

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

Banque Saudi Fransi (BSF)
10 October 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">▪ Sustainable Finance Instruments▪ Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)▪ Green Loan Principles (GLP), as administered by the Loan Market Association (LMA) (as of February 2023)
Relevant standards	<ul style="list-style-type: none">▪ Social Bond Principles (SBP), as administered by the ICMA (as of June 2023 with June 2023 Appendix 1)▪ Social Loan Principles (SLP), as administered by the LMA (as of February 2023)▪ Sustainability Bond Guidelines (SBG), as administered by the ICMA (as of June 2021).
Scope of verification	<ul style="list-style-type: none">▪ Banque Saudi Fransi’s Sustainable Finance Framework (as of Sept. 9, 2024)▪ Banque Saudi Fransi’s Eligibility Criteria (as of Sept. 9, 2024)
Lifecycle	<ul style="list-style-type: none">▪ Pre-issuance verification
Validity	<ul style="list-style-type: none">▪ Valid as long as the cited Framework remains unchanged

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SCOPE OF WORK

Banque Saudi Fransi (“the Issuer,” “the Bank” or “BSF”) commissioned ISS-Corporate to assist with its sustainable finance instruments by assessing three core elements to determine the sustainability quality of the instruments:

- BSF’s Sustainable Finance Framework (as of Sept. 9, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainability Bond Guidelines (SBG), and the Loan Market Association’s (LMA) Green Loan Principles (GLP) and Social Loan Principle (SLP).
- The Eligibility Criteria — whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate’s proprietary issuance-specific key performance indicators (KPIs) (see Annex 1).
- Consistency of the sustainable finance instruments with BSF’s sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

BANK SAUDI FRANSI OVERVIEW

Banque Saudi Fransi (BSF) engages in the provision of commercial banking services and financial solutions and is classified in the commercial banks and capital markets industry, as per ISS ESG's sector classification.

Banque Saudi Fransi (BSF) is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 4, 1977). BSF is a full-service bank regulated by the Saudi Central Bank (SAMA). The Bank is headquartered in Riyadh, Kingdom of Saudi Arabia. The Bank has several regional offices across Saudi Arabia and its important subsidiaries include Saudi Fransi for Finance Leasing (JB), Sakan real estate financing, Saudi Fransi Capital, and Saudi Fransi Insurance Agency. The Bank offers a wide range of products and services such as personal, wholesale, investment banking, asset management and brokerage, and treasury, as well as offering both Islamic and conventional products. As of September 2023, the company's total assets stood at SAR 249.9 billion.


ESG risks associated with the Issuer's industry

The Issuer is classified in the commercial banks and capital markets, as per ISS ESG's sector classification. Key sustainability issues faced by companies¹ in this industry are: business ethics, customer and product responsibility, labour standards and working conditions, sustainable impacts of lending and other financial services/products and sustainable investment criteria.

This report focuses on the sustainability credentials of the issuance. Part III. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

¹ Please note, that this is not a company specific assessment but rather areas that are of particular relevance for companies within that industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ²
<p>Part I:</p> <p>Alignment with GBP/SBP/SBG/GLP/SLP</p>	<p>The Issuer has defined a formal concept for its sustainable finance instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP, SBP, GLP, SLP and SBG.</p>	<p>Aligned</p>
<p>Part II:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The sustainable finance instruments will (re)finance eligible asset categories:</p> <p>Green categories: Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Clean Transportation, Green Buildings, and Climate Change Adaptation.</p> <p>Social categories: Affordable Basic Infrastructure, Access to Essential Services, Affordable Housing, Employment Generation, and Socioeconomic Advancement and Empowerment.</p> <p>Product and/or service-related use of proceeds categories³ individually contribute to one or more of the following SDGs:</p> 	<p>Positive</p>

² The evaluation is based on the BSF's Sustainable Finance Framework (Sept. 9, 2024), on the analyzed Eligibility Criteria as received on Sept. 17, 2024.

³ Renewable Energy, Energy Efficiency, Sustainable Water and Wastewater Management, Pollution Prevention and Control, Clean Transportation, Green Buildings, and Climate Change Adaptation, Affordable Basic Infrastructure, Access to Essential Services, Affordable Housing, Employment Generation, and Socioeconomic Advancement and Empowerment.

	<p>Process-related use of proceeds categories⁴ individually (i) improve the Issuer’s operational impacts and (ii) mitigate potential negative externalities of the Issuer’s sector on one or more of the following SDGs:</p> <div data-bbox="683 539 916 656" data-label="Image"> </div> <p>The environmental and social risks associated with those use of proceeds categories and the financial institution are managed.</p>	
<p>Part III: Consistency of the Sustainable Finance Instruments with BSF’s sustainability strategy</p>	<p>The key sustainability objectives and the rationale for issuing sustainable finance instruments are clearly described by the Issuer. All of the project categories considered are in line with the Issuer’s sustainability objectives.</p>	<p>Consistent with the Issuer’s sustainability strategy</p>

⁴ Renewable Energy, Green Buildings, Energy Efficiency.

SPO ASSESSMENT

PART I: ALIGNMENT WITH GBP, SBP, SBG, GLP, AND SLP

This section evaluates the alignment of Banque Saudi Fransi’s Sustainable Finance Framework (as of Sept. 9, 2024) with the GBP, SBP, SBG, GLP and SLP.

