



ESG INTELLIGENCE



بنك التنمية الاجتماعية
SOCIAL DEVELOPMENT BANK

Responsible Social Development in Saudi Arabia

EMPOWERED BY



October 2022

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UN Sustainable Development Goals (SDGs) and ESG principles are growing in global relevance



Environmental, social and governance (ESG) principles are aligned with the UN's 17 SDGs for 2030



Saudi Arabia in the UN

Saudi Arabia became one of the UN's 51 founding members in June 1945, and has contributed to its development assistance initiatives since the 1950s. Through 22 agencies, funds and programmes in Saudi Arabia, the UN helps the Kingdom ensure its broader goals for economic diversification are aligned with the SDGs.

UN SDGs

The 17 SDGs for 2030 were adopted by the UN's 193 members in 2015. With a number of medium-term targets to achieve along the way, these aim to end poverty, improve health and education outcomes, reduce inequality and spur economic growth – while simultaneously tackling climate change and preserving oceans and forests.

ESG

The principles of ESG are closely aligned with UN SDGs: both aim to create long-term value for all. ESG includes the identification of risks and of opportunities. Climate change mitigation, social protection and transparent governance for sustained outcomes are among the global priorities.



Saudi Arabia continues to progress towards UN SDGs and Vision 2030

Vision 2030 comprises three pillars and six overarching objectives

Ambitious nation



Enhance government effectiveness

Enable social responsibility

Thriving economy



Grow and diversify the economy

Increase employment

Vibrant society



Strengthen Islamic and national identity

Offer a healthy and fulfilling life

UN SDG progress and Vision 2030 share a common trajectory

The Kingdom's 2018 Voluntary National Review (VNR) by the High-level Political Forum on Sustainable Development reported progress on all 17 of the UN SDGs – with plans either already in place or in the conception phase. Emerging from the VNR, key target areas include raising the living standards of the Kingdom's population; applying the latest technologies for infrastructure, productivity and quality of life; enhancing food and water security; improving health care services; boosting the ranking of its educational institutions; investing in renewable energy; and augmenting the local business climate.

UN Development Programme Saudi Arabia works to advance the Kingdom's progress towards the SDGs, with goals one, eight, nine, 11 and 16 a key focus as of 2021. With respect to goals eight and nine, the Kingdom aims to create a nurturing environment for business to thrive. This should provide employment for the young population, as well as diversify GDP away from hydrocarbon-based revenue. The UN SDGs, particularly economic diversification, are aligned with the Kingdom's development agenda, Vision 2030, launched in 2016. This blueprint comprises three pillars: an ambitious nation, a thriving economy and a vibrant society.

To support the implementation of Vision 2030 with respect to development funds and banks, the Kingdom's National Development Fund (NDF) was established in 2017 by Royal Order No. (A/13) dated 03/10/2017. The NDF is designed to advance the performance of these institutions and empower them to fulfil development priorities and economic obligations. Actions to achieve this include: establishing a path for banks and development funds to enhance their performance and reach financial sustainability; aligning objectives with Vision 2030; and minimising overlap, and fostering coordination, between institutions.



Between 2016 and 2030 Vision 2030 aims to:

↑ private sector contribution to GDP from 40% to 65%

↑ non-oil government revenue from SR163bn to SR1trn

↑ the non-profit sector's contribution to GDP from less than 1% to 5%

The Kingdom's appetite for ESG looks poised for post-pandemic growth

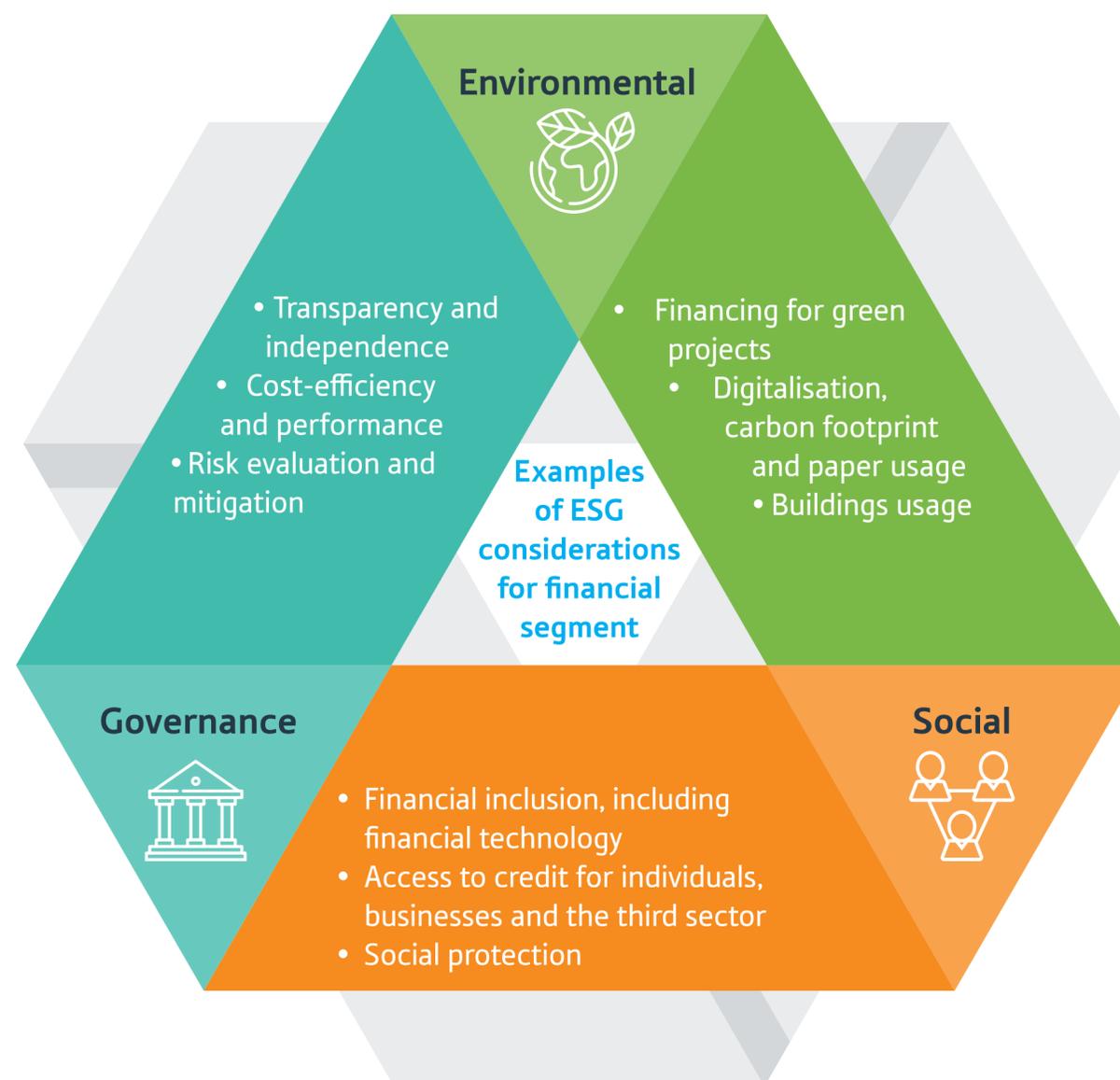
There is a growing incorporation of ESG principles among regulators, investors and consumers



The Covid-19 period emphasised the need for comprehensive ESG integration. The pandemic catalysed a renewed commitment to social protection by the public and private sector, including health and safety, as well as financial support and community aid. Uncertain conditions required the regular evaluation and mitigation of risk to maintain operations. Reduced travel and buildings usage underscored the impact of human activities on the environment as companies digitalised operations and implemented remote working.

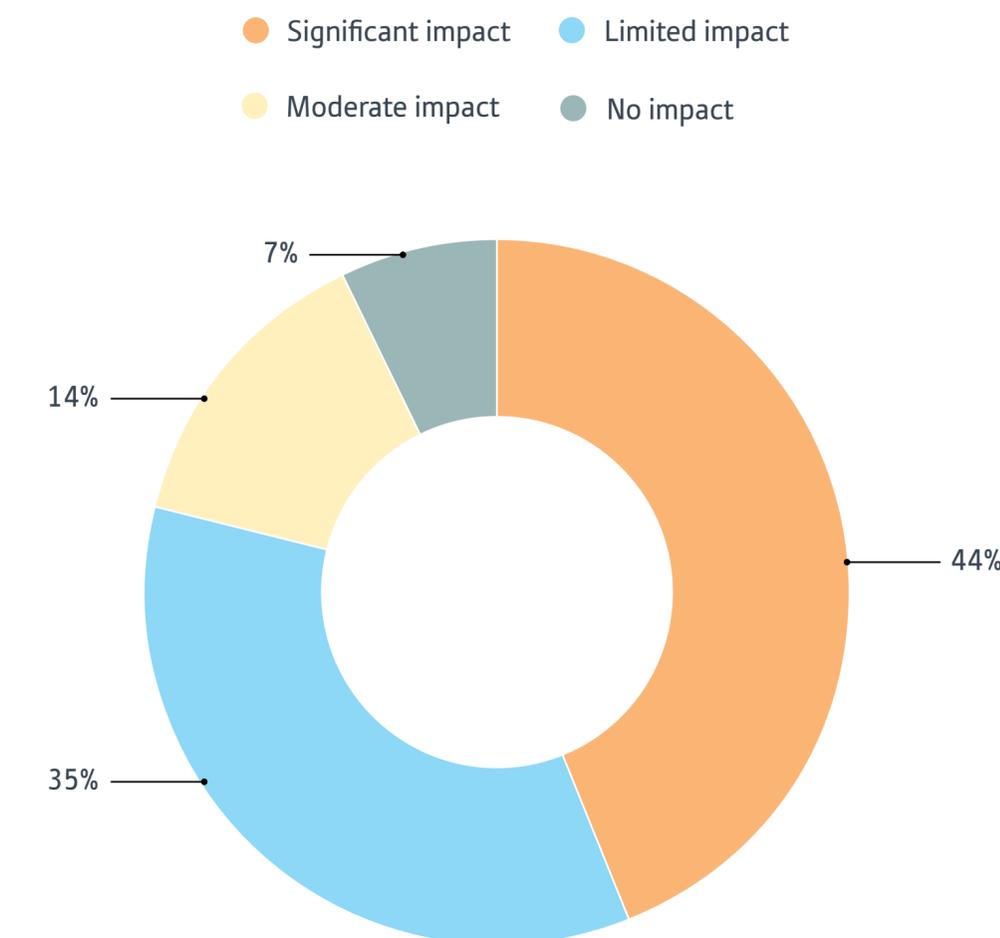
Almost half of Middle East respondents to OBG's 2021 survey of C-suite executives reported that the pandemic significantly impacted the understanding of, or appetite for, ESG – with just 7% reporting no impact. The urgency of environmental action was reinforced at the COP26 UN Conference on Climate Change in November 2021, with the Kingdom committing to net-zero greenhouse gas emissions by 2060 ahead of the summit.

While ESG risk analysis and mitigation can provide a buffer against external headwinds and protect financial performance, challenges remain. Key among these, there is no one-size-fits all approach to ESG: ESG-related considerations vary by organisation and by industry owing to different risk exposure. This offers widespread opportunities to create ESG value.



The pandemic overwhelmingly impacted ESG engagement in the Middle East

To what extent did the Covid-19 pandemic impact the understanding of and/or appetite for ESG in the market(s) in which you operate?*



*OBG's Global CEO Survey 2021, focused exclusively on ESG. 362 responses collected in Q3, 2021. Chart indicates responses from Middle East

Research partner: Social Development Bank (SDB)

SDB promotes social and economic growth across Saudi Arabia through the provision of services and financing programmes aligned with international best practices

The “s” element of ESG is at the core of SDB's activities, with responsible governance and environmental sustainability key for long-term impact

Programmes include:



Empretec inspiring entrepreneurs, provision of a UN Conference on Trade and Development (UNCTAD) programme for entrepreneurship and micro-, small and medium-sized enterprise (MSME) capacity building



Financial saving and awareness programmes, including financial education, and savings incentives and products



Jaadah 30, which develops bank branches into entrepreneurship centres



Mission

Increased participation of low-income individuals and families – as well as that of MSMEs – in the Kingdom's economy by providing suitable financial and non-financial services

Individual

- Social funding, including family, marriage and residential home restoration loans
- Freelancer financing, for employment seekers with a professional craft or skill
- Savings products

Business

- To provide MSMEs with up to SR10m of financing, with a focus on new enterprises

Third sector

- Daeem, which disburses non-governmental organisation financing with partners including the Ministry of Human Resources and Social Development (MHRSD)
- Finance brokers, who offer microfinance services to charitable associations in targeted sectors
- Sahim, for financing MHRSD-registered cooperatives to improve the socio-economic situation of their members

Vision

To be pioneers in fostering the financial independence of individuals and families by leveraging social development tools towards a vibrant and productive society

Main target groups



Low-income families



MSMEs



Freelancers

including home-based businesses (HBBs)

An aerial view of a solar farm showing rows of solar panels. The panels are arranged in a grid pattern, and the image is taken from a high angle, looking down at the panels. A green speech bubble is overlaid on the left side of the image, containing the word "ENVIRONMENT" in white capital letters.

