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Second Party Opinion

Alinma Bank Sustainable Finance Framework

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Location: Saudi Arabia **Sector:** Banks

Alignment Summary

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✗

- ✓ Social Bond Principles, ICMA, 2025
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2025
- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025
- ✓ Sustainability Bond Guidelines, ICMA, 2021

See Alignment Assessment for more detail.

Strengths

Eligible projects aim to address a range of social and environmental issues in Saudi Arabia and contribute to national development objectives. Alinma Bank expects certain green projects to reduce greenhouse gas emissions, improve energy efficiency, or support renewable energy integration, thereby lowering the environmental footprint of infrastructure and economic activities. Social projects aim to improve access to essential services, infrastructure, and housing, while also addressing socioeconomic disparities.

Weaknesses

No weaknesses to report.

Areas to watch

Alinma Bank has initiated an assessment of its financed emissions across parts of its lending portfolio, although results are not yet finalized at the time of this report. This assessment is a part of the bank's broader climate risk management effort. The bank is also further developing its assessments of physical and climate transition risks, although this is at an early stage.

Assets used to back eligible sukuk structures may not necessarily be green or social in nature. Alinma requires underlying sukuk assets to be Sharia-compliant, but these could potentially include non-green assets.

The environmental benefits of projects financed under Alinma's framework depend partly on Saudi Arabia's energy transition. Given the continued reliance on fossil fuels for electricity generation, the near-term climate impact of electricity-dependent activities may be constrained, though this would improve if the grid emission intensity decreased.

Shades of Green Projects Assessment Summary

Over the three years following issuance of the financing, Alinma expects to allocate approximately 25%–40% of proceeds to renewable energy, 15%–25% to energy efficiency, 15%–25% to green buildings, 5%–10% to clean transportation, 10%–20% to sustainable water and wastewater management, and up to 10% to pollution prevention and control/sustainable resource management, based on the current indicative pipeline.

The issuer expects a balanced split between refinancing and new financing, with approximately 30%–50% of proceeds allocated to refinancing projects and approximately 30%–50% directed to new financing.

Renewable energy	**Dark to Medium green**
Production of electricity from renewable sources	
Infrastructure to support renewable energy	
Procurement of renewable energy through certificates	

Energy efficiency	**Medium to Light green**
Deployment of technologies that reduce energy consumption in buildings, industry, and infrastructure	
Implementation of energy management systems, including building and energy management systems, smart thermostat systems	
District cooling and heating solutions that rely on low-global warming potential refrigerants and incorporate renewable, waste heat, or cogenerated energy sources	
Renewable-powered cogeneration plants	
Electrification or use of low carbon alternative fuels for machinery and agricultural processes	
Development of eco-efficient data centers	

Sustainable water and wastewater management	**Medium to Light green**
Water desalination plants powered by renewable or low-carbon energy sources	
Wastewater and sewage treatment plants and systems	
Water treatment and distribution networks	
Infrastructure aimed at reducing water leakage and improving efficiency	
Sustainable urban drainage systems (SUDS), river training, and other forms of flooding mitigation	

Pollution prevention and control	**Medium to Light green**
Soil remediation	
Recycling facilities	
Facilities where compost is produced from recycled waste	
Landfill gas capture using a closed or decommissioned waste facility	
Research and development initiatives focused on direct air carbon capture (DACC)	
Clean transportation	**Medium to Light green**
Projects that promote a shift toward less polluting and more energy efficient modes of transport	
Supporting infrastructure	
Green buildings	**Light green**
Acquisition, construction, operation, and/or renovation of new and existing buildings	
Climate change adaptation	**Medium green**
Activities that increase the resilience of ecosystems	
Circular economy adapted products, production technologies and processes and/or certified eco efficient products	**Medium to Light green**
Projects that promote resource efficiency, waste minimization, and recycling	
Environmentally sustainable management of living natural resources and land use	**Medium to Light green**
Sustainable agriculture: Practices such as biological crop protection, erosion prevention, and measures to improve soil health	
Biodiversity and landscape conservation: Projects that protect, restore, or enhance biodiversity and preserve natural habitats	
Sustainable forestry: Afforestation, reforestation, and land rehabilitation activities certified under credible sustainability standards	

