



ESG INTELLIGENCE

SIDF صندوق التنمية الصناعية السعودي

SIDF - KSA

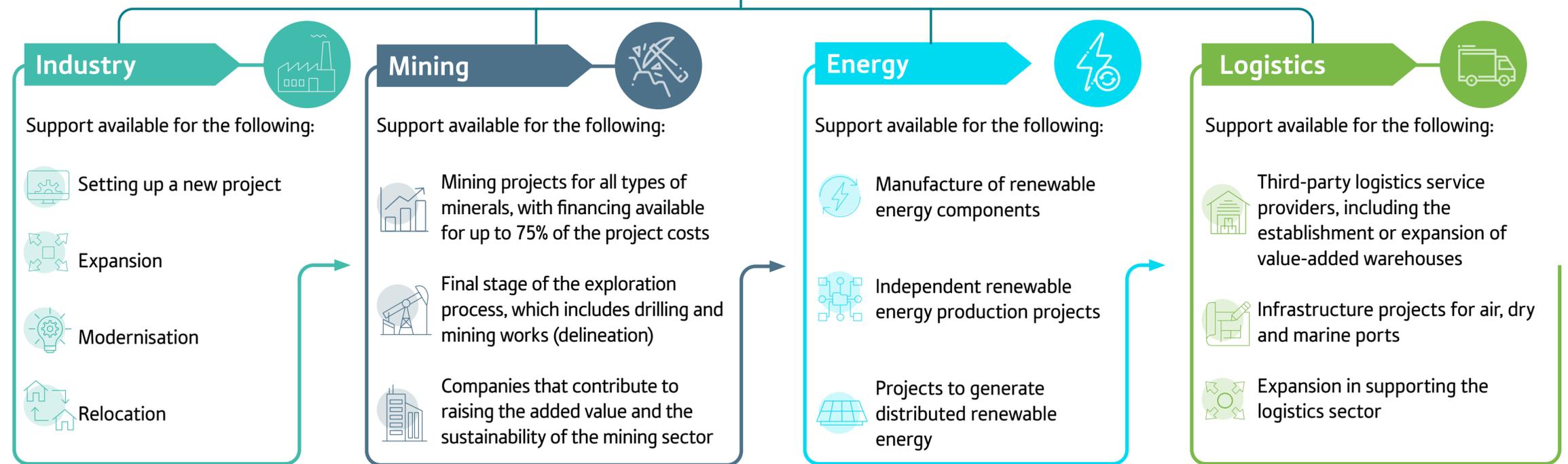
Enabling Sustainable Industrial Growth in Saudi Arabia



SIDF outline

SIDF was established in 1974 as a government financial institution to help realise the economic diversification and industrial advancement objectives of Saudi Arabia by providing mid-term and long-term loans to the private industrial sector. Today, SIDF's strategy and role has expanded to support the realisation of the Kingdom's Vision 2030 and the National Industrial Development and Logistics Programme (NIDLP). SIDF's vision is to be an "Industrial development fund enabling Saudi Arabia's transformation to become an industrial powerhouse and a global logistics hub". SIDF is focused on enhancing the competitiveness of the ecosystem and improving the investment climate by providing financial and non-financial offerings to the promising sectors of industry, energy, mining and logistics.

Supported sectors



Scope of support

Projects located in Saudi Arabia with ownership from both local and international investors can avail of:

- Financing
- Advisory services
- Guarantees*

*Partially activated

Training

Academic training centres established and managed by SIDF serve the organisation's employees and wider industrial ecosystem

SIDF in line with net zero

Saudi Arabia is now ushering in a new era as the Kingdom aims to reach net-zero carbon emissions by 2060. This target is in line with Vision 2030's broader ambitions to accelerate the energy transition, achieve economic diversification and sustainability, and attract more investment. As part of its mandate to stimulate the growth of target sectors, SIDF is increasingly taking sustainability criteria into account in its project evaluations, credit assessments and support services. By doing so, the fund can help ensure a sustainable growth trajectory for domestic enterprises and a positive economic multiplier effect from their activities.



Bandar Alkhorayef, Minister of Industry and Mineral Resources; and Chairman, Saudi Industrial Development Fund

I am pleased to present this report about how environmental, social and governance (ESG) issues are shaping the development of the industrial, mining, energy and logistics sectors in Saudi Arabia.

There has been significant interest within the Kingdom in developing ways of adopting sustainable principles that meet the needs of both local industry players and broader Saudi society, as well as align with the sustainable development principles established in Vision 2030, the country's long-term economic development plan.

ESG metrics have become a critical tool used by the international investment community to assess the capacity of a company to move beyond regulatory compliance and excel in managing ESG issues and, indeed, risks across all sectors of the economy. ESG has also become a permanent aspect of the agenda for corporate boards of directors and a notable concern for shareholders. Around the world, sustainability concerns are providing the impetus to enhance multilateral voluntary agreements, such as the World Bank's Environmental and Social Framework and the UN Global Compact.

ESG principles have also become a guiding factor in programmes that have been launched in Saudi Arabia in recent years, including the Saudi Green Initiative – a highly ambitious national framework implemented under the patronage of Crown Prince Mohammed

bin Salman bin Abdulaziz Al Saud that encompasses environmental protection, energy transformation and sustainability programmes.

At the Ministry of Industry and Minerals Resources, we support organisations and companies by providing them with a platform for collaboration on sustainability and ESG issues, as we recognise the positive impact that effective ESG strategies can have on Saudi industry, as well as on the broader society.

To this end, the ministry launched the Sustainability Council in May 2021 to act as a platform for enhanced collaboration among stakeholders, and develop and reinforce ESG standards that are customised in line with the specific needs of local players involved in both the industrial and mineral resources sectors. The Sustainability Council has four key goals: to consolidate efforts to achieve sustainability goals, to improve sustainability performance throughout the sector, to apply the best environmentally friendly technologies and to promote clean production initiatives.

The Sustainability Council's membership is drawn from entities across the ministry's ecosystem, which means that we support more than 10,000 manufacturing plants, over 1200 mining licences and 40 industrial cities. We are proud that this project has been launched, and we believe that it will benefit all industry stakeholders.

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ESG strategies gaining momentum globally in the wake of pandemic pressures

Sample of ESG considerations



Environmental

- Climate change and emissions reduction
- Efficient use of energy
- Rational use of water resources
- Afforestation and reforestation
- Waste management
- Circular economy
- Biodiversity



Social

- Gender equality and diversity
- Health and safety
- Community empowerment
- Working conditions
- Address social inequalities
- Responsible job creation
- Human capital development



Governance

- Responsible supply chain management
- Compliance system
- Cybersecurity
- Audit quality
- Board governance and oversight
- Fair remuneration
- Shareholder rights
- Business continuity
- Risk management

Industry

Primary ESG considerations in industry include the need to reduce carbon emissions and hazardous waste during the production process, ensure workforce safety and adequate skills training to allow employees to flourish alongside advanced technologies, and investment in research and development to bring innovative products to market with the potential to address environmental and social challenges.

Mining

As mining has the potential to release toxic elements into the air, water and soil, long-term planning for the responsible management of a project's lifecycle is essential. Proper planning needs to take into account threats to local resources, workers and communities, with the latter treated as important stakeholders in the success of any mining project.

Energy

The transition to a low-carbon economy means businesses operating in the sector must ensure that they are aligned with the new energy landscape. Effective ESG strategies are becoming crucial to sustaining an energy company's social licence to operate, with borrowing and investment decisions increasingly focused on capital expenditure on renewable projects and the responsible management and winding down of fossil fuel assets.

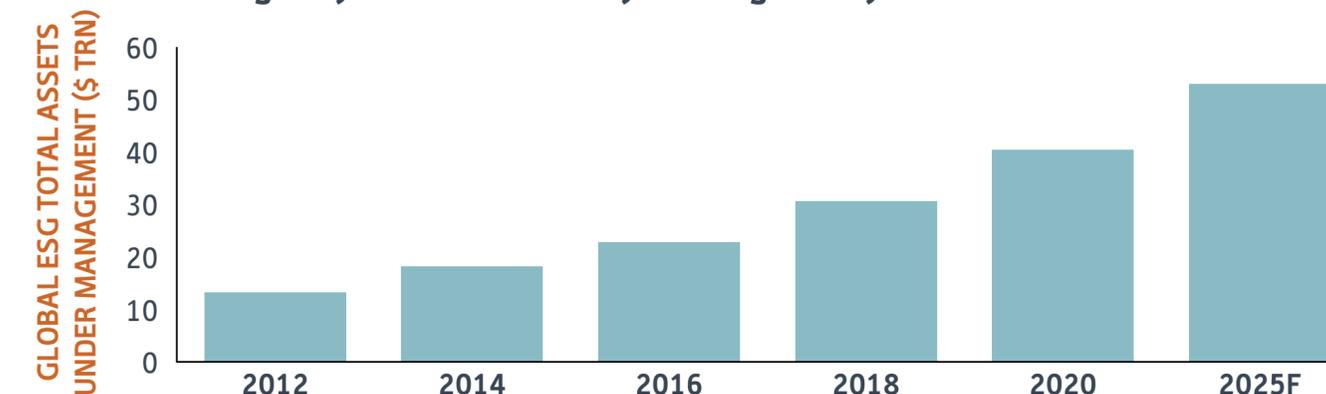
Logistics

The pandemic has illuminated the vulnerability of global value and logistics chains, causing many logistics companies to fast-track the introduction of technological solutions. At the same time, the rise of e-commerce during the Covid-19 pandemic has created increased demand for warehousing and freight transport, with ESG concerns focused on the need to minimise supply chain emissions while ensuring workers' rights are protected.

The growing global awareness of ESG challenges has seen companies, investors and consumers increasingly integrating sustainability factors into their decision-making processes. As the concept of business success and value creation evolves, efforts are being made to codify ESG standards as a means to guide responsible corporate policies and encourage companies to report the actions they are taking to ensure environmental sustainability, positive social impact and robust corporate governance.

The disruption of the pandemic has served to accelerate the implementation of ESG strategies as corporations and investors take pre-emptive action to mitigate emerging risks. Adopting effective ESG policies can help to boost organisational resilience, catalyse the innovation needed to navigate the "new normal", and better integrate stakeholders around a unified vision for future success.

ESG investing may reach \$53trn by 2025 globally



UN SDGs provide the foundation for a sustainable and resilient economy

Sustainable development has been an increasingly important dimension in the Kingdom of Saudi Arabia, as reflected in the country's long-term strategic plans. Since the Kingdom became a member of the UN in June 1945, Saudi Arabia has actively contributed to the organisation's global development initiatives, including the UN Sustainable Development Goals

(SDGs), which it adopted in 2015. The UN launched the SDGs as a roadmap consisting of 17 goals and 169 targets that aim to transform the world by 2030 through human capital development, inclusive and sustainable economic growth, and environmental protection. Saudi Arabia has aimed to maintain Islamic principles and values, while at the same

time expanding economic and social freedom in order to integrate the SDGs into Vision 2030, an all-encompassing blueprint to transform the Kingdom's economic, social and cultural environment. The Saudi government, international organisations, private sector businesses and individuals are all stakeholders in advancing the SDGs in the Kingdom.



To promote the 17 SDGs in Saudi Arabia, numerous strategies and plans have been developed. Among the most prominent are the Saudi Green Initiative (2021), National Environment Strategy (2017), National Renewable Energy Programme (2017), as well as various vision realisation programmes under Vision 2030 linked to social development and good governance (see next slide). In addition to national strategies, there are various projects under way in the Kingdom that support the realisation of the UN SDGs, such as the construction of NEOM, a vast smart city development based on emerging technologies and green innovations in the north-west of the country.

Saudi Arabia actively participated at the UN Conference on Climate Change (COP26) summit in Glasgow, Scotland, in November 2021, pledging to reach net-zero carbon emissions by 2060 and committing \$1bn for climate change mitigation efforts as part of a \$10.4bn regional fund to cut carbon emissions in the Middle East. The realisation of these goals will require a whole-of-society approach, which includes wide-ranging industrial innovation efforts and the adoption of sustainability strategies in key sectors and among private companies. Government organisations tasked with facilitating the growth of the private sector are working to be mindful of these goals and challenges when devising their long-term plans.

Vision 2030 sets out a roadmap for economic diversification and sustainable development



Vision 2030 was launched in April 2016 as a roadmap for economic transformation and accelerated sustainable development, resulting in a higher standard of living and improved quality of life. The aim is to end reliance on oil, expand economic opportunity, stimulate new growth engines, and raise Saudi Arabia's international standing in the economic, social and cultural spheres. The implementation of Vision 2030 is being guided by a variety of vision realisation programmes and sector-specific strategies.



Ambitious nation

- Enhance government effectiveness
- Foster social responsibility

Three pillars of Vision 2030



Vibrant society

- Strengthen Islamic and national identity
- Enable fulfilling and healthy lives



Thriving economy

- Grow and diversify the economy
- Increase employment

Vision Realisation Programmes

The Public Investment Fund (PIF) is the Kingdom's sovereign wealth fund, which is the active engine behind the diversification of the country's economy and the development of strategic sectors.

The programme seeks to enhance the economic and investment sustainability of the Kingdom through four direct objectives:

- Accelerating the growth of promising local sectors
- Developing local real estate projects
- Launching and supporting major development projects
- Increasing and diversifying the fund's global assets

The programme aims to invest \$150bn+ annually, grow the fund's assets under management to \$4trn by 2025, and contribute \$1.2trn to the non-oil economy.

The National Industrial Development and Logistics Programme (NIDLP) aims to transform the Kingdom into a global industrial and logistics leader by maximising the value of its mining, industry, energy and logistics sectors, while unlocking the potential of local content and the 4th Industrial Revolution.

The main objectives of NIDLP include:

- Localising manufacturing in all industries
- Raising gas production and distribution capacity
- Growing the contribution of renewables to the national energy mix
- Enhancing the competitiveness of the energy sector
- Establishing the Kingdom as a logistics hub
- Improving local and international transport and trade connectivity.

The NIDLP – of which SIDF is the main financial enabler – is contributing to the Kingdom's economic diversification by fostering dynamic new growth engines that can have a positive multiplier effect on other areas of the economy.

PIF Programme

Housing Programme

Doyof Al Rahman (Hajj and Umrah) Programme

National Transformation Programme (NTP)

Privatisation Programme

Fiscal Sustainability Programme

NIDLP Programme

Financial Sector Development Programme

Quality of Life Programme

Health Sector Transformation Programme

Human Capital Development Programme (HCDP)

The NTP aims to create an environment that enables the public, private and non-profit sectors to achieve operational excellence.

The main objectives of NTP include:

- Making it easier to do business in the Kingdom
- Increasing the economic contribution of small and medium-sized enterprises (SMEs)
- Developing promising local companies into regional and global leaders
- Enhancing companies' focus on their social responsibilities
- Reducing all types of pollution
- Enhancing transparency across government entities
- Developing the digital economy
- Increasing women's participation in the labour market

The next phase of the NTP will focus on ensuring the sustainability of vital resources, social empowerment, non-profit sector development, achieving governmental operational excellence, and improving labour market accessibility.

The HCDP was created to develop the Kingdom's competitiveness across all sectors by enhancing citizens' capabilities and preparing them for future economic opportunities in line with Vision 2030.

The main objectives of HCDP include:

- Nurturing an environment for innovation and entrepreneurship
- Developing the brightest minds in priority fields like energy, industry, mining and logistics
- Ensuring educational outcomes are aligned with labour market needs
- Building a lifelong learning journey

The programme is supported by the Saudiisation drive which aims to raise the share of Saudi nationals working in strategic sectors.

SIDF's structure and offering allows it to adopt a twin-track approach to sustainable finance

Shaping corporate operations and management

SIDF aims to shape the operational and management practices of supported Saudi companies by increasingly embedding ESG principles in eligibility criteria and screening processes, as well as introducing new conditions to loan terms and providing guidance throughout the technical implementation of eligible projects.

ESG principles will be integrated in all SIDF's products and processes related to clients – although the inherent characteristics of industry, mining, energy and logistics will influence the relative weight of factors under consideration.

Saudi CEOs increasingly aware of emerging ESG risks Which factor poses the greatest risk to your growth?