ENVIRONMENT

Saudi Green Initiative and net zero lead KSA's environmental strategy

Saudi Green Initiative (SGI) was introduced in 2021 to protect the environment, transform the energy sector and implement sustainability programmes. SGI collaborates with organisations to amplify their climate actions, identifies green innovation opportunities and helps bridge the gap between public and private sustainability efforts.

Emissions reduction targets



Net zero by 2060

The Kingdom announced its net zero commitment in October 2021, ahead of COP26 UN Conference on Climate Change. Key strategies will include carbon-capture technologies; the planting of trees, which are among the world's most important carbon sinks; and a shift towards renewable energy. The plan refers to domestic emissions, so the requirements for oil and gas production changes remain unclear.



Carbon emissions: reduce 278m tonnes in the 2021-30 period, as part of SGI



Methane emissions: reduce 30% in 2020-30

Saudi Arabia joined the COP26-launched Global Methane Pledge in November 2021. Over 100 countries, representing 70% of worldwide GDP, agreed to reduce global emissions of the gas by at least 30% between 2020 and 2030.



Renewables: 50% energy from renewables by 2030, up from 0.04% in 2019, under SGI

SGI in numbers, 2021-30:



10bn trees

To be planted across the Kingdom



\$7bn

Contributed to 33% reduction in absolute methane emissions between 2017 and 2020

Invested annually in low-carbon solutions by the Oil and Gas Climate Initiative, in collaboration with SGI



600,000 homes

To use wind and solar energy



9900 km

Of rail to be built under the SR365bn Saudi Railway Master Plan 2010-40 to reduce traffic and lower vehicle-related carbon emissions



35 initiatives

In the Saudi Energy Efficiency Programme to reduce energy consumption and waste across multiple sectors, including transport, construction and industry

KSA plans to combat climate change beyond its borders through collective action

The Middle East Green Initiative aims to protect vulnerable areas from desertification, food insecurity, forced displacement and extreme heat waves



Regional targets include:

- Plant 50bn trees across the Middle East, 10bn of which will be in Saudi Arabia
- Restore an area equivalent to 200m ha of degraded land as part of effort to reduce global carbon levels by 2.5% through afforestation

Waste management strategy

Saudi Investment Recycling Company, a wholly owned subsidiary of the Kingdom's ESG-aligned Public Investment Fund (PIF), was launched in 2017. It was designed to establish recycling capacities and build a circular economy, in line with Vision 2030 and the Waste Management National Regulatory Framework.

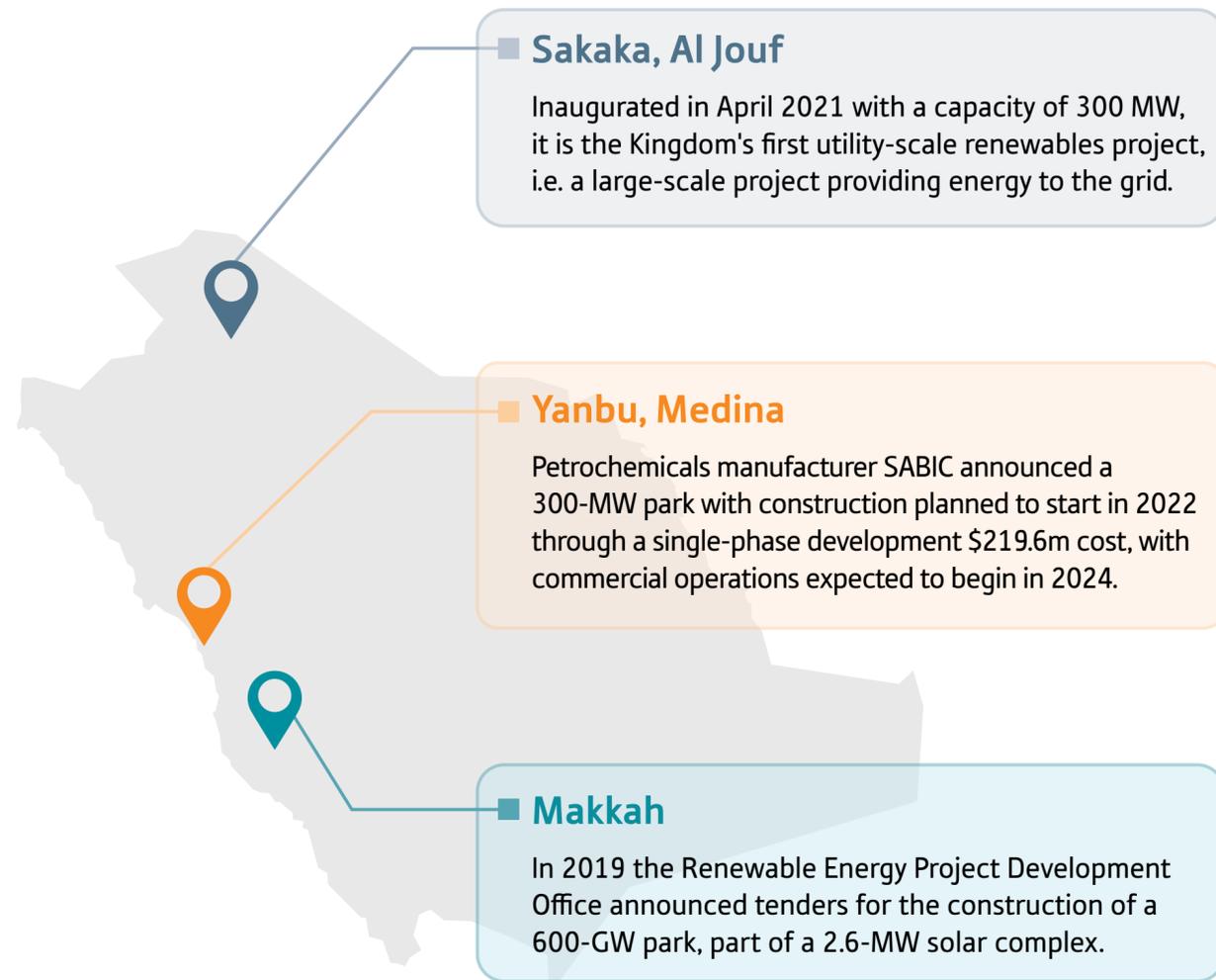
Targets include diverting 100% of municipal solid waste from landfills through 81% recycling and 19% waste-to-energy conversion.



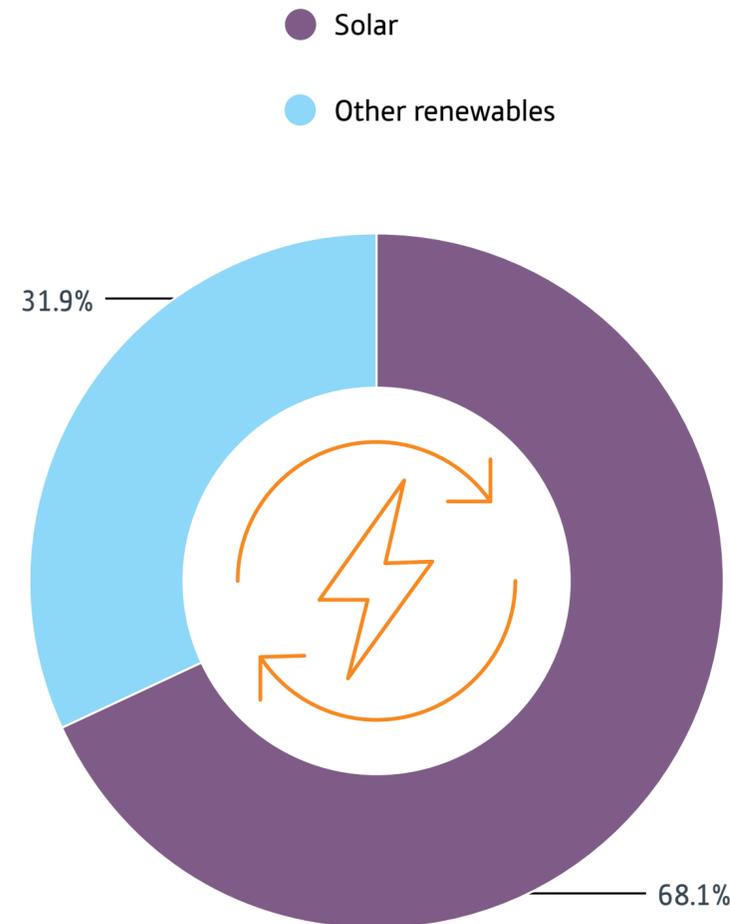
Solar power is key for the Kingdom's renewable energy diversification strategy

In December 2021 the Kingdom committed SR380bn of investment in renewable energy production by 2030

The Kingdom is ramping up its solar energy production through large power plants

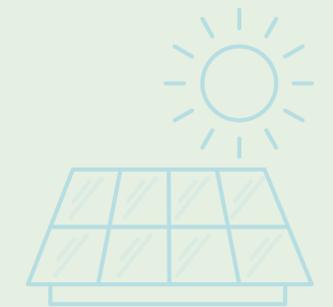


The National Renewable Energy Programme targets 40 GW of solar energy by 2030



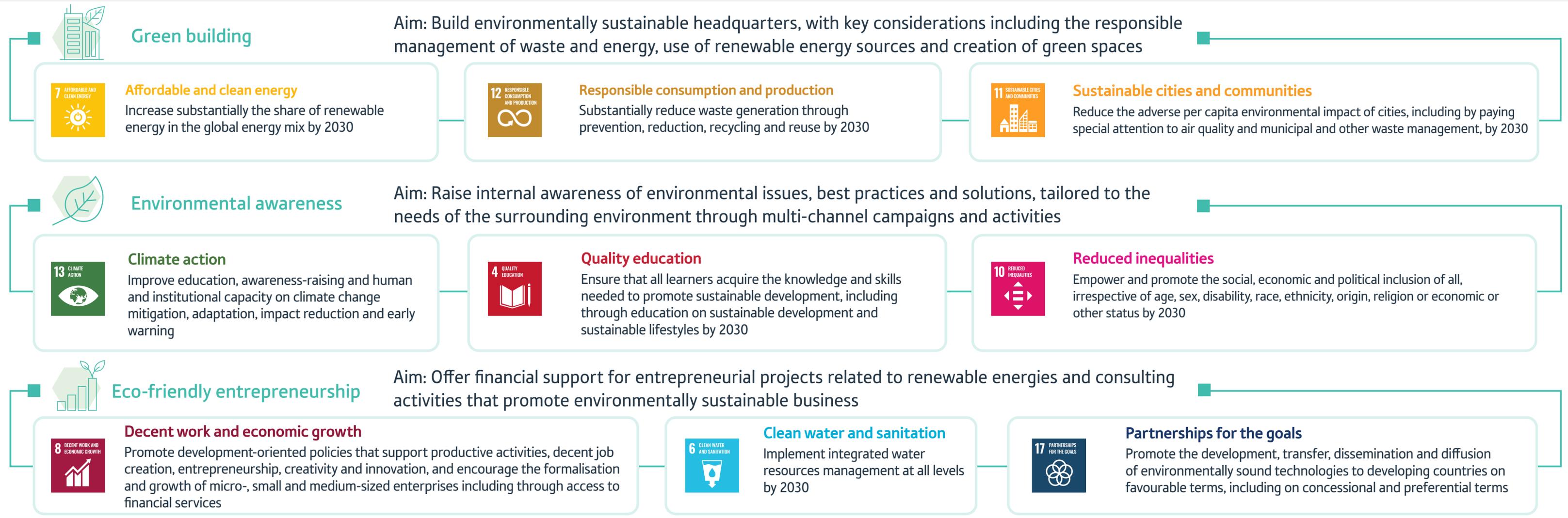
CASE STUDY:

SDB funds entrepreneurial projects that support the Kingdom's renewable goals



Financed SR10m to 50 entrepreneurs with business activities related to solar energy – to reduce air pollution – water usage and dependence on non-renewable energy sources, in addition to consulting services on eco-friendly business

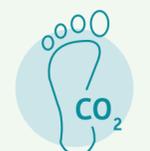
SDB is taking action to foster an environmentally sustainable internal culture



Aligned with SGI goals



Achieve net-zero emissions by 2060



Reduce carbon emissions by more than 278m tonnes per year by 2030



Increase domestic generation capacity from renewable energy to 50% by 2030

CASE STUDY: SDB operations include digitalisation and green parking

Before 2020

SDB's technical infrastructure was ready for the full digitisation required during the Covid-19 pandemic.