GBP, SBP, SBG, GLP, AND SLP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by Banque Saudi Fransi’s Sustainable Finance Framework is aligned with the GBP, SBP, GLP, SLP, and SBG.</p> <p>The Issuer’s green and social categories align with the project categories as proposed by the GBP, SBP, GLP, SLP and SBG. Criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided and environmental and social benefits are described.</p> <p>Additionally, the Issuer defines the percentage of assets that are refinanced or financed, and a look back period of three years, in line with best market practice.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by Banque Saudi Fransi’s Sustainable Finance Framework is aligned with the GBP, SBP, GLP, SLP and SBG.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer’s sustainability strategy and clearly show the intended benefit to the relevant population. The Issuer defines exclusion criteria for harmful projects categories.</p> <p>The Issuer involves various stakeholders in this process and identifies alignment of its Sustainable Finance Framework and green projects with the EU Taxonomy in line with best market practice.</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by Banque Saudi Fransi’s Sustainable Finance Framework is aligned with the GBP, SBP, GLP, SLP and SBG.</p> <p>The net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple sustainable finance instruments (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by Banque Saudi Fransi’s Sustainable Finance Framework is aligned with the GBP, SBP, GLP, SLP and SBG.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and report with appropriate frequency. The reporting will be publicly available on the Issuer’s website. Banque Saudi Fransi has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer is transparent about the information reported in the impact report, and defines the reporting frequency, scope, and duration of the impact reporting, in line with best market practice. Furthermore, the Issuer commits to have the allocation report audited by an external party, in line with best market practices.</p>

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE SUSTAINABLE FINANCE INSTRUMENTS TO THE U.N. SDGs⁵

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- Specific products/services,
- Improvements of operational performance.

1. Products and services



The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a three-point scale:



Each of the sustainable finance instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

Green Categories

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Renewable Energy <i>Financing or refinancing of renewable energy generation sources:</i>	Contribution	 

⁵ The impact of the UoP categories on the SDGs is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

- *Solar Photovoltaic (PV)*
- *Concentrated Solar Power (CSP)*
- *Wind Power*
- *Offshore solar and wind projects*
- *Development/ refurbishment of hydroelectric facilities which are run-of-the-river plants with no artificial reservoir (<1000 MW)*
- *Geothermal*
- *Tidal power*
- *Ocean Thermal Energy Conversion (OTEC) or hybrids of above technologies*
- *Production of hydrogen, hydrogen-based synthetic fuels, or ammonia through electrolysis powered by renewables listed above*

Development and/or manufacture of renewable energy technologies, including equipment for renewable energy generation and energy storage including:

- *Wind Turbines*
- *Solar panels*
- *The constituent parts of renewable energy projects*

Transmission and distribution assets including:

- *Assets or infrastructure that connects defined renewable energy generation facilities/inputs*

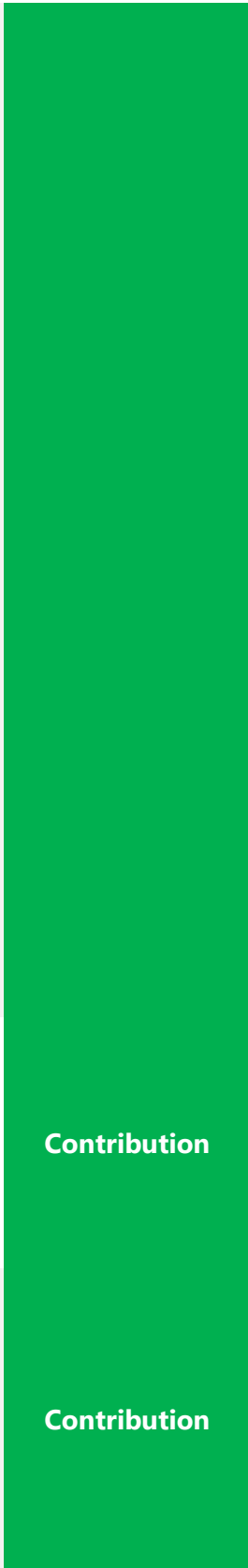
Renewable Energy

Bioenergy projects from non-waste biomass - that does not compete with food production - including conversion to biodiesel or biofuels.⁶

Energy Efficiency

Developments of bulk energy services, including:

- *Smart grids of renewable energy*
- *Energy recovery technology*
- *The storage, transmission and distribution of renewable energy that results in reduced energy losses*



⁶ BSF has stated that it will refer to the following feedstock criteria on a project level basis: RSB, RTRS, FSC, ISCC Plus, and CBI Agriculture Criteria.

Development/manufacture of energy efficiency technologies including:

- LED lights
- Hydrogen fuel cells

Development, operation, and upgrades to data centers with annualized Power-Usage Effectiveness (PUE) of <1.5.

Components used in or upgrades to data centers that meet the above criteria.

Energy Efficiency

Development/manufacture of energy efficiency technologies including:

- Smart grid meters

Contribution



Sustainable water and wastewater management

Development or improvement of sustainable urban drainage systems

Contribution



Sustainable water and wastewater management

Development or improvement of river training and other forms of flooding mitigation, including:

- Water pipes and collection facilities to collect water/rainwater.

Contribution



Sustainable water and wastewater management

Desalination plants powered by reverse osmosis technology that have an average carbon intensity at or below 100g CO₂e/kWh over the residual asset life. Asset can be partially powered by renewables.

