

ESG Position Statement

March, 2024

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1. Introduction

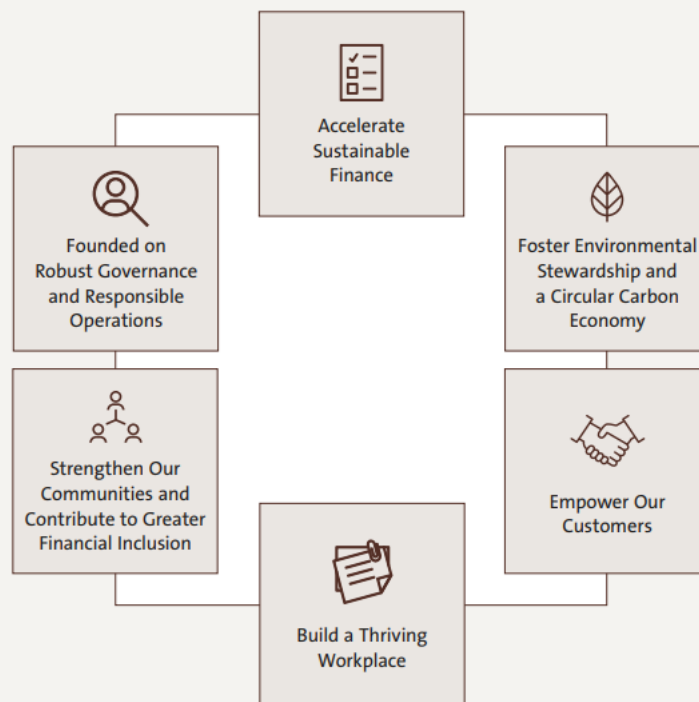
1.1. Context

Alinma Bank (“Alinma”, “the Bank”, “we”, “our”) is committed to driving positive change and fostering sustainable development in the Kingdom of Saudi Arabia (KSA) in alignment with the Saudi Vision 2030. As a responsible and forward-thinking bank, Alinma Bank recognizes the critical role it plays in shaping the future of Saudi society.

This approach aims to foster sustainable and responsible business practices, contribute to positive environmental and social outcomes, and effectively manage potential risks associated with material ESG issues. By integrating ESG considerations, Alinma Bank demonstrates its commitment to a more sustainable and socially conscious financial landscape. In addition, ESG integration enables Alinma Bank to consider the environmental and social impacts of its financing and investment decisions, as well as understand the governance practices of potential investee companies.

1.2. Purpose

Rooted in Alinma’s Strategy 2025, and complementing our Sustainability Policy, the document recognizes Alinma’s position on key Environmental, Social, and Governance (ESG) issues as an integral part of its business. The statements outlined in this document reinforce Alinma’s pledge to undertake actions that further our ESG objectives and adjust the material ESG risks and opportunities encountered by the Bank.



For Alinma, ESG is a broad concept encompassing all aspects of its operations beyond its day-to-day business

activities. As part of our strategic commitments, Alinma is evolving as a bank cognizant of its responsibilities to conduct business by the strongest ethical standards while maintaining responsible relationships with all its stakeholders.

Set in the context of the Saudi Vision 2030, this document solidifies our commitment to integrating ESG and sustainable finance into our financing and investment decisions in a rapidly evolving financial landscape. Further, we put forth our commitments with respect to maintaining responsible relationships with our customers and suppliers, working towards the advancement of our employees, and maintaining highest standards with respect to key ethical and regulatory issues. As such, these position statements build a basis for governance structures and management actions with respect to material ESG issues.

1.3. Scope

The document has organization-wide applicability, encompassing resources within every business unit of Alinma Bank.

These ESG position statements were developed as complementary documents to the existing ESG-related policies published by Alinma Bank, such as: Sustainability Policy, CSR Policy, Environmental Policy, and Data Privacy Policy. In addition to these position statements, Alinma will, where appropriate, implement more detailed policies and procedures designed to support the Bank's on-going compliance.

1.4. Review, update & maintenance

Alinma Bank commits to a periodic review of the position statements (every three years or as deemed necessary), with interim updates for significant changes in regulation, market trends, or internal strategy. Reviews involve input from internal teams and as needed, external experts. All amendments must be delivered to the Sustainability Committee (management committee) and are then communicated broadly. All versions are archived for record-keeping.

1.5. Training and communication on our ESG Position Statements

All employees and contractors will receive an induction training on our ESG position statements. In addition, other relevant stakeholders associated with the Bank will be briefed on the Statement's principles to ensure alignment with the Bank's commitment. Periodic refresher sessions will be organized to reinforce and update these principles for all stakeholders.

