



Allocation and Impact report 2024



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Introduction

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Impact Report by Al Rajhi Bank

This document marks the first Allocation and Impact Report issued by Al Rajhi Bank (“Al Rajhi” or “the Bank”) under our Sustainable Finance Framework (“the Framework”), which was published in February 2022.

In September 2022, Al Rajhi Bank successfully concluded a US\$1.165 billion 3-year dual-tranche Sustainable Commodity Murabaha facility, the first transaction completed under our Sustainable Finance Framework.

In April 2023, Al Rajhi Bank closed a US\$1 billion 5-year US Dollar-denominated Sustainable Sukuk, marking the Bank’s first issuance in the US Dollar international capital markets, confirms its position as the leading financial institution committed to providing innovative and Sharia-compliant banking solutions globally. The orderbook for the Sukuk peaked over \$3.75 billion, indicating significant momentum and interest from global and regional investors in Al Rajhi’s credit.

Most recently, in August 2023, Al Rajhi Bank closed our first Sustainable transaction, a US\$ 1.43 billion senior secured syndicated loan facility.

The report provides details regarding the allocation of the proceeds of sustainable financing instruments issued under the Framework and the impact of projects benefitting from these allocations.

Overview of Al Rajhi Bank

Founded in 1957, Al Rajhi Bank is one of the largest banks in the world by market cap and the largest in the Middle East and Saudi Arabia, with total assets of SAR 801 billion, a paid-up capital of SAR 40 billion (US\$ 10.66 billion), and an employee base of around 20,000+ associates.

With over 60 years of experience in banking and trading activities, the various individual establishments under the Al Rajhi name were merged into the umbrella 'Al Rajhi Trading and Exchange Corporation' in 1978 and it was in 1988 that the bank was established as a Saudi Joint Stock Company under the name of Al Rajhi Banking and Investment Corporation, which later in 2006 was named as Al Rajhi Bank.

Al Rajhi Bank has a well-established base in Saudi Arabia through a wide network that includes more than 511 branches, more than 4,603 ATMs, more than 585,000 points of sale with merchants, and the largest customer base of any bank in Saudi Arabia, in addition to 159 remittance centers throughout the country.

Our Approach to ESG

Al Rajhi Bank is deeply committed to providing state-of-the-art Sharia-compliant banking services, while staying true to its ESG values.

Islamic banking has historically been compatible with 21st century sensibilities surrounding ESG ideals and the broader objectives of sustainable finance. Consequently, in over 50 years of strictly Sharia-compliant operations, ESG has become an integral part of Al Rajhi Bank’s DNA, protecting the Bank from investments that are at “high risk” of failing to meet ESG criteria.



Introduction

[Overview of Al Rajhi Bank](#)
[Our Approach to ESG](#)

Through Sharia guidelines, the Bank performs a culturally distinct form of ethical investing, choosing not to participate in any investments that fail to meet the guidelines, including alcohol, gambling, and tobacco products.

Complementing its Sharia-based ESG orientation, Al Rajhi Bank has adopted a sustainable model which has helped it to grow its reputation as the world’s leading Islamic bank, delivering a well-managed, disciplined financial institution, which exercises sound governance practices.

Our ESG Vision of realizing a sustainable future by pioneering a responsible financial ecosystem for customers, employees, society, and the environment, is built on a desire to help bring about a more prosperous,

socially and environmentally responsible society within Saudi Arabia. The Bank aims to be a leader in ESG innovation, creating a responsible financial ecosystem with transparency and integrity at its heart, while also demonstrating the Bank’s commitment to tackling climate change and minimizing its environmental impact.

Our ultimate goal is to satisfy the needs of all stakeholder groups including customers, employees, society and the environment through four ESG pillars:

Supporting Vision 2023 & KSA Net Zero	Creating A Digital Future	Conducting Responsible Business with Good Governance	Fostering Ties with Communities
<p>Private Sector Contribution to GDP Corporate Loans Market Share</p>	<p>Financial Inclusion through Digital New Account Opening Online</p>	<p>Sharia Compliant Number of Sharia Resolutions</p>	<p>Employer of Choice Employee Engagement</p>
<p>Saudi Home Ownership Mortgage Market Share</p>	<p>Digital Leader for Customer Insight Active Digital Customers</p>	<p>Board Independence Number of Independent Board Members</p>	<p>Employee Learning Total Employee Learning Hours</p>
<p>SME Contribution to GDP SME as % of Corporate Portfolio</p>	<p>Digital Execution and Offering End-to-End Digital Personal Financing</p>	<p>Customer Experience Net Promotor Score</p>	<p>Employment Opportunities Female Employee Ratio</p>
<p>KSA Net Zero by 2060 Sustainable Financing and Funding</p>	<p>Digital Core Banking Platform Digital to Manual Ratio</p>	<p>Corporate Governance Number of Policy and Procedure reviewed</p>	<p>Support Local Content Spending on Local Suppliers</p>
<p>Move to Cashless Society POS Terminal Market Share</p>	<p>Modernize our Technology % of Application Modernized</p>	<p>Regulatory Compliance Fines % of Total Operating Income</p>	<p>Donation and Social Initiatives Total Spending on Social Activities</p>



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The first pillar signifies Al Rajhi Bank's continued commitment as a leader in the financial sector to realize Saudi Arabia's Vision 2030 objectives by supporting the development and diversification of the Saudi economy. This includes the Bank's increased focus on the private sector and SMEs to improve their contribution to the GDP and its expanding product and service portfolio to increase Saudi home ownership, among other Vision 2030 targets.

The Bank's focus on financing both public and private sector investments in Sustainable energy projects to achieve the Saudi Arabia's net zero objectives, alongside its own investments in renewable energy and resource conservation, is also highlighted as an element of this pillar. The Bank's continued investments in creating a digital future supported by the best-in-class technology and infrastructure is emphasized via the Bank's second ESG pillar. In Al Rajhi Bank's drive towards financial inclusion through digital transformation, the Bank has achieved an unrivalled industry standing as a digital leader in customer insight as well as in nurturing future ready digital talent.

As a Sharia-compliant financial institution, Al Rajhi Bank demonstrates exemplary financial conduct and good

governance, which is reflected through the third ESG pillar. The Bank's unrelenting efforts to deliver the best customer experience in Saudi Arabia coupled with fair treatment and the utmost safety and security falls under this pillar, supported by benchmarked good governance practices. The Bank's wide-ranging social development initiatives fall under the fourth ESG pillar – fostering ties with communities. Al Rajhi Bank continues to earn its social license to operate across Saudi Arabia by enabling financial access, volunteering and giving back to the community, and empowering underserved segments – with special focus on female empowerment – through employment opportunities and financial independence.



Sustainable Finance Framework

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Sustainable Finance Framework

Eligible Sustainable Projects



Sustainable Finance Framework

Al Rajhi Bank published its Sustainable Finance Framework in February 2022 as the basis to issue Sustainable, Social, or Sustainability Bonds, Sukuk, Loans, and other debt instruments (“Sustainable Financing Instruments”), which will fund eligible sustainable projects that conform with:

- The International Capital Market Association (“ICMA”) Sustainable Bond Principles (“GBPs”) 2021, Social Bond Principles (“SBPs”) 2021, and Sustainable Bond Guidelines (“SBGs”) 2021 and/or;
- The Loan Market Association (“LMA”) Sustainable Loan Principles (“GLPs”) 2021 and Social Loan Principles (“SLPs”) 2021.

The GBPs, SBPs, SBGs, GLPs, and SLPs may be referred to collectively throughout the remainder of this document as “the Principles”.

In conforming with the Principles, the Framework is aligned to their four core components:

Use of Proceeds: Al Rajhi Bank will allocate an amount at least equivalent to the net proceeds of the Sustainable Financing Instruments issued under this Framework to finance and/or re-finance, in whole or in part, sustainable projects which meet the eligibility criteria of the eligible sustainable project categories defined in the Framework (“Eligible Sustainable Projects”).

A maximum 3-year look-back period would apply for refinanced projects and Al Rajhi Bank expects each issuance under this framework to be fully allocated within 2 years from the date of issuance.

Process for Project Evaluation and Selection: The Project Evaluation and Selection Process will ensure that the proceeds of any Sustainable Financing Instrument are allocated to finance or refinance Eligible Sustainable Projects.

Management of Proceeds: The proceeds of each Al Rajhi Bank’s Sustainable Financing Instrument will be deposited in Al Rajhi Bank’s general funding accounts and earmarked for allocation towards the Eligible Sustainable Projects using the Sustainable Finance Register.