*Data from 2021 KPMG survey of 50 KSA-based CEO representing firms with annual revenues greater than \$500m

SIDF financial and advisory products

General financial products	Project financing: Medium-to-long term finance for newly established companies or for those expanding, modernising or relocating
	Acquisition financing: Medium-term loan to finance acquisitions of local companies to support vertical integration, sector consolidation and expansion of added value through technology or product development
	Working capital financing: Short-term loan to fund operational expenses
	Multipurpose financing: Medium-term loan that finances capital expenditures aimed at improving operations, including production lines, services, buildings, IT systems, safety, vehicles and warehouses
Targeted financial and incentivised programmes	'Mutajadeda' programme: Incentivised financing for distributed solar power generation at industrial and agricultural sites, independent renewable power and manufacturing of components for solar and wind power
	'Tawteen' programme: Incentivised financing for projects with high local content through purchase agreement with leading Saudi companies (Saudi Aramco, SABIC, stc, Saudi Electricity Company, Ma'aden)
	'Afaq' programme: Support to SMEs in the expansion phase through loans and technical advisory, as well as partnership building between entrepreneurs and business incubators
	'Tanafusiya' programme: Financing solutions to support investments in digitalisation and energy efficiency in order to boost the company's competitiveness
Advisory	Cost optimisation advisory: Recommendations on optimising direct and indirect costs backed by industry benchmarks and best practices
	Go-to-market advisory: Recommendations on increasing market share and revenue by advising on product mix, pricing strategy, client segmentation and distribution channels

Shaping corporate outputs

As SIDF steers corporate behaviour by influencing operations and management, it can also leverage its knowledge of national priorities, market conditions and technical challenges to support companies that provide specific products and services (outputs) which, in terms of either value or price, contribute to meeting Saudi Arabia's sustainability and development priorities.

While not all SIDF products are equally effective at influencing the nature of outputs, a number of them can achieve this as they either focus on specific sectors, or because they can target companies at a stage when product development and innovation are corporate priorities.

Ways in which companies can generate a positive environmental and socioeconomic impact through their outputs

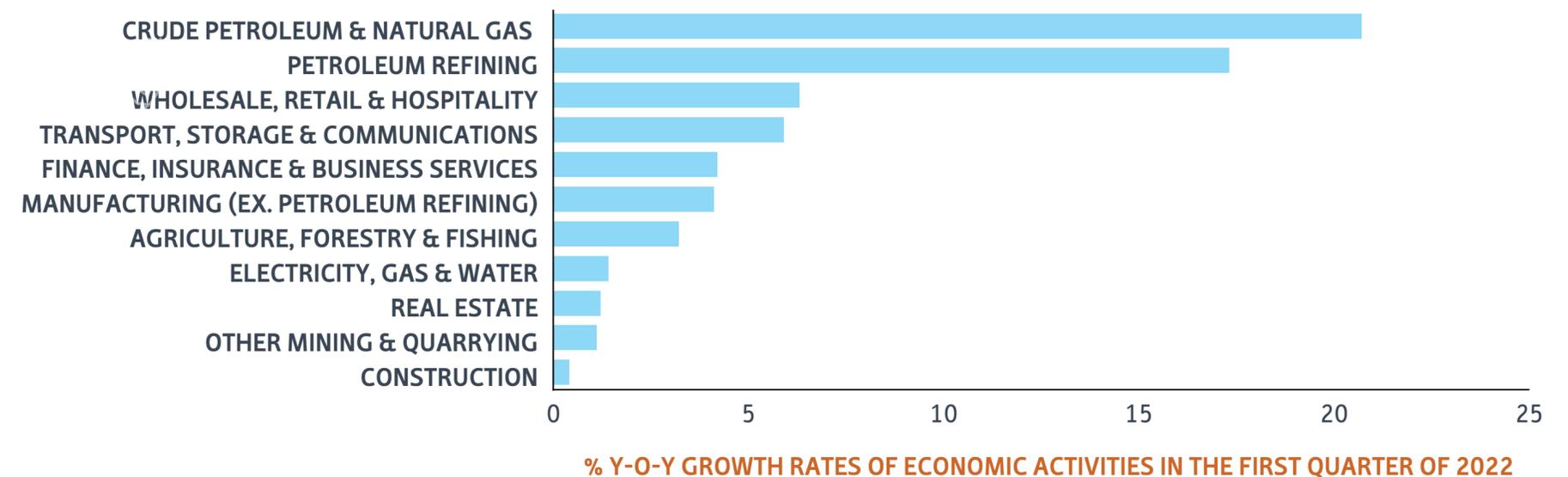
- Developing outputs with a lower exploitation-related environmental footprint (e.g. embedded recycling and circular economy concepts, low GHG emissions, etc.)
- Increasing the affordability and accessibility of outputs required to cover basic human needs (e.g. nutrition, health care, education, housing)
- Reducing the cost structures of corporate clients, particularly SMEs
- Contributing to national environmental and socioeconomic development goals by filling relevant capability gaps and/or enabling relevant upstream, downstream or parallel industries

Non-oil growth to drive the future of Saudi Arabia's economy

Non-oil industries have been gaining momentum in KSA

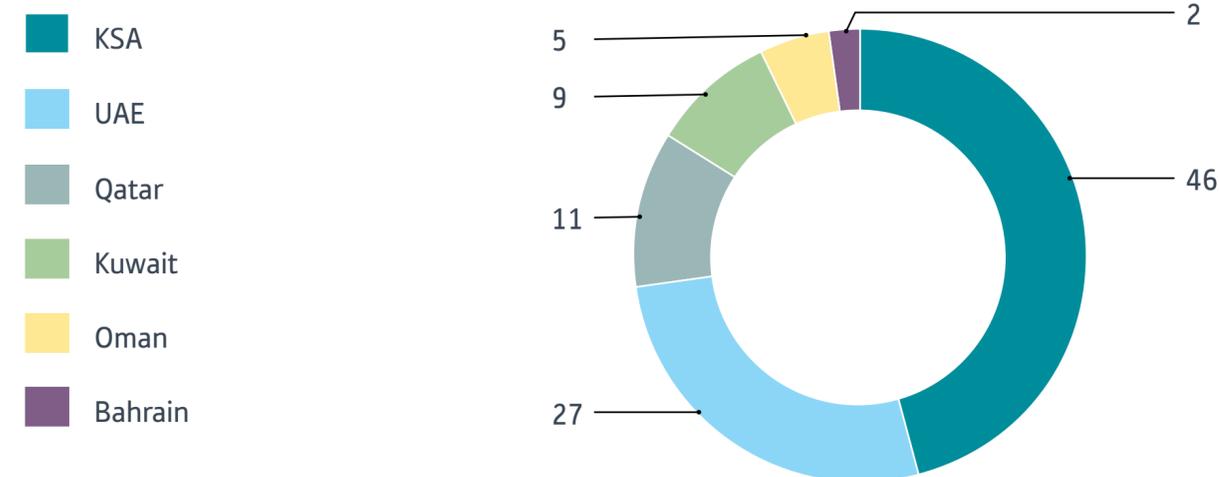


Growth recorded across all key sectors in the first quarter of 2022



KSA is the GCC's largest economy

Country % share of GCC GDP, 2019



Industrial development is key to the economy of Saudi Arabia, with industry set to benefit from Vision 2030's target of boosting the private sector's contribution to GDP from 40% in 2016 to 65% by 2030, and increasing the contribution of foreign direct investment to GDP from 3.8% to 5.7%



The NIDLP aims to invest \$453.2bn and create 1.6m jobs in industry, non-oil energy, mining and logistics activities to boost their contribution to GDP and exports, and promote local content



The value of mining operations in KSA is expected to reach \$69.3bn by 2030 with \$4bn invested by the Saudi government to develop the sector and explore opportunities presented by the mineral-rich Arabian Shield in western Saudi Arabia



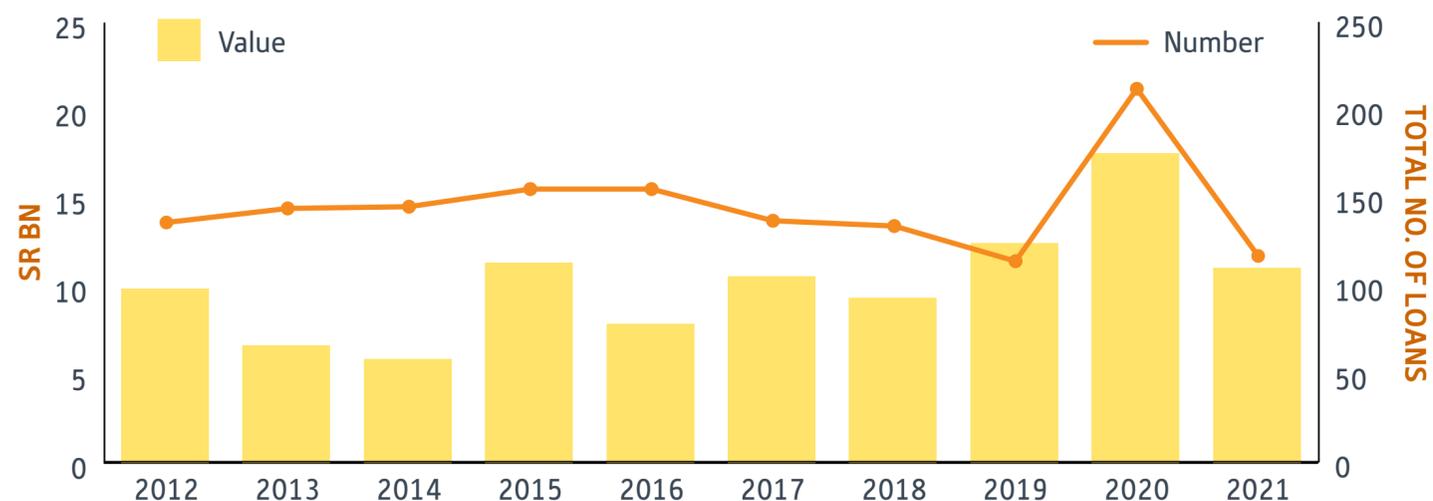
Renewable energy is on course to constitute 50% of Saudi Arabia's energy mix as the Kingdom aims to attract more than \$20bn in investments in renewables over the next decade to generate 30 GW from renewables by 2025 and almost 60 GW by 2030



The transport and logistics sector in KSA is expected to reach a value of \$32bn by 2026, growing at a compound annual growth rate of 7% and contributing 10% of GDP by 2030, supported by plans by the Saudi government to invest \$46bn in logistics infrastructure

SIDF's strategic direction provides opportunities to firmly integrate ESG principles in the post-pandemic era

Evolution in the value and number of SIDF loans approved



Although the Covid-19 pandemic created challenges for SIDF, in 2020 it approved SR17.6bn in loans – representing **117%** of its annual target of SR15bn

Due to initiatives to restructure and reschedule debt instalments, SIDF forecast in mid-2020 that it would collect SR1.6bn in repayments through the year. By end-2020 it had collected SR3.26bn, which represents **200%** of the mid-year target

In 2021, SIDF achieved **100%** of its target for the value of approved loans (SR11bn); SMEs received 76% of the total number of loans disbursed, fulfilling **95%** of SIDF's target in this area

ESG: The way forward

Deepen economic impact and extend reach

SIDF will broaden its portfolio of financial programmes, products and services to meet changing customer needs, as well as improve the way it measures the impact of the projects it finances. In parallel, it will continue expanding its network of national and international partners to both mobilise more financial and non-financial resources and better identify development gaps and opportunities in order to create a more comprehensive ecosystem for positive economic transformation.



This strategic direction creates room to embed ESG considerations when screening beneficiaries as SIDF expands the scope and scale of its operations, and also attract new players to a sustainability-oriented development ecosystem. Post-facto impact evaluation can also measure ESG indicators. Additionally, addressing environmental or social challenges can be done through the introduction of targeted financial products and services.

Strengthen financial fundamentals, efficiency and accountability

SIDF seeks to strengthen its financial sustainability by focusing on efficiency in disbursement and collection processes, as well as in business operations. It will also improve governance, risk management and compliance as an integrated set of capabilities.



From an ESG perspective, this heightened focus on sound financial management, including risk management, should ensure that SIDF can reliably support the broader socioeconomic and environmental goals woven into Saudi Vision 2030 and NIDLP over the long term by maintaining a healthy balance, building resilience and avoiding funding activities which detract from the nation's positive momentum.

Attract and nurture talent

By exercising a comprehensive approach to talent selection, team building and training, SIDF can attract and retain the requisite talent to instil a performance-oriented culture along with a proactive ownership mindset among its employees.



Awareness of the knowledge and skills required to help the country's business community adhere to ESG criteria and socioeconomic and environmental goals is important for SIDF as it continues building its cadres. Similarly, keen attention to social aspects in human resource management and the broader working culture will help SIDF retain a diverse range of skilled employees, and accumulate and leverage institutional knowledge over time.

ENVIRONMENT



Saudi Arabia's national vision for environmental sustainability spurs corporate adaptation



Saudi Green Initiative (SGI) targets

Reducing emissions



Reduce carbon emissions by more than 4% of global contributions

- Current wind and solar projects will produce enough energy to power 600,000 homes, amounting to a 7m-tonne annual reduction in greenhouse gases
- \$7bn is invested in low carbon solutions by the Oil and Gas Climate Initiative annually, of which Saudi Aramco is a founding member
- Over 35 initiatives are dedicated to improving energy efficiency across the Kingdom, to reduce energy consumption and energy waste
- 9,900 km of railway is planned under the Saudi Railway Master Plan, which will reduce traffic and lower carbon emissions contributed by vehicles

Greening Saudi



Plant 10bn trees across Saudi Arabia

- 10m trees have already been planted across the Kingdom under the 'Let's Make it Green' campaign
- The \$15bn AIUla Masterplan – the world's largest oasis project – includes plans to create up to 10m sq metres of green and open spaces
- Over 4m mangrove trees have been planted by Saudi Aramco – 2m in 2020 alone – to restore Saudi Arabia's shoreline mangrove forests
- Green Riyadh will transform the city to include 541 sq km of green space, 7.5m trees, and a 1100 sq metre-green belt stretching through the city

Protecting land and sea



Raise protected areas to more than 30% of total land area

- Over the past four years, the percentage of natural reserves in the Kingdom has been raised from 4% to more than 20%
- 82,700 sq km of land is designated for wildlife protection, and the Kingdom is implementing an extensive rewilding programme
- 75 areas, including 62 terrestrial and 13 coastal and marine areas, are proposed for protection
- 1,100 people are currently employed by the Special Forces for Environmental Security, with plans to grow the force to 10,000 over the next four years



Saudi Arabia commitments at COP26

- Saudi Arabia committed to reach net zero by 2060, allocating more than \$180bn to the effort
- Saudi Arabia signed the Global Ocean Alliance 30 by 30 initiative, which aims to protect at 30% of the world's ocean by 2030
- Saudi Arabia signed the Global Methane Pledge, which aims to reduce global methane emissions by at least 30% by 2030
- Saudi Arabia committed \$1bn for climate change mitigation and adaptation efforts as part of a \$10.4bn regional fund to cut carbon emissions in the Middle East
- Saudi Arabia unveiled the Circular Carbon Economy index, which paints a universal portrait of different energy systems by ranking nations' carbon management performance
- Saudi Arabia committed to the establishment of the International Sustainability Standards Board

Energy:

50% of the national energy mix to be generated from renewable sources by 2030

Logistics:

25% reduction in fuel consumption by 2030 and expansion of smart mobility solutions targeted in National Transport and Logistics Strategy

Industry:

70% of water used in the Saudi Authority for Industrial Cities and Technology Zones' (MODON's) 16 industrial cities to be sourced from treated industrial waste water by 2030