1.6. ESG Position Statements' governance

The Board of Directors upholds the key material ESG issues stated in this document at the highest level, cascading down through specialized committees and operational. Clear responsibilities are delineated across these entities to ensure that the commitments are central to the Bank's overall governance.

The detailed roles and responsibilities with respect to governance ESG position statement are elaborated further in the second part of this document

Board of Directors formed a Governance and Sustainability Board committee chaired by Deputy Board chairman to oversee the ESG framework and progress. The committee members are actively engaged in ESG initiatives and oversee progress with the management team on all ESG matters including strategy, framework, risks and opportunities, stakeholder engagement, programs and sustainability initiatives.

To further strengthen our vision and focus on ESG, we have established a Sustainability Committee, a Executive level committee comprising of executive members across major functions at the Bank and chaired by Deputy CEO. The Sustainability Committee works on improving the bank's ESG performance and disclosures in order to effectively demonstrate our ESG commitment to our stakeholders.

1.7. Roles and responsibilities

1.7.1. Board of directors

Holds the ultimate responsibility for ensuring Alinma Bank's ESG activities and commitments are consistent with its mission and strategy. Approves any significant changes or updates to sustainability strategy

1.7.2. Governance and sustainability committee (Board committee)

- Overseeing the ESG performance in Alinma bank
- Guiding and supporting the Sustainability management committee in the ESG/ sustainability matters
- Provide recommendations to BoD about ESG/ sustainability matters (as needed)

1.7.3. Sustainability committee (Management committee)

- Overseeing the execution and enhancement of ESG integration into ESG/ sustainability matters, ensuring alignment with broader sustainability goals.
- Ensures that all mechanisms necessary to implement decisions made by the members of Governance and Sustainability Committee have been put in place

1.7.4. Sustainability department

- Responsible for implementation and progress of ESG activities and whatever is needed to achieve the Sustainability objectives
- Collaborates with other departments to support the execution and enhancement of ESG activities
- Updating the ESG position statement whenever is needed
- Reporting ESG-relevant issues to the Sustainability Management Committee with its recommendations

1.7.5. Department Heads (all departments)

- Ensuring full implementation of ESG commitments in their respective departments.
- Ensuring active participation of their teams in sustainability strategy execution
- Reporting ESG performance and updates to sustainability department

2. Position Statement on Integrating ESG Factors into Financing and Investment Activities

Our commitments

Alinma Bank recognizes a strategic opportunity in integrating ESG factors into the Bank's financing and investment activities. The Bank is committed to aligning its financial decisions with sustainable principles, promoting economic growth, environmental preservation, and social progress in the communities we serve.

Alinma Bank's Sustainability Strategy includes multiple objectives that exemplify the Bank's commitment to integrating ESG factors into financing and investment activities. These objectives are as follows:

1. Improve ESG integration into financing and investment decision-making.
2. Align ESG financing and investment practices with international guidelines and best practice.
3. Integrate ESG into corporate and retail product offerings.
4. Prioritize financing in high growth, high positive impact sectors.
5. Establish sustainable finance framework to create options to reduce cost of capital.

2.1 Integrating ESG into financing decisions

The Bank is committed to conducting a client-level risk classification based on the criteria of the European Bank for Reconstruction and Development (EBRD) Environmental and Social Risk categorization list. The client risk classification hierarchy is divided into three categories of high, medium, and low ESG risk- representing the ESG risk levels for each client in the portfolio.

For project financing transactions, Alinma Bank will conduct a project-level risk assessment to categorize projects according to the International Finance Corporation's (IFC) environmental and social risk categorization process guided by the recommendations of the Equator Principles.

For projects and transactions identified as high risk, Alinma Bank is dedicated to developing a due diligence toolkit to identify and manage ESG risks and impacts, including those related to human rights, climate change, and biodiversity. For each of the criteria, Alinma Bank will analyse its exposure to material ESG topics by utilizing publicly available information, including but not limited to annual reports, ESG and sustainability policies, and targets, as well as through direct engagement with the client using questionnaires and interactions. By these targeted steps, Alinma Bank aims to seamlessly integrate ESG into its financing activities and effectively engage with its clients on material ESG topics

to manage its risk exposure.

2.2 Managing our carbon footprint

Alinma Bank is a critical node in the Saudi financial system and intends to align with the Saudi Nation's net-zero carbon commitment by 2050. In this regard, Alinma endeavors to measure and track its value chain greenhouse gas emissions from Scope 1, 2 and 3 (relevant categories 1 to 14) and more importantly from financing activities (financed emissions, category 15). The Bank will report on its emissions on an annual basis and share any progress made towards achieving net zero.