Any proceeds temporarily unallocated will be invested according to the Bank’s standard liquidity policy in cash or cash equivalents.

Reporting: On an annual basis, Al Rajhi Bank will publish an allocation report and an impact report on its Eligible Sustainable Projects. This reporting will be updated annually until full allocation of the net proceeds of any Sustainable Financing Instrument issued, or until the Sustainable Financing Instrument is no longer outstanding.

Additionally, in alignment with the recommendations of the Principles, the Bank intends to engage a third-party reviewer to provide an annual assessment on the alignment of the allocation of funds with the Framework’s criteria.



Eligible Sustainable Project Categories

Eligible Sustainable Categories:

- Renewable Energy
- Energy Efficiency
- Sustainable Water Management
- Pollution Prevention and Control
- Environmentally Sustainable Management of Living Natural Resources and Land Use
- Clean Transportation
- Sustainable Buildings

Eligible Social Categories:

- Employment Generation and Programs Designed to Prevent and/or Alleviate Unemployment Stemming from Socio-economic Crises
- Affordable Housing
- Access to Essential Services

Exclusion List:

The proceeds of any Sustainable Financing Instruments will not be allocated to projects where the majority of revenues are derived from fossil fuels, nuclear power generation, conflict minerals, weapons, gambling, vaping, tobacco, alcohol, mining and/or oil and gas.



Sustainable Financing Instruments

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Sustainable Financing Instruments

- Senior Secured Commodity Murabaha Facility
- Senior Unsecured Sustainable Sukuk Offering
- Senior Secured Syndicated Loan Facility

US\$ 1.265bn¹ Senior Secured Commodity Murabaha Facility (September 2022)

Borrower	Al Rajhi Bank	
Borrower Rating	S&P: A- / Fitch: A-	
Issue Date	15 September 2022	
Maturity Date	15 September 2025	
Tenor	3 years	
Structure	Term	
First Drawdown Date	20 September 2022	
Use of Proceeds	Sustainable	
Tranche	Tranche A	Tranche B
Total Volume	US\$ 520mn	US\$ 745mn ¹
Drawn Volume as of 31 Dec 2023	US\$ 520mn	US\$ 745mn ¹

US\$ 1.0bn Senior Unsecured Sustainable Sukuk Offering (April 2023)

Issuer	Al Rajhi Sukuk Ltd
Obligor	Al Rajhi Bank
Obligor Rating	Moody's: A1 Stable / S&P: BBB+ Positive / Fitch: A- Stable
Issue Rating	Moody's: A1 / Fitch: A-
Type	Regulation S, Category 2
Sukuk Structure	Wakala Murabaha
Documentation	US\$4,000,000,000 Trust Certificate Issuance Programme
Listing	International Securities Market, London Stock Exchange
Use of Proceeds	Sustainable
ISIN	XS2607535684
Tenor	5 years
Issue Size	US\$ 1.0bn
Issuance Date	5 April 2023
Maturity Date	5 April 2028
Profit Rate	4.75% Fixed, semi-annually in arrear, 30/360

¹US\$ 1.165bn facility concluded on 15 September 2022. US\$ 100mn accordion participation increase in Tranche B concluded on 31 January 2023.



Sustainable Financing Instruments

[Senior Secured Commodity Murabaha Facility](#)
[Senior Unsecured Sustainable Sukuk Offering](#)
[Senior Secured Syndicated Loan Facility](#)

US\$ 1.43bn Senior Secured Syndicated Loan Facility (August 2023)

Borrower	Al Rajhi Bank	
Borrower Rating	S&P: A- / Fitch: A-	
Issue Date	25 August 2023	
Maturity Date	25 August 2026	
Tenor	3 years	
Structure	Term	
First Drawdown Date	30 August 2023	
Use of Proceeds	Sustainable	
Tranche	Tranche A	Tranche B
Total Volume	US\$ 1.105bn	US\$ 325mn
Drawn Volume as of 31 Dec 2023	US\$ 1.105bn	US\$ 325mn



Allocation of Proceeds

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Allocation of Proceeds

Al Rajhi Bank's Allocated Eligible Asset Portfolio 

Al Rajhi Bank's Allocated Eligible Asset Portfolio as at 31 December 2023

Allocated Eligible Green Asset Portfolio by Category	Eligible Amount (US\$ mn)	% of Allocated Eligible Portfolio
Renewable Energy	434	12%
Energy Efficiency	24	1%
Sustainable Water and Wastewater Management	122	3%
Total	580	16%

Note: Above projects are denominated in USD.