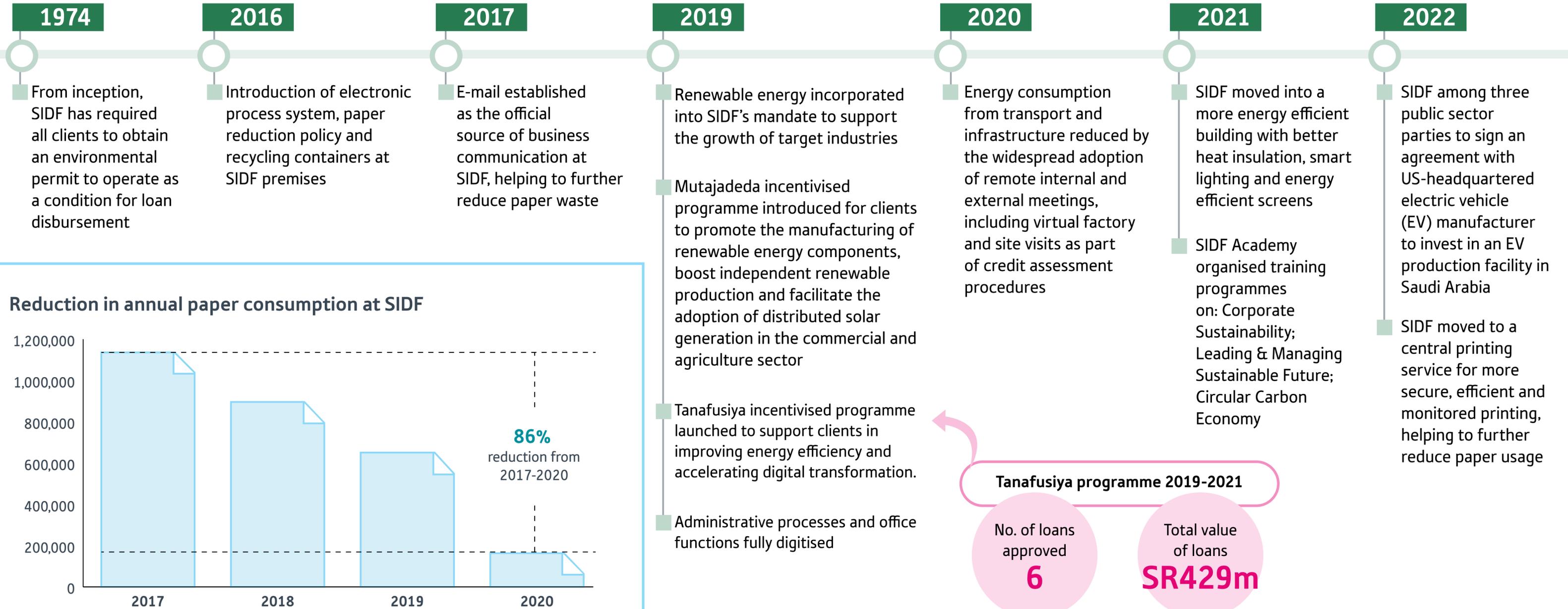
Mining:

35% reduction in groundwater withdrawal achieved by Ma'aden, the Kingdom's largest mining company, following the implementation of a water recovery plan

National sustainability targets and highlights in key industries

SIDF makes progress in adopting environmental policies in operations and product development

Environmental milestones at SIDF



SIDF's approach to sustainability creates positive multiplier effects across the national industrial base

Pathway

UN SDG alignment



Enable the industrial transition to net zero

Approach: Implement and expand financial and non-financial support programmes to enable industrial firms to propel the national transition to net-zero carbon emissions by producing renewable energy components, investing in independent or distributed renewable energy generation, and improving operational energy efficiency



Decent work and economic growth



Industry, innovation and infrastructure



Reduce operational emissions and waste

Approach: Scale back SIDF's carbon footprint through the use of energy efficiency solutions at the fund's premises, and reduce paper usage and waste through the digitalisation of internal and external processes and the expansion of recycling



Affordable and clean energy



Life on land



Raise industrial awareness and expertise on sustainability issues

Approach: Deliver a broad range of webinars, training programmes and events for the Kingdom's industrial and corporate leaders focused on sustainability challenges and opportunities, while factoring the environmental impact into project evaluations and credit assessments, and broadening the advisory services available to clients



Quality education

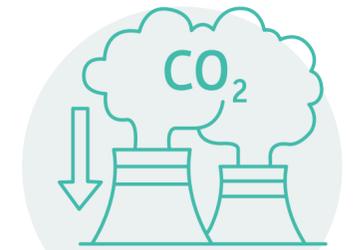
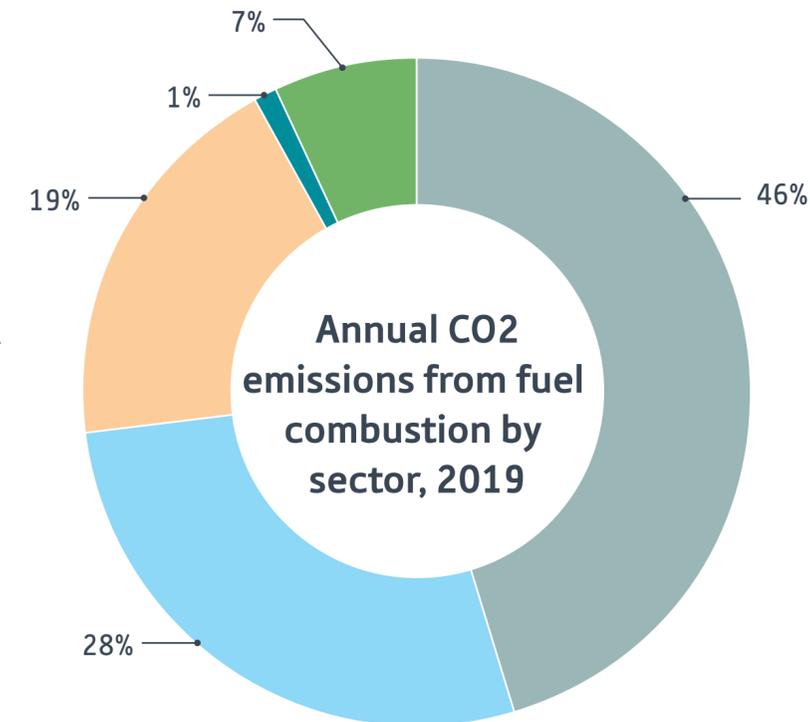


Responsible consumption and production

SIDF's environmental shift can help address national challenges

Industrial sector is KSA's largest source of CO2 emissions from fuel combustion

- Industrial
- Power
- Transport
- Building
- Other energy-related sectors*



65-90%

The amount by which industrial carbon emissions in Saudi Arabia need to be reduced from 2010 levels by 2050, in order to meet the range needed to limit global warming to 1.5°C

*Refers to energy-related CO2 emissions from extracting and processing fossil fuels

With industrial emissions accounting for almost half of CO2 emissions from fuel combustion in Saudi Arabia, the wider adoption of energy efficiency solutions by industrial companies and distributed renewable energy generation to fuel industrial operations could have a significant impact on helping Saudi Arabia to reduce its carbon footprint and meet the target of being a net-zero economy by 2060. Since 2011, an energy efficiency framework has been in place for industrial plants. SIDF has a key role to play in accelerating the adoption of energy efficiency technologies and renewable energy generation through its soft loans and credit assessment criteria.

SIDF makes progress in embedding environmental principles in credit assessment and product development

Environmental due diligence

Across the board, SIDF has put in place strict protocols to ensure projects financed by the fund comply with Saudi Arabia’s environmental standards and do not hinder the implementation of the Kingdom’s long-term national environmental strategy. In particular, SIDF identifies the following areas when conducting its environmental due diligence:



Ensuring the financially sustainable and commercially sound development of national capabilities

Regarding projects directly related to the development of products capable of contributing to Saudi Arabia’s environmental goals, SIDF seeks to guarantee funds are assigned to best-prospects projects with solid business fundamentals. For example, based on its recent experience with projects related to recycling and renewable energy (such as those under the Mutajadedda programme, see slide 16), when assessing credit decisions SIDF thoroughly considers aspects such as the following:

- Sourcing strategies – projects, particularly those related to recycling and the circular economy, should have a clear strategy for procuring basic inputs in a sustainable manner at adequate prices.
- Impact on localisation – projects must comply with local content and Government Procurement Authority’s requirements, which helps reduce the risk of high scope III emissions resulting from long-distance supply chains.
- Demand projections – projects should have a clear demand horizon, ideally backed up by soft-offtake agreements.
- Institutional endorsement – where necessary, certain projects should have the backing of relevant government agencies, such as the Renewable Energy Project Development Office.
- Non-redundancy – projects potentially leading to overcapacity might be non-eligible for funding.

Lowering the environmental impact of businesses

Apart from supporting new projects at the technical level to acquire assets and adopt procedures that minimise their environmental footprint, SIDF’s Tanafusiya programme seeks to upgrade the current industrial infrastructure in ways that, apart from boosting the competitiveness of local products, can also lead to lower GHG emissions.

The programme consists of two areas: energy efficiency and industrial digital transformation. The programme’s benefits include a longer grace period (up to 24 months), faster turnaround time to study the application (maximum of eight weeks), and links with SIDF’s consulting services, which include advisory on mainstreaming businesses within the Smart Industry Readiness Index, a method for the improvement of industrial procedures backed by the World Economic Forum.

In 2020, MODON and King Abdulaziz City for Science and Technology partnered under Tanafusiya to carry out the digital transformation of 100 factories. Since the beginning of the programme until the end of 2021, a total amount of SR429m across six projects had been granted.

Mutajadedda programme contributes to the realisation of national renewable energy goals

The **Mutajadedda programme** aims to promote the manufacturing of renewable energy components, boost independent renewable energy production, and facilitate the adoption of distributed solar generation in the commercial and agricultural sectors. This is done in close collaboration with the Renewable Energy Project Development Office of the Ministry of Energy. Since the programme's inception in 2019 until the end of 2021, it has financed 10 projects worth SR48.3m. Half of those projects, totalling SR20.3m, were implemented in 2021. The programme incentivises the following:

 The manufacturing of renewable energy components, offering: repayment period of up to 15 years; grace period of up to 36 months before any repayments are required; financing up to 75% of the project cost; alignment with the Renewable Energy Projects Development Office.

 Acquisition of assets by renewable Independent Power Producers, offering financing with a repayment period of up to 20 years, and a grace period of up to 36 months.

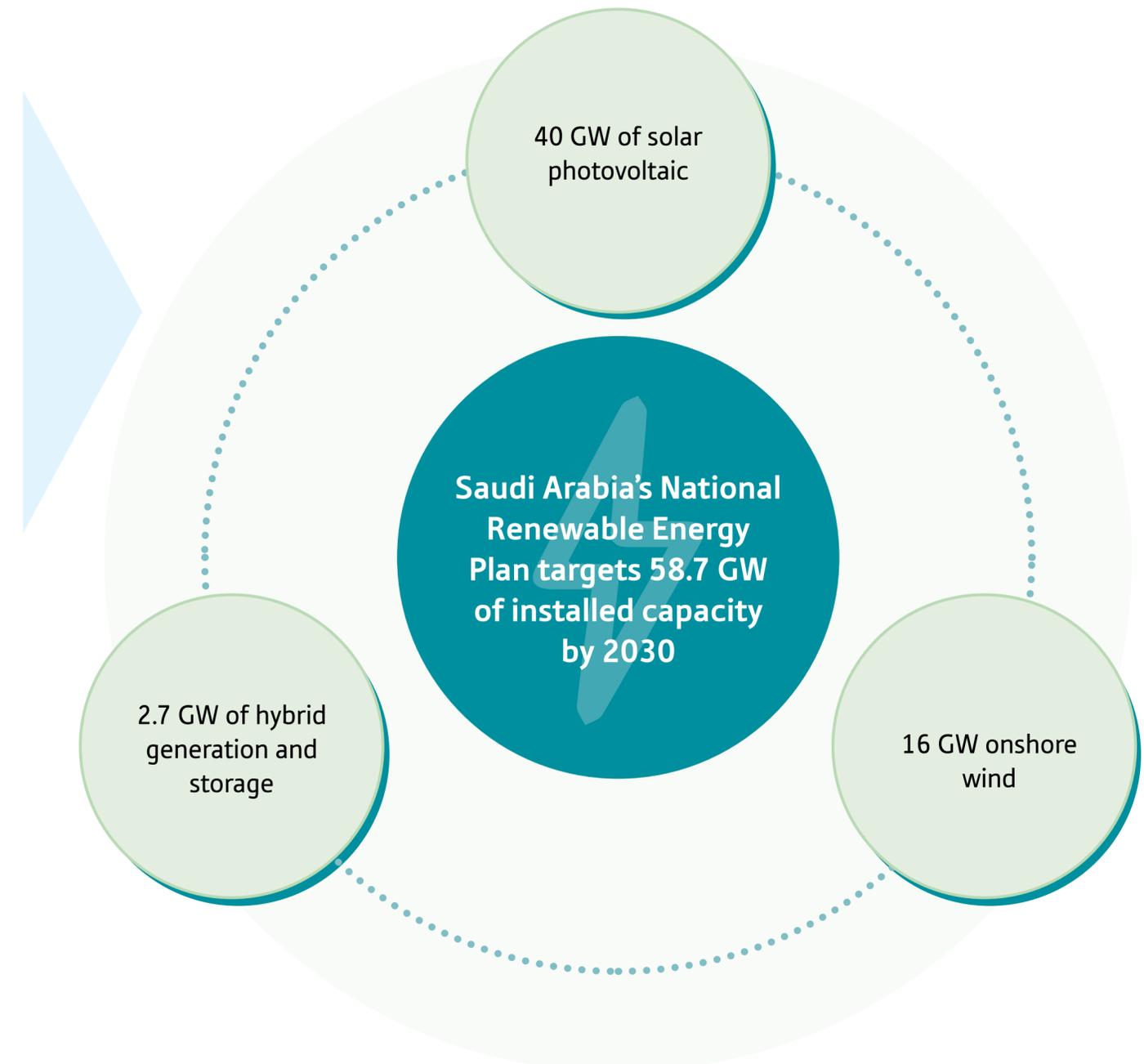
 Acquisition of assets for distributed solar electrical generation for project owners and developers in the commercial and agriculture sectors, with loans benefitting from a repayment period of up to 15 years, a grace period of up to 36 months, and financing of up to 75% of the project cost.

Apart from the Mutajadedda programme, SIDF can support its clients on a case-by-case basis to properly manage their main technical success factors in renewable energy projects:

Selecting the right partners for monitoring and evaluation, as well as manufacturing 

Attracting highly skilled management and labour 

Planning a resilient supply chain of basic inputs 



SIDF's supports industrial sustainability as host entity for Saudi Arabia in the Global Network of Advanced Manufacturing Hubs

A global effort



The World Economic Forum's Advanced Manufacturing Hubs (AMHUBs) initiative seeks to develop a cooperative, knowledge-based response to the challenges of geopolitical volatility and resource scarcity, which are eroding operational stability for businesses – not least in the area of price disruptions. These challenges are compounded by transformations triggered by the Fourth Industrial Revolution, resulting in a highly uncertain strategic environment that calls for an in-depth review of workforce skills, government policies, infrastructure requirements and environmental assumptions.

Launched in 2019, the Global Network of Advanced Manufacturing Hubs facilitates exchanges between manufacturing ecosystems at the local and national levels to allow regions to share best practices and case examples on how to address shared challenges.

At the time of writing the network includes 13 AMHUBs representing diverse manufacturing ecosystems around the world. **Since January 2021, Saudi Arabia has been a member of this global network after SIDF was invited to host an AMHUB.**

SIDF as an action catalyst

SIDF functions as the host entity for Saudi Arabia's AMHUB. It coordinates engagement between 24 major Saudi companies and government entities, helping to facilitate the development of Saudi AMHUB's strategy, set to be adopted by Q2 2022.

To catalyse action and set the initial groundwork for future efforts, SIDF and its partners within Saudi AMHUB have set three key priorities:

1. Increase access to talent and address skills gaps and lack of incentives for workers
2. Facilitate technology transfer and innovations to upgrade manufacturing facilities
3. Support SMEs to help accelerate their digital transformation journey

Work under these three key priority directions is being advanced by collaboration at the CEO level, with a focus on responsible industry transformation in alignment with ESG policies and metrics.

The environmental angle

Based on the findings of researchers at King Fahd University of Petroleum and Minerals and King Saud University – both members of Saudi AMHUB – the major challenges facing the kingdom's industrial ecosystem stem from two factors: the dominance of the oil industry and the highly energy-intensive profile of existing industrial assets.

In consequence, the mainstreaming of environmental criteria within the three policy priorities informs the following short-term actions:

1. **As part of a broader gap analysis exercise, identify ways to nurture a talent pool with the knowledge and skills required to tackle environmental challenges**
2. **Map technologies and sources of investment to support the transition towards a net-zero economy.**
3. **Ensure SME digitalisation includes a focus on energy efficiency**

CASE STUDY – The Ministry of Industry and Mineral Resources’ Sustainability Council: A top-down contribution to environmental sustainability



On the entity

The Ministry of Industry and Mineral Resources’ Sustainability Council (MIMSC) was established in May 2021 with the aim of strengthening efforts across the industrial and mining sector to support sustainability goals, enhance sectoral competitiveness and improve the environmental and social development indicators of industrial and mining communities.