2020

The bank implemented remote work solutions. These enabled employees to maintain the same level of work remotely as they would in office, thereby allowing the bank to offer several flexible work options and positioning work-from-home as a viable long-term solution. This looks set to help reduce SDB's buildings usage and waste, and lower the emissions associated with business travel and commuting – as well as offer increased flexibility and possibly a better work-life balance for employees.

2021

- SDB launched a digital documentation project.

50m number of documents digitalised across SDB's branches by May 2022, while suspending the receipt of paper requests

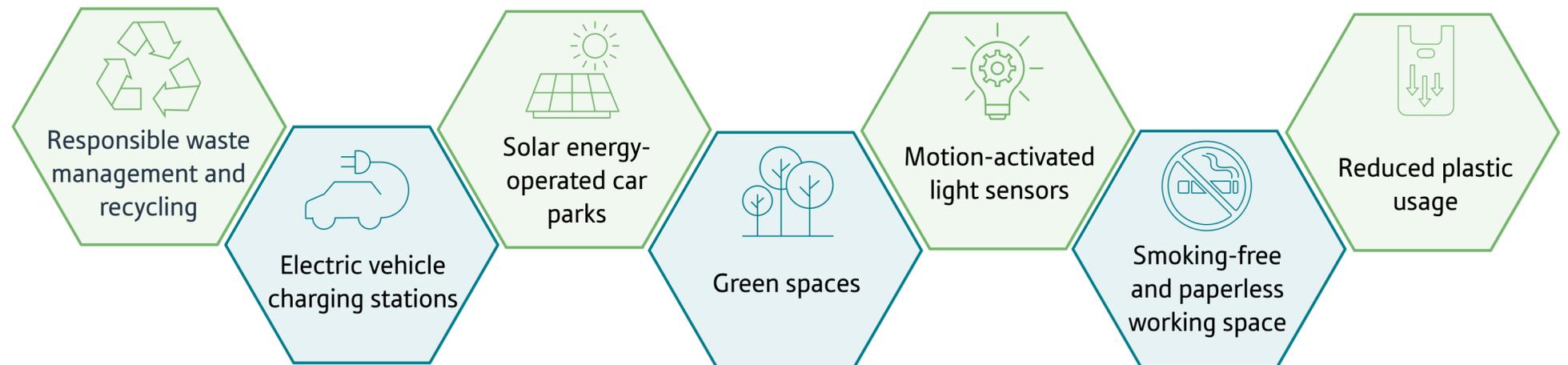


- SDB deployed an integrated government portal to facilitate access to products and services, and reduce paperwork.

SDB has taken steps to promote green operational practices since 2019



Green building concept for the bank's headquarters



Raising internal environmental awareness



SOCIAL

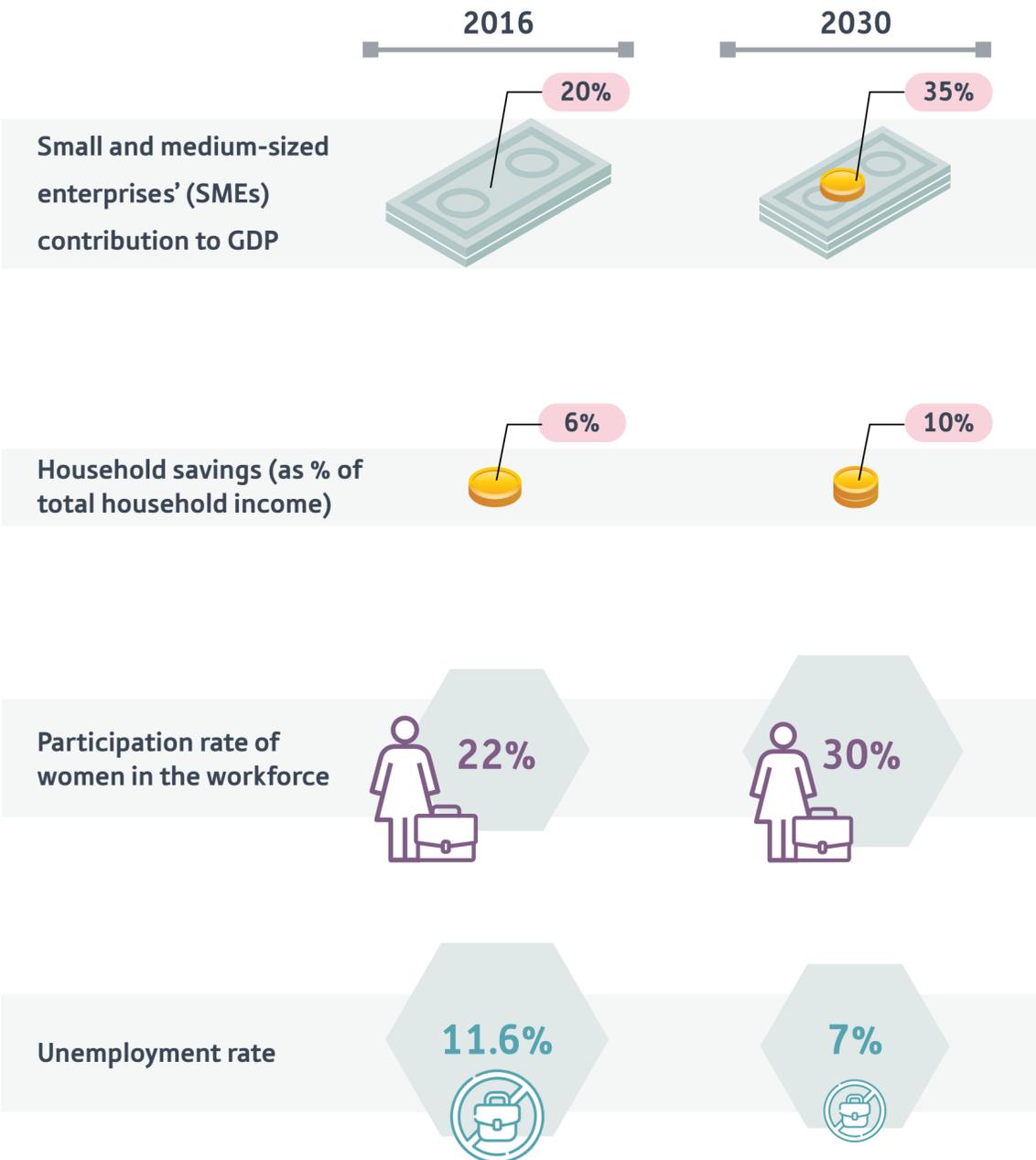


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The Kingdom's Vision 2030 seeks to empower citizens through social development programmes

Vision 2030's social development targets include:



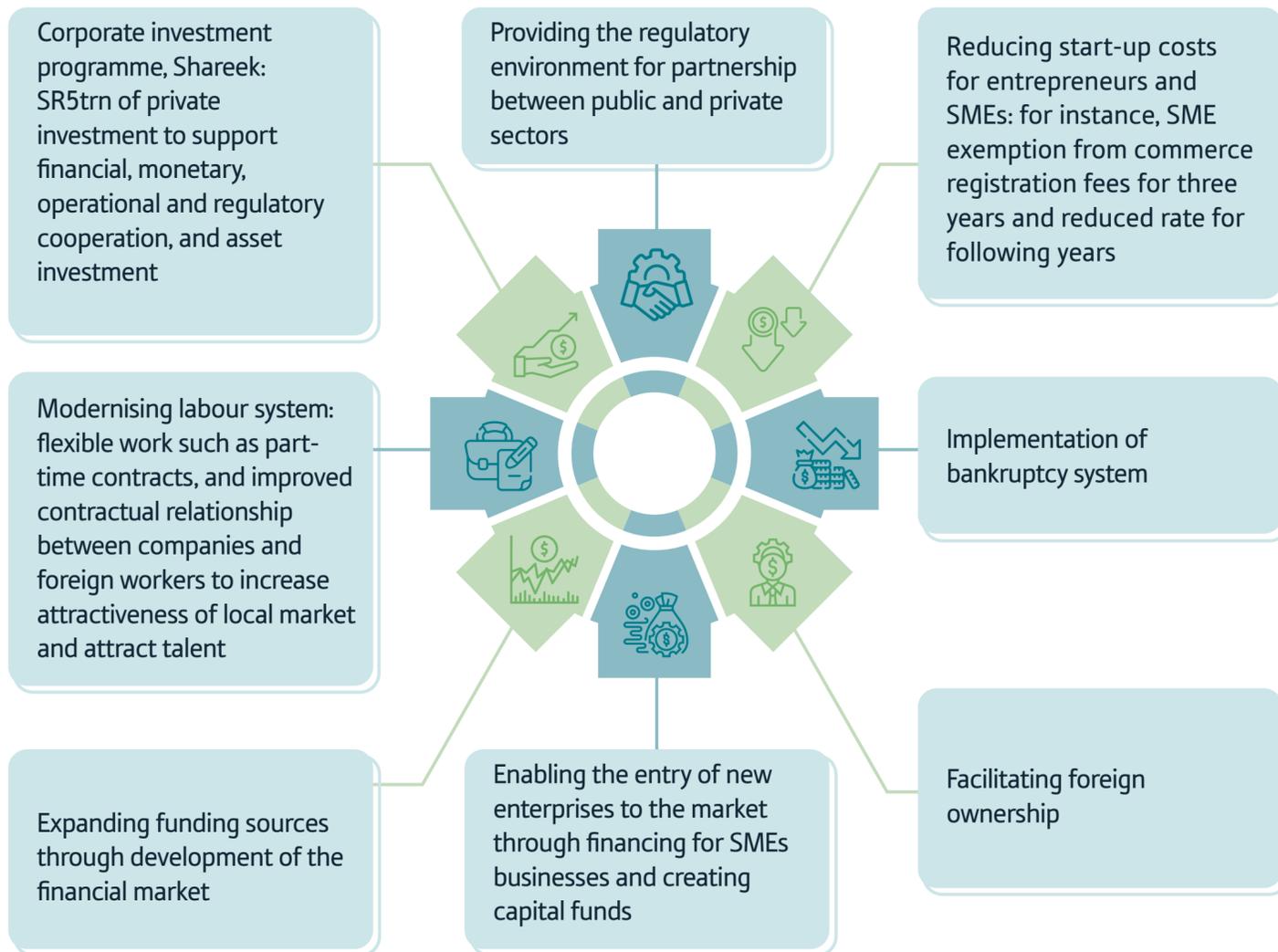
Vision Realisation Programmes support sustainable social development

Programme	Objective
Health Sector Transformation	Restructure the health care sector to form a comprehensive, effective and integrated system that prioritises value-based care
Human Capability Development	Prepare citizens for labour market and raise global competitiveness
Housing	Provide housing solutions that meet the needs and aspirations of Saudi families, with a focus on sustainability and technology
Financial Sector Development	Develop a diversified and effective financial sector to support national economic growth; diversify sources of income; and stimulate savings, financing and investment
Quality of Life	Boost participation in cultural, environmental and sporting activities
National Transformation	Achieve governmental operational excellence; improve economic enablers; and enhance living standards by accelerating implementation of primary and digital infrastructure, and engaging stakeholders



Vision 2030 aims to nurture SMEs, create jobs and enhance socio-economic well-being

The roadmap is designed to empower SMEs through business environment improvement



2020-21 SR400m Saudi loan deferral programme for micro-, small and medium-sized enterprises (MSMEs) amid the Covid-19 pandemic

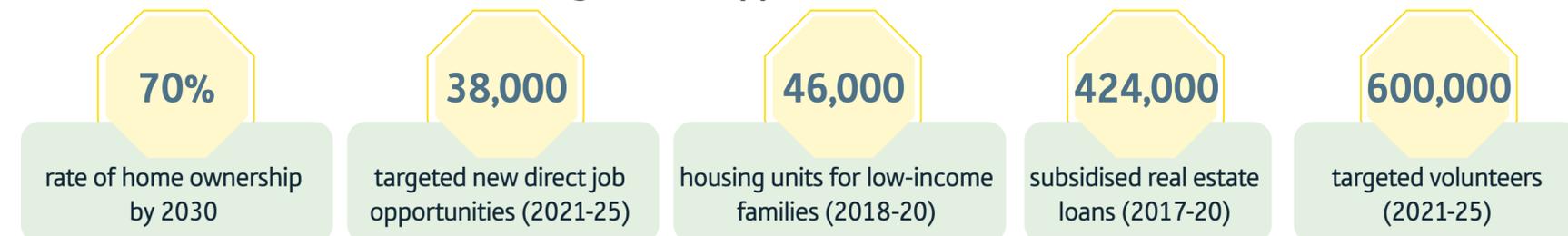
Vision 2030's National Transformation Programme promotes SME participation and digital development