Terrestrial and aquatic biodiversity conservation	**Dark green**
Conservation, rehabilitation, and protection of sensitive ecosystems such as wetlands, mangroves, and coral reefs	
Projects that safeguard natural habitats and landscapes, including forests and watershed environments	
Initiatives to establish, expand, or maintain protected areas on land and in marine environments	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Issuer Description

Alinma Bank, founded in 2006 and headquartered in Riyadh, Saudi Arabia, offers a range of banking and investment services. The bank's operations are structured around four key segments: retail banking for individual customers, corporate banking for businesses and institutions, treasury for banking relationships and investments, and investment and brokerage for services like asset management and underwriting. As of Dec. 31, 2024, the bank's total assets stood at Saudi riyal (SAR) 277 billion ($74 billion) and its total financial exposure was SAR206 billion ($55 billion). The retail sector, including home finance, was the primary recipient, accounting for 24.78% of total financing. This was followed by real estate businesses (15.68%), services (14.47%), and government and quasi-government entities (10.73%).

Material Sustainability Factors

Climate transition risks

Banks are highly exposed to climate transition risk through their financing of economic activities. Banks' direct environmental impact is small compared with their financed emissions and stems mainly from power consumption (e.g. data centers). Policies and rules to reduce emissions could raise credit, legal, and reputational risks for banks with large exposure to sectors with high emissions, such as real estate, transportation, or mining and quarrying. These medium- to long-term risks are significant and will be proportional to the effects of climate change on the economy. On the positive side, financing climate transition offers a growth avenue for banks through lending, debt structuring, and other capital markets activities. Saudi Arabia has committed to achieving net-zero emissions by 2060 and has pledged to reduce carbon dioxide equivalent emissions by 278 million tons per year by 2030, using the circular carbon economy (CCE) approach and developing clean and renewable energy sources for both domestic and international use.

Physical climate risks

Physical climate risks will affect many economic activities as climate change increases the frequency and severity of extreme weather events. Banks finance a wide array of sectors that are exposed to physical climate risks. However, while climate change is a global issue, weather-related events are typically localized. Therefore, the magnitude of banks' exposure is linked to the geographical location of the activities and assets they finance. Similarly, banks' physical footprint (e.g. branches or ATMs) may also be exposed to physical risks, which may disrupt their ability to service clients in the event of a natural catastrophe, amplifying the impact on communities. Saudi Arabia is exposed to extreme heat, water stress, and desertification. Banks may contribute to mitigating the effects of physical climate risks by financing adaptation projects and climate-resilient infrastructure, as well as by investing in solutions that support business continuity in exposed geographies.

Access and affordability

Banks' large impact on society and the economy stems from their role in enabling access to financial services for individuals and businesses, and in ensuring the correct functioning of payment systems, which are cornerstones of economic development and stability. In most countries, unbanked and underserved population segments are still significant, although the access gap is most acute in emerging economies. Ensuring affordable access to financial services, especially to the most vulnerable population, remains a challenge for the banking industry. New technologies will increasingly enable banks to close this gap through cost efficiencies and product innovation. Banks also play a crucial role in financing essential services such as health care, education, food security, and affordable housing.

Issuer And Context Analysis

Alinma's Sustainable Finance Framework addresses most of the bank's material sustainability factors. Most green project categories included in the framework aim to address climate transition, physical climate risk, and biodiversity and resource risk. Social project categories, meanwhile, contribute to equitable access, affordability, and socioeconomic advancement of disadvantaged and vulnerable groups, which are the most material sustainability factors for banks and financial institutions. Furthermore, the financed projects also support Saudi Arabia's Vision 2030, a long-term strategy for economic diversification and development. However, eligible projects, particularly those involving construction activities, could potentially introduce additional risks, including exposure to physical climate and biodiversity risks, as well as impacts on communities.