Development or improvement of river training and other forms of flooding mitigation, including:

- Wastewater treatment (treatment or recycling of discharge water)

Contribution



Pollution prevention and control

- *Soil remediation (land remediation of contaminated urban sites)*
- *Associated environmental monitoring analysis (Funds for monitoring environmental impacts of operations of recycling and soil remediation)*

Contribution



Pollution prevention and control

Recycling (plants recycling waste into new materials)

Contribution



Clean Transportation

Projects that promote a shift towards less polluting and more energy efficient modes of transport, particularly in the case of long-distance public transport and freight, including:

- *Electric vehicles with zero direct emissions,*
- *Hybrid vehicles with an emissions intensity lower than 50g CO_{2e}/p-km,*
- *Traffic management systems aimed at reducing congestion, and by association, greenhouse gas emissions of at least 20% compared with local baselines.*

Projects that promote a shift towards less polluting and more energy efficient modes of transport, particularly in the case of long-distance public transport, including:

- *Low-carbon-fuel ships powered by battery, hydrogen fuel cells, or alternative fuels such as biofuels, green hydrogen, or green ammonia.*

Projects that promote a shift towards less polluting and more energy efficient modes of transport, particularly in the case of freight, including:

- *Hybrid/Electric ships powered by battery, hydrogen fuel cells, or alternative fuels such as biofuels, green hydrogen, or green ammonia.*

Investments towards enablement of cleaner modes of transport such as:

- *EV charging stations,*

Contribution



- Bicycles/e-scooters infrastructure,
- Walking paths.

Clean Transportation

Projects that promote a shift towards less polluting and more energy efficient modes of transport, particularly in the case of long-distance public transport and freight, including:

- Passenger cars (under 50g CO₂/km)
- 100% Electric freight,
- Public transportation (under 50g CO₂/pkm).

Green Buildings

Construction, development, renovation, maintenance and/or purchase of commercial, public service, recreational or residential buildings that meet recognized green certification environmental building standards such as:

- GBI (Green Building Initiative) (3 Green Globes or higher)
- LEED (Leadership in Energy and Environmental Design) (Gold or higher)
- GreenRE (Gold or higher)
- BREEAM (Building Research Establishment's Environmental Assessment Method) (Excellent or Higher)
- CASBEE (Comprehensive Assessment System for Built Environment Efficiency) (Very Good or Higher)
- Green Star (5 stars or higher)
- Estidama 4 Pearl rating or higher
- Mostadam (Gold and Above)

Climate Change Adaptation

Activities that increase the resilience of ecosystems, including communities, climate observation and early warning systems, water resilient infrastructure, bridges to address higher levels of flooding, systems and infrastructure for anticipated wind speeds, heavy rains, and increased temperatures.

Contribution



Contribution



Contribution



Social Categories⁷

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS	
<p>Affordable Basic Infrastructure</p> <p><i>Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used to provide residential communities that have limited access or no access to water Infrastructure services:</i></p> <ul style="list-style-type: none"> ▪ <i>Drinking Water Supply Systems: financing the construction of water supply systems, which may include the installation of water pipes, and reservoirs to provide clean and safe drinking water to underserved communities.</i> 	<p>Contribution</p>		
<p>Affordable Basic Infrastructure</p> <p><i>Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used to provide residential communities that have limited access or no access to water Infrastructure services:</i></p> <ul style="list-style-type: none"> ▪ <i>Sanitation Facilities: Supporting the development of sanitation facilities, such as public toilets and sewage systems, to improve hygiene and public health.</i> 		<p>Contribution</p>	
<p>Affordable Basic Infrastructure</p> <p><i>Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used to provide residential communities that have limited access or no access to public transportation services:</i></p> <ul style="list-style-type: none"> ▪ <i>Public Transportation: financing the establishment or enhancement of affordable and accessible public transportation services, which could include buses, trams, or shared transportation options.</i> ▪ <i>Community Transportation Cards: Subsidizing or providing transportation</i> 		<p>Contribution</p>	

⁷ BSF has defined the target population under all the eligible social categories as “underprivileged or vulnerable groups in developing countries, defined as countries in the MSCI Emerging Markets index and/or least developed, low-income, and lower-middle-income countries on the DAC list of ODA recipients.”

cards to low-income or vulnerable populations to ensure they have access to essential services and job opportunities.

Affordable Basic Infrastructure

Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used to provide residential communities that have limited access or no access to energy services:

- *Rural Electrification: Funding projects to extend the electrical grid to rural and remote areas, ensuring access to electricity for households and businesses.*
- *Renewable Energy Installations: Supporting the installation of renewable energy systems, like solar panels or small-scale wind turbines, to provide clean and affordable energy to off-grid communities.*

Contribution



Affordable Basic Infrastructure

Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used for the target population:

- *Development of sanitation infrastructure (i.e., sewer systems, pumping stations, on-site sanitation facilities) to enable proper disposal of wastewater and enable a safe living environment for target residential populations that currently lack access to quality infrastructure*

Contribution



Affordable Basic Infrastructure

Construction, development, operation, renovation and/or maintenance of facilities, services, systems or equipment used for the target population:

- *Development of telecommunication infrastructure to extend affordable access to internet coverage, speed, and/ or mobile phone coverage to residential communities that currently lack access⁸*

Contribution



⁸ The Issuer confirmed that it will be using communities with telecommunications or internet coverage below the national average as an indicator to decide on the lack of access.

