1. Introduction

1.1 Background

Saudi National Bank (the “Bank” or “SNB”) has been formed after the merger of two well established banks; the National Commercial Bank and Samba Financial Group on 1st April 2021. SNB is the largest financial institution in Saudi Arabia and one of the powerhouses in the region. SNB plays a vital role in supporting economic transformation in Saudi Arabia by transforming the local banking sector and catalyzing the delivery of Saudi Arabia’s government programmes that support society, the environment and the economy. SNB also leverages its position as the largest institutional and specialized financier in the Kingdom to support the Kingdom’s landmark deals and mega projects.

1.2 Saudi National Bank’s commitment to sustainability

SNB’s mission is to provide innovative, and effective financing in support of the development of the Kingdom and its society. SNB’s sense of responsibility towards caring for the environment and the drive to benefit the communities where we work is driven by the Kingdom of Saudi Arabia’s broad Vision 2030 agenda. Vision 2030 was developed by the Council of Economic and Development Affairs in 2016, and aims to transform the structure of the Saudi economy into a diversified and sustainable economy focused on enhancing productivity, increasing the contribution of the private sector, and empowering the third sector.

SNB’s business strategy determines our business decisions, where we define sustainability as the delivery of long-term value in financial, environmental, social and ethical terms, prioritizing the benefit of our customers, shareholders, employees, and communities. SNB’s Sustainability Framework consists of four main pillars:

1. Promoting sustainable financing
2. Preserving the environment around us
3. Empowering individuals & communities, and
4. Promoting principles of good ethical governance that underpin the integrity of our organization

The journey that we are undertaking towards a more sustainable future, in line with the Vision 2030 will be a long one, but we have embarked on this journey in a fully committed manner and this Sustainable Finance Framework (the “Framework”) is a key step towards sharing our journey with the capital markets.

SNB is listed on the Saudi Stock Exchange (Tadawul). In October 2021, the exchange published ESG disclosure guidelines to help listed companies report on their sustainable practices, encompassing the broad set of environmental, social and governance (ESG) considerations that can affect a company’s ability to execute its business strategy and create value. In 2022, SNB will establish its ESG committee that will have oversight of ESG matters across the bank, including preparing the bank’s overall sustainability strategy and overseeing SNB’s ESG reporting standards, including aligning our reporting with these ESG disclosure guidelines from the Saudi Exchange.

---

2 Refer to the Non-Profit Sector
3 Saudi Exchange ESG disclosure guidelines: https://www.saudiexchange.sa/wps/wcm/connect/d0922cd6-e0bf-4554-ad4d-03f0c2eea950/ESG+Guidelines+EN+FINAL+221021.pdf?MOD=AJPERES&CVID=nOYd-D1
**Environment:**
As climate change is at the top of the agenda of the Kingdom, it is our duty to consider our impact on the environment and to seek to lessen and mitigate it.

In October 2021, the Kingdom announced its target to reach net zero emissions by 2060. To set the path to 2060, the Kingdom has established interim targets to reduce greenhouse gas emissions, biodiversity management and diversifying the country’s energy mix. These targets are under the umbrella of a comprehensive set of reforms across the country, launched as an extension of Vision 2030 through the government’s new cornerstone program – the Saudi Green Initiative (SGI).

**SGI’s key environmental targets and the role SNB is playing to help the Kingdom meet these objectives:**

<table>
<thead>
<tr>
<th><strong>SGI objectives</strong></th>
<th><strong>SNB’s contribution via our lending program to help achieve these objectives</strong></th>
</tr>
</thead>
</table>
| Increase renewable energy mix to 50% by 2030 | SNB is collaborating with the private sector to diversify the Kingdom’s economy and to increase our lending towards renewable energy projects, thereby reducing the Kingdom’s dependence on limited natural resources.  
In alignment with this, we have included renewable projects as part of the ‘Use of Proceeds’ in this Framework. |
| Plant 450m trees by 2030 and 10 billion trees over the coming decades | SNB is committed to safeguarding the natural environment of the Kingdom from the adverse effects of global warming by financing projects that will improve the nation’s biodiversity, green cover, air quality and overall temperature, and provide nature based solutions for carbon capture.  
This framework allows us to finance projects in line with this objective under the ‘environmentally sustainable management of living natural resources and land use’ project category as part of the ‘Use of Proceeds’ in this Framework. |
| Reduce annual emissions by 278 million tons of CO2eq | As a bank in our capacity, we are increasing our lending towards green projects across different sectors, including renewable energy, energy efficiency and nature based solutions for carbon capture to help the Kingdom achieve its targets. SNB also aims to increase its ESG disclosures, including disclosure on emissions from our lending portfolio and will work towards setting a target to reduce these emissions.  
The eligible green project categories of this framework, defined in the ‘Use of Proceeds’ of this Framework, will help reduce emissions of our overall portfolio. |
Social:

Two of the main pillars for Vision 2030 are developing a ‘vibrant society’ and ‘thriving economy’. This means working towards creating a foundation which ensures citizens enjoy a high quality of life in a natural environment which is preserved and protected, and investing directly in the tools to diversify the economy: skill development, small and medium enterprises (SMEs) equal opportunities in employment, and developing/expanding new sectors.

SNB has programs in place to actively deliver on these two pillars:

<table>
<thead>
<tr>
<th>KSA Vision 2030 objectives</th>
<th>SNB’s contribution via our lending program to help achieve these objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>To increase SME contribution to GDP from 20%</td>
<td>SNB understand that SMEs are among the most important agents of economic growth: they create jobs, support innovation and boost exports. SME lending is a cornerstone of SNB’s lending portfolio. The bank works closely with the government entities and ministries to deliver financing solutions that are accessible to SMEs at varying levels.</td>
</tr>
<tr>
<td>Increase women’s participation in the workforce from 22% to 30%</td>
<td>Beyond financing SNB also offers training programs. The Entrepreneurship program aims to develop, train and support entrepreneurs with distinct ideas in Saudi Arabia by attracting, embracing, and financing entrepreneurs and providing them with the skills, expertise, and resources necessary to build their projects and establish sustainable, flourishing, and influential companies.</td>
</tr>
<tr>
<td>Provide 75,000 developmental housing units (2021 to 2030)</td>
<td>SNB is committed to supporting this objective under the “thriving economy” pillar of Vision 2030 by providing microfinance programs that target women empowerment: SNB provides microfinance programs that specifically target women empowerment, with interest-free financing to establish commercial projects.</td>
</tr>
</tbody>
</table>

2. **Saudi National Bank Sustainable Finance Framework**

In order to meet the Bank’s mission, and finance projects that will deliver benefits to support SNB’s business strategy and vision, SNB has elected to create a Sustainable Finance Framework (the “Framework”), under which it can issue Green Bond(s)/Loan(s) or Social Bond(s)/Loan(s) or Sustainable Bond(s)/Loan(s). This Framework is in accordance with the ICMA Green Bond Principles4 (GBP) 2021, ICMA Social Bond Principles5 (SBP) 2021, ICMA Sustainability Bond Guidelines6 (SBG) 2021, the Green Loan Principles (GLP) 20217 and the Social Loan Principles (SLP) 20218 as administered by the Loan Market Association.

---

7 Green Loan Principles (GLP) 2021 - [https://www.lsta.org/content/green-loan-principles/](https://www.lsta.org/content/green-loan-principles/)
In alignment with these Principles, for each Green, Social or Sustainable Bond(s)/Loan(s) issued, SNB asserts that it will adopt the following, as set out in this Framework:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

The Framework also describes the contribution of each eligible project categories to the UN Sustainable Development Goals (UN SDGs).

2.1 Use of Proceeds

An amount equivalent to the net proceeds raised from any SNB’s Green, Social or Sustainable Bond/Loan issued under this Sustainable Finance Framework will be allocated, in part or in full, to finance or refinance loans which have positive environmental and/or social impacts.

- **Green Bond(s)/Loan(s)** – bonds/loans where proceeds are used to finance or refinance ‘Eligible green projects’ as defined in section 2.1 ‘Use of Proceeds’ or to finance or re-finance pure play companies

- **Social Bond(s)/Loan(s)** – bonds/loans where bonds are used to finance or refinance ‘Eligible social projects’ as defined in section 2.1 ‘Use of Proceeds’ or to finance or re-finance pure play companies

- **Sustainable Bond(s)/Loan(s)** – bonds/loans where proceeds are used to finance or refinance ‘Eligible green projects’ and ‘Eligible Social Projects’ as defined in section 2.1 ‘Use of Proceeds’ or to finance or re-finance pure play companies

---

9 General corporate loans will qualify as eligible green or social project if at least 90% of the loan recipient’s revenue is derived from sources that meet the relevant eligibility criteria
a. Eligible Green Project Categories:

<table>
<thead>
<tr>
<th>Alignment with GBP</th>
<th>Alignment with the UN SDGs(^\text{10})</th>
<th>Eligibility criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable energy</td>
<td></td>
<td>• Loans related to the development, construction and installation of renewable energy generation facilities&lt;br&gt;• Eligible renewable energy sources include wind, solar and geothermal with emissions below 100gCO(_2)/kWh&lt;br&gt;• Investment or loans related to energy transmission, distribution projects and smart metering systems, with the purpose of connecting renewable energy production units</td>
</tr>
<tr>
<td>Environmentally sustainable management of living natural resources and land use</td>
<td></td>
<td>• Loans related to tree planting, management, operation &amp; maintenance from FSC/PEFC certified afforestation activities(^\text{11})</td>
</tr>
</tbody>
</table>

b. Eligible Social Project Categories:

<table>
<thead>
<tr>
<th>Alignment with SBP</th>
<th>Alignment with the UN SDGs(^\text{12})</th>
<th>Eligibility criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>SME financing / employment generation</td>
<td></td>
<td>• Loans to the Micro, Small and Medium Enterprises (MSMEs(^\text{13})), women-owned SMEs, and/or to new businesses and start-ups with the objective of reducing unemployment</td>
</tr>
</tbody>
</table>

Exclusions: Any SNB Green, Social or Sustainable Bond/Loan proceeds will not be used in cases where the main purpose of the loan is related to fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping, tobacco, alcohol, mining, and/or oil & gas.

2.2 Project Evaluation and Selection Process

The eligible green and social projects will be subject to the following due diligence, which ensures that they meet the criteria set out above in section 2.1 (‘Use of Proceeds’).

SNB is currently in the process of putting together a dedicated SNB ESG Committee by the first half of 2022, and once established, it will be responsible for establishing the bank’s environmental, social and governance criteria for projects due diligence, and also ensuring that projects financed under SNB’s Sustainable Financing Framework undergo this due diligence. SNB will strive to ensure that the necessary infrastructure is in place to encourage and incentivize projects and initiatives that comply with official national and international regulations, on a best-effort basis. Furthermore, we will be committed to work

\(^{10}\) UN Sustainable Development Goals: [https://sustainabledevelopment.un.org/?menu=1300](https://sustainabledevelopment.un.org/?menu=1300)

\(^{11}\) Any project financed under this eligibility criterion will be a part of the Kingdom’s carbon reduction and capture programs which will help the Kingdom in achieving its target to reduce 278 million tCO\(_2\)eq of emissions annually.

\(^{12}\) UN Sustainable Development Goals: [https://sustainabledevelopment.un.org/?menu=1300](https://sustainabledevelopment.un.org/?menu=1300)

\(^{13}\) According to the SAMA definition, 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.
with our clients and counterparts to identify and manage associated environmental and social risks associated with any eligible green or social projects, while striving to promote principles of good governance.

SNB will establish a Sustainable Finance Working Group ("SFWG"), which will be made up of representatives from the below departments:

- Wholesale Strategy;
- Treasury; and
- Various areas from Corporate which are
  - Global and large
  - Institutional & International
  - Corporate and Commercial Banking Finance

Once established in 2022, the ESG Committee, will also be added as a member to the SFWG.

The SFWG will be chaired by Wholesale Strategy and will meet on a semi-annual basis. The missions of the SFWG are the following:

- To review the project list and assess project eligibility for sustainable financing in accordance with the predetermined Eligibility Criteria set out in Section 2.1 Use of Proceeds of this Framework
- To oversee the arrangements established to ensure the Green, Social or Sustainable Bond(s) /Loan(s) remain in alignment with the GBP/ SBP/ SBG/ GLP/ SLP
- To review and monitor the allocation of the proceeds of any Green, Social or Sustainable Bond(s) /Loan(s) for the lifetime of any bond(s)/loan(s)
- To replace any eligible green or social project which is no longer eligible with another eligible green or social project, on a best effort basis
- To oversee the arrangements established to ensure Green, Social or Sustainable Bond(s) /Loan(s) proceeds are utilised in accordance with the uses specified in the Framework; and,
- To oversee the introduction and operation of arrangements to generate the information required to produce periodic Green, Social or Sustainable Bond/Loan Reports, in accordance with the Framework and the GBP/ SBP/ SBG/ GLP/ SLP
- To monitor and treat potential environmental or social controversies associated with eligible green or social projects, until any Green, Social or Sustainable Bond(s) /Loan(s) is outstanding. Any project associated with such controversy will be excluded from the eligible project list and SNB commit to substitute it with another eligible green or social project on a best effort basis
- To review, and if required, update the Sustainable Finance Framework (see section 4 below)