Achievements	Commitments
Number of SMEs rose from 447,000 to 614,000 (2016-20)	SME contribution to GDP reach 35%
SMEs' contribution to GDP increased from 20% to 29% (2016-18)	Reduce unemployment from 11.6% to 7%
SMEs' share of bank loans increased from 2% to 8% (2016-18)	19.2% contribution of digital economy to GDP
Rose from 92nd to 63rd out of 190 countries in the World Bank's Doing Business index (2019-20)	SR95.4bn in foreign direct investment
Second in the G20 in the Top Digital Riser category in World Economic Forum's Digital Competitiveness ranking (2021)	Increase the private sector's contribution to GDP from 40% to 65%

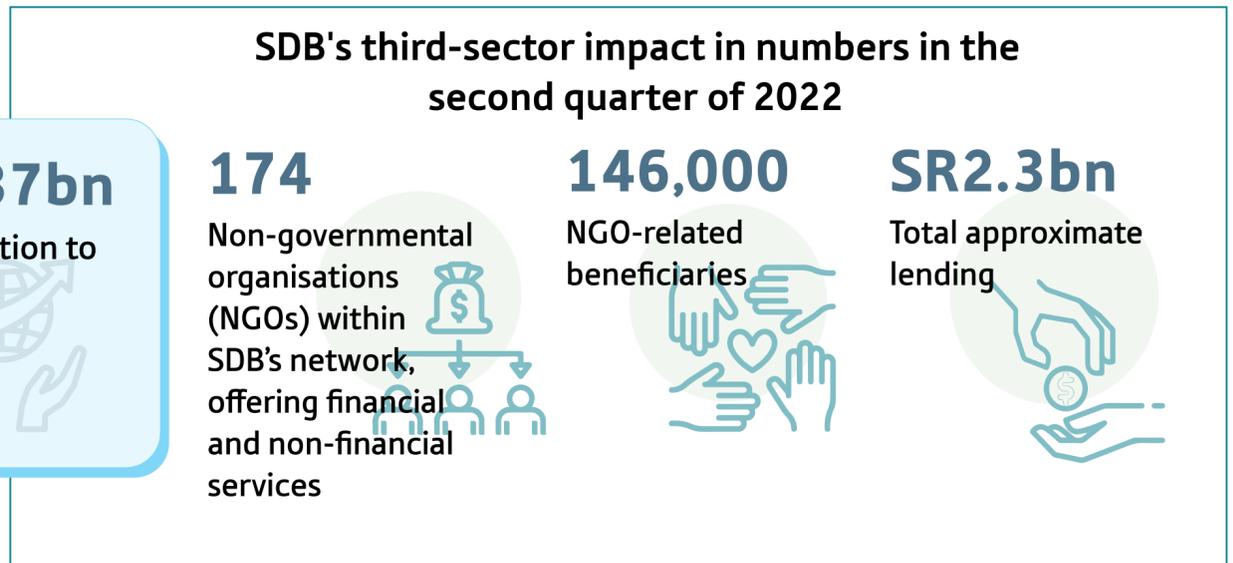
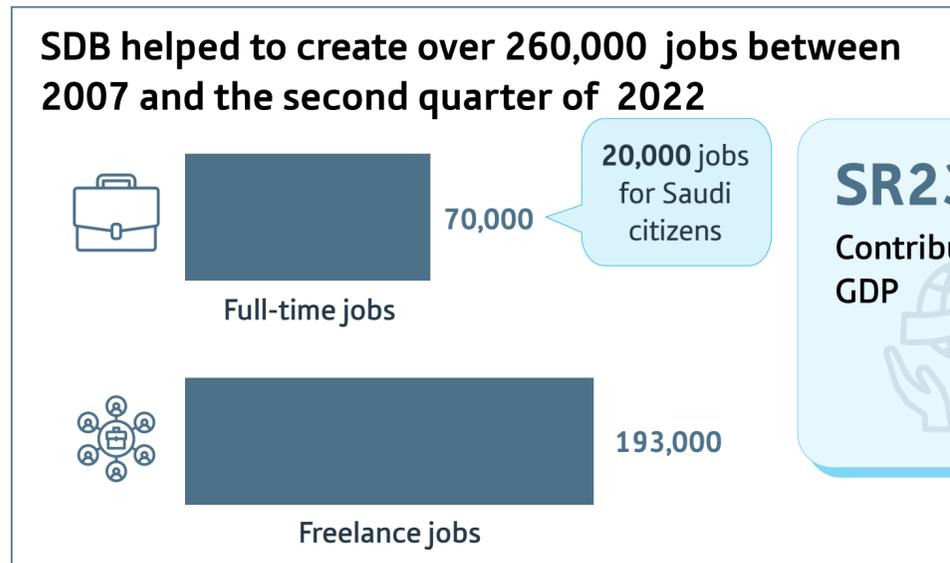
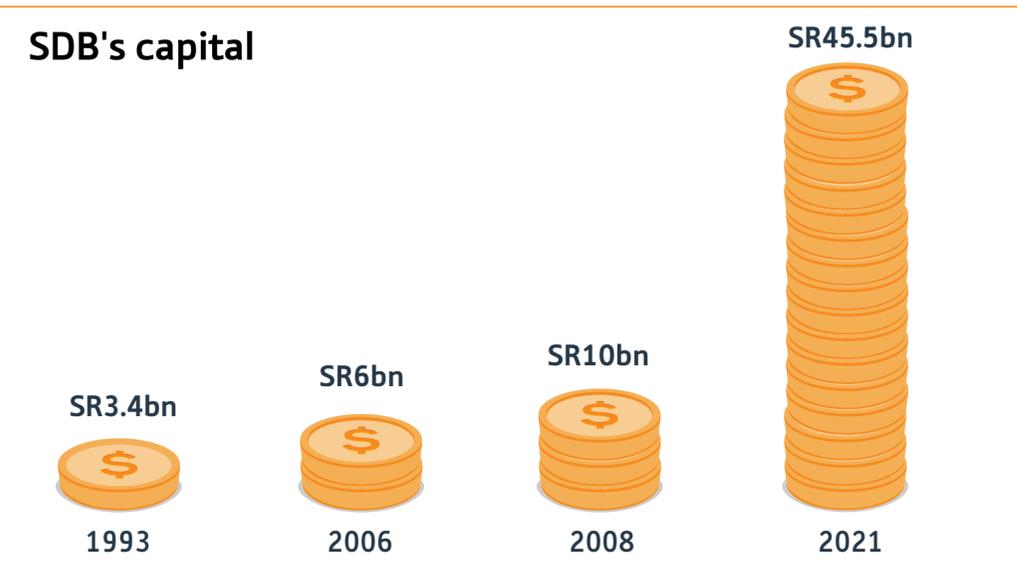
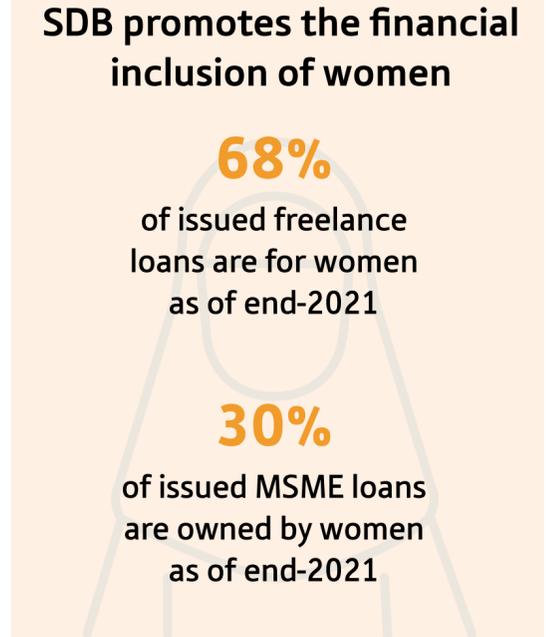
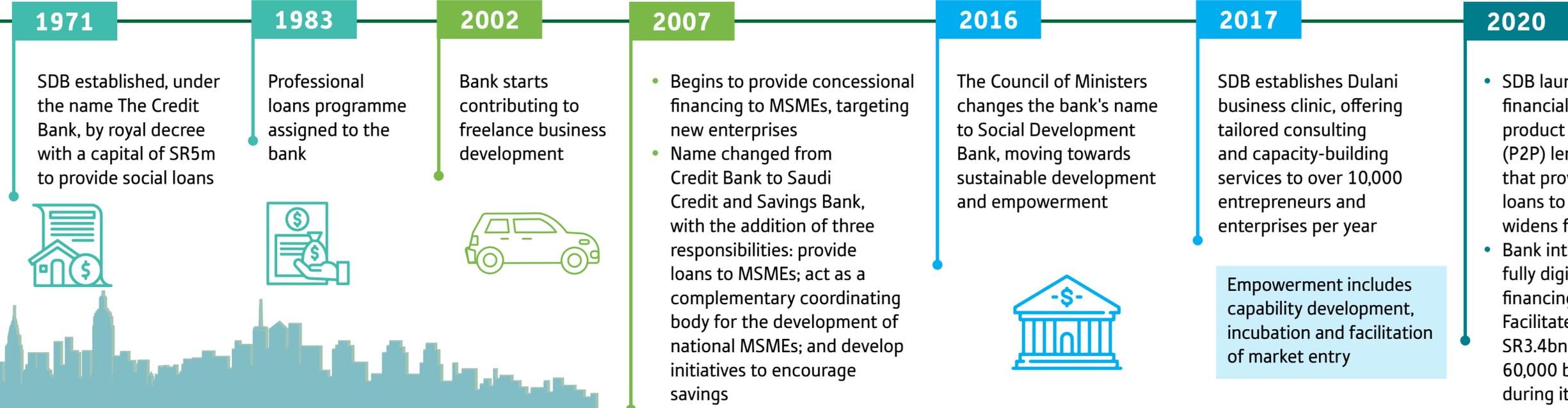
Public-private partnerships that foster innovation and entrepreneurship helped KSA place among top G20 Digital Risers*, 2021



Housing Programme and employment commitments in the National Transformation Programme support low-income citizens



Social Development Bank (SDB) has worked to enhance social development and financial inclusion for 50 years



SDB's social development priorities are aligned with Vision 2030 and the UN Sustainable Development Goals (SDGs)

SDB programmes are designed to amplify MSMEs' contribution to the economy and facilitate home-based business (HBB) integration to the formal segment

Dulani business centre: provides non-financial development programmes to MSMEs including training, consultancy and guidance

- **Ideas Programme:** generates business ideas and turns these into investment opportunities
- **Back to Business Basics:** empowers business owners with practical business capabilities
- **Road to Success Programme:** helps participants move from business plans to launching projects



Empretec inspiring entrepreneurs

- Target audience: entrepreneurs in large private companies and leaders in government and non-profit organisations related to MSMEs
- UN Conference on Trade and Development: SDB's micro-finance department manages KSA programmes



SDB is committed to providing social protection by launching new products to meet changing needs, adjusting eligibility criteria, increasing loan volumes and allowing deferments

During the Covid-19 pandemic SDB:



Increased social and business lending



Took steps to ease pandemic-related financial burdens of beneficiaries



Helped small businesses maintain employment rates and cash position



Introduced sector-specific products

SDB expands financial inclusion with a wide range of projects and products, including:

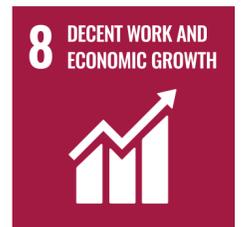
- Emerging Technologies for financing technical/digital projects
- HAL Saudisation product, which provides funding for citizens to kickstart projects with Tawteen, a programme to support local content spending and contribute towards the Kingdom's Vision 2030 objectives



SDB contributes to Vision 2030 objectives through the following pillars:

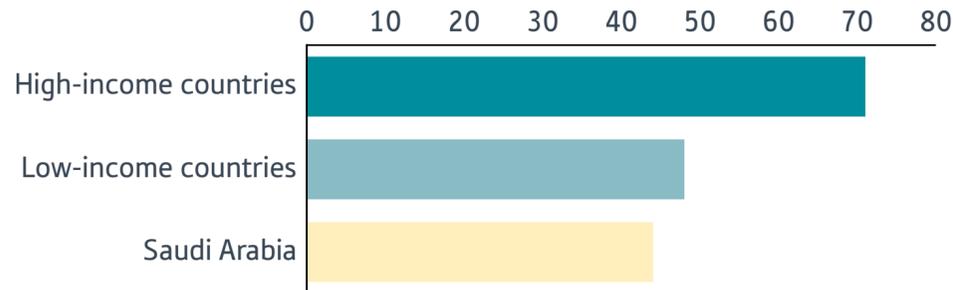


SDB's strategic social objectives are aligned with multiple UN SDGs



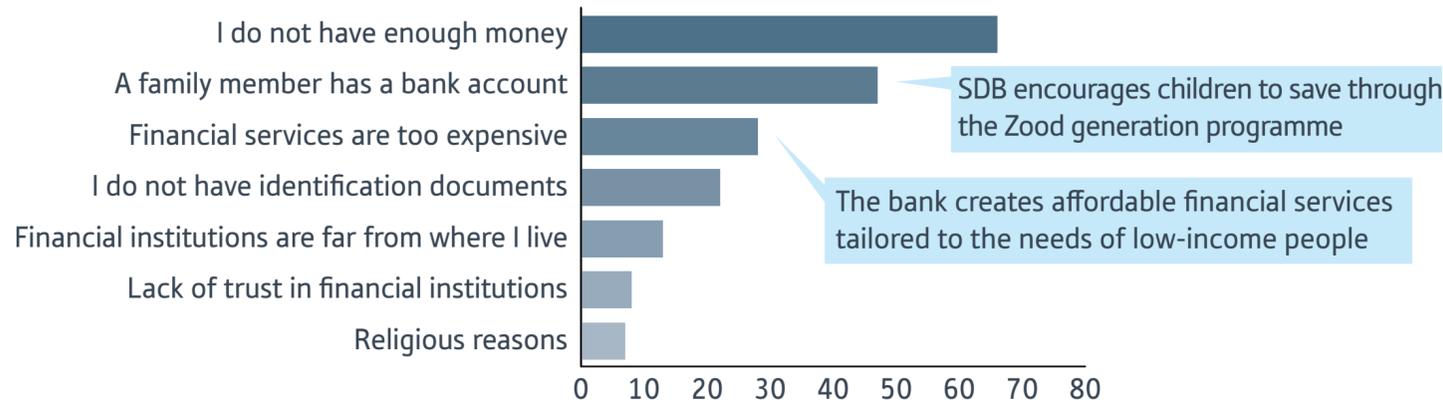
SDB aims to promote financial self-sufficiency and nurture a savings culture in KSA

Saudi Arabia's savings rate is below global average, 2018



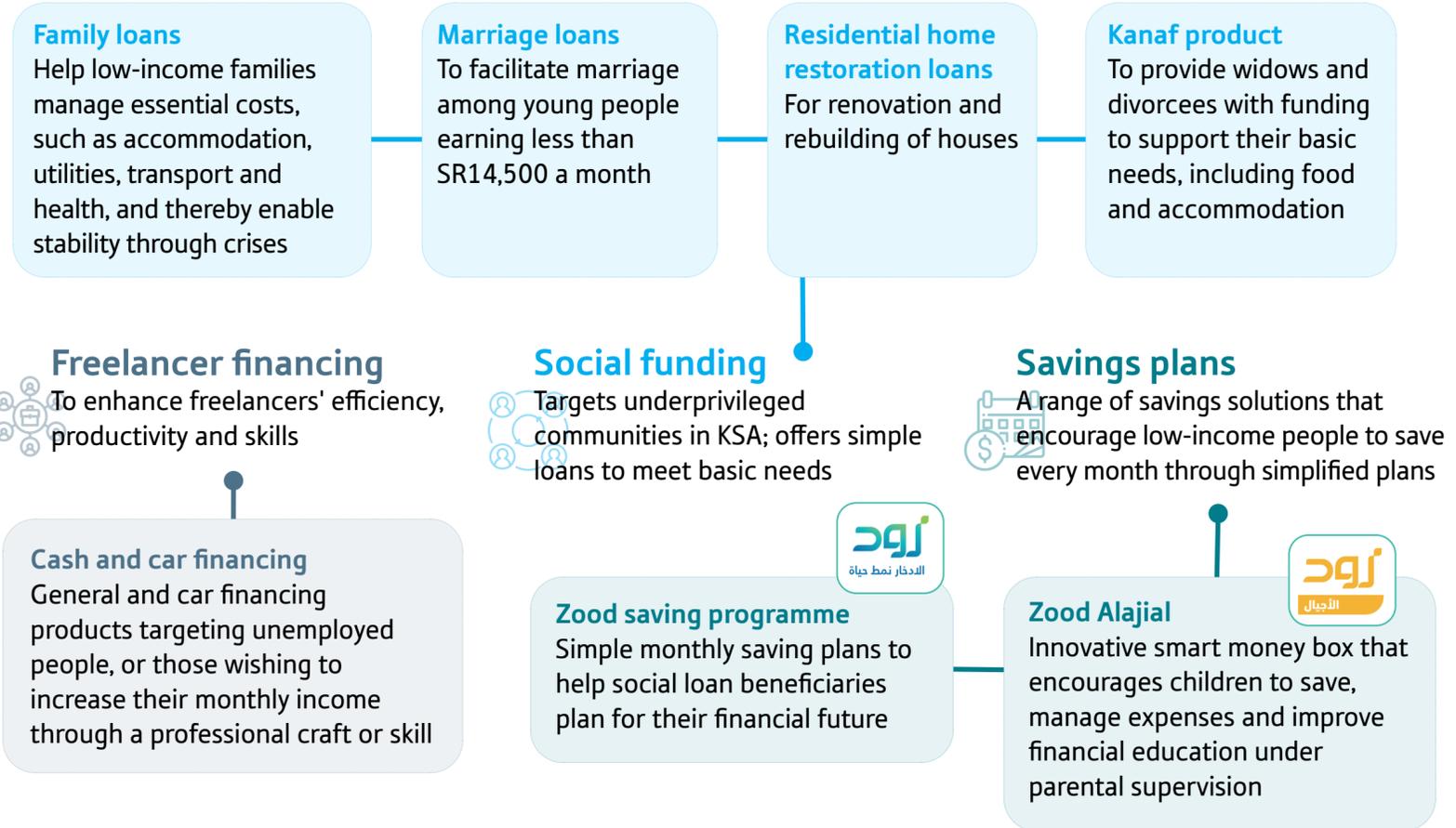
31%
financial literacy rate in Saudi Arabia

Reasons for not having a bank account*



*Phone survey conducted by King Khalid Foundation via the King Abdulaziz Centre for National Dialogue's Public Opinion Poll Centre. 1151 participants in August 2018

SDB's products encourage financial self-sufficiency and help instil a savings culture



SDB's social loans through the second quarter of 2022

- 49 years** Since 1973
- SR112bn** Total loan disbursement
- 2.8m** Beneficiaries
- 30%** of marriage contracts between 2017 and 2019 supported by SDB

Savings programmes through the second quarter of 2022

- SR329m** Total savings
- 148,000** Savings accounts

SDB's socio-economic impact through 2021

- +200,000** jobs created
- SR197bn** Non-oil GDP
- SR237bn** Real GDP

SDB's corporate funding contributes to MSME development, employment and gender inclusion

SDB's institutional products and programmes aim to encourage local entrepreneurship and support non-profit organisations

Corporate products

Divided between financing of new and existing corporate projects

Facility for new projects

Emerging MSME Lending

For small and start-up projects with investment costs not exceeding SR300,000

High-potential MSME Lending

For projects that exceed SR300,000 but do not exceed SR8m, and meet excellence criteria established by SDB

Franchise programme

Low-risk investment opportunities for qualified entrepreneurs who are granted a franchise from a number of national and international brands

Business incubators and accelerators

To finance business incubators and accelerators with an amount of SR3m-5m

Facility for existing projects

Horizon

To finance companies with a minimum of three years of activity, and annual sales of between SR3m and SR40m

Point of sale (POS)

A quick financing solution for MSMEs against POS revenue

Liquidity

To finance assets and operating cycles of new and existing businesses whose sales do not exceed SR40m

Main targeted sectors: industry, education, quality of life, entertainment and tourism

Key metrics for HBBs served as of the second quarter of 2022

Through application of the apex model, designed to empower local NGOs to channel funding, SDB trained around 174 charities to identify and assess potential beneficiaries, as well as to disburse payments and manage debt collection

146,000 HBBs

SR15,700 average capital

2.4 years average business life

1.7 average number of employees

174 NGOs engaged

Third sector products

Developed in partnership with different third-party organisations

Deaem

A development finance product to motivate NGOs and social development committees to diversify and sustain income sources. In partnership with the Ministry of Human Resources and Social Development (MHRSD) and Sulaiman Al Rajhi Development Finance Corporation

Finance brokers

Provides microfinance to support charitable associations and serve targeted sectors

Sahim

Financing registered cooperatives. Designed to improve the socio-economic situation of members in terms of production, consumption and marketing

Enablement

Geared towards cross-sectoral support for the growth of the business sector

Dulani business clinic

Provides non-financial services to MSMEs ranging from training, consultancy and guidance

Empretec inspiring entrepreneurs

UN Conference on Trade and Development capacity-building provision for the promotion of entrepreneurship and MSMEs. Aims to facilitate sustainable development and inclusive growth

Jaadah 30

Develops bank branches into common work spaces to support entrepreneurship tools, programmes, innovation and culture

SDB contribution to micro-businesses as of the second quarter of 2022



193,000 freelance beneficiaries



SR11bn total loan disbursements

Female/male ratio of SDB's MSME loan disbursement

30% female

70% male

CASE STUDY: SDB took steps to shield MSMEs from pandemic-related financial burdens

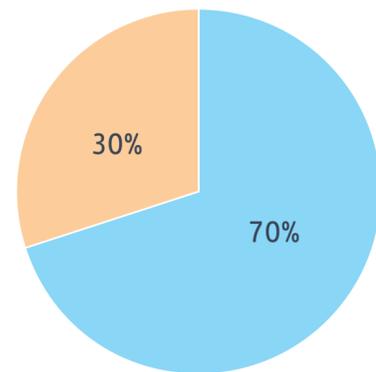
The Covid-19 pandemic increased the financial burden on the Kingdom's MSMEs. To alleviate these pressures SDB took steps to increase social lending, expand lending terms and implement tailored financial technology solutions.



70% of KSA's MSMEs did not request financing in the first month of the pandemic*

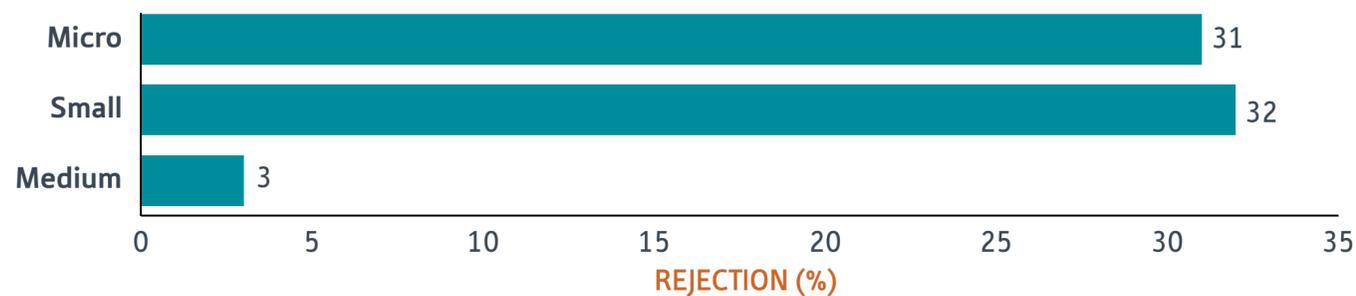
Have you tried to apply for funding from any financial institution?

- No financing request
- Submitted financing request



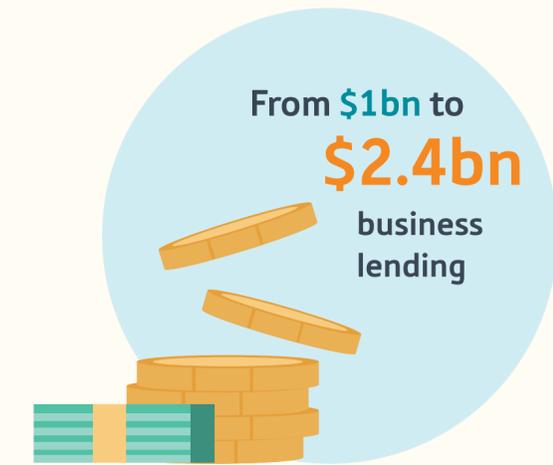
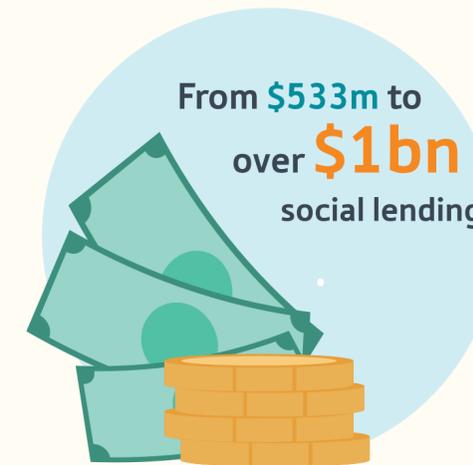
Some 30% of financing requests from micro- and small sized enterprises were rejected*

If yes, has your application been approved?