Access to Essential Services: Education

Facilities, equipment, and activities that enhance access to public, not-for-profit, free, or subsidized education:

- Construction of public or private schools, universities
- Acquisition and development of tertiary educational and vocational training services including infrastructure, programs, and service

Contribution



Access to Essential Services: Education

Facilities, equipment, and activities that enhance access to public, not-for-profit, free, or subsidized education:

- Activities such as maintenance and renovation of schools, mobilizing skilled resources for remote education (via tutoring programmes and online education), to expand access to primary, secondary, university education,
- Construction of student housing

Contribution



Access to Essential Services: Education

Facilities, equipment, and activities that enhance access to public, not-for-profit, free, or subsidized education:

- School transportation service

Contribution



Access to Essential Services: Education

Facilities, equipment, and activities that enhance access to public, not-for-profit, free, or subsidized education:

- Vocational education
- Construction of university campuses
- Loans to institutions that provide educational grants to students belonging to low-income households⁹ across all age groups and genders to ensure equitable access to education for all students

Contribution



⁹ People living below the national poverty line and/or people in developing countries, defined as countries in the MSCI Emerging Markets index and/or least developed, low-income and lower-middle-income countries on the DAC list of ODA recipients.

- *Activities to promote entrepreneurship and innovation among secondary and university students including financing hackathons and FinTech competitions¹⁰*

Access to Essential Services: Health

Facilities, projects, and equipment that enhance access to healthcare services in emerging markets through affiliations with government health programs or are more broadly accessible to the whole public through government spending, subsidies, or social security:

- *Development, expansion, or acquisition of buildings, facilities, and equipment relating to hospitals, laboratories, clinics, healthcare, and hospices*
- *Activities that support the funding of health-related R&D programs such as new medicines treatments, vaccinations, or health equipment for pandemics/epidemics*
- *Funding for children’s pediatric care*

Contribution



Access to Essential Services: Health

Facilities, projects, and equipment that enhance access to healthcare services in emerging markets through affiliations with government health programs or are more broadly accessible to the whole public through government spending, subsidies, or social security:

- *Funding of maternal and reproductive healthcare products and services for vulnerable women*

Contribution



Access to Essential Services: Health

Investing in activities that will strengthen the provision of early warning, risk reduction, and management of health crises

Contribution



Affordable Housing

Providing loans to the target population of low-

Contribution



¹⁰BSF will finance programs that allow for practical skills development to promote youth in IT in the GCC region.

income families or individuals for housing¹¹ following UN and international standards for social welfare eligibility and unbanked populations as per the World Bank

Affordable Housing

Providing loans to institutions for the purpose of providing social housing for the populations eligible for government-subsidized mortgage financing schemes¹² and target population

Contribution



Affordable Housing

Construction of housing for students, or providing loans to students for housing

Contribution



Employment Generation

Providing financing to target population of SMEs as defined by the Saudi Central Bank¹³ with a focus on supporting local entrepreneurs and promoting financial inclusion of local SMEs:

- *Investments in digital infrastructure and cybersecurity-related projects to enable competitiveness within the local market*
- *Financing of projects for local SMEs to improve their customer experience and enable them to reach customers beyond the current business constraints*
- *Providing loans for projects or enterprises classified as microfinance (as defined by the Saudi Central Bank)*

Contribution



Employment Generation

Providing financing to target population of SMEs

Contribution



¹¹ The Issuer confirmed that the affordable housing will be based solely on ownership basis, not at rent rate base. The Real Estate Development Fund and the Ministry of Housing (MOH) have established programs that offer a monthly subsidy of up to SAR 500,000. This subsidy covers funding profits, with rates ranging from a minimum of 35% to a maximum of 100%, depending on income thresholds. The eligibility criteria for these programs are limited to first-time home buyers. Additionally, the programs provide assurances to borrowers with salaries under SAR 5,000 and include specific segments (e.g., customers who are about to retire) to ensure affordability.

¹² Ibid.

¹³ The micro, small and medium enterprises were classified according to the definitions of the Central Bank of Saudi Arabia (micro businesses are companies with revenues of up to SAR 3 million, small-sized companies are those with revenues ranging from SAR 3 million to SAR 40 million, and medium-sized companies are those with revenues ranging from SAR 40 million to SAR 200 million).

as defined by the Saudi Central Bank¹⁴ with a focus on supporting local entrepreneurs and promoting financial inclusion of local SMEs:

- Women-owned and Women focused SMEs

Socioeconomic Advancement and Empowerment

Development and support initiatives of women to improve economic opportunities through business interventions.

Financing for women-led companies where at least one of the following conditions is met:

- At least 51% of the shareholding is owned by a woman or by women
- The chief executive officer or the president is a woman
- At least 51% of top management are women
- 30% or more of the board of directors is made up of women

Funding participation in women-led capital firms, start-ups, and organizations supporting women.

Funding¹⁵ to help improve women's access to economic opportunities.