Alinma is at an early phase of managing its financed carbon footprint. The bank currently tracks and reports Scope 1, 2, and partial Scope 3 emissions, excluding financed emissions (lending and investments), which represent a significant portion of banks' overall emissions. The bank is working to calculate financed emissions data and has established targets to reduce Scope 1, 2, and 3 emissions, including financed emissions, by 42% by 2030 and 90% by 2050, relative to a 2022 baseline. It published its net zero strategy in 2023, comprising three focus areas: track portfolio climate impacts, realize net zero through client engagement, and decarbonizing its operations. Its key objectives include developing climate products and services, managing climate-related risks, reducing carbon emissions and environmental impacts, and fostering climate awareness through collaboration. In this regard, the bank is committed to increasing sustainable corporate financing, with its green portfolio representing 7.79% of total corporate financing in 2024. Additionally, between 2026 and 2028, Alinma aims to achieve a 30% adoption rate of sustainable products.

The bank integrates ESG risk assessment in lending to identify and manage sustainability exposures. The bank uses an ESG due diligence toolkit to identify and evaluate environmental and social risks and benefits associated with finance transactions. The toolkit classifies transactions into high, medium, or low ESG risk, enabling the bank to manage, and mitigate risks. Findings from the ESG due diligence are integrated into Alinma's credit and risk review process alongside traditional financial and operational risk assessments. According to Alinma, the toolkit adheres to the EBRD (European Bank for Reconstruction and Development) Risk Classification Criteria and the Equator Principles. Furthermore, Alinma integrates physical climate risks into its risk management for lending activities. However, it has yet to conduct a comprehensive physical climate risk assessment on its lending portfolio.

Alinma's core sustainability objectives focus on fostering access and affordability particularly for small and midsize enterprises (SMEs) in line with the Saudi Vision 2030 ambition to increase the economic contribution of SMEs to 35% by 2030. Alinma has designed specialized products, training, and advisory services to meet the needs of SMEs. For instance, the Riadi Program provides entrepreneurs with financing of up to SAR200,000, combined with advisory services. In 2024, Alinma launched 12 initiatives to bolster its performance in the SME sector, including product-based financing options and streamlined application process. The bank also actively promotes women entrepreneurship by offering microfinance solutions, such as the Handcrafters Support program.

Alignment Assessment

This section provides an analysis of the framework's alignment to the Social and Green Bond/Loan principles and the Sustainability Bond Guidelines.

Alignment Summary

Aligned = ✓ Conceptually aligned = o Not aligned = ×

- ✓ Social Bond Principles, ICMA, 2025
- ✓ Social Loan Principles, LMA/LSTA/APLMA, 2025
- ✓ Green Bond Principles, ICMA, 2025
- ✓ Green Loan Principles, LMA/LSTA/APLMA, 2025
- ✓ Sustainability Bond Guidelines ICMA, 2021

✓ Use of proceeds

We assess all the framework's green project categories as having a green shade and consider all social project categories to be aligned. The issuer commits to allocating the net proceeds issued under the framework exclusively to eligible green and social projects. Please refer to the Analysis of Eligible Projects section for more information on our analysis of the environmental and social benefits of the expected use of proceeds.

Green Social and Sustainability (GSS) sukuk and equity investments are eligible financial instruments under the framework. For equity investments, Alinma conducts due diligence, using borrower disclosures, internal credit information, and sector classification, to ensure that at least 90% of revenue derives from assets meeting the framework's criteria and adheres to the exclusion criteria. The exclusions criteria are also applied to the remaining 10% of revenue.

✓ Process for project evaluation and selection

The framework outlines Alinma's process for evaluating and selecting eligible projects. Relationship Managers identify eligible green and social assets, which are then reviewed quarterly by the Sustainable Finance Working Group (SFWG), which validates their eligibility against the Sustainable Finance Framework. The SFWG reports the outcomes to the Sustainability Management Committee, for final approval. Environmental and social risks are identified and managed through the ESG due diligence toolkit. In line with market practice, Alinma excludes financing for military purposes--such as weapons, weapon components, and munitions--as well as fossil fuel or nuclear power generation, gambling, and tobacco, among others.