2.3 Sanctions and exclusions

Alinma Bank operates in compliance with the Shariah law and places the values of integrity, ethics, responsibility, and altruism as part of its corporate culture. As a Shariah compliant bank regulated by SAMA, Alinma prohibits financing activities deemed unethical or harmful to society, including gambling, tobacco, or alcohol, as well as any involvement with political organizations. Beyond these sectors, Alinma Bank does not extend financing for military purposes including weapons, weapon components, and munitions. Beyond these exclusions, businesses that prioritize sustainable and socially conscious practices, such as reducing their carbon emissions, advocating diversity, and inclusion, and upholding robust governance principles, align themselves with the core principles of Shariah-compliant finance. These principles and Environmental, Social and Governance (ESG) values converge in promoting ethical, sustainable, and socially responsible financial practices. Given this, Alinma Bank welcomes the growing emphasis on ESG factors and its integration into its investment and financing decision-making.

2.4 Integrating ESG into investment decisions

Alinma recognizes that incorporating ESG into its investment decisions through the Treasury is an essential part of future-proofing the Bank's operations. The Bank recognizes the need for all functions to adapt to the changing environment and incorporate considerations related to driving positive change for the benefit of clients, communities, and the planet while generating positive financial returns. The Bank plans to identify investments in green- and social-labelled deposit programs as well as ESG-related money market funds for their treasury investments to navigate the flow of capital towards sustainable finance securities. Further, Alinma Bank is in the process of designing a robust governance structure that will outline the roles of committees at various levels of its management and the treasury team's participation will be critical to achieve their goals.

2.5 Capacity building

Alinma bank aims to conduct comprehensive courses on green and social finance, alongside current market trends, enabling our employees to design innovative financial solutions that meet the evolving expectations of investors and clients.

3. Position Statement on Customer Relations

Our commitments

Aligned with our mission, strategic focus on customer empowerment, and in furtherance of Saudi Vision 2030, Alinma Bank is committed to the following:

3.1 Customer-centric solutions

We are committed to developing and offering innovative, Shariah-compliant financial products and services that empower our customers.

We realize that every aspect of the organization from marketing and sales to product development and customer interfaces builds customer value, and we are committed to align behind building customer value as a key measure of brand value. Understanding and growing this customer value is key to business growth.

3.2 Financial inclusion and access

We are steadfast in our commitment to Saudi Vision 2030's goals of financial inclusion, focusing on reaching underserved communities throughout the Kingdom. Our subsidiary, Saudi Financial Technology, is instrumental to this initiative, as its major role is to offer banking services to this part of the population, thereby fostering a more accessible and inclusive financial landscape.

3.3 Digital transformation

We are dedicated to continuously enhancing our digital platforms to offer an intuitive, seamless, and secure customer experience, thereby maximizing customer happiness.

3.4 Small and Medium-sized Enterprises (SME) support

We are committed to the growth and development of Small and Medium-sized Enterprises (SMEs) by providing specialized financial products and advisory services. This commitment aligns with Saudi Vision 2030's objectives to invigorate the private sector and foster economic diversification. Furthering our support, our Fintech subsidiary, Saudi Financial Technology, extends its services to small merchants and SMEs, empowering them with innovative financial tools and solutions that cater to their needs.

3.5 Customer education and capacity building

We aim to empower our customers through educational initiatives, guiding them towards making informed financial decisions that contribute to their overall well-being. We aim to deliver targeted consumer financial protection training on an ad hoc basis to reinforce our commitment to customer care and regulatory compliance.

3.6 Transparent and ethical practices

We are committed to upholding the highest standards of transparency and ethics in all customer interactions, ensuring Shariah compliance and alignment with best practices in customer relations. In support of this commitment, we adhere to the policies and procedures outlined in ISO 10002:2014 for complaints handling and ISO 10004:2018 for monitoring and measuring customer satisfaction. Our Customer Care and Contact Centre Units are central to this framework, effectively managing and addressing customer complaints, inquiries and feedback.

4 Position Statement on Diversity and Equal Opportunity

Our commitments

Aligned with our mission, strategic focus on promoting diversity and ensuring equal opportunity, and in furtherance of Saudi Vision 2030, Alinma Bank is committed to the following:

4.1 Employee empowerment

We are committed to creating a culture that empowers all employees, recognizing the unique skills and perspectives each individual brings. This is embodied through our comprehensive career development framework, which includes structured training programs, mentorship, and a robust performance management system that fosters regular feedback and performance discussions.