Socioeconomic Advancement and Empowerment

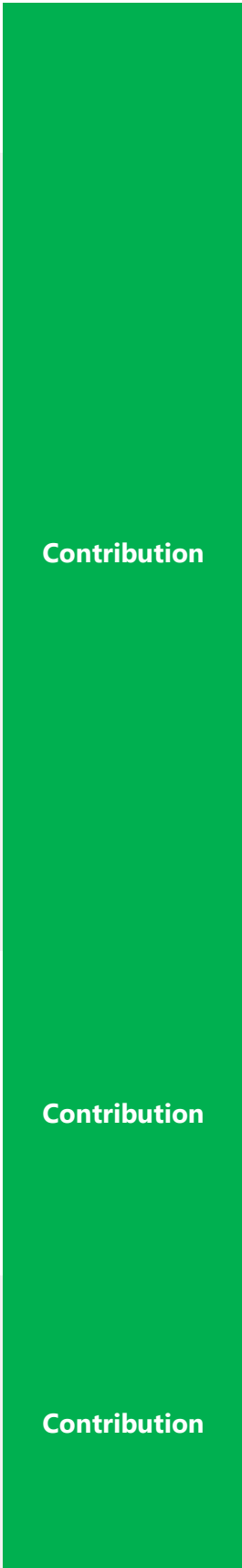
Development and support initiatives of women to improve economic opportunities through business interventions:

- Training to help women job seekers enhance their skills

Socioeconomic Advancement and Empowerment

Development and support initiatives of women to improve economic opportunities through business interventions:

- Funding women to help improve women's access to educational tools



¹⁴ Ibid.

¹⁵ Funding covers loans dedicated to women with preferential discounted interest rates and flexible repayment plan.

2. Improvements of operational performance (processes)

The below assessment qualifies the direction of change (or “operational impact improvement”) resulting from the operational performance projects (re)financed by the UoP categories, as well as related SDGs impacted. The assessment displays how the UoP categories mitigate the exposure to the negative externalities relevant to the Issuer’s business model and sector. BSF finances operations/processes in a variety of third-party sectors. For clarity, ISS-Corporate does not display the exposure to negative externalities linked to the sectors of the operations/processes financed.

The table below aims at displaying the direction of change resulting from the operational performance improvement projects. The outcome displayed does not correspond to an absolute or net assessment of the operational performance.

USE OF PROCEEDS (PROCESSES)	OPERATIONAL IMPACT IMPROVEMENT ¹⁶	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Buildings</p> <ul style="list-style-type: none"> ▪ <i>Development, renovation, maintenance and/or purchase of commercial or residential buildings that achieve a minimum of 30% improvement in energy use or carbon emission as a result of renovation.</i> ▪ <i>Buildings that have, or are projected to have, reduced life cycle consumption of energy, water or CO₂ levels of at least 30% less than statute/city baseline levels or local market average, where this can be easily and transparently demonstrated.</i> 		
<p>Energy Efficiency</p> <p><i>Improved efficiency in the delivery of bulk energy services, including:</i></p> <ul style="list-style-type: none"> ▪ <i>Smart grids of renewable energy</i> ▪ <i>Energy recovery technology</i> ▪ <i>The storage, transmission and distribution of renewable energy that results in reduced energy losses</i> 		

¹⁶ Limited information is available on the scale of the improvement as no threshold is provided. Only the direction of change is displayed.

Energy Efficiency

Improved efficiency in the delivery of bulk energy services, including:

- *Improvements of district heating/cooling systems (low-GWP refrigerants preferred)*



Energy Efficiency

Development and implementation of products or technologies that reduce the energy consumption of underlying assets, projects, appliances, products, or systems:

- *Improved lighting*
- *Improved chillers*
- *Reduced power usage in manufacturing operations.*



Renewable Energy

Development of technologies and systems that increase defined renewable energy storage capacity, including:

- *Battery storage – renewables*



B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE FINANCIAL INSTITUTION AND THE ELIGIBILITY CRITERIA

The table below evaluates the Selection Criteria against issuance-specific KPIs. BSF has confirmed to ISS-Corporate that more than 99.9% of the projects will be located in Saudi Arabia, and the remainder of the financing will be directed towards projects located in Bahrain, Kuwait, Oman, Qatar and the United Arab Emirates and will be obligated by the Bank to comply with requirements in line with Saudi Arabia's legislation.

ASSESSMENT AGAINST KPIs

ESG guidelines into financing process

BSF has developed an ESG Due Diligence Toolkit (the "Toolkit") to evaluate the environmental and social risks associated with proposed projects, in accordance with international standards such as the International Finance Corporation's (IFC) Performance Standards and the Equator Principles. The Toolkit assesses material environmental and social indicators including the presence of environmental management systems, human rights commitments and measures, and an anti-corruption code of conduct. Furthermore, the Toolkit also outlines an ESG evaluation process that is divided into two factions: ESG categorization and ESG evaluation. Within the ESG categorization process, the Bank identifies the type of deal, such as project finance, project-related corporate finance and corporate finance.

Upon the identification of the deal type, the Bank conducts a client - and project-level ESG risk classification. The risk classification is categorized in three layers of risks — low, medium, or high — and potential clients, projects and investments receive an ESG score based on the risk classification. The Bank also requests additional documents to assess the ESG performance of the beneficiaries, such as Environmental and Social Impact Assessment Studies (ESIAs), Environmental and Social Action Plans (ESAPs), and Environmental Management Plans (EMPs). BSF's relation managers, credit officers, and ESG team are responsible for the ESG rating process.

Labor, Health and Safety

BSF has comprehensive policies in place to ensure labor, health, and safety for the assets underlying the Framework.



The Bank has an Occupational and Environmental Health and Safety Policy ("OH&S Policy") in place that applies to all employees, contractors and customers.¹⁷ The OH&S Policy identifies risks and corrective measures associated with projects and provides ongoing health and safety training to employees.¹⁸ Additionally, the Bank

¹⁷ BSF has shared the Occupational and Environmental Health and Safety Policy with ISS-Corporate on a confidential basis.