✓ Management of proceeds

Net proceeds from the issuance are placed in Alinma's general funding accounts and ring-fenced for allocation to eligible projects, in line with the Sustainable Finance Framework. Alinma will not issue a facility that includes non-green tranches. All allocations are tracked through the Sustainable Asset Register and monitored on a quarterly basis to ensure an adequate balance of eligible assets is maintained, matching outstanding issuance amounts at all times. The issuer commits to using proceeds from issuances under the Framework within two years. Unallocated proceeds will be temporarily invested in short-term, Sharia-compliant instruments in accordance with Alinma's local liquidity management guidelines.

✓ Reporting

Alinma commits to reporting annually on the allocation of proceeds and the impact of the sustainable finance instruments on its website, until full allocation of net proceeds or as long as sustainable financing instruments are outstanding. Allocation reporting will include the total amount of net proceeds allocated to green and/or social projects, the proportion of net proceeds used for financing versus refinancing, balance of unallocated proceeds and geographic location of the assets. Meanwhile, the

issuer will also report on the environmental impact and social output for green and social projects. We note as positive that Alinma aligns its reporting with International Capital Market Association (ICMA)'s Harmonized Framework for Impact Reporting.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the "Analytical Approach: Shades Of Green Assessments," as well as our analysis of eligible projects considered to have clear social benefits and to address or mitigate a key social issue.

Green project categories

Renewable energy

Assessment

Dark to Medium green

Description

Production of electricity from renewable sources, including:

- Solar: photovoltaic (PV), concentrated solar power (CSP)
- Solar thermal energy (STE): At least 85% of electricity generated must be from solar energy resources
- Wind power: Onshore and offshore
- Green hydrogen: Produced from the electrolysis of water powered by renewable sources
- Green ammonia: Produced by isolating green hydrogen via electrolysis
- Geothermal power: Where direct emissions remain below 100 grams carbon dioxide (gCO_2) per kilowatt hour (kWh)
- Hydropower
- Bioenergy: Biofuel, biomass, or biogas using non-food-based agriculture waste sources
- Hydroelectric facilities which are run-of-the-river plants with no artificial reservoir

Exclusions:

- Projects dedicated to supplying power to hard-to-abate sectors
- Hydropower projects with life cycle emissions > 100 gCO2e/kWh
- Construction of large-scale hydropower projects (>25 megawatt peak [MWp])
- Biofuel facilities relying on majority non-certified feedstock or peat

Infrastructure to support renewable energy, including:

- Manufacture of renewable energy technologies such as wind turbines, solar panels, and other generation components
- Energy storage solutions, including battery technologies and hydrogen fuel cells
- Transmission and distribution (T&D) assets that connect at least 90% electricity from renewable energy facilities to the grid

Exclusions:

- New T&D infrastructure dedicated to connecting fossil fuels or nuclear power

Procurement of renewable energy through certificates:

- Power purchase agreements (PPAs)
- Virtual PPAs (VPPAs)
- Bundled renewable energy certificates (RECs)