2.3 Management of Proceeds

An equivalent amount to the net proceeds of each SNB Green, Social or Sustainable Bond/Loan will be earmarked towards eligible green and/or social projects as stated in section 2.1 Use of Proceeds of this Framework, using SNB’s Sustainable Financing Register. The Sustainable Financing Register will manage the allocation of proceeds of all Green, Social or Sustainable Bond(s) /Loan(s) and will track at least the following information:

- Type of Sustainable Financing Transaction: principal amount of proceeds, transaction date, maturity date and repayment or amortisation profile.
- Allocation of Use of Proceeds: name and description of allocated and unallocated eligible green and/or social projects, the allocated amount per green and/or social project, SNB’s share of financing, maturity dates, and the remaining balance of unallocated proceeds, if any.

Any eligible green or social projects will be added to the Sustainable Financing Register to the extent required to ensure that the net proceeds from any outstanding Green, Social or Sustainable Bond(s)/Loan(s) are allocated to eligible green and/or social projects. If, for any reason, during the term of any Green, Social or Sustainable Bond/Loan any eligible green or social project is
found to be no longer eligible the Sustainable Financing Register will be updated to include only eligible projects and any Green, Social or Sustainable Bond/Loan proceeds allocated to projects that are no longer eligible would be re-allocated to another eligible green or social project.

In the event that funds cannot be immediately and fully allocated, or in the event of any early repayment, proceeds will be held in cash or short-term marketable securities until allocation to eligible green/social Projects. It is SNB’s intention to maintain an aggregate amount of eligible green and/or social projects that is at least equal to the aggregate net proceeds of all SNB Green/Social/Sustainable Bond(s)/Loan(s) issuances that are outstanding under this Framework.

SNB intends to allocate the proceeds of a given Green, Social or Sustainable Bond/Loan issuance to eligible green and/or social Projects originated no more than three years prior to the issuance. The proceeds will be allocated within two years from the date of issuance.

2.4 Reporting

On an annual basis, SNB will publish an allocation report and an impact report on its Green, Social or Sustainable Bond(s)/Loan(s) issued, as detailed below. The first reporting will be published within one year from the date of issuance.

This reporting will be updated annually until full allocation of the net proceeds of any Green, Social or Sustainable Bond/Loan issued, or until the SNB Green, Social or Sustainable Bond/Loan is no longer outstanding.

2.4.1 Allocation Reporting

The Allocation reporting will be published annually and will include the following:

- The total amount of proceeds allocated to the eligible green and/or social Projects
- Breakdown of allocation by eligible project category
- Breakdown of allocation by project location
- Refinancing versus new financing
- The balance of unallocated proceeds

2.4.2 Impact Reporting

Impact reporting will be published annually and where feasible, SNB will provide reporting on relevant potential impact metrics for eligible green and social projects including:

- Renewable Energy:
  - Amount of renewable energy generated or used (MWh)
  - Amount of energy saved (MWh)
  - Estimated amount of CO2 emissions avoided / reduced (tCO2e)
- Environmentally sustainable management of living natural resources and land use
- Number of trees planted
- Estimated amount of Greenhouse Gas (GHG) emissions reduced or avoided (tCO2e)
- SME financing / employment generation
- Number of SMEs financed, breakdown by target population
- Amount of loans granted to SMEs, breakdown by target population
  - Number of jobs created / preserved

Where feasible, SNB will also disclose the methodologies and assumptions used to calculate these performance metrics within its annual reporting.
3. **External Review**

3.1 **Second Party Opinion (SPO)**
SNB has appointed S&P Global to provide an external review on the SNB Sustainable Finance Framework, and confirm its alignment with the ICMA GBP, SBP, SBG, GLP & SLP. This Second Party Opinion document will be made available on SNB’s website.

3.2 **Post issuance external verification**
SNB’s annual reporting will also be subject to external verification by an external reviewer. The external reviewer will verify:

- The compliance of assets financed by the Green, Social or Sustainable Bond/Loan proceeds with eligibility criteria defined in the Use of Proceeds section in this Framework
- Allocated amount related to the eligible green and/or social projects financed by the Sustainable Bond proceeds
- The management of proceeds and unallocated proceeds amount
- The external reviewer’s report will be published on SNB’s website.

4. **Amendments to this Framework**
The SFwG will review this Framework on a regular basis, including its alignment to updated versions of the GBP/SBP/SBG/GLP/SLP 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. The updates, if not minor in nature, will be subject to the prior approval of SNB and S&P. 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 SNB’s website and will replace this Framework.