¹⁸ Ibid.

also requires contractors to comply with all occupational and environmental health and safety requirements.

BSF's due diligence process assesses the labor, health and safety standards of all proposed investments under the Framework in line with the IFC Performance Standards 2, "Labor and Working Conditions," and the Equator Principles. The IFC Performance Standards 2 includes requirements such as ensuring non-migrant workers are employed on equivalent terms to migrant workers, protection against child labor, and measures to ensure occupational health and safety in the workplace.

BSF complies with Saudi Arabia's Labor Law, which outlines provisions in reference to workers' safety, protection, health and social care. The Labor Law includes requirements for employers to provide a safe working environment such as occupational safety manuals, adequate training, personal protective equipment and appropriate treatment and compensation for sustaining workplace injuries.

Biodiversity

BSF has comprehensive policies in place to ensure biodiversity for the assets underlying the Framework.



The Bank's Toolkit assesses all green and social assets against the IFC Performance Standards 6, "Biodiversity Conservation and Sustainable Management of Living Natural Resources," and the Equator Principles. The IFC Performance Standards 6 requires the identification of direct and indirect impacts on biodiversity and ecosystem services, and a management plan designed to mitigate and manage biodiversity impacts. The management of impacts on biodiversity and ecosystem services details the protection of natural and critical habitats, and the sustainable management of resources. To inform the assessment process, BSF may also require borrowers to provide ESIA's, EMP's, ESAP's and EP (Equator Principles Compliance Independent Review) compliance.

Regarding risks associated with biodiversity conservation, BSF also complies with Saudi Arabia's National Strategy for Conservation of Biodiversity in the Kingdom of Saudi Arabia, which requires development projects in the country to conduct an environmental impact assessment and enact conservation strategies. The strategy also includes guidance to minimize water and air pollution, manage solid waste and regulates grazing, deforestation and agricultural practices.

The Bank also adheres to regulations and legislations in Saudi Arabia, including the Law of Protected Areas for Wildlife, and Law of Trading in Endangered Species of Wildlife and its Products, which establish guidelines to preserve endangered

species and ecosystems in protected areas. Furthermore, the Bank follows the guidelines for the conservation of biodiversity and sustainable development as prescribed in the United Nations Convention on Biological Diversity.

Community dialogue

BSF has comprehensive policies in place to ensure community dialogue for the assets underlying the Framework.



BSF's Toolkit employs [IFC Performance Standards 4, 5, and 7](#) (Community Health and Safety, Land Acquisition and Involuntary Resettlement, and Indigenous Peoples) to address its community engagement practices. IFC Performance Standard 4 requires signatories to evaluate health and safety risks and impacts on the affected communities during the project lifecycle and propose mitigation measures to minimize these impacts. IFC Performance Standard 5 imposes regulations to prevent involuntary land resettlement for affected communities as a result of project-related land acquisitions and land use restrictions. In instances where resettlement cannot be avoided, signatories are required to provide compensation mechanisms, appropriate disclosures and improve living conditions for displaced persons. Lastly, IFC Performance Standard 7 provides guidelines to minimize the impacts on Indigenous communities through measures such as the provision of Free, Prior and Informed Consent of the affected communities of Indigenous peoples, compensation schemes and maintaining an ongoing dialogue with indigenous communities for the duration of the project life cycle.

Inclusion

BSF has comprehensive policies in place to ensure inclusion for the assets underlying the Framework.



BSF's [Consumer Protection and Customer Complaints Policy](#) ensures that all of its customers are treated fairly and equally. BSF's consumer protection and customer complaints division is responsible for receiving, managing and creating remedial measures to manage all customer grievances. Furthermore, the division is also responsible for ensuring the Bank's compliance with the SAMA's requirements in relation to consumer protection.¹⁹

BSF complies with SAMA's [consumer rights and responsibilities principle](#), which requires banks to deal with all consumers fairly and equitably. The principles also require banks to provide inclusion measures for disadvantaged populations, including the elderly, and customers with special needs.

¹⁹ As outlined in Section 2.3.1 of BSF's [ESG Policy Framework](#).

Data Protection and Information Security

BSF has policies in place to systematically ensure that data collection processes on borrowers meet minimum requirements for data and information security and data security in outsourced data processing.

The Bank has an Information Security Governance Management Committee in place that oversees all cybersecurity measures at the Bank and reports directly to the Risk Management Committee to report and mitigate cybersecurity risks.²⁰ Furthermore, the Bank's cybersecurity programs, including third party data processing, are compliant with the ISO/IEC 27001 standards,²¹ and Payment Card Industry Data Security (PCI DSS) standard.²² BSF also has cybersecurity awareness programs in place for employees and customers to guide them on cybersecurity practices, and also provides training to its' employees.²³

BSF's Cybersecurity Governance Committee (the "CGC") is responsible for the protection of customer data and cybersecurity. The CGC also ensures that the Bank is in compliance with Saudi Arabia's [Personal Data Protection Law](#), which regulates the privacy of personal data, data sharing and prevents the misuse of personal data.²⁴ The Law outlines the purposes of data collection, the obligations that organizations have when processing data, and the specific rights to access and rectification for individuals surrounding its personal data.

Responsible Treatment of Customers with Debt Repayment Problems

BSF has comprehensive policies in place to ensure responsible treatment of customers with debt repayment problems for the assets underlying the Framework.