Analytical considerations

- Renewable energy sources (solar, wind, geothermal, hydro) are crucial for limiting global warming, but can affect land use and biodiversity and face physical risks. Green hydrogen production offers low-emission solutions for hard-to-decarbonize sectors. Sustainable bioenergy provides a lower-emission alternative where electrification isn't feasible, though impacts vary depending on feedstock and life cycle emissions. Finally, robust T&D infrastructure is essential to support intermittent renewables and the broader energy transition.
- We see activities of all green shades in this category, for example some--such as solar, connections of renewable energy to the grid--are fully consistent with a low-carbon climate-resilient future and seen as Dark green, while others (such as virtual PPAs, bundled Energy Attribute Certificate (EACs) we view as Medium green. Therefore, given the broad scope of activities included in the category and without clarity of allocation of proceeds within the category, we assign an overall Dark to Medium green shade.
- We view green hydrogen production as a Dark green technology. While promising, it presents environmental risks like water consumption, polluting end-uses, and atmospheric impacts from leaks--risks that are still developing. Alinma's Framework focuses on identifying and managing these material risks, aligning with regulations and international best practices, rather than requiring specific technical systems like leak detection and repair.
- We consider investments in solar, wind, geothermal, and hydropower projects to be Dark Green, though recognizing that some risks may arise from their end-of-life treatment. For hydropower, although construction and reservoirs can generate emissions, these risks are mitigated by requiring life cycle emissions below 100 gCO_2e/kWh or run-of-river operation without artificial reservoirs; large-scale projects above 25 MWp are excluded. The framework also finances bioenergy that relies mainly on the non-food-based feedstock, which significantly limits associated land use change risks, and generally consistent with Medium to Light green shading.
- Physical PPAs, which deliver renewable electricity either directly or through the grid, typically result in a high level of additionality, as they provide long-term revenue certainty that enables new renewable projects to be built. and we therefore shade them Dark green. Other procurement contracts may have a range of environmental benefits, depending on the extent of additionality they incentivize, and are typically shaded between Light and Medium green. Virtual PPAs can correspond poorly to reductions in local grid emissions, particularly when generated in a market that differs from the purchaser's location or from old renewable assets. Meanwhile, bundled EACs, when prices are high enough to incentivize renewable capacity additions, typically have more potential to support decarbonization claims than unbundled EACs. The Framework expects RECs to be sourced from the U.S. and Canada, International REC Standard and others and, where possible, to originate from the same country or grid region as the electricity consumption. The issuer commits to using certificates that are credible, verifiable, and issued under recognized national or international schemes.
- The bank commits to screening environmental risks in renewable energy projects, including by considering how projects' environmental and social impact assessments (ESIAs) show mitigation of adverse effects and compliance with the regulatory requirements.

Energy efficiency

Assessment	Description
Medium to Light green	Deployment of technologies that reduce energy consumption in buildings, industry, and infrastructure, such as: • Efficient lighting (LEDs), heating, ventilation, and air conditioning (HVAC), insulation, green roofs, and smart grids/meters

Implementation of energy management systems, including building and energy management systems, smart thermostat systems

District cooling and heating solutions that rely on low-global-warming-potential refrigerants and incorporate renewable, waste heat, or cogenerated energy sources

Renewable-powered cogeneration plants

Electrification or use of low carbon alternative fuels for machinery and agricultural processes

Development of eco-efficient data centers meeting recognized international energy efficiency standards, integrating energy management systems and efficient cooling technologies, and industry-aligned power usage effectiveness (PUE) benchmarks (PUE of 1.3 or less for new facilities, or equivalent best-in-class performance). Eligible projects must also demonstrate secured low-carbon electricity sourcing through on-site renewable energy generation or long-term renewable PPAs ensuring physical renewable electricity supply. Facilities structurally reliant on high-carbon grid electricity without secured renewable sourcing will not be eligible under this category.

Exclusions:

Products or technology that improve the energy efficiency of fossil fuel production

Products or technology that have an energy efficiency improvement of less than 30%