SIDF’s commitment

SIDF actively contributed to the launch of MIMSC and is one of the seven entities represented on its board. As such, it plays a significant role in both shaping the strategic direction of the body and contributing to initiatives relevant to its mandate.

Promotion of environmental transparency as a strategic priority

The widespread adoption of reporting on environmental indicators was identified as one of MIMSC’s main strategic goals at an early stage. This is rooted in the leadership of the council’s understanding of reporting as both a key enabler of effective compliance and a tool for investment attraction. In line with the ambition to boost foreign investment, ensure long-term environmental sustainability and catalyse participation in nationwide endeavours such as the Saudi Green Initiative, MIMSC is developing a set of voluntary reporting standards adequate to the specific structure and conditions of the Saudi economy, particularly in relation to the SME landscape. In this regard, SIDF is uniquely positioned to contribute to the task by leveraging its knowledge of the evolving industrial fabric of the country and sharing its perspectives as a sustainability-minded lender.



Public-private engagement

On a daily basis, MIMSC functions as a vehicle to stimulate sector-wide collaboration in shaping environmental sustainability. First, MIMSC gathers the inputs of leading Saudi companies, such as Saudi Aramco, SABIC and Sadara, as well as public entities working closely with SMEs, such as SIDF and MODON, to ensure new policies are informed with a corporate perspective – with the adoption of the 2021 Waste Management Law a case in point. Second, MIMSC contributes to the sustainability-oriented technological and organisational adaptation of the industrial and mining ecosystem by publicly supporting companies which set best practices, introduce innovation-related initiatives and foster knowledge sharing. In this regard, MIMSC will seek to broaden the participation of corporate players on its board in the future.



CASE STUDY – Daz Recycling: Shaping a sector through stakeholder engagement and technology investments



On the company

Established in 2016 in Jubail Industrial City and part of Saudi Daz, an industrial services company, Saudi Daz Electronic and Solid Waste Recycling Factory (Daz Recycling) retrieves and recycles waste, primarily electronic (e-waste), for companies and communities across Saudi Arabia and other GCC countries. The company operates a plant in Jubail and a country-wide network of drop-off points.

SIDF's commitment

SIDF has issued a single SR5.7m loan to the company. The funds were earmarked for the acquisition of advanced sorting and processing equipment, with a high degree of automation. Additionally, it provided market intelligence.

Awareness raising

While the underdevelopment of e-waste management was apparent at the time of Daz Recycling's foundation, the company engaged in a campaign to raise awareness of the environmental challenge. In partnership with NGOs and environmental engineering experts at universities, Daz Recycling reached out to government entities and major companies to raise visibility of the issues and share best practices to promote more responsible behaviour. Afterwards, the broader community was targeted with media support. Eventually, these efforts spurred decisive action by the Royal Commission of Jubail and Yanbu, which established the first set of regulations pertaining to e-waste in Saudi Arabia, paving the way for a country-wide framework. In this regard, Daz Recycling's leadership highlight SIDF's mandate-based enabling role in supporting an important environmental service which, owing to the lack of awareness and regulation, involved significant commercial risk.

Emphasis on quality over quick returns

The acquisition of appropriate equipment, with a high level of automation and security, was key to ensuring the effectiveness of the service and to guaranteeing its commercial viability at low costs for clients. This was in line with the need to facilitate early adoption. In this regard, SIDF's Technical Studies Department provided thorough assistance in the company's procurement decisions, prioritising quality and innovation over price. Thanks to this, Daz Recycling has developed a high level of technical proficiency, resulting in stable contracts with major players and enough capacity to process increasing volumes of e-waste sourced from its network of drop-off points. This success has led to expansion plans, both in terms of capacity, with a new plant being built in Riyadh, and in the range of waste, with the company eyeing the lithium batteries segment.



40% of all recyclable materials generated in KSA annually, amounting to 56m tonnes, are concentrated in Riyadh, Jeddah and Dammam

The annual amount of e-waste in KSA is 3m-5m tonnes

SIDF’s environmental sustainability journey continues to evolve in response to new opportunities and challenges



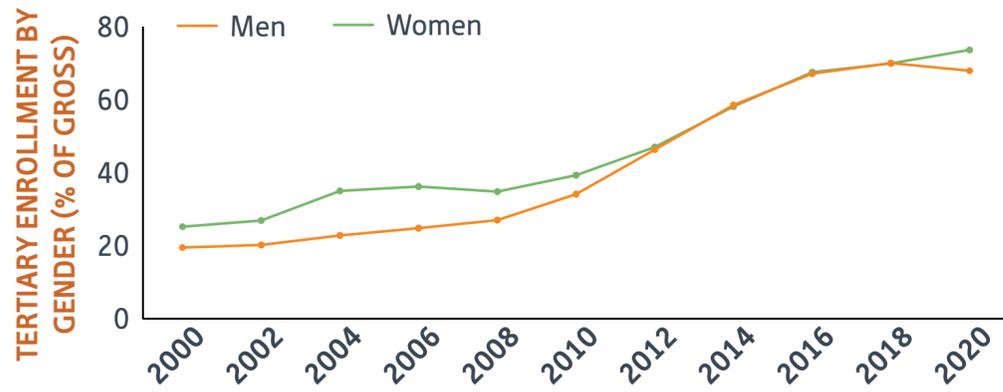
SOCIAL



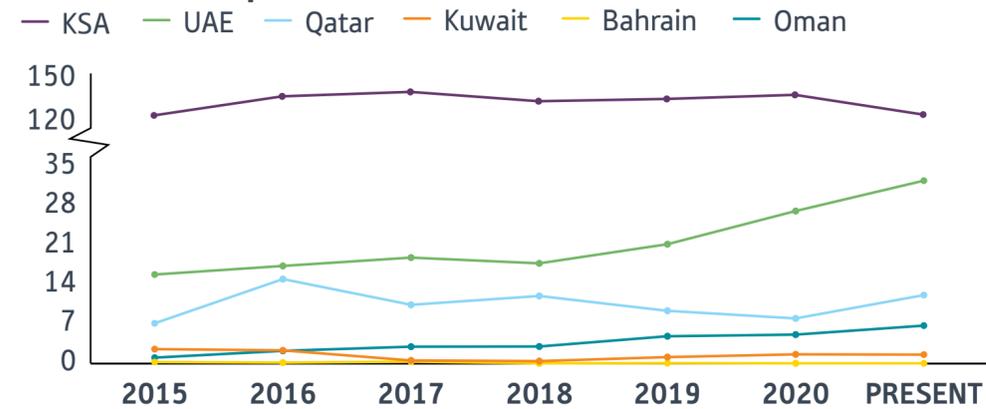
Saudi Arabia makes progress in leveraging human capital for social development

Saudi Arabia's social development plans
 Focus on upskilling citizens by providing lifelong learning opportunities, supporting innovation and entrepreneurship culture, and developing policies and enablers to ensure national competitiveness

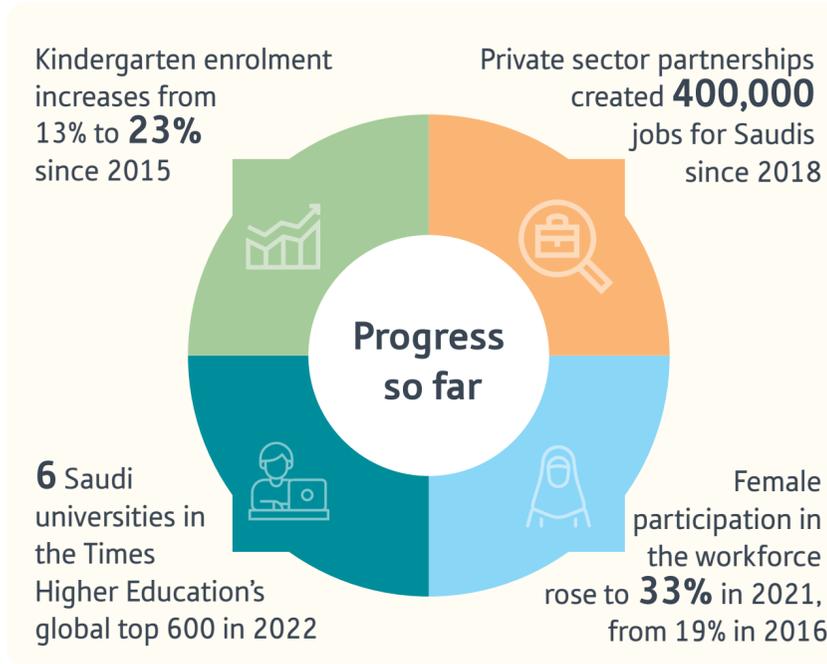
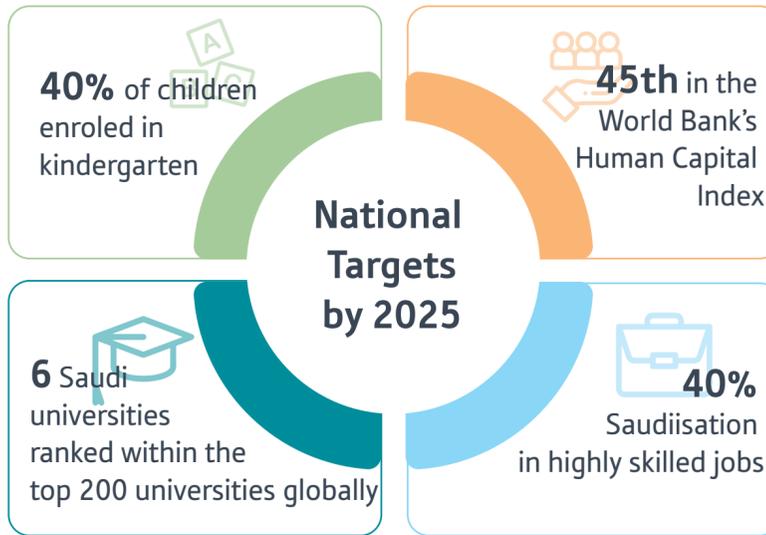
Women's tertiary enrolment in KSA exceeds men in proportional terms



Research output in GCC countries*



* Unit of measurement - Share: A fractional count allocated to an institution or country/region for an academic article that takes into account the percentage of authors from that institution or country/region and the number of affiliated institutions that contributed to the article. For calculation of share, all authors are considered to have contributed equally to the article.



Developing capabilities to meet labour market needs

To reinforce the importance of technical and vocational education, the state-owned Technical and Vocational Training Corporation operates an industry related up-skilling programme involving strategic partnerships with major companies who directly engage in the development of curriculum and employ a number of graduates. The main strategic partners include state-owned enterprises (Saudi Aramco and Saudi Electricity Company), private businesses (Al Hokair Group and ACWA Power), and foreign firms (Toyota and Mitsubishi).

Selected strategies under the Human Capability Development Programme:

Educational visa

Introduce educational visa to market KSA as an attractive destination for international students, researchers, and professors. Launch StudySaudi.sa platform that aims to increase the quality of the educational process, and research & innovation outputs focusing on strategic sectors

Entrepreneurship development

Develop entrepreneurship learning materials based on specialisations (fintech, edtech) and global experiences; promote partnerships between universities/colleges/divisions and local start-ups; provide practical and experimental entrepreneurship learning experiences in key sectors

Skills accelerator

Establish short, private sector driven and co-delivered, industry-specific skill accelerator programme to upskill and reskill the workforce and bridge the current and future skill gaps in the labour market

Industrial capacity building

Create industrial apprenticeship programmes in line with industrial and regional strategies, and encourage the participation of the private sector in the programme design and training experience

Intergenerational mentorship

Develop a programme to connect junior professionals with senior industry experts that volunteer to provide mentorship and advice in strategic sectors

SIDF advances social development and generates positive impact through internal policies and external actions

Social milestones at SIDF

2016

SIDF hired its first women employees

Significant growth in female representation

22%	42%	24
Proportion of women employees in total SIDF workforce, 2021	Share of women in total new hires, 2020	Number of women in leadership positions, 2021

The advancement of women in the labour market is an economic and social necessity. The Kingdom can only fulfil its broad goals for economic and social transformation if it harnesses the potential of all members of society.

2010

Security and Safety committee was established to protect the health and safety of employees

1974

Since its inception, SIDF has fostered a diverse and inclusive workforce comprising Saudi citizens and non-nationals

2017

The work environment is redesigned into an open space to enhance transparency and communication

2018

SIDF sets target of 50% of graduates starting the entry-level Nokhab training programme being women

- SIDF Academy launched to raise skill levels, expertise and awareness within the organisation, government ecosystem and client companies, in areas central to the growth of target industries.
- SIDF Young Leaders Council formed to generate innovative ideas from young talent in the areas of social impact, consulting and business development
- Childcare allowance introduced for female employees with children
- Annual employee engagement survey introduced to gauge satisfaction across the organisation
- Introduced an annually reviewed Training Path for each job category to ensure employees could see a clear route for career and personal progression within the fund



“Working together with the W20 will advance our mutual agenda on women empowerment, diversity and inclusion. This support stresses SIDF’s commitment to Vision 2030’s strategic goal of raising Saudi women’s economic participation rate to 30%.”

– **Noor Shabib**
Vice President, Strategy and Business Development

2020

- SIDF Academy runs training programmes on Sustainable Leadership and Corporate Responsibility, and Women Leadership
- SIDF Young Leaders Council launched the respirators initiative to assist factories willing to adapt their production lines to produce respirators, which were then shared with the Ministry of Health to combat the pandemic
- Necessary technological devices, health advice and support, and cybersecurity awareness provided to employees to mitigate the risks of the Covid-19 pandemic
- Culture of Excellence Council launched as a continuation of the long-standing Social Services Committee, with the aim of advancing strategic goals through impactful teamwork, strengthening the engagement of employees, and contributing to the wider community
- Sponsored the Women20 (W20) engagement group during Saudi Arabia’s presidency of the G20, in support of female empowerment

2021

- SIDF Academy runs training programmes on Islamic Development Finance, SME Credit Analysis, and SME Management
- Individual Training Plans introduced to ensure every employee has a structured and tailor-made progression programme
- One day leave is granted to employees after receiving a Covid-19 vaccination dose
- 131 emails intended to raise awareness of social-oriented topics sent to SIDF employees by the internal communications team throughout the year
- 100% of employees receive performance reviews; 281,000 total training hours are delivered through HR and 122,000 total training hours are delivered through SIDF Academy.