The Bank complies with Saudi Arabia's [Debt Collection Regulations and Procedures for Individual Customers](#) that establishes debt collection procedures for banks. The debt collection procedures include debt rescheduling, informing retail consumers about escalation mechanisms, and communication protocol with retail consumers. Furthermore, the regulations also require banks to evaluate the creditworthiness of the retail consumers and their ability to fulfill payment obligations through the contract period.

²⁰ As outlined on Page 26 of BSF's [2021 ESG Report](#).

²¹ [ISO/IEC 27001:2022](#) standards provide companies guidance on the establishment, implementation, maintenance and improvement of information security management systems. The standard ensures that organizations have a system in place to manage the risks associated with data security.

²² [PCI DSS](#) is a global forum that helps in the development and adoption of data security standards and resources for safe payments.

²³ As outlined on Page 26 of BSF's [2021 ESG Report](#).

²⁴ Ibid.

BSF also adheres to Saudi Arabia's [Bankruptcy Law](#), which provides protection to insolvent businesses with guidance on reorganization, and financial restructuring where possible. The law also provides businesses with protection to settle their debt with the creditor while maintaining managing control of their company.

Sales Practice

BSF has comprehensive policies in place to ensure responsible sales practice for the assets underlying the Framework. The Bank's Customer Policy specifies core elements of customer services as providing high level of integrity, transparency, fair treatment and service quality, and also establishes rules for proper conduct and compliance with the general rules on good business practices and international standards. The policy also calls for regular internal audits of the activities to identify potential operational or reputational risks through customer services.



BSF adheres to SAMA's regulations to prevent predatory lending practices by conducting due diligence on customers' credit history, employment and lending ratios. The Bank also adheres to SAMA's [consumer rights and responsibilities guidelines](#) that require Banks to provide and update information about their product offerings and services to consumers accurately. Furthermore, the Bank applies SAMA's customer protection and customer complaints KPIs into its performance calculation and disclosure and provides training to its employees on responsible sales practices.

BSF has Remuneration Policy for its employees in line with SAMA remuneration rules and includes ethical sales, quality of service and customer satisfaction into the calculation of bonus payments.

Responsible Marketing

BSF has comprehensive policies in place to ensure responsible marketing for the assets underlying the Framework.



BSF aligns with the regulations established in SAMA's Banking Consumer Protection Principles Advertising and Marketing Communications Article 10, which outlines that advertising by banks will not be deceptive or exaggerate the advantages of the product or services and ensure all texts and numbers will be clearly visible. Additionally, the Bank must provide specific disclosures regarding consumer fees associated with a product, annual percentage rate, and the amount of all fees and commissions relating to the use of the service or product.²⁵ Furthermore, the Bank also adheres to SAMA's Regulation for Issuance and

²⁵As outlined on Page 38 of BSF's [2021 ESG Report](#).

Operations of Credit and Charge Cards, which prohibits creditors from providing an advertisement that includes a false offer, statement or claims that would deceive borrowers.²⁶

Exclusion Criteria

Under its Sustainable Finance Framework, BSF excludes financing for activities related to fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping, tobacco, alcohol, mining and/ or oil and gas.

²⁶ Ibid.

PART III: CONSISTENCY OF SUSTAINABLE FINANCE INSTRUMENTS WITH BSF'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG topics</p>	<p>BSF adopted its ESG Policy Framework which is tailored to be aligned with the objectives embedded in the Saudi Vision 2030. Through its strategy, the Bank aims to incorporate ESG topics into all of its business areas which are executed through five pillars:</p> <ul style="list-style-type: none"> ▪ Exemplifying high ethical and governance standards²⁷ ▪ Accelerating sustainable economic growth²⁸ ▪ Serving clients²⁹ ▪ Creating a thriving workplace³⁰ ▪ Protecting communities³¹
<p>ESG goals/targets</p>	<p>To achieve its strategic ESG topics, the Issuer has set the following objectives for its pillars:</p> <ul style="list-style-type: none"> ▪ Implementing high standards of corporate governance to provide accountability and transparency in the use of financial resources ▪ Implementing a zero-tolerance policy toward bribery, corruption, money laundering and any other financial crimes ▪ Protecting customers' personal data, privacy and confidentiality of available information. ▪ Diversifying sources of income by expanding the Bank's financing and investments into sustainable sectors.

²⁷ The pillar covers the ESG topics of (i) governance, accountability, transparency, and ethics code of conduct, (ii) risk management, and (iii) data privacy and security.

²⁸ The pillar covers the ESG topics of (i) financial and economic performance, (ii) sustainable lending and investing, and (iii) responsible procurement.

²⁹ The pillar covers the ESG topics of (i) responsible customer relations and satisfaction, (ii) digitalization, and (iii) financial inclusion and accessibility.

³⁰ The pillar covers the ESG topics of (i) talent attraction, retention and development, (ii) employee engagement, wellbeing and satisfaction, (iii) diversity and inclusion and (iv) nationalization.

³¹ The pillar covers the ESG topics of (i) community investment and (ii) environmental management.