Allocated Eligible Social Asset Portfolio by Category	Eligible Amount (US\$ mn)	% of Allocated Eligible Portfolio
Affordable Housing	3,115	84%
Total	3,115	84%

Note: Projects in the Affordable Housing category are denominated in Saudi Riyals (SAR). ARB has applied the following exchange rate: 1 USD = 3.75 SAR.

Allocated Eligible Sustainable Asset Portfolio by Category	Amount (US\$ mn)	Outstanding Sustainable Financing Instrument Proceeds Allocated (%)
Total Sustainable Liabilities	3,695	100%
Total Sustainable Assets	3,695	



Our Sustainable Finance Working Group

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Our Sustainable Finance Working Group



Sustainable Finance Working Group

Al Rajhi Bank's Sustainable Finance Working Group (the "SFWG") will be responsible for governing and implementing the initiatives set out in the Framework.

The SFWG is comprised of certain Bank management personnel, including but not limited to representatives from the following departments for the selection and evaluation of the Eligible Sustainable Projects: Finance, Corporate Social Responsibility, Treasury, Risk, Corporate – Structured Finance, Corporate – SME, Retail – Real Estate and Retail – MSB

Sustainable Projects with new Eligible Sustainable Projects

- Facilitate regular reporting on any sustainable issuance in alignment with our reporting commitments
- Manage any future updates to the Framework
- Ensure that the approval of Eligible Sustainable Projects will follow the Bank's existing loan approval processes

The SFWG will be chaired by the Finance department.

The SFWG will:

- Meet at least two times each year, endeavored to be distributed evenly throughout the year
- Ratify Eligible Sustainable Projects, which are initially proposed by the constituent team members
- Ensure that all Eligible Sustainable Projects have been assessed from an environmental and social risk management perspective, in line with Al Rajhi Bank's existing risk management framework
- Undertake regular monitoring of the asset pool to ensure the eligibility of projects with the criteria set out in the Framework, whilst replacing any ineligible



Impact Assessment Methodology Note

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Impact Assessment Methodology Note

Al Rajhi Bank intends to report the expected or actual quantitative environmental and social impact of the Eligible Sustainability Projects it finances or co-finances through its Sustainable Financing Instruments, with reference to the ICMA Harmonised Framework for Impact Reporting (2023). The reporting includes the reduction or avoidance of greenhouse gases estimated to have occurred, attributable to these Eligible Sustainable Projects. Al Rajhi Bank also evaluates other indicators that are appropriate to report for environmental and social impact and performance, such as energy generation figures by type of technology and number of affordable mortgage subsidy beneficiaries. This impact assessment has been carried out by the Carbon Trust, a leading, independent impact consultant.

Al Rajhi Bank undertakes to report the environmental and social impact of projects it finances or co-finances through its Sustainable Finance Instruments based, where possible, on the actual environmental and social performance of the asset. Where this is not possible, expected performance is used. The reporting includes social indicators, green indicators, and the resulting emissions reductions or avoidance, all of which require assumptions and calculations. The reporting is based on the net benefit resulting from the asset in a given period of operation, rather than the gross emissions change before or after the life of the asset or project.

In accordance with the principles of reporting described above, Al Rajhi has and continues to commit to transparent disclosure of any assumptions and estimations used in the calculation of its reporting framework.

Breakdowns of expected environmental impacts are also provided for two types of projects:

1. **'Operational' projects**, defined as those that are already in operation and delivering real time impact; and
2. **'Under Construction' projects**, which are projects that are in the development and/or construction phase. In this case, the resulting impact performance provided is a forward looking indicator.

The full assessment methodology for all categories and projects can be found in the Al Rajhi Bank Sustainable Finance Impact Assessment document, which is available on Al Rajhi Bank's website.