SIDF's approach to social impact supports the expansion of economic opportunity across the Kingdom

Pathway

UN SDG alignment



Promote female empowerment

Approach: Provide a welcoming and enabling environment for female talent to flourish within the organisation, in recognition of the economic and social imperative of harnessing the talents of all segments of society, while also supporting projects with a potentially positive impact on enhancing economic opportunity for women in the Kingdom



Gender equality



Reduced inequalities



Support nationwide job creation and entrepreneurship

Approach: Provide a range of financial and support services which can help start-ups and SMEs scale up their operations and hire more workers, while also working with major companies to localise their supply chains and support capacity building among Saudi industrial firms



No poverty



Decent work and economic growth



Enhance human capital development

Approach: Offer a transparent and effective path for career progression within the organisation supported by tailored training and coaching programmes and post-graduate study opportunities, while also boosting skills and knowledge among leaders and employees of fund clients from the private sector through the SIDF Academy

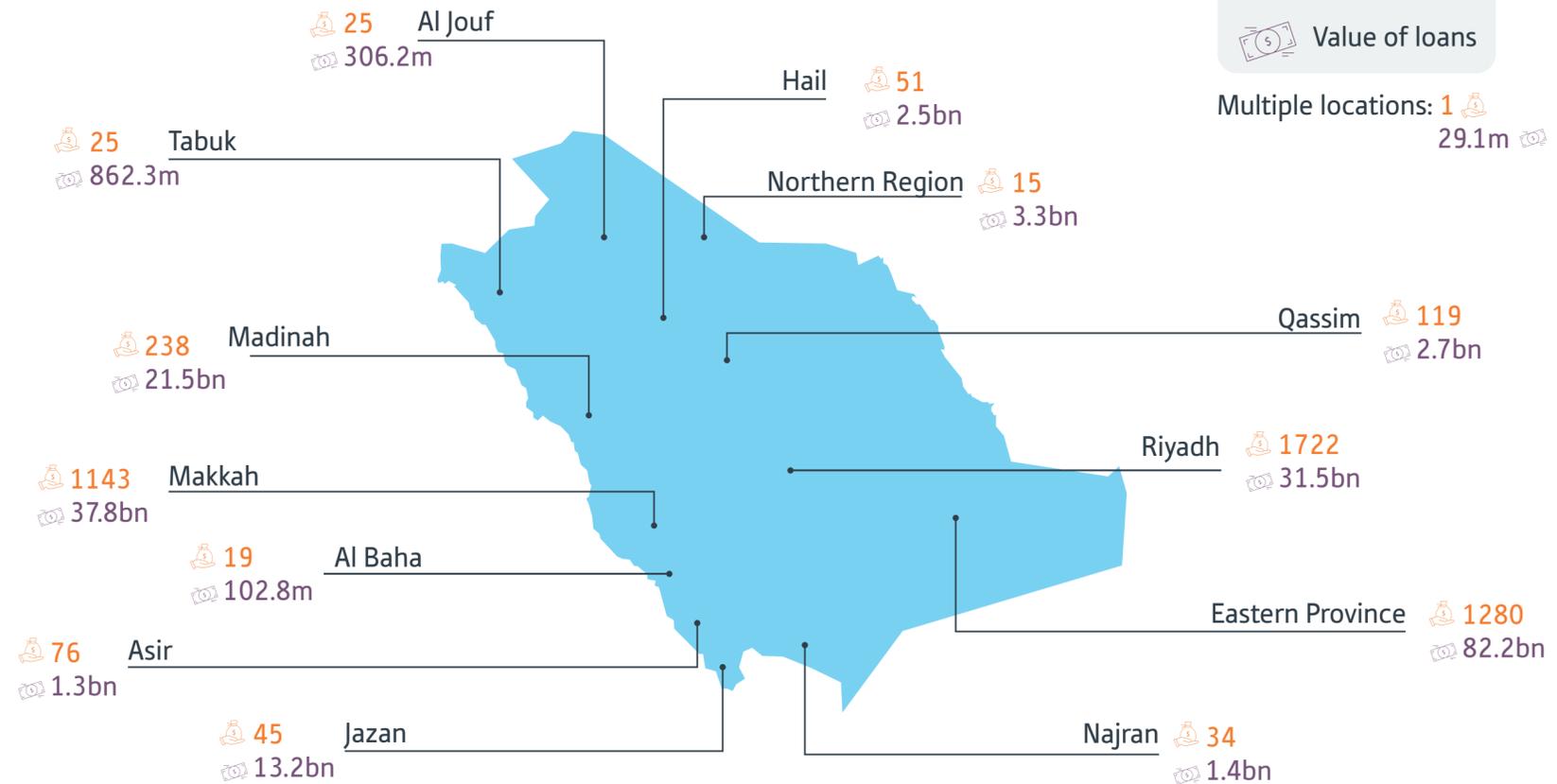


Quality education



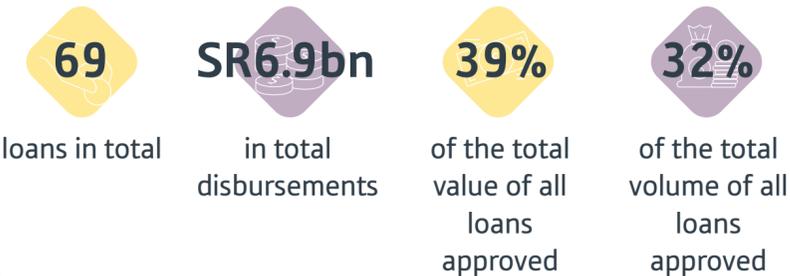
Industry, innovation and infrastructure

SIDF enables nationwide industrialisation and job creation Cumulative value and volume of loans, as of end-2021



SIDF support for promising regions

Loans to promising regions in 2020 constituted:



The SIDF board adopted new regulations in 2016 to boost funding for industrial projects in promising regions and cities outside the major urban centres. Provisions include covering up to 75% of the total project cost – rather than 50% – and extending the loan repayment period from 15 to 20 years.

Financing and guiding the growth of SMEs is central to SIDF’s social impact agenda

Both to generate positive social impact and to avoid exposure to risks arising from socially detrimental projects and practices, financial institutions can embed social criteria across their frameworks in credit assessment and client relations. For SIDF, the main social aspects in its client-related operations are **diversity, equity, and inclusion; robust employee relations; health and safety; positive working conditions; safeguarding workers’ rights.**

Socially-desirable results arising from good practices within a company’s internal operations are one aspect of the social considerations in ESG. Another aspect is positive socioeconomic developments resulting from the external activities of businesses, such as the products and services they offer. SMEs are a key vehicle in shaping both sides of the social pillar.

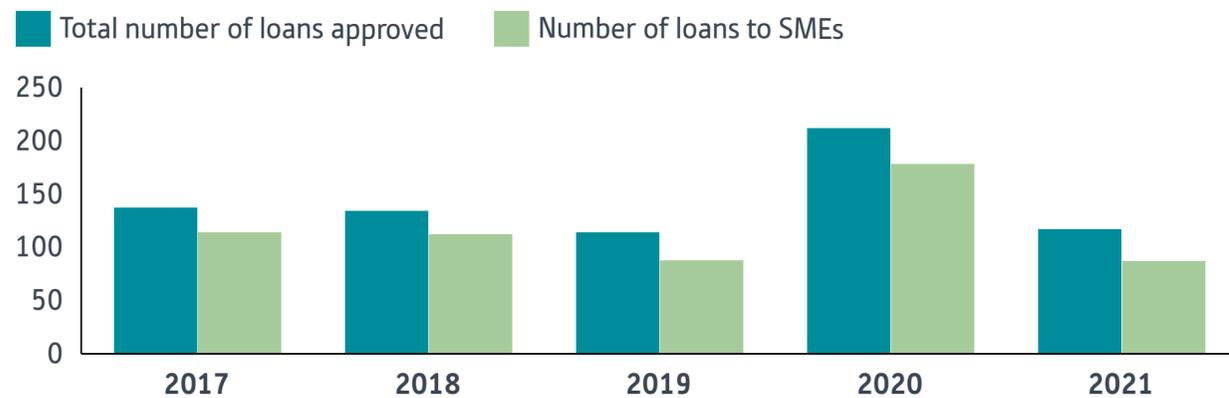
Saudi SMEs’ economic contribution to GDP

20% in 2016

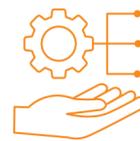
29% in 2018

By leveraging its knowledge on SMEs’ financial pathways and its close ties with the segment, SIDF seeks to maximise the social contribution of SMEs through **targeted programmes, cooperation, and rapid adaptation to economic circumstances.**

SIDF loans to SMEs



Targeted efforts – Afaq Programme



SIDF channelled SR463m into SME development through the Afaq programme from 2019 to 2021.

Afaq supports SMEs through various products and initiatives. For example, the SME Scale-Up product was launched to provide financial support to SMEs with proven success records, to allow them to increase their production capacity and meet their growth aspirations. This product provides a number of important benefits and features: longer repayment period (8 years); longer grace period (up to 24 months); possibility to reduce net worth (financial solvency) requirements; upfront disbursement of 30% of the loan amount.

Through the “Ask an Expert” platform hosted by the SME General Authority (Monsha’at), SIDF provides free technical advisory services to business owners and aspiring entrepreneurs. Launched in October 2021, six experts delivered 51 advisory sessions in Q4 of that year.

Elsewhere under the Afaq umbrella, the Industrial Business Incubators Programme aims to motivate industrial entrepreneurs to transform their ideas into pioneering projects. The programme partners with business incubators to deliver a package of services. The programme is currently delivered in partnership with the incubators at Prince Sultan Development Fund and King Saud University and offers numerous benefits, such as: consultation sessions to guide entrepreneurs through the journey from ideation to business foundation; training and workshops; access to investors; and conditional acceptance of an entrepreneur’s loan application with the financial solvency requirements deferred. As of early April 2022, some 210 applications had been received for the programme. Of these, 16 had been accepted into the partner incubators.

Cooperation – the SDB connection



Social Development Bank, a government financial institution, provides social financing products to start-ups and micro and small businesses. The agreement between SIDF and SDB seeks to better nurture investors and small enterprises by transferring new and existing customers between SIDF and SDB, depending on their specific financing needs and stage of development. This agreement is conditional on the customer agreeing to the transfer, and the value not exceeding SR5m. In 2020 12 projects were transferred from SIDF to SDB. The agreement exemplifies the importance of building cooperative schemes to increase stakeholders’ satisfaction by involving the right financial players at the appropriate time.

Adaptation – the Covid-19 pandemic



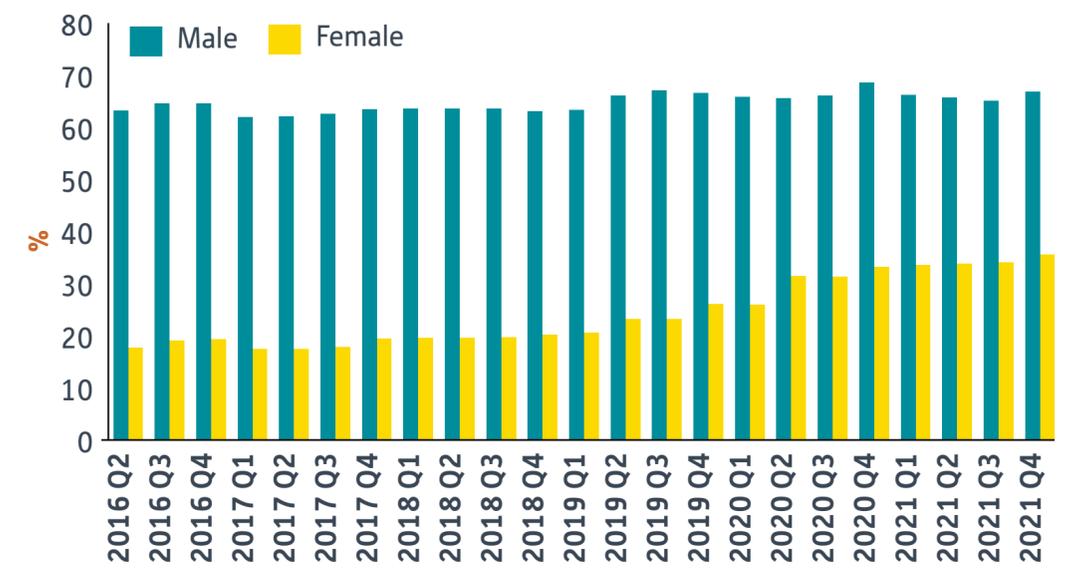
From the start of the pandemic SIDF reduced the financial burden on SMEs by restructuring debt instalments due in 2020 for all of them without any additional fees. This encompassed 374 small projects with loans worth SR825m, and 118 medium-sized projects with loans worth SR906m. SIDF also offered accelerated loans to eligible SME clients covering up to three months of operating costs to maintain liquidity in the market.

To facilitate recovery, SIDF launched financial products worth SR1bn to counter the effects of the pandemic, granting financial support worth SR476m to 86 SMEs.

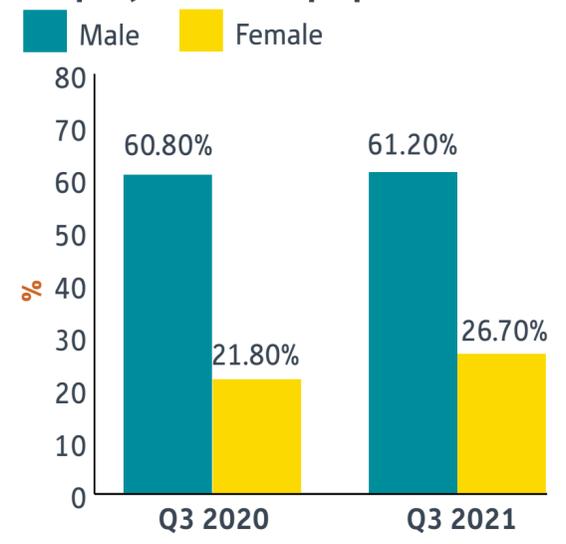
In a national context marked by positive trends, SIDF's gender equality efforts focus on training and empowerment

Owing to important economic and legal reforms, such as the ban on firing pregnant employees, the introduction of mechanisms to defend women against harassment in the workplace, and the elimination of barriers to credit and other financial services, Saudi Arabia has made significant progress in removing obstacles to female participation in the workforce.

Labour force participation rates



Employment-to-population ratio



The employment-to-population ratio indicates the ability of the economy to create jobs. An increasing employment-to-population ratio means that job growth is outpacing growth of the population. In Q3 2021, the y-o-y comparison indicates Saudi women outperforming men in this indicator.

However, the gender pay gap in Saudi Arabia still stands at **49%**, reflecting the concentration of women in lower paid jobs. Sustained efforts are required from policymakers, government organisations and businesses to create an enabling environment in which women can fulfil their potential in the workplace and wider society.



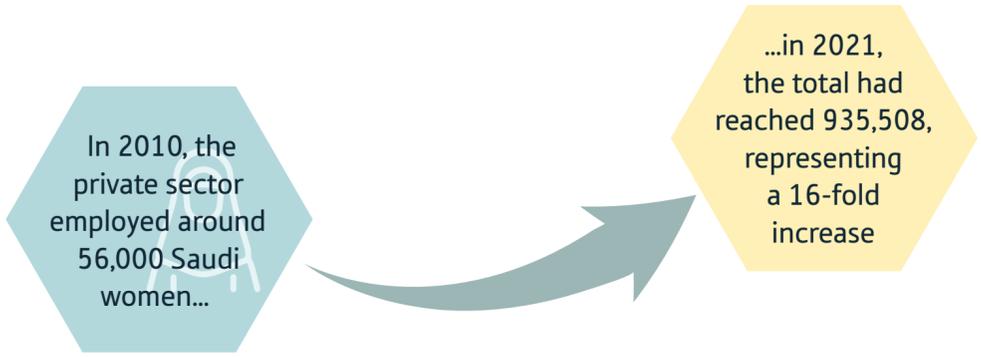
Ranked 4th in the public sector as a 'Great Place to Work' after an independent analysis by the **Great Place to Work Institute Saudi Arabia**

To ensure that an increase in female participation in the Saudi workforce is accompanied by a reduction of the pay gap, SIDF's current strategy aims to upskill women employees so that they can confidently aspire to leadership positions.

SIDF began hiring female employees in 2016. In 2020 and 2021, female workers represented 42% and 38% of new hires, respectively. Out of 964 employees in 2021, 209 were women (22%) and 24 held leadership positions. This is expected to further increase in the future in line with SIDF's commitment to advance female empowerment, which is a major priority for the organisation and its partners. For example, SIDF sponsored the Women 20 (W20) engagement group during in Saudi Arabia's 2020 presidency of the G20.

To upskill its female leaders SIDF facilitates their participation in the pioneering Qiadya programme, conducted by the Women's Leadership Centre of the Princess Nourah bint Abdulrahman University and sponsored by Saudi Arabia's largest telecom company by market share, stc. The programme seeks to nurture female talent through skills training and mentoring to both strengthen their potential to become leaders and to understand challenges specific to the Saudi labour market. Through this, SIDF female leaders are in a better position to contribute to the organisation's development and to support clients in achieving their goals.

SIDF Academy, in partnership with Stanford University and its Centre for Professional Development, offers a month-long programme designed exclusively for women leaders within SIDF's network. The programme provides essential tools and practical exercises to foster female leadership in the context of NIDL target industries, and based on research insights from Stanford University and experts from Silicon Valley. Beyond learning outcomes, the programme's cohorts develop a network of peers with a shared vision to address organisational and business challenges.



SIDF Academy plays a crucial role in realising the fund’s ambition to generate positive impacts through talent

SIDF Academy was launched in 2019 to become a knowledge enabler for NIDLP. It aims to build human capabilities across SIDF clients and employees, and the country’s wider business community. SIDF Academy addresses training gaps in priority sectors and in the broader industrial ecosystem through flexibly delivered programmes in partnership with leading academic institutions.