	<ul style="list-style-type: none"> ▪ Applying ESG criteria in the Bank’s lending and investment activities³² ▪ Promoting local businesses and procurement processes that rely on strengthening the economy and supporting local content ▪ Aiming to increase the financial literacy of the stakeholders via the Bank’s sustainable products to enable customers to make well-informed decisions about their transactions ▪ Equipping the Bank’s employees with the knowledge and skills they need to upskill themselves to respond to the needs of the market and business, as well as support Saudis in developing their careers within the banking sector. ▪ Managing environmental footprint, supporting and adopting national and international efforts to preserve natural resources and minimize environmental impacts. ▪ Benefitting society and the environment by implementing the latest technologies and suite of sustainable finance products and safeguarding human rights by contributing to transparency in supply chains
<p>Action plan</p>	<p>To guide the sustainability approach, BSF follows a Corporate Governance Manual to set out policies, procedures, and targets. The BSF ESG Board Committee supports the board of directors in achieving its ESG targets relating to sustainable finance, environmental stewardship, health and safety, diversity and inclusion, corporate social responsibility, corporate governance, and other sustainability and responsibility matters that are considered by the Issuer as an integral part of the Bank’s long-term stakeholder value. The BSF ESG Management Committee is responsible for the ESG Board Committee to set the ESG-related commitments, strategies, objectives, progress, performance and activities. BSF’s dedicated ESG department oversees and implements ESG commitments, strategies and objectives to ensure that the principles of environmental stewardship, social</p>

³² As outlined on Page 28 of BSF’s [2021 ESG Report](#).

	<p>responsibility and governance are met by the Bank. The ESG department is supported by “ESG champions” who are ESG experts identified internally across BSF’s departments.</p> <p>For each material ESG issue identified, BSF has developed action plans and commitments and assesses the measures taken by using key quantitative performance indicators. Furthermore, BSF publishes a quarterly investor presentation that includes reporting on how potential ESG issues are monitored, managed, and mitigated. Additionally, the Bank regularly conducts a materiality analysis to identify the most important issues to its stakeholders and map out potential impacts, including climate and environmental factors.</p>
<p>Climate transition strategy</p>	<p>The Bank currently does not have SBTi-verified targets, however, it is working on setting climate-related targets under its ESG Policy Framework by (i) developing an ESG Policy Framework to formalize the Bank’s commitment to integrate actions across all operations, (ii) baselining Scope 1, 2 and 3 greenhouse gas portfolio emissions, (iii) reviewing internal ESG KPIs that are considered material by the Bank, (iv) developing a climate strategy for setting climate targets and (v) undertaking a climate risk assessment and climate strategy evaluation.</p>
<p>Top three areas of breaches of international norms and ESG controversies in the industry³³</p>	<p>Financial market irregularities, layoffs, and failure to mitigate climate change impacts.</p>
<p>Breaches of international norms and ESG controversies by the Issuer</p>	<p>At the date of publication and leveraging ISS ESG Research, no severe controversy in which the Issuer would be involved has been identified.</p>
<p>Sustainability reporting</p>	<p>BSF discloses its ESG performance and tracks its yearly progress in its annual ESG Report which is prepared</p>

³³ Based on a review of controversies identified by ISS ESG over a two-year period, the top three issues that have been reported against companies within the commercial banks and capital markets industry are displayed above. Please note that this is not a company-specific assessment but rather areas that can be of particular relevance for companies within that industry. Therefore, it is not associated with any regions/or markets in particular.

	according to the Global Reporting Initiative (GRI) standards and sector-specific Sustainability Accounting Standards Board and UNEP FI Principles for Responsible Banking.
Industry associations, collective commitments	The Bank is not currently a formal signatory to any industry alliances. Nevertheless, BSF confirmed to continue exploring possibilities and best market practices to join key alliances where relevant.
Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework	-

Rationale for issuance

To align its financing strategy with its mission and the sustainability objectives embedded in KSA’s Saudi Vision 2030, BSF established a Sustainable Finance Framework to be able to issue sustainable finance instruments covering bonds, loans, sukuks and deposits.

BSF utilizes sustainable finance instruments as a tool for channeling its investments to projects and assets that have demonstrated clear environmental or climate benefits and contribute to the achievement of the U.N. SDGs and Saudi Vision 2030.

Opinion: *The key sustainability objectives and the rationale for issuing sustainable finance instruments are clearly described by the Issuer. All of the project categories financed are in line with the Issuer’s sustainability objectives.*

DISCLAIMER

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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labeled transactions against international standards using ISS-Corporate's proprietary [methodology](#).

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

BSF commissioned ISS-Corporate to compile a Sustainable Finance Instruments SPO. The second-party opinion process includes verifying whether the Sustainable Finance Framework aligns with the GBP, SBP, SBG, SLP and GLP and assessing the sustainability credentials of its Sustainable Finance Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this second-party opinion:

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Social Bond Principles (SBP), as administered by the International Capital Market Association (ICMA) (as of June 2023 with June 2023 Appendix 1)
- Sustainability Bond Guidelines (SBG), as administered by the ICMA (as of June 2021)
- Green Loan Principles (GLP), as administered by the Loan Market Association (LMA) (as of February 2023)
- Social Loan Principles (SLP), as administered by the Loan Market Association (LMA) (as of February 2023)

ISSUER'S RESPONSIBILITY

BSF's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, which ISS-Corporate is a part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent second-party opinion of the Sustainable Finance Instruments to be issued by BSF has been conducted based on proprietary methodology and in line with the ICMA GBP, SBP, SBG and LMA GLP and SLP.

The engagement with BSF took place from October 2023 to October 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework

ISS-CORPORATE 

members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so that investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>.

For more information on SPO services, please contact: SPOsales@iss-corporate.com.

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