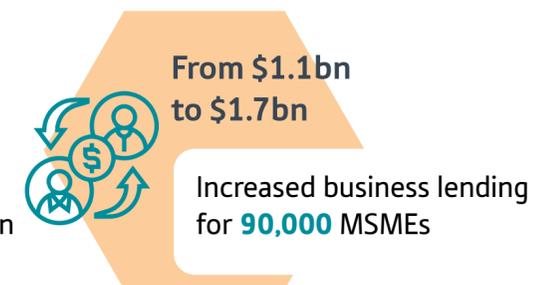
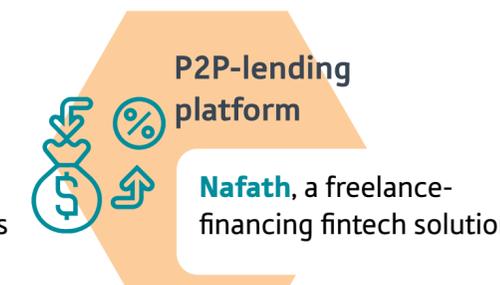
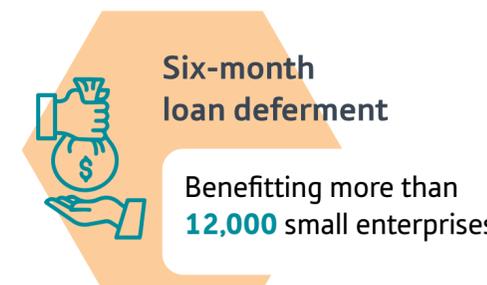
*Survey conducted by General Authority for Small and Medium Enterprises (Monshaat) April 16-20, 2020 to understand the early impact of Covid-19. 918 MSME respondents from 13 administrative regions of the Kingdom

SDB support measures in response to the pandemic included:



Main goals:

- Shield beneficiaries from financial burdens of the pandemic
- Maintain employment rates and the overall cash position
- Adapt to new financial needs imposed by the pandemic
- Enhance financial inclusion



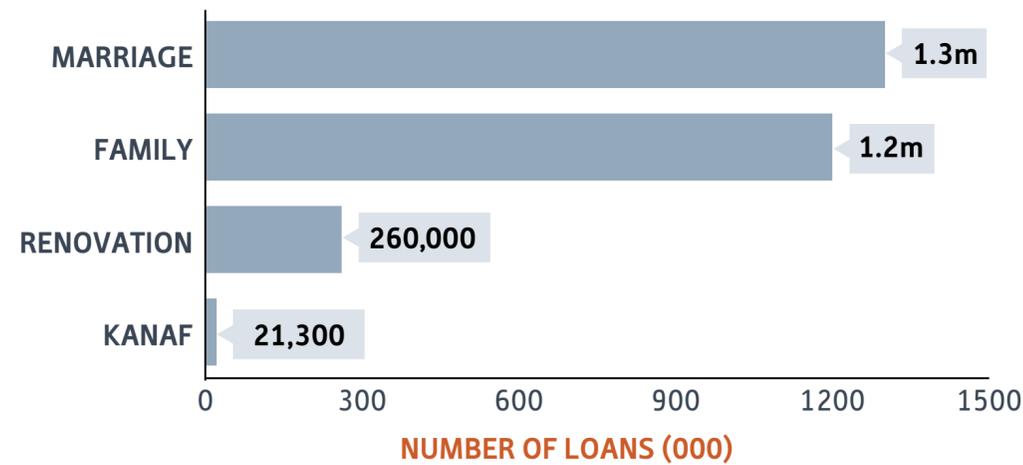
CASE STUDY: SDB contributes to socioeconomic development by providing social and MSME loans

SDB aims to enable a robust financing ecosystem to commercialise HBBs and integrate these into the formal economy

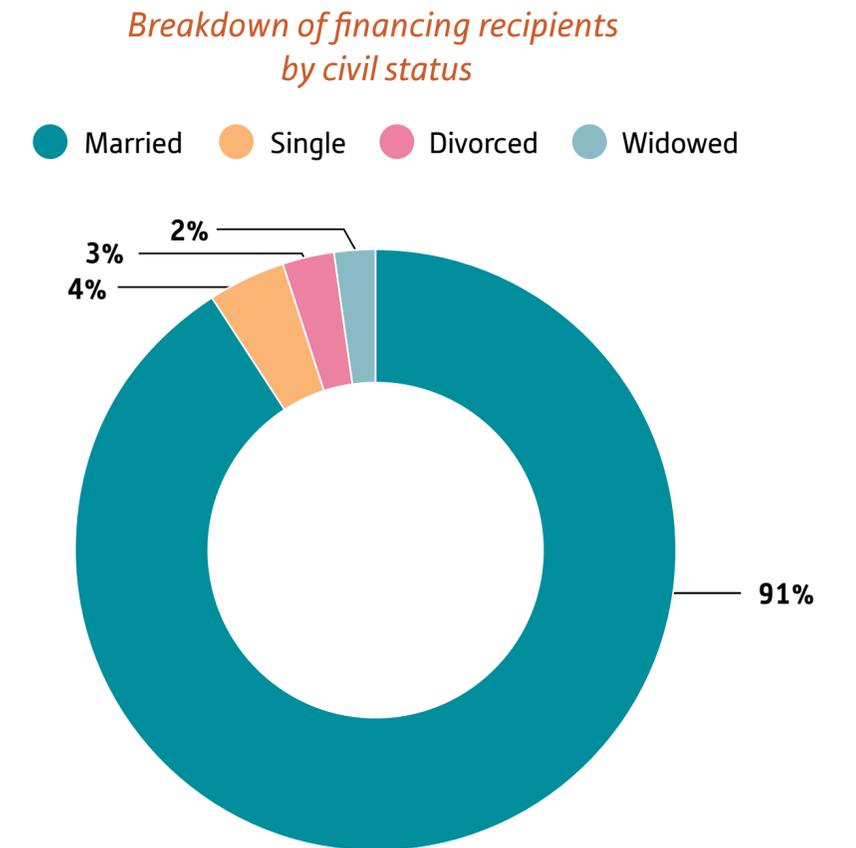
SDB empowers NGOs through an apex funding model, which allocates financial portfolios to transform non-profit institutions into micro-finance institutions

The bank also offers a wide range of non-financial services, such as capacity development programmes and sales outlets

Marriage loans are the most common category for SDB's social loans, June 2022



Married people account for some 91% of funding disbursements, June 2022



Key MSME sectors served

Manufacturing	Social entrepreneurship	Education
Health	Information and communication	Retail

SDB contribution to MSMEs through the second quarter of 2022

33,700
MSMEs served

SR12.1bn
Total loan disbursements

SDB socio-economic impact on MSMEs, 2007-22

+70,000
Jobs created

SDB will continue to widen support for social, freelance and MSME beneficiaries from 2022 onwards

Starting point (2016)

SDB started to provide social loans and concessional financing to MSMEs, in a move to develop their contribution to the national economy

Location (2022)

By 2021 SDB moved towards inclusive and sustainable development and social empowerment through strategies such as new loan offerings, the provision of business training, and the launch of new fintech products

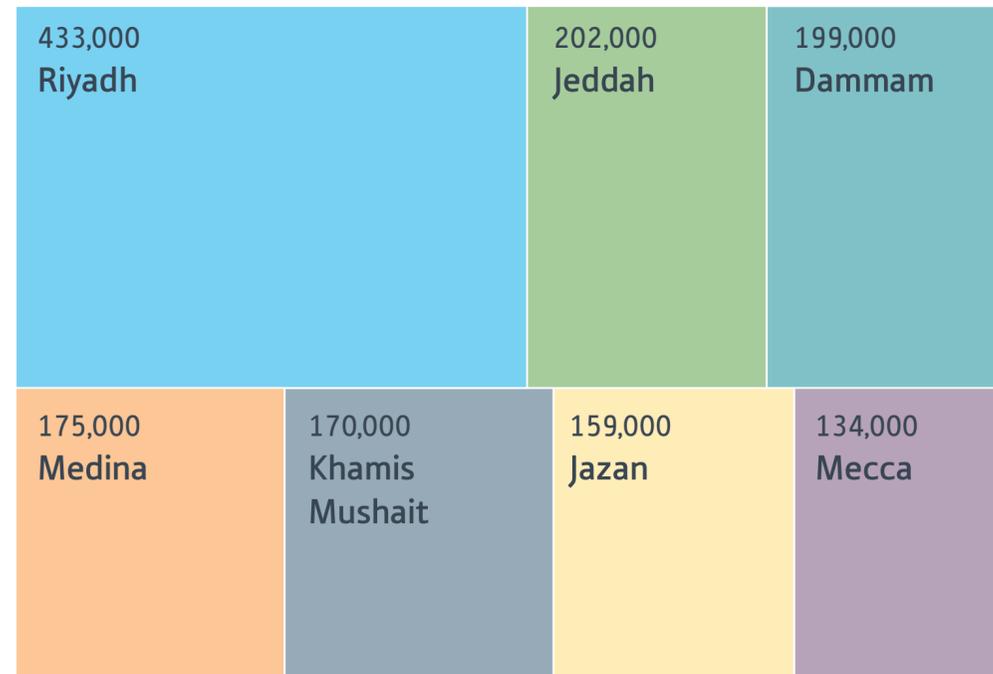
From 2022 onwards SDB will continue to monitor socioeconomic developments to ensure sufficient protection for Saudi citizens and MSMEs, including during crisis periods

Destination (2030)

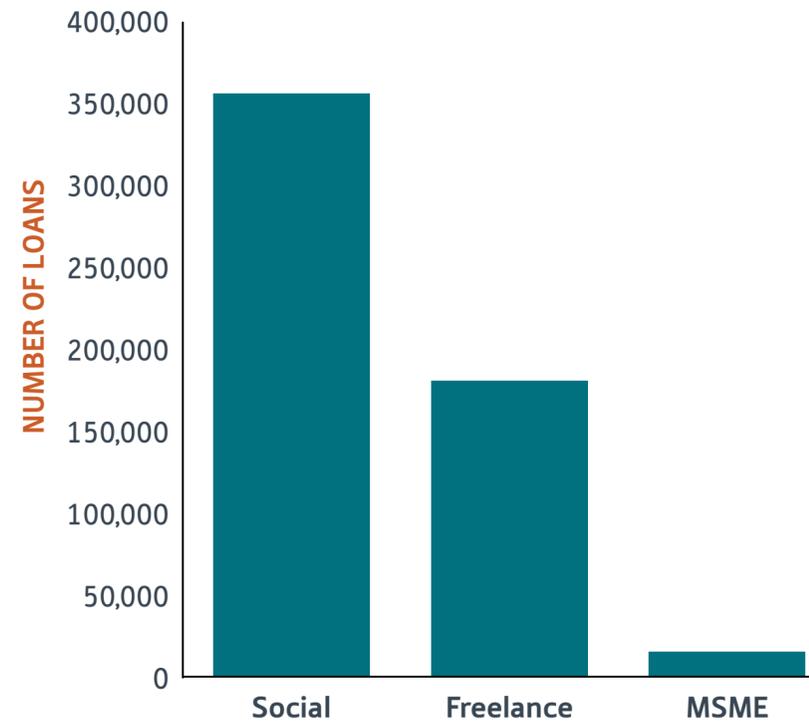
In line with Vision 2030, SDB prioritises the integration of small, productive families into the national economy, promotes social services and financial planning through savings programmes, and aims to empower local non-profit organisations

Financing needs by city, June 2022
(top-seven cities by volume of loans disbursed)

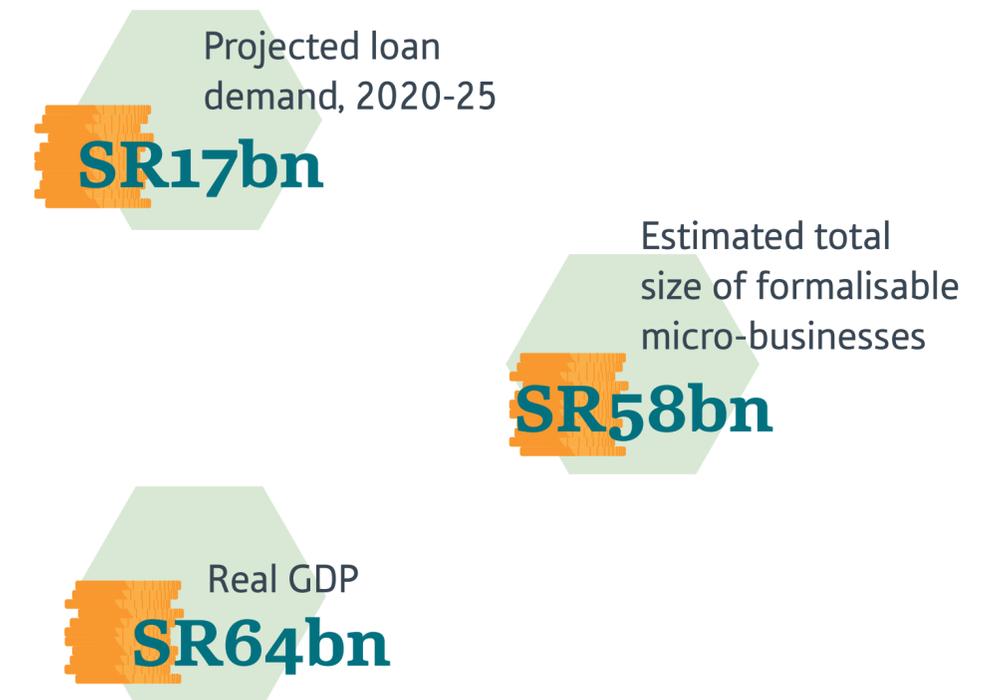
TOTAL NUMBER OF LOANS



Social funding is the most requested form of financing, the second quarter of 2022



Projected socio-economic impact from successful micro-businesses by 2030



GOVERNANCE

A photograph of a modern building's courtyard. The building features large glass windows and balconies with white perforated metal railings. In the foreground, there are several black rectangular planters containing various green plants. The ground is paved with light-colored tiles. A green banner with the word 'GOVERNANCE' in white capital letters is overlaid on the left side of the image.