4.2 Empowerment of women

Alinma Bank aims to increase the representation and career progression of women across all levels of the organization, in line with Saudi Vision 2030. We support this through our initiatives for developing employees' careers, with a focus on ensuring that women have equal access to all professional development and leadership opportunities.

4.3 Investing in the national workforce

We are committed to hiring and developing Saudi nationals, thereby empowering local talent and contributing positively to the nation's economy. Our investment in the national workforce is highlighted by our dedication to continuous learning, providing opportunities for professional certifications, and offering competitive compensation packages.

4.4 Inclusive work environment

We are dedicated to cultivating a work environment where diversity is celebrated, and all employees feel valued, included, and able to contribute their best work. This includes fostering open communication, work-life balance with flexible work arrangements such as remote working and flexible working hours, and ensuring a supportive atmosphere through various health and well-being initiatives.

4.5 Equitable compensation

We annually review and maintain equitable compensation structures that do not discriminate on the basis of gender, nationality, or any other characteristic protected by law. We offer one of the highest salary and benefits benchmarks in the industry, including end of service benefits, saving programs, and comprehensive benefits such as health insurance and retirement plans.

5 Position Statement on Training and Development

Our commitments

Aligned with our mission, strategic focus on continuous learning, empowering our employees and building a thriving workplace, and in furtherance of Saudi Vision 2030, Alinma Bank is committed to the following:

5.1 ESG and sustainable development training

We commit to an integrated approach to ESG capacity building, streamlining specialized training initiatives under one coherent strategy. Tailoring training opportunities to align individual expertise with Alinma Bank's strategic goals, recognizes the unique demands of every role.

Our internal dedication to core training areas, supplemented by partnerships with educational institutions to develop and deliver joint training programs, underscores our commitment to employee growth and adherence to global best practices.

5.2 Training needs and gaps analysis

We commit to uphold the development of our employees by leveraging the Alinma Academy for Education and Development to consistently identify and bridge critical ESG skill gaps, ensuring peak professional performance.

5.3 Training metrics

We are dedicated to setting clear targets for training hours per employee, placing a special focus on annual ESG and sustainable business educational sessions.

5.4 Certification support

We aim to fully support our employees in their pursuit of Sustainable Business and ESG certifications, thereby enhancing our Bank's prominence and their individual growth.

6 Position Statement on Sustainable Procurement

Our commitments

In line with Alinma Bank's overarching ESG objectives and our commitment to fostering a sustainable, responsible business ecosystem, our approach to sustainable procurement is shaped by the following guiding principles:

6.1 Risk management

We are committed to understanding and assessing our supply chain, evaluating suppliers' roles and the potential ESG impacts associated with them, as part of our commitment to sustainable operations and risk management.

Our aim is to ensure all our suppliers comply with our Supplier Code of Conduct, and we will monitor this through periodic audits and assessments. We also aim to increase the number of ESG audits conducted on our local suppliers to ensure adherence to our sustainability objectives.

6.2 Engagement and development

We commit to identifying and engaging with suppliers, especially those critical to our operations and beneficial from an ESG risk management standpoint. We aim to offer these suppliers both training opportunities and incentives to adopt and refine sustainable practices within their organizations in alignment with our strategic business goals.

6.3 Support for SMEs, women-owned businesses and local suppliers

We aspire to advance financial inclusion by exploring opportunities to involve SMEs, women-owned businesses and local suppliers within Alinma Bank's supply chain, with the aim of contributing to the sustainable growth of these pivotal stakeholders.

7 Position Statement on Data Privacy

Our commitments

Aligned with Alinma Bank's strategic vision, which emphasizes trustworthiness, user privacy, data security, and usability for our stakeholders, and guided by our comprehensive Personal Data Protection Policy, we are committed to the following in pursuit of robust governance and responsible operations:

7.1 Data Privacy Impact Assessment

Data Privacy Impact Assessment (DPIA) is a process that aims to identify, assess, and mitigate the personal data risks associated with particular personal data activities. The Data Privacy Impact Assessment is one of the National Data Management Office (NDMO) and Personal Data Protection Law

(PDPL) requirements that Alinma Bank must comply with for the existing and new systems/services.

7.2 Cybersecurity Risk Assessment

Cybersecurity Risk Assessment (CSRA) is a process that aims to identify, assess, mitigate, and prevent the cybersecurity risk. It helps identify threats, determine the threat level, conduct a vulnerability assessment, calculate the potential consequences of threats, and prioritize risks. It represents an integral part of an Alinma enterprise risk management process.