Analytical considerations

- Energy efficiency measures support the transition to a lower-carbon economy by reducing energy consumption and associated emissions, although their environmental benefit varies depending on baseline definition, performance thresholds, and energy sources.
- We consider projects with quantified minimum efficiency thresholds and clear performance criteria to be more consistent with Medium green characteristics, while we view eligible data center activities as Light green. The framework excludes technologies that enhance fossil fuel production efficiency and projects with less than a 30% energy efficiency improvement. This focus ensures eligibility is limited to projects expected to deliver substantial efficiency gains and avoids supporting fossil fuel value chain optimization. For data centers, the Light green shade reflects our view that the framework criteria address the most material environmental risks: emission intensity from electricity, energy efficiency, and water use.
- Energy-efficiency projects are assessed against baseline performance and technical benchmarks. The minimum 30% improvement threshold applies to retrofit and replacement projects where a before-and-after comparison is feasible, and equipment upgrades require adherence to recognized efficiency standards or demonstrated improvement over baseline performance.
- Eligibility for data centers is linked to defined energy-efficiency and electricity sourcing criteria. New facilities are required to meet industry-aligned best-practice benchmarks, including a PUE of 1.3 or lower, while retrofit projects must demonstrate meaningful efficiency improvements. According to the International Energy Agency (IEA), average PUE in the Middle East was around 1.92 in 2024, indicating that a 1.3 threshold is significantly more efficient than current regional averages. In addition, eligible projects must demonstrate secured low-carbon electricity sourcing through on-site renewable energy generation or long-term renewable PPAs ensuring physical renewable electricity supply, which is important considering electricity consumption's high impact on the carbon footprint.
- The issuer also screens cooling systems and prioritizes air-cooled, closed-loop, hybrid, or recycled-water-based systems designed to reduce water intensity compared with conventional evaporative cooling. This is particularly relevant in water-constrained environments like Saudi Arabia. In addition, the issuer states that projects that rely on high levels of freshwater abstraction without mitigation measures would not be eligible. Water risks are high in the region, and it is the issuer's responsibility to carefully consider these risks in its selection process.
- Projects under this category may still be associated with life cycle environmental impacts, including construction-related emissions and resource use, and efficiency gains may be partly offset by rebound effects.

Sustainable water and wastewater management

Assessment	Description
Medium to Light green	Research, development, construction, purchase, and upgrades/maintenance of: • Water desalination plants powered by renewable or low-carbon energy sources • Wastewater and sewage treatment plants and systems • Water treatment and distribution networks • Infrastructure aimed at reducing water leakage and improving efficiency • Sustainable urban drainage systems (SUDS), river training, and other forms of flooding mitigation

Analytical considerations

- Water is essential for economic development, public health, and environmental sustainability. Financing sustainable water, water infrastructure, wastewater management projects, and flood mitigation systems can result in positive environmental benefits in terms of water consumption and water security. Efficient water and wastewater activities are generally positive for climate resilience and pollution prevention.
- We recognize Alinma Bank's sustainable water and wastewater management projects as delivering environmental benefits. The framework's wide range of potential projects and absence of specific thresholds (such as loss-ratio improvements) limits the comparability of benefits. While projects may not consistently exceed regulatory requirements, the intention to primarily use electricity--including grid and renewable sources like on-site generation or PPAs--along with the inclusion of flood mitigation systems introducing adaptation benefits, leads to our overall Medium to Light green assessment of this project category.
- Saudi Arabia faces significant water stress, limited freshwater resources, and rapid population growth. The country relies heavily on groundwater and desalination, and experiences frequent droughts that exacerbate water scarcity. As water stress remains a major challenge for the country, affecting agriculture, domestic use, and ecosystems, we view positively that the issuer is trying to alleviate the problem through the project category.
- While desalination projects reduce dependence on freshwater, they are also highly energy intensive and present risks around brine disposal. The framework criteria states that the desalination projects will be powered by low carbon sources, which we view positively. As part of its environmental risk assessment, the bank considers the management of brine and other treatment residuals where applicable. This assessment includes verifying compliance with environmental permits and discharge standards consistent with national and international standards, and establishing responsible practices for handling, reusing, or disposing of solid and liquid waste generated by the treatment process.

