their employment prospects in the financial sector. To help eliminate global poverty and hunger in line with the UN SDGs, SABB has helped create the first ever dry-food preserving food bank in the country, in partnership with Etaam, a leading NGO for preserving and redistributing food to needy families in the Kingdom. We also work with several NGOs to help advance an inclusive society through initiatives for the para-abled community.



Riyali

Launch of the financial literacy competition during the first quarter in cooperation with the Ministry of Education.

More than **370,000** students across the Kingdom participated



Taqadam

The fourth edition of the accelerator programme was concluded:

10 winners received **SAR 375,000** each
57 teams (112 individuals) participated



SABB Digital Academy

SABB Digital Academy supports young people's entry into the labour market through training and financial skills development.

1,200 beneficiaries participated



Women's representation in the organisation

The Bank is making good strides in gender diversity with women representation

standing at **over 1/3** in the Executive Management team



Para-abled accelerator programme

with Monsha'at and the Ministry of Labour

Seven sessions held with **23,093** attendees in a hybrid environment



Launch of the Dry Food Preservation and Food Waste avoidance Projects

Provided **400,000** meals

preserved **500k tons** of food

6,000 families supported for six months



Digital Governance

Given the importance of Digital and Cybersecurity for SABB, we added a new Board committee focusing on Technology and Digital. A female Chair has been appointed for this committee, to further broaden the gender diversity across the Bank's Board committees



Review of Governance

A detailed review of Corporate Governance Procedures was undertaken to align with regulations and with international best practice

A framework was devised for the Management Committees structure, followed by an assessment to enhance the Bank's governance structure, streamlining information flow into Board committees, and optimising the decision-making process



ESG Steering Committee

Given the focus of the Board, SABB has created its first ESG Steering Committee meeting chaired by the Managing Director, and executive management with relevant experience as members. The Committee is tasked with providing oversight on ESG strategic commitments and initiatives



Transition Engagement Questionnaire

SABB is in the process of introducing a Transition Engagement Questionnaire (TEQ) to support client engagement on ESG focused on Physical and Transition risk



New positions for ESG function

The Bank added several key positions across the organisation to enhance capacity, focus and ESG talent. These are senior roles across Corporate and Retail Bank, Operations, Risk, and Communications supported by a central ESG office



Climate Risk Management Framework

As part of integrating ESG into existing governance and risk management frameworks, the Bank's risk management framework is being amended to include the Climate and Transition Risk Management

Governance

SABB prides itself with market-leading governance practices, with ongoing efforts for continuous improvement and adoption of international best practice. SABB has a distinguished and diverse Board of Directors, where Board members hold deep experience on financial and nonfinancial sectors. In addition, SABB is the only Bank in Saudi Arabia with a female Board Chair, differentiating itself from historic norms. The Board has a keen focus on diversity, with firm intentions to appoint female members at Board, Board committee, SABB subsidiary, and management levels, to set the tone from the top.

ESG is another key focus of SABB's Board. SABB's corporate governance procedures are being revised to embed ESG decision-making and implementation across the business. The Bank's risk management structure will also integrate ESG into traditional risk focus areas such as financial, operational, or strategic risk. This requires an updated risk framework to identify, integrate, manage, and monitor ESG-related risks as part of SABB's new strategic direction.

All business units, functions, management structures, and staff are being upskilled through awareness programs to incorporate an ESG lens. SABB's Board members receive ESG-related training as part of their ongoing development. In addition, this year the Bank held a focused two days offsite for training and awareness on ESG for executive management. SABB is also building a fleet of ESG champions across the organisation through tailored training sessions and briefings.

Additional information

For additional information on SABB's environmental, social and governance strategy, and to access our ESG Report, please visit the ESG microsite at www.sabb.com