From its launch in 2019 until Q4 2021, SIDF Academy has delivered the following:

 Financial programmes offered	 Business programmes for	 Innovation and digitalisation programmes for
56 programmes	6400 Trainees	300 government and private entities

KPIs at SIDF Academy

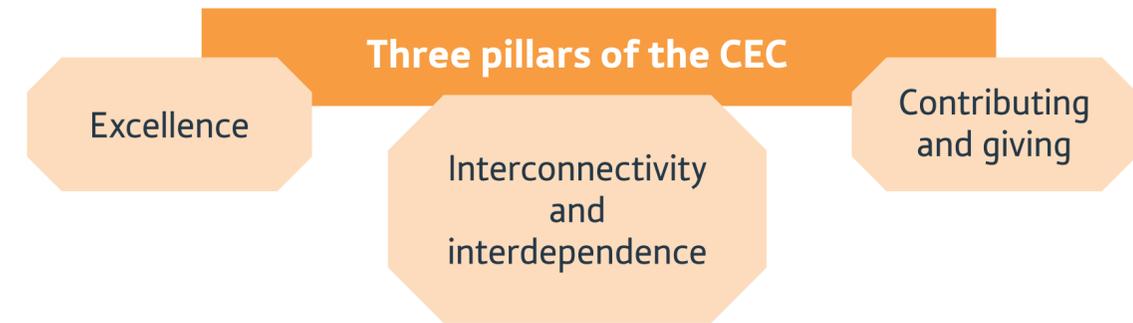
- >80%** Training Satisfaction Index was above the 80% threshold in both 2020 and 2021
- 74%** Growth in the number of training programmes offered, 2020-21
- 114%** Growth in the number of trainees participating in academy programmes, 2020-21



Through its finance, business and innovation portfolio of programmes, SIDF Academy is creating awareness and knowledge of ESG among the country’s top business leaders in priority sectors. The cultivation of ESG knowledge and a conducive mindset among executives can pave the way for transformative actions, and ensure that corporate expertise is aligned with national environmental and socioeconomic goals.

Effective cooperation and teamwork fostered through internal mechanisms at SIDF

SIDF's Culture of Excellence Council (CEC) was launched to build on the successes of the long-standing Social Services Committee. It is focused on fostering a culture of excellence throughout the organisation through effective cooperation and engagement to achieve a better work environment and instil a sense of belonging and personal development. Key objectives of the CEC are to strengthen personal relationships and communication among employees and contribute to the wider community.



ESG-related CEC highlights in 2021

Waste management

Explored recycling options to optimise waste management on SIDF premises and within the local community by collaborating with environmental NGOs such as Faseel



Shukran initiative

Collaborated with a local partner to enable department managers to show appreciation to employees by providing them with vouchers



Creativity

Launched SIDF Artwork, a project to support local artists by displaying their works at SIDF sites



Health

Partnered with a non-profit organisation to increase awareness of breast cancer



Well-being

Organised a 7-km walk for SIDF employees in KAFD valley to enhance the awareness of worker well-being



Work environment

Enhanced the work environment by setting budgets and extending logistical support to every department to engage in social gatherings and activities



Eid celebrations

Held Eid celebration events and distributed presents



Awareness

Held awareness events on the international days of Legal, Risk, and Customer Experience



Movember

Held an event to increase the awareness of men's health issues as part of the Movember campaign



Engagement

Shared a riddle every week and announced the winners at the end of the week to enhance engagement between employees



Recognition

Recognised security officers at SIDF for their valuable contribution during the pandemic



Knowledge share

Organised talks on the internal 3.04 broadcasting platform for inspiring individuals to highlight their talents, accomplishments and stories



Teambuilding

Facilitated cooperation and teambuilding through the Fantasy Premier League, a sports game modelled on the Premier League



Economic potential

Invited employees to coffee stations at SIDF on International Coffee Day to share knowledge about coffee bean planting and its economic potential in Saudi Arabia



Women's empowerment

Celebrated International Women's Day by showing appreciation to all female staff and celebrating women globally



CASE STUDY – Bed Quarter: Nurturing SME growth leads to quality employment opportunities and supports housing efforts



On the company

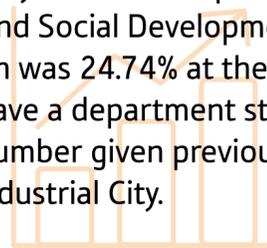
Established in 1997, Bed Quarter (BQ) supplies mattresses, bedroom furniture and bed, bath and table linen, as well as kitchen furniture. From initially being an importer and retail distributor, in 2016 it started manufacturing mattresses for international brands in Sudair. The company's products are sold across 20 showrooms throughout the Kingdom and six in Bahrain and the UAE.

SIDF's commitment

Overall, SIDF has issued three loans to BQ, totalling over SR29m. The initial loan covered the construction of the mattress factory, with the second loan targeting capacity and product expansion. The proceeds of the last loan, which concentrates 99% of the total value and is fully aligned with SIDF's requirement for its SME scale-up product, are being utilised to establish a second factory.

EMPLOYMENT-GENERATING GROWTH

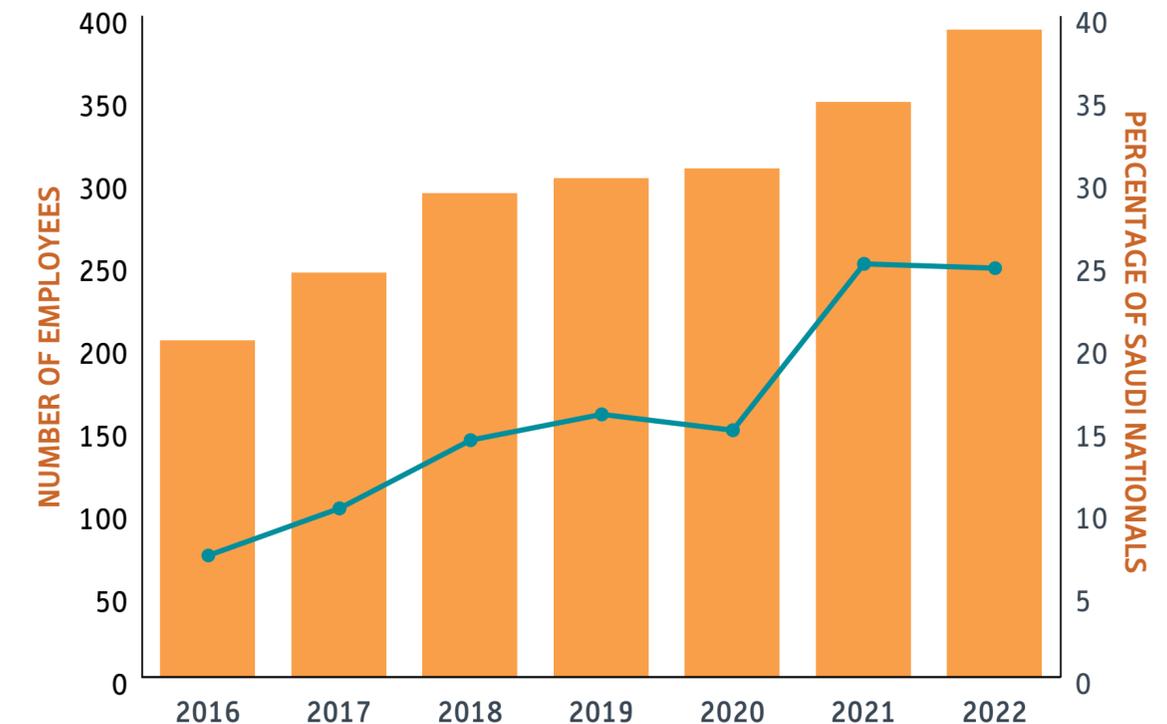
With a revenue CAGR of 28% over the past three years, BQ's expansion has led to a significant increase in its employee count, from 204 in 2016 to 392 at the time of writing, which validates SIDF's focus on scaling up SMEs as a means to boost employment. Beyond the raw numbers, BQ's employment contribution can be considered positive in qualitative terms. First, over 80% of its current factory managers joined at the outset of manufacturing operations. This stability allowed them to acquire a diversified set of skills, including enhanced environmental management, as production increased in volume and complexity. Second, cooperation with the Ministry of Human Resources and Social Development has increased BQ's Saudisation rate, which was 24.74% at the moment of writing. Third, BQ's new factory will have a department staffed exclusively by 30-40 women, a significant number given previous accessibility obstacles for women in Sudair Industrial City.



PRODUCT AFFORDABILITY THROUGH LOCALISATION AND REUTILISATION

With the addition of the second factory (50,000 sq metres) to its first one (17,000 sq metres), BQ will increase its output and widen its product variety, including the manufacturing of raw materials. This should allow it to benefit from economies of scale and commercial synergies across product categories. By doing so, BQ can better contribute to Saudi Arabia's import substitution goals, with projections estimating that by 2023 the country will be self-sufficient in the supply of mattresses. Given the importance of mattresses and, more broadly, bed and kitchen furniture in the context of growing housing needs in a price-sensitive market, production localisation is crucial to improving affordability. According to BQ's estimates, locally produced mattresses are 20% cheaper than imported ones of the same specifications. Additionally, BQ's work with charities for the retrieval and renovation of mattresses also improves accessibility.

Bed Quarter's employees



CASE STUDY – Almarai: Large companies can support social stability and progress through positive actions



On the company

Founded in 1977 and publicly listed since 2005, Almarai is the world's largest vertically integrated dairy company and a leading food and beverage manufacturer in the Middle East with a major stake in several segments, such as poultry and pastries. Headquartered in Riyadh and with a production and commercial footprint across the GCC, it also owns arable farms in Argentina and the US.

SIDF's commitment

A total of seven loans amounting to an accumulated value of SR3bn, which makes SIDF a key contributor to Almarai's debt structure and a potential financing source for future endeavours.

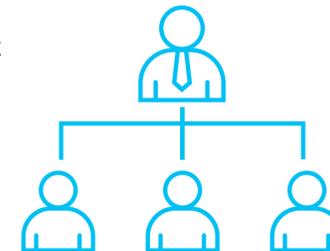
Clear policies as the basis of trust

Mindful of the importance for investors relations of transparent and verifiable adherence to ESG principles and of the role assessment criteria play in this, Almarai has engaged with its most demanding ESG-minded financial stakeholders and external experts to address perception gaps. Importantly, Almarai's leadership found out that, particularly in areas pertaining to social impact, responsible behaviour – even if already engrained in a company's ethos and day-to-day operations – must be complemented with the adoption of clear policies and disclosure practices. As a result, in 2021 the company developed its Ethical Sourcing Policy and associated supplier self-assessment questionnaire in order to comprehensively structure responsible management of social issues across the supply chain. Ultimately, this expands stakeholder scrutiny and incentivises socially-minded behaviour throughout the industry.

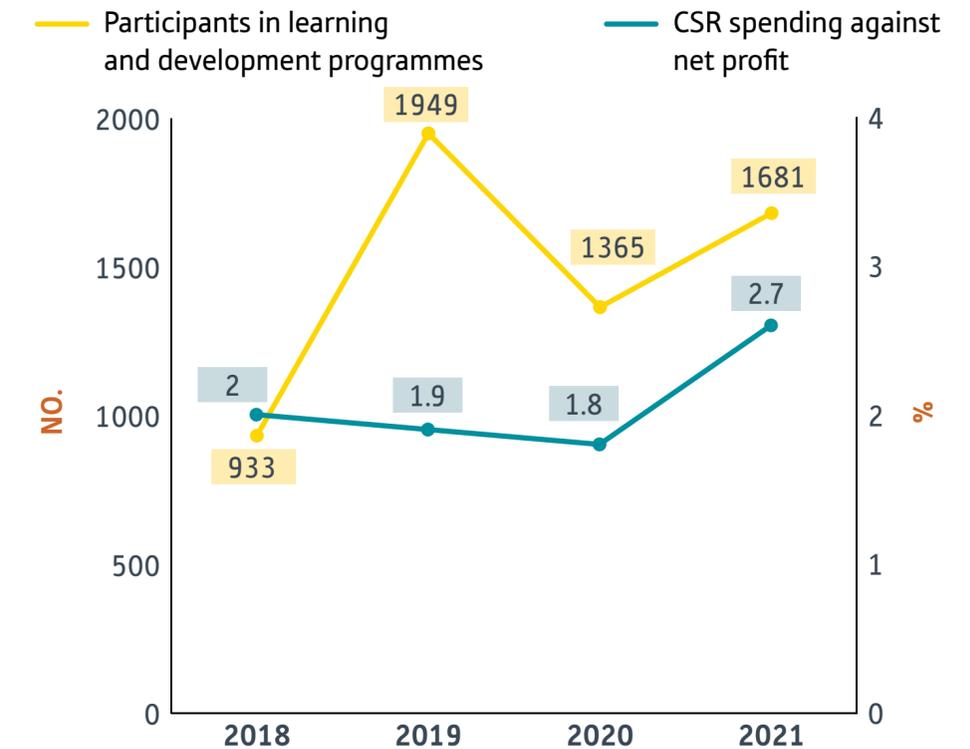


Social contribution in challenging circumstances

Large corporations are usually better positioned than smaller companies to keep supporting society in challenging contexts, which validates SIDF's approach to broaden the scope of its clients to also include larger entities, such as Almarai. For example, Almarai's contribution to Saudi Arabia's food security amidst the ongoing global disruption to supply chains in part relies on the company's financial buffers, which allows it to stock large volumes of raw materials despite the financial stress involved in this. Similarly, the company's scale and scope provide ample room to advance initiatives that are aligned with both business rationales and the country's socioeconomic priorities, ensuring that in times of crisis no clear trade-off between commercial and social interest emerges. This is the case, for example, with Almarai's professional development programmes and overall CSR spending, which maintained somewhat stable levels despite the challenging environment.



Evolution of Almarai's professional development programmes and CSR spending



SIDF's strategies aim to maximise the potential of Saudi society in support of national objectives

	STATION (2019)	LOCATION (2022)	DESTINATION (BY 2025)
FEMALE EMPOWERMENT	<p>Significant expansion in the female workforce recorded at SIDF from 2016, supported by executive-level appreciation of the corporate and social importance of greater diversity; childcare allowance introduced this year alongside existing benefits such as 17 weeks of fully paid maternity leave and subsidised childcare of mothers of children under six.</p>	<p>Women now represent 22% of the total workforce, and constituted 38% of new hires in the previous year. Flexible working options have been improved and expanded following the experience of the pandemic, which can be especially beneficial for working mothers.</p>	<p>Expand the proportion of female employees in the workforce further, in line with the Vision 2030 target of a national female labour force participation rate of at least 30% by 2030; continue to offer career progression support services and engagement channels for women employees to maximise their potential and expand their leadership representation within the fund.</p>
JOB CREATION AND ENTREPRENEURSHIP	<p>Afaq programme launched to stimulate the growth of promising SMEs and to help high-potential early-stage start-ups commercialise their ideas and scale up their operations; 77% of the total number of loans approved in 2019 were distributed to SMEs.</p>	<p>Advisory services for SMEs launched in 2021 with a focus on cost optimisation and go-to-market strategies, as well as subsidised services designed to enhance SME performance and generate sustainable growth; 84% of the total number of loans approved in 2020 were allocated to SMEs, while significant efforts were made to restructure SME debts in response to pandemic pressures, with SR4bn in loans across 546 projects restructured in 2020 alone.</p>	<p>Broaden suite of advisory services to fit client needs, including in the SME and start-up segment; engage in advocacy for SME issues; expand financing services through investment and syndication.</p>
HUMAN CAPITAL DEVELOPMENT	<p>Annual employee engagement survey and tailored Training Path launched for each job segment at SIDF to create a clear route for skills development and career progression; SIDF Academy launched to broaden capabilities in target industries for the fund's employees and private sector clients.</p>	<p>Individual Training Plans introduced for every SIDF employee to help maximise their potential; Culture of Excellence Council established to promote international standards and support strategic objectives, including in the area of developing talent. SIDF certified as a 'Great Place to Work', ranking fourth in the public sector in a 2021 analysis by the Great Place to Work Institute Saudi Arabia</p>	<p>Address talent and capabilities gaps within the organisation through the expansion of effective skills development programmes in line with strategic objectives; widen the offerings at SIDF Academy to reflect the evolving needs, challenges and opportunities in the market.</p>

GOVERNANCE



National progress in enhancing accountability and combating corruption

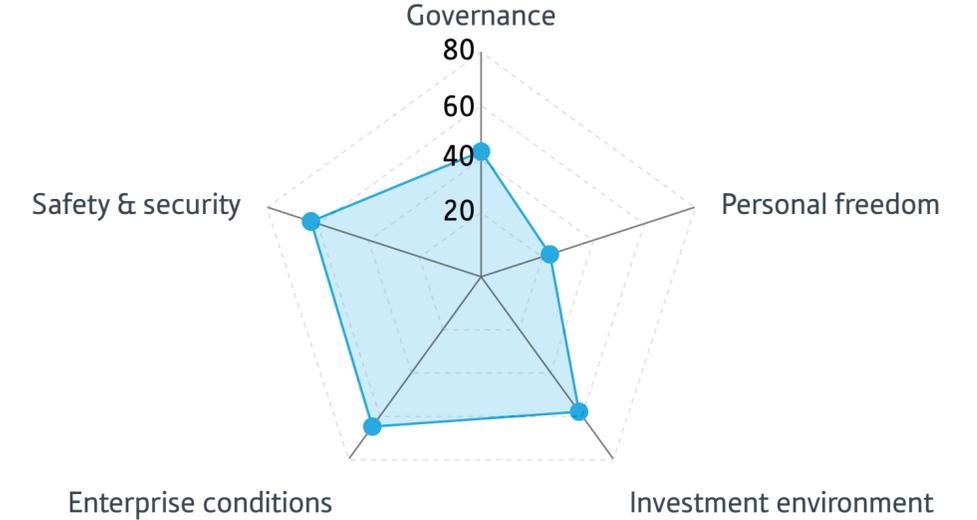
Improving anti-corruption performance



Understanding the importance of having a transparent governance system which businesses can trust, a number of important initiatives have been implemented by the Saudi government to improve the country's anti-corruption performance, including the adoption of the National Strategy for Protecting Integrity and Combating Corruption, as well as the ratification of the UN Convention against Corruption in 2013. The enactment of a New Anti-Bribery Law in 2019 and the launch of the Global Operational Network of Anti-Corruption Law Enforcement Authorities with the UN Office on Drugs and Crime have made further gains in this area.