¹ [Handbook Harmonised framework for impact reporting \(June 2023\)](#)



Summary of Impacts

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Summary of Impacts

Renewable Energy 
 Energy Efficiency
 Sustainable Water and Wastewater Management
 Affordable Housing

Renewable Energy

Impact Attributable to Al Rajhi Bank’s Sustainable Finance Instruments

Technology Type	Project Location	Number of Projects	Allocation Amount (US\$ mn)	Attributable Capacity (MW)	Attributable Annual Production (MWh)	Attributable Annual Avoided Emissions (tCO2e)
Solar PV	Saudi Arabia	3	417	298	634,365	373,883
Biodiesel	Saudi Arabia	1	17	27	583	26
Total		4	424	325	634,948	373,910

Technology Type	Project Location	Number of Projects	Allocation Amount (US\$ mn)	Attributable Electric Capacity (MWe)	Attributable Annual Energy Savings (MWh)	Attributable Annual Avoided Emissions (tCO2e)
Battery Storage	Saudi Arabia	1	0*	59	12,387	1,474

Note: US\$ 281 mn has been allocated to a co-located Solar PV and Battery Energy Storage System, as a breakdown of expenditures by technology type could not be obtained. The allocation has been recognized under the Solar PV project subcategory, with the attributable impacts being recognized under the respective project subcategories.



Summary of Impacts

- Renewable Energy
- Energy Efficiency
- Sustainable Water and Wastewater Management
- Affordable Housing

Energy Efficiency

Impact Attributable to Al Rajhi Bank's Sustainable Finance Instruments

Technology Type	Project Location	Number of Projects	Allocation Amount (US\$ mn)	Attributable Annual Energy Savings (kWh)	Attributable Annual Avoided Emissions (tCO2e)
<i>District Cooling</i>	Saudi Arabia	1	24	2,349	3

Sustainable Water and Wastewater Management

Impact Attributable to Al Rajhi Bank's Sustainable Finance Instruments

Technology Type	Project Location	Number of Projects	Allocation Amount (US\$ mn)	Attributable Annual Water Collected (m ³)	Attributable Annual Water Treated (m ³)	Attributable Annual Absolute Energy Reduction (MWh)	Attributable Annual Avoided Emissions (tCO2e)
<i>Sewage Treatment Plant</i>	Saudi Arabia	2	89	12,889,788	12,556,153	-	-
<i>Desalination Plant</i>	Saudi Arabia	1	33	2,865,434	1,203,482	13,419	8,219
<i>Total</i>		3	122	15,755,222	13,759,635	13,419	8,219



Summary of Impacts

Renewable Energy
Energy Efficiency
Sustainable Water and Wastewater Management
Affordable Housing

Affordable Housing

Impact Attributable to Al Rajhi Bank's Sustainable Finance Instruments

<i>Project Type</i>	<i>Allocation Amount (US\$ mn)</i>	<i>Number of Housing Units Constructed</i>	<i>Number of Individuals Benefitting from Affordable Housing</i>
<i>Affordable Housing</i>	3,115	15,708	39,269

Note: Please note that in determining the number of loan applications (i.e., number of housing units constructed), Al Rajhi has used an average loan application size of SAR 750,000, and an approximate average of 2.5 individual beneficiaries per loan application.



Case Studies

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Red Sea Utilities

Description

The Project bundles the infrastructure development of utilities components including wastewater treatment, water desalination, district cooling and solid waste treatment, which will rely entirely on renewable energy also generated within the utilities infrastructure, to power the long-term operations of The Red Sea Development Company's tourism/hospitality assets.

Projects included in Sustainable Financing Instrument Allocation

- 340 MW Photovoltaic Solar Power Generation Facility with co-located 240 MWe Battery Energy Storage System
- 110 MW Biodiesel-fuelled Power Plant
- 100,000 m³/day Independent Sewage Treatment Plant
- 18,315 m³/day Wastewater Treatment Plant
- 32,500 m³/day Desalination Plant
- 32,500 RT District Cooling Facility



Affordable Housing

Description

The Bank has continued to work closely with the Real Estate Development Fund and the Ministry of Housing in its efforts to increase affordable home ownership for Saudi Nationals. This contributes towards Vision 2030's goals to increase home ownership to 70% by 2030.

Programs under the Real Estate Development Fund and Ministry of Housing would provide a monthly subsidy up to SAR 500,000 that covers funding profits at a minimum rate of 35% and a maximum rate of 100% based on income thresholds. Eligibility criteria includes first time home buyers only and the program also guarantees borrowers with salaries under SAR 5,000 and segments including About to Retire customers to ensure affordability.

Impacts Attributable to Al Rajhi Bank's Sustainable Financing Instruments

- Number of Loans: 15,708
- Number of Beneficiaries: 39,269



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