Accountability and transparency mechanisms promote responsible use of KSA public funds

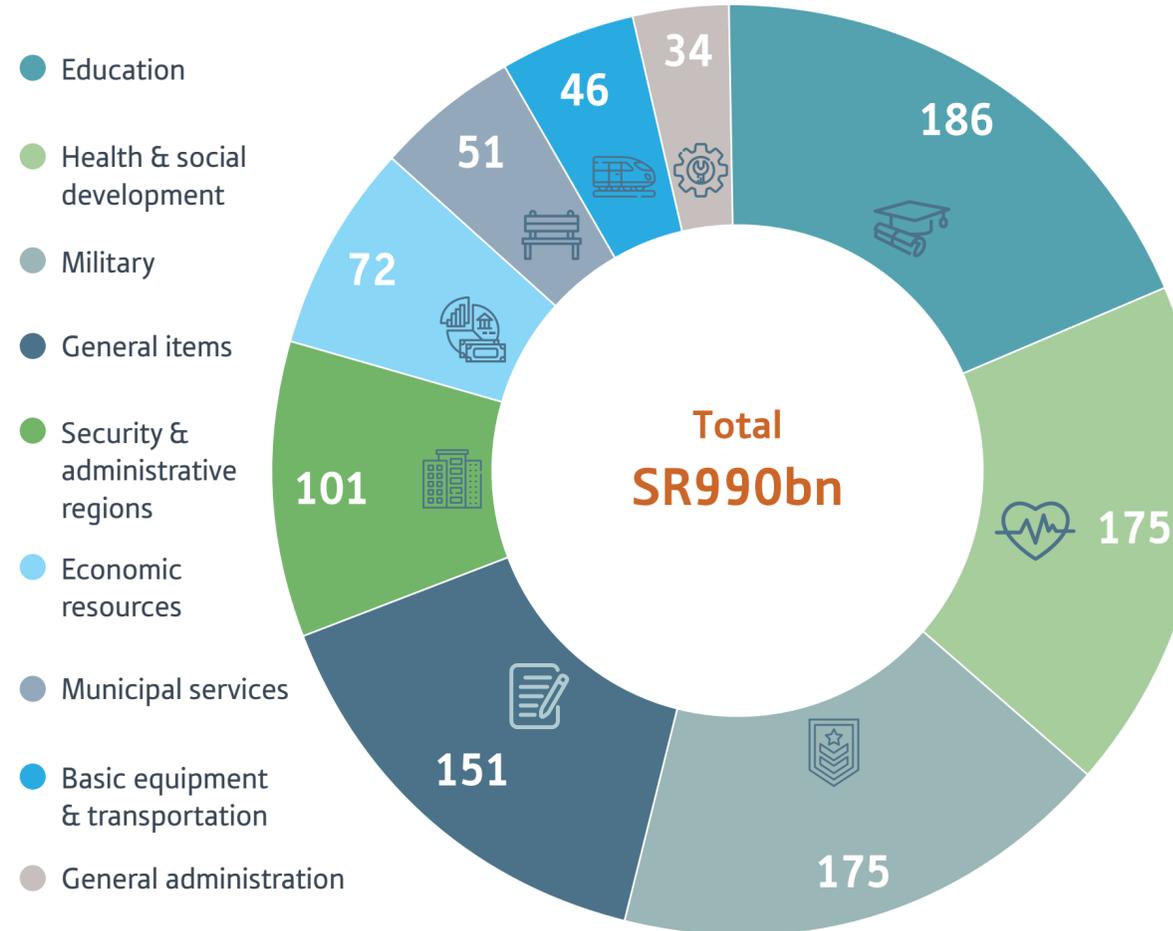
Basic Statute of Governance and the Ministry of Finance require government entities to apply principles of budgetary governance:

- Transparent, credible and predictable limits for fiscal policy
- Aligned with Vision 2030, and other national strategic plans and priorities
- Inclusive and participative debate on budget planning
- Open, transparent and accessible budget documents and data
- Comprehensive, accurate and reliable accounting of public finances
- Active planning, management and monitoring of budget execution
- Performance, evaluation and cost-efficiency integral to the budget process
- Identification, assessment and prudent management of long-term sustainability and other fiscal risks

Strategic approaches to Saudi public finance:

- Increase the contribution of the private sector
- Continue spending on Vision 2030 programmes and major projects
- Promote the sustainability of public finance
- Strengthen the role of the Public Investment Fund (PIF) in diversification
- Develop social support and protection systems
- Develop tender and procurement law
- Maximise the role of national development banks and funds

Government expenditure is highest in S-related segments
Breakdown of government expenditure (SR bn), 2021



PIF's Programme 2021-25 relies on robust risk management to achieve goals

Key objectives:

- Maximise PIF assets
- Boost high-potential sectors
- Build a strategic economic partnership
- Localise technologies, financing and knowledge

Aligned with Vision 2030

Robust risk management framework

Risk governance	<ul style="list-style-type: none"> Committee structure and authority: board and delegated authorities Risk management philosophy, culture and values Risk appetite statement tolerance Risk management policies and framework
Risk oversight and control function	<ul style="list-style-type: none"> Three lines of defence model Risk division with independence and objectivity Review, challenge, reporting and escalation Framework and policy oversight and maintenance
Risk data aggregation, infrastructure and reporting	<ul style="list-style-type: none"> Common risk language/risk taxonomy/risk register Risk management platform and toolkit Aggregation and portfolio-wide view Board and management reporting

Three lines of defence:

- Operational management
- Risk management and compliance
- Internal audit

Social Development Bank (SDB) targets improved corporate governance to better pursue social empowerment



Responsible collaboration

Aim: Strengthen efficiency, effectiveness and financial stability of the fund



Peace, justice and strong institutions

Substantially reduce corruption and bribery in all their forms



Partnerships for the goals

Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection



Reduced inequalities

Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status, by 2030



Evolving governance

Aim: Enhance reporting practices, risk management and governance frameworks



Reduced inequalities

Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices; and promoting appropriate legislation, policies and action in this regard



Peace, justice and strong institutions

Develop effective, accountable and transparent institutions at all levels



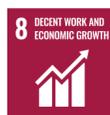
Gender equality

Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life



Maximal impact

Aim: Consistently evaluate socio-economic impact and identify opportunities to create value



Decent work and economic growth

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small and medium-sized enterprises (MSMEs), including through access to financial services



No poverty

Reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions by 2030



Industry, innovation and infrastructure

Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities



SDB seeks to advance progress towards Vision 2030 with support from the National Development Fund (NDF), particularly by empowering social development and enhancing financial independence towards a vital and productive society

As of mid-2022 ongoing SDB initiatives to promote responsible governance include:

- Optimisation of operations through automation and governance
- Development of write-off policy to improve management of assets
- Introduction of a business intelligence office, functioning as centralised data warehouse



SDB, under NDF supervision, promotes progress towards UN Sustainable Development Goals (SDGs) and Vision 2030



Through 11 development banks and funds as of May 2022, the NDF promotes progress towards the UN SDGs, ESG and Vision 2030

About the NDF

Established by the October 2017 Royal Order No. (A /13) to improve the performance of, and empower, development funds and banks, as well as to fulfil the economic development priorities of Vision 2030



The NDF's vision and mission

To become a global brand of excellence in development finance through integration, alignment and facilitation of synergies between partners to enable economic transformation of Saudi Arabia; and to maximise developmental impact and productivity in the Kingdom



Key strategies

1. Strategic development planning for Saudi development funds and banks
2. Ensure alignment of goals with Vision 2030
3. Minimise overlap between banks and funds
4. Improve coordination between banks and funds
5. Empower banks and development funds to achieve their goals



The NDF and Vision 2030

By improving the efficiency, effectiveness, and financial sustainability of development funds, the NDF aims to mitigate cyclical economic fluctuations, supporting Vision 2030

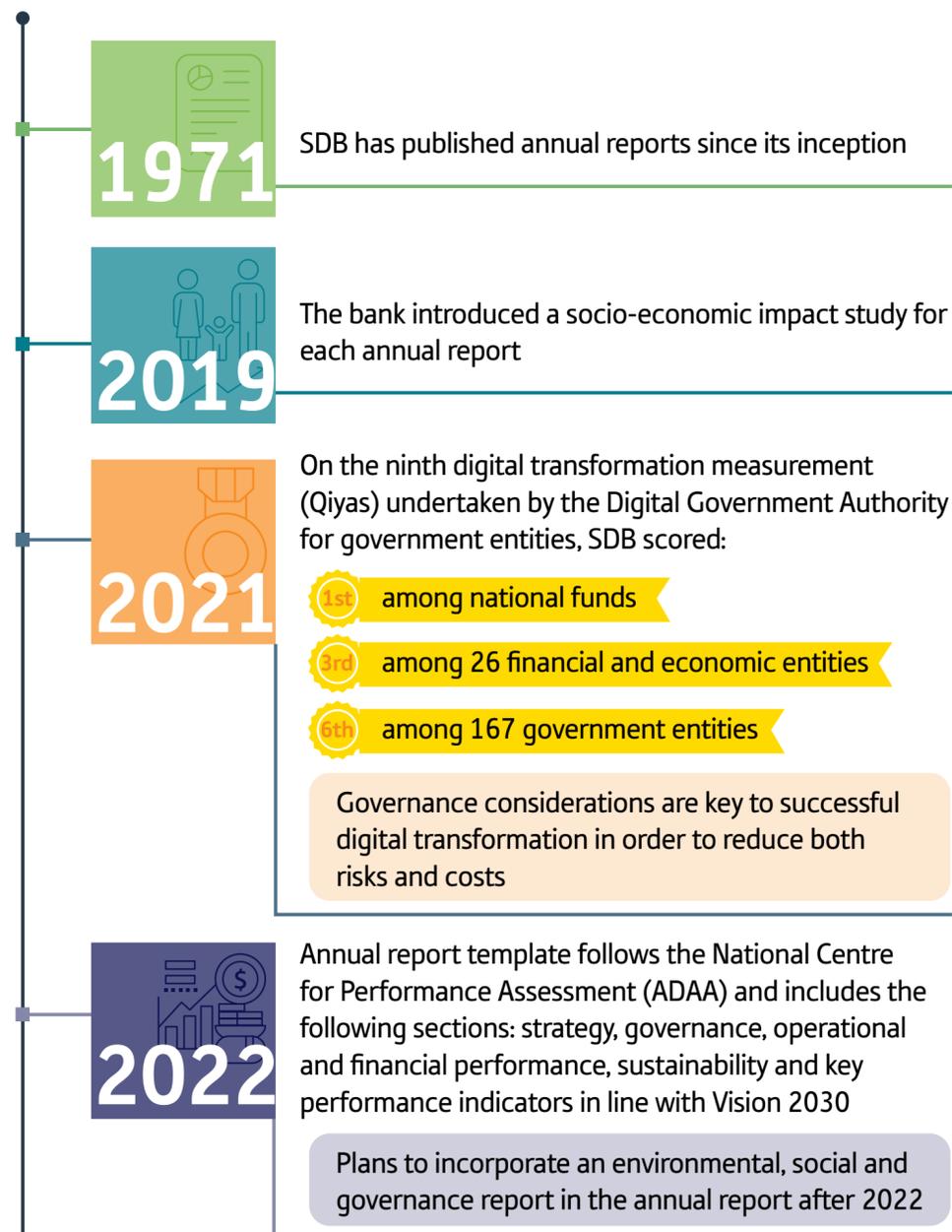


As of May 2022, 11 banks and a number of development funds belong to the NDF:

 بنك التنمية الاجتماعية SOCIAL DEVELOPMENT BANK	SDB	 صندوق تنمية الموارد البشرية HUMAN RESOURCES DEVELOPMENT FUND	Human Resources Development Fund
 صندوق التنمية العقارية REAL ESTATE DEVELOPMENT FUND	Real Estate Development Fund	 صندوق التنمية السياحية Tourism Development Fund	Tourism Development Fund
 الصندوق السعودي للتنمية Saudi Fund for Development	Saudi Development Fund	 بنك التصدير والاستيراد السعودي SAUDI EXIM	Saudi Export and Import Bank
 الصندوق الصناعي صندوق التنمية الصناعية السعودي Saudi Industrial Development Fund	Saudi Industrial Development Fund	 صندوق التنمية الثقافي Cultural Development Fund	Cultural Development Fund
 صندوق التنمية الزراعية المملكة العربية السعودية Agricultural Development Fund	Agricultural Development Fund	 SME Bank	Small and Medium Enterprises Bank
Fund of events related to the sectors of culture, entertainment, sports and tourism			

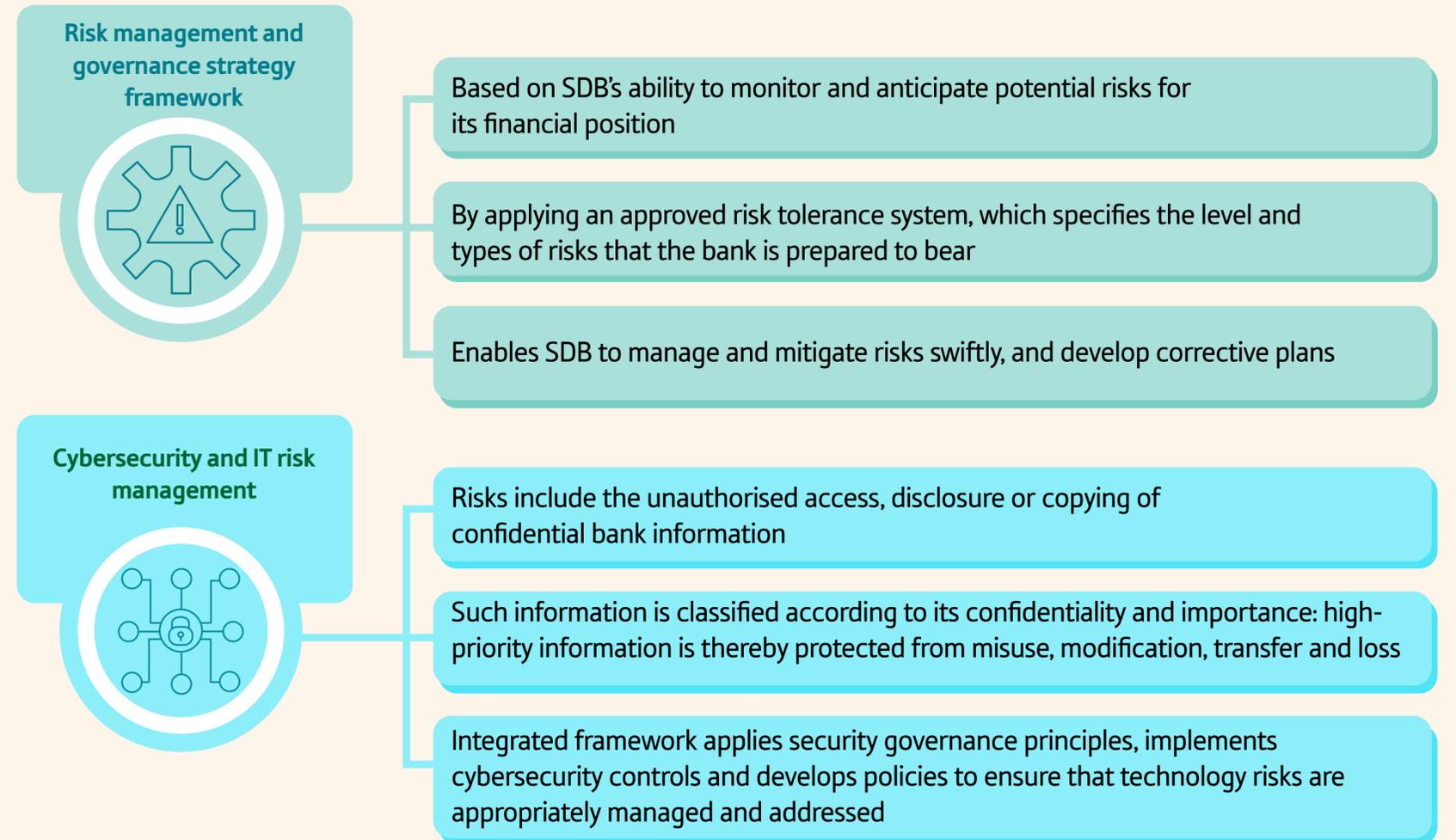
SDB reporting has evolved to accommodate expanding governance mandates

The development of SDB's reporting procedures is ongoing



CASE STUDY: SDB's governance frameworks aim to strengthen the organisation's financial position

SDB's annual reports include a financial section developed in line with International Financial Reporting Standards 9, an international accounting standard published by the Accounting Standard Board



In 2016 SDB launched the Dulani Business Centre, an initiative to provide non-financial support and contribute to MSME sustainability through increasing their efficiency and thereby enabling their long-term continuity.



CASE STUDY: SDB aims to promote good governance through digitalisation and MSME support

SDB's e-governance achievements as of 2021 include:



90% of government entities registered in government entities portal



>50K views of open data portal



99% score in UN E-Government Development Index*

**Aims to benchmark e-government development across UN member states. Evaluates scope and quality of online services; development of telecommunications infrastructure; and human capital*

SDB's performance in the Digital Transformation Measurement (Qiyas), 2021*



3rd out of 26
in financial and economic group

6th out of 167 among
all governmental entities

**Issued by the Digital Government Authority; evaluates progress of government entities in implementing digital transformation according to best practices and standards, and aligned with programmes of Vision 2030*



ISO certifications verify SDB's adherence with international standards, mid-2022

ISO certifications 22301 for business continuity management systems; 27001 for information security management systems; and 20000 for IT service management

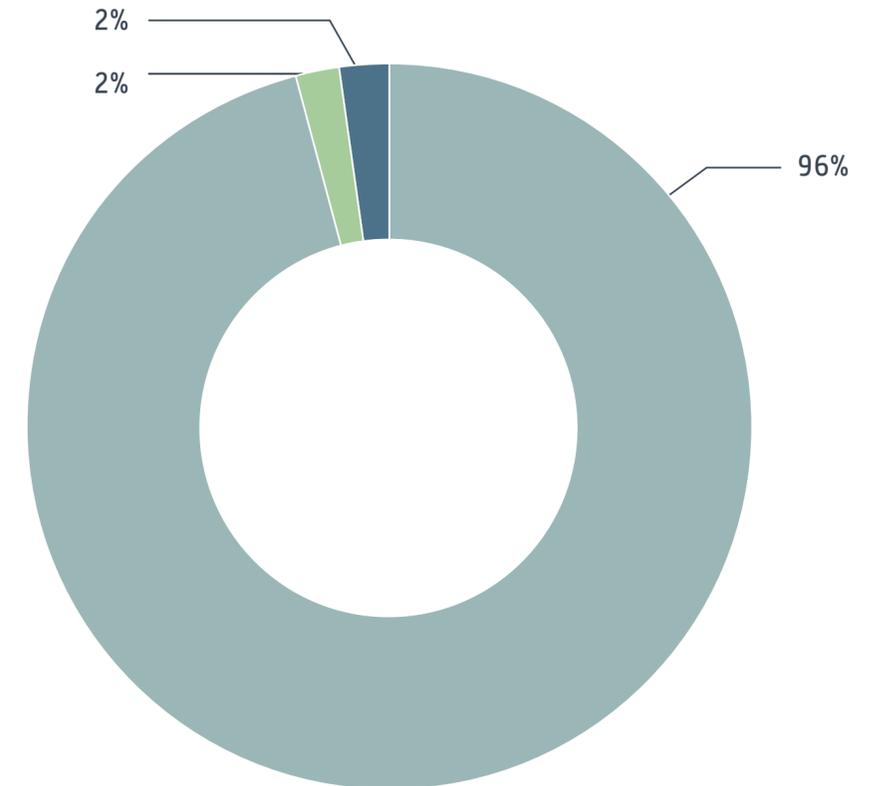
Over one-quarter of SDB-financed MSMEs upgraded to a larger business category, 2017-21

Breakdown of upgraded entities

- From micro-sized to small
- From micro-sized to medium
- From small to medium-sized



11%
of SDB-supported freelancers opened MSMEs, 2017-21



Ibrahim Al Rashid, CEO, Social Development Bank (SDB)



Ibrahim Al Rashid

What practical steps can businesses in Saudi Arabia take to enhance social responsibility in general – and environmental sustainability in particular – in their daily operations?

AL RASHID: Following in the footsteps of Saudi Arabia's Vision 2030 – which aims to attain higher levels of awareness, accountability and progress towards an economy-wide, eco-friendly business transformation – SDB has taken steps to foster a socially conscious culture in the workplace. This has, in turn, helped to address key challenges in daily business operations. Additional strategic initiatives include the promotion of eco-friendly entrepreneurship, in a move to raise general awareness and provide practical solutions that help meet environmental targets. Indeed, since its inception the bank has been promoting financial inclusion in Saudi Arabia, and providing access to finance for low-income individuals and families. As of mid-2022 the bank had disbursed over SR130bn (\$34.7bn) towards socio-economic development. This has helped to enhance the lives of some 9m citizens – and, more recently, contributed to shielding beneficiaries from the financial ramifications of the Covid-19 pandemic. Since February 2022 SR10m (\$2.7m) has been allocated to 50 entrepreneurs and businesses for projects related to environmental sustainability. A considerable portion of this funding was related to solar energy and strategies to minimise reliance on non-renewable energy sources.

Where do you assess the standout opportunities for development banks and programmes to help create new jobs and foster more widespread economic development?

AL RASHID: The inclusion of environmental, social and governance (ESG) goals in global frameworks has helped to create a mass ecosystem that

supports the achievement of these initiatives. They also helped inform the National Transformation Programme Delivery Plan 2021-25, which – consequently – set into motion key performance indicators for relevant entities. Within the Kingdom, creating opportunities for employment is crucial to the social pillar of ESG under Vision 2030. As such, this is of central concern to national development funds, government entities and players in the private sector.

SDB has identified a collective opportunity to help guide progress towards the social targets of Vision 2030. Home-based businesses (HBBs) and freelancers are often characterised as informal entities whose activities are not adequately captured within national economies. To remedy this, we helped to initiate the formalisation of this type of work through the activation of a productive families' by-law that was designed to foster a suitable work environment, raise standards of living, expand inclusion, and ultimately enable the self-sufficiency and long-term development of such businesses. Additional relevant laws and regulations were being formulated as of early 2022 to ensure better governance of the micro-business ecosystem, including HBBs and freelancers. Moreover, SDB has launched several financial and non-financial services such as technical and vocational training to promote freelancing. Through these activities, the bank has helped to create more than 100,000 jobs, and is helping to formalise informal economic activities.

Many aspects of these efforts are aligned with those of the third sector of the economy, which is composed of non-profit and non-governmental organisations. Moving forwards, strengthening collaboration with these entities will be necessary to help them expand their geographical reach, as well as help third-sector players gain access to additional micro-financing offerings and services.

“ Including ESG goals in global frameworks has helped to create a mass ecosystem that supports the achievement of these initiatives ”

6 Key Takeaways

1 Sustainability

Environmental, social and governance (ESG) criteria are aligned with the UN Sustainable Development Goals (SDGs) and Vision 2030 – and the priorities of Social Development Bank (SDB), which aims to promote social and economic growth. Common pillars include social responsibility, diversification and employment.

2 Financial

The National Development Fund promotes Vision 2030 by advancing the performance of funds and banks, and empowering them to fulfil development objectives and economic obligations. SDB is one example, with a focus on funding for social priorities, supporting small enterprises and enhancing financial independence.

3 Environmental

The Saudi Green Initiative aims to protect the environment, transform the energy sector and promote sustainability. Aligned with national aims of emissions reduction, waste management and 50% of electricity from renewables by 2030, SDB funds related entrepreneurship and promotes green internal operations.

4 Social

In line with Vision 2030, SDB works to expand financial inclusion and self-sufficiency, support low-income citizens and provide social protection. From 2022 the bank plans to prioritise the integration of productive families into the national economy, promote financial planning and empower non-profits.

5 Governance

Responsible governance is key for an organisation's efficiency, effectiveness and financial stability. Foundational pillars include risk management, budgetary governance and socio-economic impact studies. Best practices as of 2022 include ESG reporting – which SDB plans to implement in the coming years.

6 Vision

Government transparency, economic diversification away from fossil fuels, and a focus on personal and professional financial empowerment look set to facilitate Saudi Arabia's sustainable development over the years from 2022 – aligned with the UN SDGs, ESG principles and Vision 2030.

ESG INTELLIGENCE