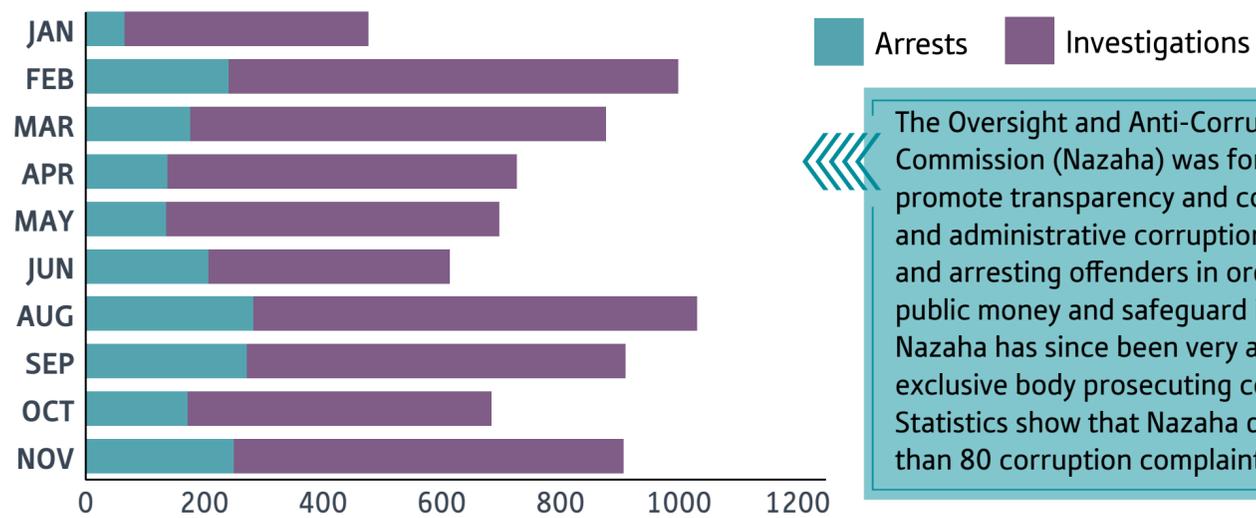
*Transparency International's Corruption Perception Index is the leading global indicator of public sector corruption, which scores 177 countries out of 100 points, with 100 = no corruption.

Multidimensional snapshot of conditions in KSA



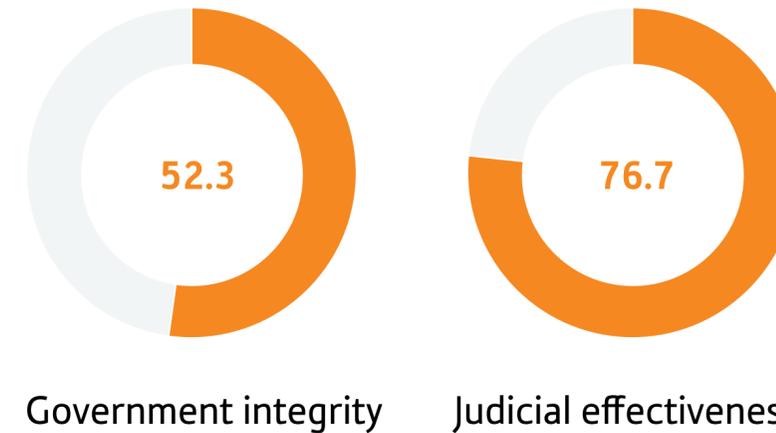
*2021 Legatum Prosperity Index scores for Saudi Arabia

Efforts to tackle bribery and corruption and enhance accountability, 2021



The Oversight and Anti-Corruption Commission (Nazaha) was formed in 2011 to promote transparency and combat financial and administrative corruption by investigating and arresting offenders in order to protect public money and safeguard it from wastage. Nazaha has since been very active as the exclusive body prosecuting corruption crimes. Statistics show that Nazaha deals with more than 80 corruption complaints daily.

High level of judicial effectiveness



*Governance scores for Saudi Arabia in the 2021 Index for Economic Freedom

Four major legal reforms were announced in February 2021 as part of efforts to modernise and codify the Kingdom's laws and enhance transparency in the legal process. The reforms to the personal status law, the civil transactions law, the penal code of discretionary sanctions and the law of evidence should address concerns around discrepancies in court rulings and prolonged litigation procedures.

Public-private partnerships essential to the achievement of Saudi Vision 2030

Privatisation Programme

The Privatisation Programme under Vision 2030 aims to enhance the role of the private sector in providing services by making state-owned assets available to the private sector. The programme is intended to:

- Increase the private sector's share in the Kingdom's GDP
- Boost efficiency in public spending and increase government revenue
- Incentivise the private sector to forge partnerships with the government on projects
- Improve the quality and cost of public services for all citizens
- Encourage economic diversity and create job opportunities for the national workforce

The programme aims to attract total investments of SR62bn in public-private partnership (PPP) projects, with SR15bn representing the total financial value of government spending through partnership operations by 2025



Private Sector Participation (PSP) Law

Legislation drafted by NCP and approved in 2021 by the Council of Ministers to regulate both PPP projects and sale-of-asset transactions. Measures under the PSP Law include:

- The ability for foreign investors to own 100% of the special purpose vehicles to deliver PPP projects
- Express provision permitting the international remittance of a project's financial returns
- Equal treatment for both Saudi entities and foreign legal entities in respect to any procedures, conditions, rights and obligations arising from any contract
- Permission for foreign investors to lease real estate within Makkah and Madinah for real-estate based PPPs
- Liberalisation of foreign investment into the previously restricted health care and private education markets
- Submission of unsolicited proposals for infrastructure projects allowed in line with the provisions of the PSP Law
- Flexibility of drafting PPP contracts in languages other than Arabic and such language is permitted to be the governing language of the contract



National Centre for Privatisation & PPP (NCP)

NCP is responsible for enabling the privatisation programme by

- Formulating regulations to ensure transparency, fairness and integrity of procedures for tendering PPP and Privatisation (PPP&P) contracts
- Creating frameworks to organise, supervise and develop all procedures related to PPP&P projects
- Preparing government assets and services identified for privatisation to ensure quality outcomes



PPP&P in figures in KSA



160 projects in PPP pipeline to last through to 2025



16 target sectors for sale of state assets and PPP contracts



\$38bn to be raised from asset sales through 2025



\$16.5bn raised by 2025 through PPP deals and contracts

Other key governance developments

National Development Fund (NDF)

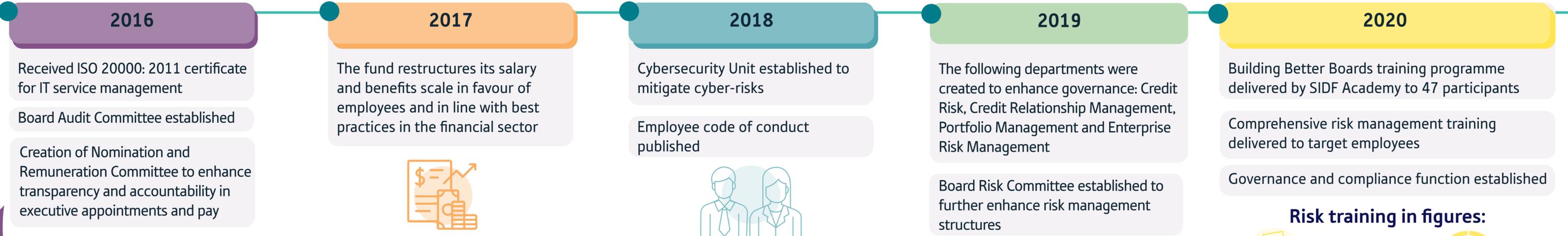
Established in 2017, the NDF is mandated to advance and empower development funds and banks to better fulfil development priorities and economic obligations under Vision 2030. By cultivating integration between development funds and improving their efficiency, effectiveness, and financial sustainability, NDF aims to significantly impact and overcome cyclical economic fluctuations in support of realising Vision 2030 objectives.

Ministry of Industry and Mineral Resources (MIM)

MIM was created in 2019 after the separation of the Ministry of Energy, Industry and Mineral Resources, with the aim of accelerating the process of diversifying the economy away from oil. As the ministry overseeing the vitally important National Industrial Development and Logistics Programme, it has a key governance and oversight role to play in ensuring the creation of an enabling environment for these target sectors to flourish.

SIDF's growth journey underpinned by robust corporate governance and risk management principles

Governance milestones at SIDF



Selected certifications held by SIDF as of 2022:

- ISO 27001:2013 certification – Information Security Management System
- ISO 9001:2015 certification – Quality Management System
- ISO 22301:2019 certification – Business Continuity Management

SAP Customer Centre of Expertise Primary Certification

قياس Integration Level in Digital Government Measurement (Qiyas)

مرصد 100% Maturity Level – Government Services Observatory (Marsad)

NORA Enterprise Architecture Maturity Level 3 Certificate (National Overall Reference Architecture)

المركز الوطني للتصديق الرقمي National Centre for Digital Certification



Governance approach designed to ensure sustainable growth at SIDF and its target industries

Pathway

UN SDG alignment

Enhance risk management

Approach: Embed robust risk management principles across all aspects of the organisation in an effort to ensure fiscal sustainability, strategic success and positive results for industrial client companies, underpinned by clear frameworks and policies that are widely understood by all employees



Industry, Innovation and Infrastructure

Increase the access of small-scale industrial enterprises to financial services, including affordable credit, and their integration into value chains and markets

Promote good corporate governance among clients

Approach: Provide data-led advisory services to ensure clients are making sound corporate decisions regarding expansion and diversification, in order to meet future market demand, optimise costs, and generate positive multiplier effects for the Saudi economy



Partnerships for Goals

Encourage and promote effective public-private partnerships, aided by data, monitoring and accountability

Ensure strategic and business continuity

Approach: Maintain effective internal procedures to continuously evaluate strategic plans and priorities in relation to the evolving industrial landscape and policy direction, while ensuring there are clear plans in place for progression and succession in key leadership roles



Peace, Justice and Strong Institutions

Develop effective, accountable and transparent institutions, and ensure responsive and representative decision-making at all levels

Key aspects to SIDF's risk management approach

Tone from the top

- Corporate principles and values
- Risk appetite statements and thresholds
- Capital budgeting and planning

Competencies

- Value based assessment
- Induction programmes
- High Potential Leaders programme.
- Continuous learning – includes training and SIDF Academy

Incentives

- Clear remuneration and incentive criteria documented in HR policy
- Performance review and value aligned behaviour rating
- Succession planning for key positions



Accountability

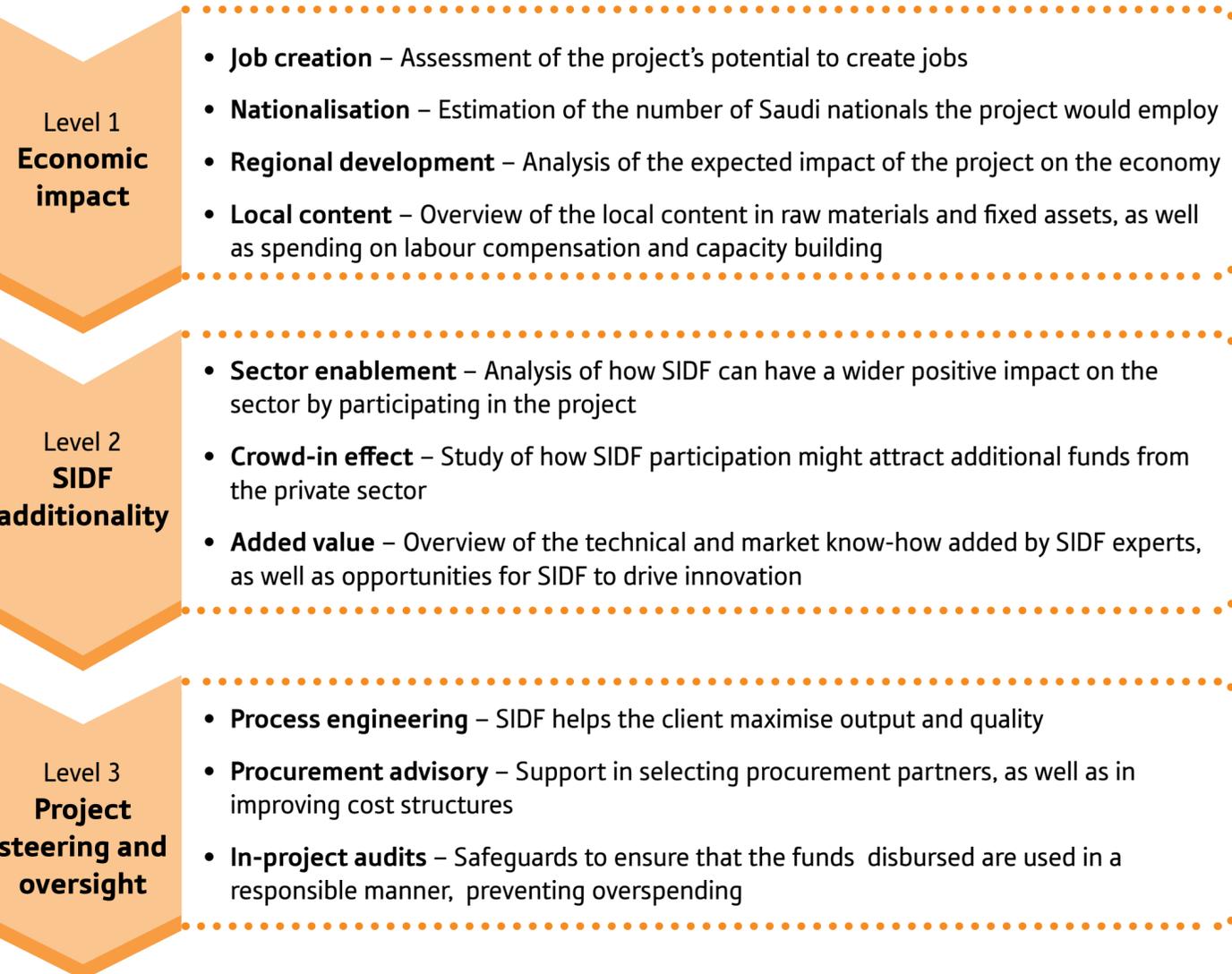
- Three lines of defence
- Individual accountability
- Whistleblower protections
- Code of conduct and values

Effective communication

- Risk governance and reporting
- Town hall meetings
- E-mail updates
- Knowledge management project

SIDF embeds governance considerations across credit assessment, risk management and product development

The alignment of SIDF's credit decisions with its statutory mandate is a matter of governance. To ensure that it maximises the impact of the funding it provides while guaranteeing the long-term financial sustainability of its operations and managing opportunity costs, SIDF assesses the economic impact of potential projects (level 1) and the extent to which SIDF contributes a distinctive benefit (level 2). Once a loan is awarded, SIDF continues to be involved in the project to ensure it remains aligned with initial expectations.