7.3 Training Employees and Contractors

Recognizing that our employees play a pivotal role in data protection, we are committed to regular training sessions on Data Privacy. This includes covering the requirements of National Data Management Office (NDMO) and Personal Data Protection Law (PDPL), and how compliance with them should be covered. Particular emphasis is placed on making the difference between data security and data privacy. Consistent with this, data privacy training and awareness campaigns are embedded as an ongoing initiative at the Bank.

7.4 Data Control Rights for Customers

We are dedicated to upholding our reputation for customer data privacy. To this end, we pledge to continually ensure effectiveness of our Data controls by regulates the processing of personal data. One crucial aspect of the NDMO and PDPL is the provision for customers to withdraw their consent regarding the processing of their personal data. One of the ways it does this is by restating and increasing the right to access their personal data, the right to have their data corrected and the right to have their data deleted under certain circumstances.

7.5 Information Security Incident Response Plan

Incident response plan is a set of tools and procedures that Alinma security team use to identify, eliminate, and recover from cybersecurity threats. These procedures appropriately handle and communicate a Major Incident to all stakeholders in order to restore normal IT service operation as early as possible and minimize the adverse impact on business operations. It helps before, during, and after a confirmed or suspected security incident. IRP clarify roles and responsibilities and provide guidance on key activities.

8 Position Statement on Anti-Money Laundering

Our commitments

Aligned with our mission, strategic focus on upholding financial integrity, and in furtherance of Saudi Vision 2030, Alinma Bank is committed to the following in our stand against money laundering:

8.1 Commitment to ethical governance and integrity

We are dedicated to upholding our commitment to Shariah compliance, ensuring that our operations adhere to the highest ethical standards enshrined within the Shariah.

8.2 Robust policies and reporting mechanisms

We are dedicated to maintaining a robust framework through Alinma Bank's Anti-Money Laundering, Terrorists Financing, and Know Your Client Policy. Our risk-based strategy commits us to proactive reporting mechanisms, enhanced by frequent audits, to monitor and enhance our compliance.

8.3 Empowering our workforce

Recognizing the critical role of our employees in establishing a secure banking environment, we are committed to offering continuous training on anti-money laundering and terrorist financing prevention, preparing them to identify, report, and act decisively against suspicious transactions.

8.4 Adherence to international standards

We remain steadfast in our commitment to meeting both local and international benchmarks, including those recognized by leading global financial oversight bodies, to ensure our practices are contemporary and effective.

9 Position Statement on Anti-Corruption

Our commitments

Consistent with Alinma Bank's strategic direction and our dedication to strong governance and responsible operations, our resolve against corrupt practices is articulated in the following commitments:

9.1 Commitment to Shariah-compliant governance and integrity

We stand steadfast in upholding Shariah-compliant governance and integrity, ensuring that our decision-making processes are always rooted in ethical considerations and free from associations with corrupt practices.

9.2 Rigorous policies and transparent reporting channels

We remain committed to fostering an environment of trust and transparency through enforcing rigorous policies, including our Whistleblowing Policy, and championing transparent reporting channels that foster trust and allow stakeholders to confidently voice concerns or seek insights.

9.3 Employee capacity building and empowerment

Recognizing the instrumental role of our employees in safeguarding against corruption, we commit to ensuring continuous training to equip them with the tools and knowledge required to identify and counteract corrupt practices.

9.4 Adherence to international standards

We are dedicated to maintain alignment of our practices with both local and international anti-corruption benchmarks, drawing from the guidance of esteemed international bodies.

Abbreviation	Description
Alinma Bank, “we,” “our,” “the Bank”	Alinma Bank
AML	Anti-Money Laundering
ESG	Environmental, Social, Governance
FATF	Financial Action Task Force
HCC	Human Capital Committee
KYC	Know Your Customer
SAMA	The Saudi Central Bank
Shariah	Islamic law as interpreted from the Quran and the teachings and practices of the Prophet Muhammad.
Saudi Vision 2030	A government program of Saudi Arabia for economic, social, and cultural diversification.
Strategy 2025	Alinma Bank’s Sustainability Strategy 2025
Equal Opportunity	The practice of treating everyone the same, especially with respect to employment, regardless of their race, religion, gender, age, or physical ability.

10 Approval Matrix

Function	Group / Division
Owner	Strategy and Sustainability
Reviewers	Shariah
	Corporate Banking
	SMEs
	Retail & Digital Banking
	Risk Management
	Digital Banking
	Marketing and Corporate Communications
	Human Capital
	Procurement
	Data Governance Specialist
	Legal & Corporate Governance
	Compliance & Anti Financial Crimes
	Customer Experience
Recommendations	Strategy and Sustainability
Approvers	Sustainability Committee