Beyond ensuring strategic continuity and mandate alignment in the expansion and management of its portfolio, SIDF examines its current and prospective clients' governance structures to factor potential risks arising from the following elements:



This corresponds with SIDF's recent efforts to introduce ESG principles as a fundamental pillar of risk management. However, it could also influence product development in the future.



CASE STUDY – Gulf Union Foods: Digitalisation partnership enhances financial stability and business performance



On the company

Founded in 1999 and located in Riyadh, Gulf Union Foods is one of the main manufacturers of juices and beverages in Saudi Arabia. With a focus on advanced technology and alignment with international quality standards, the company's products are marketed under its own brand and international brands.

SIDF's commitment

SR57.8m loan under the Tanafusiya programme. The proceeds are being used to digitalise the company's manufacturing operations to boost efficiency and better integrate the company's four factories. This foresighted capital expenditure is enabling the firm to optimise costs by streamlining labour requirements and saving on raw materials.

Financial sustainability and business continuity

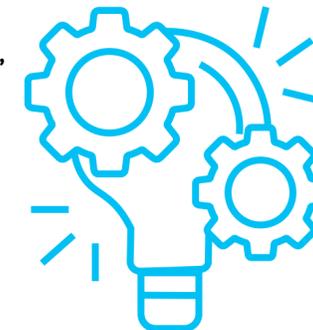
Through the digitalisation of its production processes, Gulf Union Foods will be able to gather more accurate data in real time, undergo troubleshooting timely and correctly, reduce consumption of raw materials, energy and water, and streamline manpower. All this combined will result in a significant improvement of its bottom line, strengthening the reliability of the company as a borrower in the process.

In terms of operational and financial resilience, the company's top management highlights the expected reduction in incidents causing the interruption of manufacturing, such as equipment faults. While this should result in a long-term reduction in economic losses and repair costs, from a governance standpoint it also reinforces the company's profile as a dependable commercial partner.



Sector enablement

According to the company's leadership, SIDF's thorough study of the strategic rationale and the technical feasibility of their digitalisation project resulted in a clearer blueprint. Moving forward, this informs the company's and SIDF's joint decision making when procuring the necessary expertise, equipment and technology. Importantly, Gulf Union Foods' culture of openness to other players in the industry, as well as SIDF's ongoing build-up of institutional knowledge around the Tanafusiya programme, ensures that the lessons learnt throughout the project roll out can eventually be applied to future projects of SIDF's other clients.



On SIDF's focus on the crowd-in effect as a pillar of its financial governance:

“Apart from the direct benefits expected from this ambitious undertaking in digitalisation, we believe that being a beneficiary of SIDF's financial support will strengthen our credit worthiness when requesting funding from private financial institutions in the future.”

-Suleiman Alrashoudi, CEO, Gulf Union Foods

“The key to SIDF's long-term sustainability is to build enough momentum for the private sector to assume a larger share of development financing in the future.”

-Ibrahim Almojel, CEO, SIDF

CASE STUDY – Ma’aden: Strong governance structures form the backbone of ESG implementation



On the company

Founded in 1997 and publicly traded since 2008, Ma’aden is Saudi Arabia’s leading mining and metals company and among the 10 largest mining companies in the world by market capitalisation. It fully integrates value chains across a diverse portfolio of mineral assets, including gold, phosphate, bauxite, copper and others.

SIDF’s commitment

A SR1.2bn loan, with the proceeds being chiefly deployed to improve the sustainability of Ma’aden’s gold mining, particularly through the reduction of water consumption and the phasing out of diesel as fuel for energy generation. Beyond this, SIDF’s loan also supports digitalisation efforts across the board and contributes to advanced initiatives strengthening Ma’aden’s ESG profile.

Governance as an enabler

Through the development of its Governance, Risk and Compliance (GRC) framework, Ma’aden accelerates Saudi Arabia’s momentum in the adoption of practices that streamline information and decision flows to improve the efficiency of governance-related functions. The GRC Management Committee ensures that the board’s values and priorities are present throughout the entire organisation and external relations, a complex task given the decentralised and international nature of Ma’aden’s operations and affiliate-based structure. Through this system, unity of purpose spreads across internal governance flows (policy and procedures, and affiliate relations) and external flows (market compliance and investor relations, and regulatory engagement).

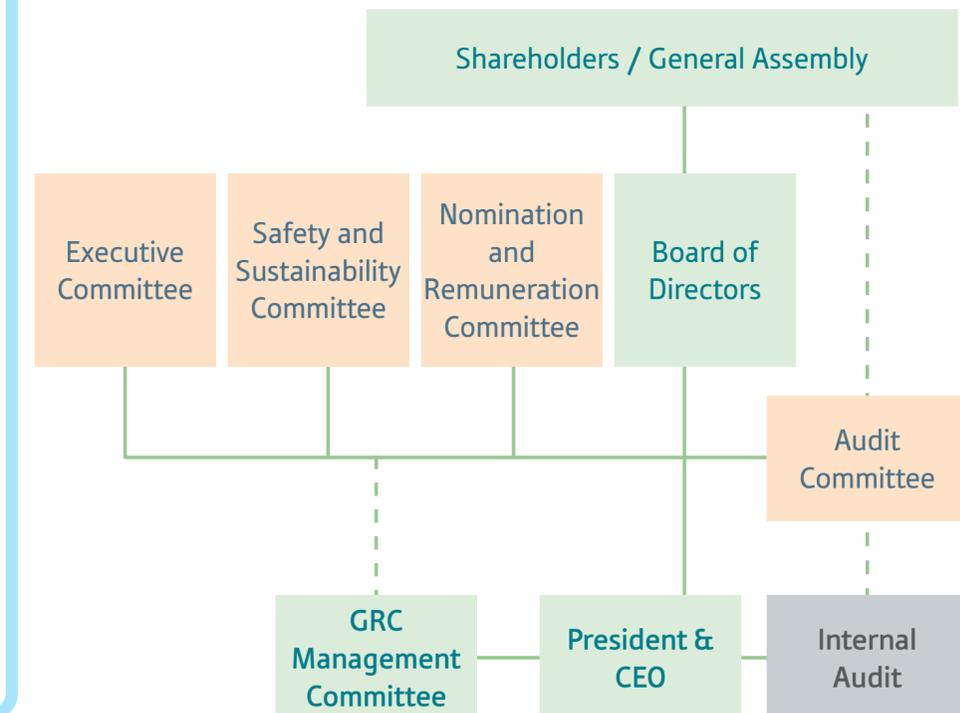
Crucially, this structure facilitated the roll-out of Ma’aden’s 2019 Sustainability Framework and enables responsive action to the rapidly evolving ESG landscape, which will be reflected in Ma’aden’s upcoming MSCI ESG rating. As such, Ma’aden’s governance efforts demonstrate clear alignment with the ESG goals of SIDF and other lenders.

Policy-centric engagement and responsiveness

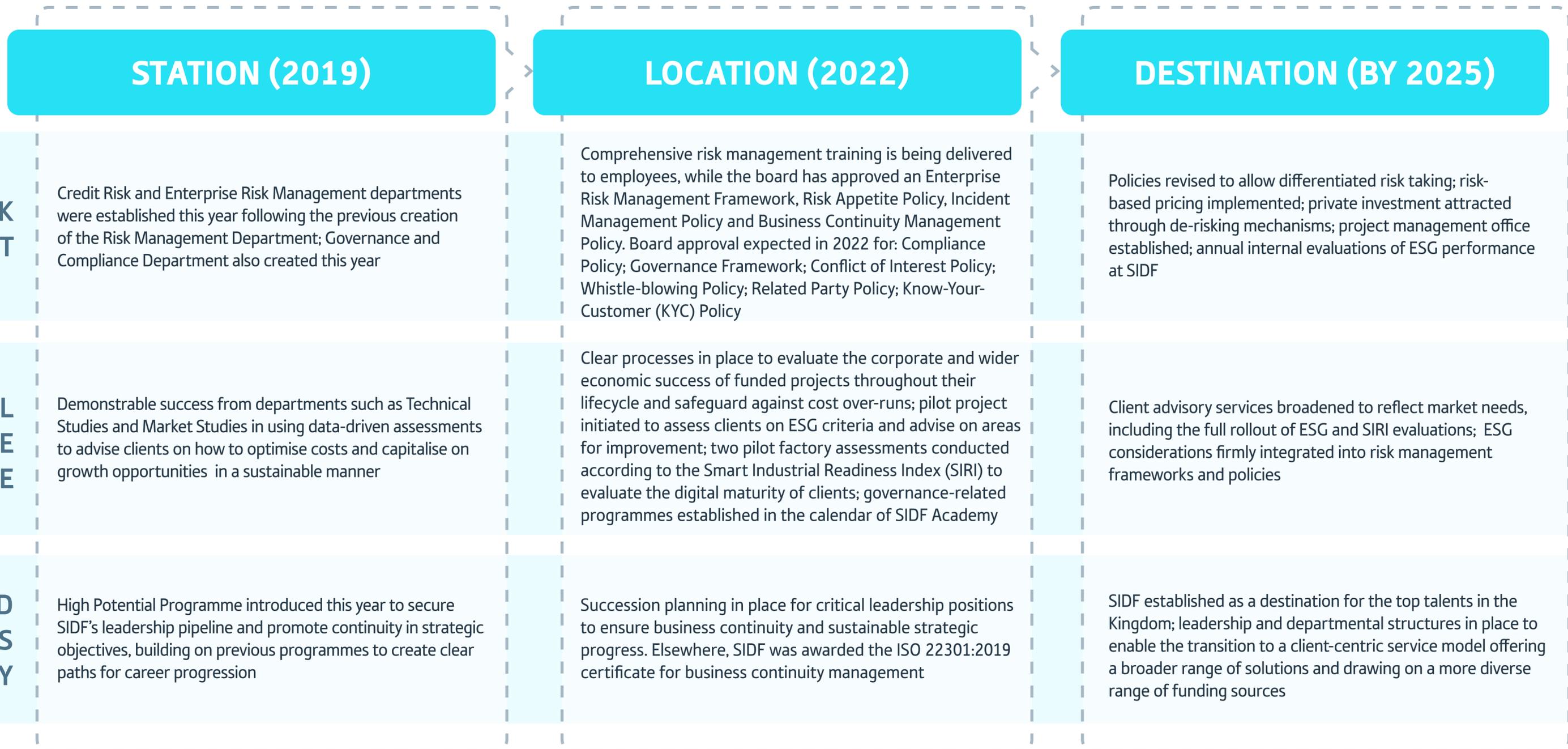
Internally, Ma’aden’s GRC functions address the challenge of a fluid regulatory environment that pose multiple compliance risks. In practice, this has fostered organisational innovation with, for example, the roll-out of Ma’aden’s comprehensive Security, Health and Environment Management system (MSHEM) in 2020, or the successful ISO certification of the company’s anti-bribery programme (a first for Saudi Arabia), also in 2020.

Externally, Ma’aden engaged with the authorities to shape Saudi Arabia’s 2020 mining law in relation to competition stimulation. Since 2018 senior staff have been seconded to government positions to boost knowledge sharing and coordination. Coupled with robust stakeholder engagement, this ensures the company stays abreast of shifting national priorities arising from the implementation of Saudi Vision 2030 in an uncertain environment. As a result, since 2020 Ma’aden has firmly focused on governance-related aspects, such as business integrity, economic development and local content, while also fostering community development through infrastructure investments and education programmes.

The position of the GRC committee in Ma’aden’s organisational structure safeguards independence while ensuring comprehensive information-sharing



Evolution of SIDF’s governance strategy in pursuit of responsible business growth



SUMMARY



Ibrahim Almojel, CEO, Saudi Industrial Development Fund (SIDF)



Ibrahim Almojel

To what extent has the Covid-19 pandemic led to more sustainable approaches in industrial development in Saudi Arabia, and how is SIDF helping to shape future national strategies in this area?

ALMOJEL: The pandemic changed the debate about industrialisation in the Kingdom in two main ways. First, the health crisis led to a shift in priorities. While the focus had been on boosting efficiency by leveraging global supply chains, today efforts are concentrated on building resilience. This can be achieved by increasing localisation, particularly in strategic areas that are relevant to the region's prosperity. In this sense, SIDF's core mandate is in line with the changes seen since early 2020. Resilience can also be strengthened by protecting SMEs and supporting their growth. To this end, in addition to launching a SR1bn programme to help SMEs absorb the pandemic's economic shock, SIDF is increasingly guiding and financing smaller firms' expansion plans.

Second, long-standing trends like digitalisation are being accelerated as economies move towards a post-pandemic rebound. Technologies associated with the Fourth Industrial Revolution are being rolled out across sectors to boost overall competitiveness, and the emphasis on sustainability is greater than ever. Importantly, Saudi Arabia's pledge to achieve net-zero greenhouse gas emissions by 2060 is spurring action to catch up with global transition efforts. With a clearly defined target and timeframe, demand for renewables and energy-efficient technologies will be more structured, predictable and widespread. These factors will help both international and local providers and investors better plan for the future in a market that not only benefits from the financial support from SIDF and others, but also allows for economies of scale.

How can SIDF ensure financial sustainability and effective support for local industries amid a shifting fiscal horizon?

ALMOJEL: For nearly 50 years SIDF has worked to protect the value of the funds it has been entrusted with by our fellow citizens. Our efforts have been based on a three-pronged approach to business operations: undergoing diligent risk-management analysis; building partnerships to involve other financial players, including the private sector; and bolstering and promoting the competitiveness of Saudi industry on a local and international scale. This latter aspect is becoming more prominent as the relationship between capital and labour sees capital gaining more weight. By helping clients become more competitive, we guarantee timely debt repayment. In other words, if our clients are able to grow, we grow as well.

The development fund has sought to boost the performance of its clients by establishing efficient production processes, leveraging technology and identifying the most profitable market opportunities. We have done so through the provision of specialised lending and non-financial programmes aimed at improving productivity. SIDF has also turned to in-house project design and implementation experts, as well as market researchers, to further support our clients. Beyond this, we are increasingly focused on nurturing human capital, particularly in support of Vision 2030's Human Capability Development Programme, which aims to develop citizens' capacity and prepare them for the future, and the Public Investment Fund Programme, which seeks to strengthen the sovereign wealth fund's position as a catalyst for Vision 2030. Our commitment to developing domestic talent can be further seen in the contribution of the SIDF Academy and the Nokhab integrated training programmes to the creation of a pool of highly qualified specialists.

“ While the focus of industrialisation was on boosting efficiency through supply chains, today efforts are concentrated on building resilience ”

1

Vision

Saudi Arabia is on the path towards rapid economic and social transformation, guided by Vision 2030. This overarching national vision has spurred advancements in the industry, mining, logistics and energy sectors, with SIDF playing an important role in ensuring that industrial progress is achieved in an environmentally sustainable and socially impactful manner.

2

Net Zero 2060

As the Kingdom works towards reaching net-zero carbon emissions by 2060, corporations and supporting bodies such as SIDF are taking actions to reduce their carbon footprints and adopt clear environmental, social and governance (ESG) policies to ensure future growth in key sectors is both sustainable and inclusive.

3

Enablement

Beyond their own operations, public entities supporting business growth have an important enabling role to play in encouraging ESG adoption. At SIDF, corporate investments in technologies, facilities and products that address or mitigate environmental challenges are being incentivised, and advisory services are increasingly focused on corporate sustainability and social impact.

4

Impact

Growth in strategic sectors can have positive multiplier effects on society when the social impacts of projects and policies are factored into the corporate decision-making progress. At SIDF, this includes support for national aims such as Saudiisation, regional development and female empowerment through hiring, training and lending policies.

5

Mitigation

Sustainable growth strategies must be accompanied by clear governance structures that can measure progress in key areas and also anticipate environmental, social and financial risks arising from investment and policy decisions. SIDF has a key role to play in aiding clients from across the industrial spectrum to properly evaluate the risks and long-term benefits of planned projects.

6

Future

As Saudi Arabia pursues its vision of a diverse, competitive and sustainable economy, SIDF plans to continue to develop its advisory services, loan products and risk structures to reflect the evolving needs of the industry, mining, logistics and energy sectors, with issues related to environmental protection and social well-being becoming increasingly reflected in corporate plans for long-term value creation.

ESG INTELLIGENCE