Pollution prevention and control

Assessment	Description
Medium to Light green	Financing and investments related to: • Soil remediation (land remediation of contaminated urban sites) • Recycling facilities where the secondary raw materials (such as steel, aluminum, glass, plastics) cease to be waste and are sold to be used as secondary raw materials • Facilities where compost is produced from recycled waste • Landfill gas capture using a closed or decommissioned waste facility • Research and development initiatives focused on DACC

Analytical considerations

- Waste management is an important pollution-prevention measure that can avoid harm to human health and local ecosystems. Pollution remediation has direct benefits to local biodiversity and human health by reducing concentration of air and soil pollutants. Likewise, the decontamination of soil sets the stage for long-term ecosystem recovery. Recycling, if implemented properly, will reduce emissions and benefit energy and natural-resource use.
- This project category is broadly defined, and waste management activities may support a variety of sectors. Reflecting the broadness of the category, and the inclusion of both Medium green recycling activities, and Light green landfill gas capture and soil remediation, we assign a Medium to Light green shade to the project category.
- Other than waste prevention, reuse and recycling activities are preferred solutions under the waste management hierarchy because they have the lowest negative environmental impact among other waste management options. However, due to the local context--such as the low penetration of clean transportation and a carbon-intensive grid--these activities will rely to some extent on fossil-fuel-powered equipment or transport.
- Alinma's Sustainable Finance Framework supports remediation and soil pollution control projects focused on cleaning up contaminated urban, brownfield, or legacy industrial sites affected by past activities. These projects address historical environmental liabilities, rehabilitate land, and reduce long-term risks, but are not directly linked to ongoing fossil fuel extraction. Projects primarily aimed at operational compliance or enabling continued fossil fuel extraction are ineligible.
- DACC has substantial climate mitigation potential. Under this category DACC initiatives are limited to early-stage research, development, and pilot projects, not large-scale commercial operations. The framework excludes activities like enhanced hydrocarbon recovery and any carbon capture directly supporting fossil fuel extraction or production.

Clean transportation

Assessment

Medium to Light green

Description

Projects that promote a shift toward less polluting and more energy efficient modes of transport, including:

- Low energy or low emission transportation assets (less than 50 gCO_2/km)
- Zero tailpipe emission transport: Electric, hydrogen, and fuel cell vehicles, aircraft, personal mobility devices
- Zero direct emissions transport: Bus, metro, subway, rail, light rail transit
- Zero direct emissions vessels: Electric, green hydrogen, or hydrogen-derived synthetic fuels (e.g., green ammonia), wind, solar, or a combination of the above
- Low-carbon-fuel ships powered by battery or alternative fuels such as biofuel or hydrogen (including vessels designed to run on green hydrogen, ammonia, methanol, wind or solar)
- Bunkering and powering facilities for ships that run on the above fuels

Supporting infrastructure such as:

- Electric vehicle charging points and hydrogen fueling stations
- Automated port and logistics technologies
- Urban planning measures: Public walking pathways and bicycle lanes

Exclusions:

Assets dedicated to transportation or storage of fossil fuels

Analytical considerations

- Mitigating greenhouse gas emissions from transportation is necessary to support decarbonization goals, as transport activities are a material source of energy-related emissions and air pollutants. The environmental contribution of clean transport financing depends on asset type, emissions thresholds, fuel pathway, and infrastructure.
- In the Saudi Arabian context, we consider zero direct emission rail and urban mass transit systems, including electric ones, as Medium green, while we view road vehicle and bus technologies, including low-emission, hybrid, threshold-based, and transitional fuel pathways, as Light green. As such, we assign this category a Medium to Light green shade.
- Eligible projects under this category aim to support a shift toward lower-emission transport modes and systems, including low- and zero-emission vehicles and rolling stock, zero tailpipe or zero direct emission road, rail, and marine transport, and related infrastructure such as charging and hydrogen refueling networks, automated port and logistics technologies, and walking and cycling infrastructure. Eligibility is linked to defined emissions thresholds and technology criteria, including zero tailpipe emission technologies and assets below 50 gCO_2/km. According to Alinma, compliance is verified at financing using technical specifications and certifications. Assets dedicated to the transport, storage, or handling of fossil fuels are explicitly excluded, which we view positively.
- In the Saudi context, where electricity generation remains predominantly fossil fuel-based and relatively carbon intensive, the climate benefit of electric transport depends on the emissions profile of the grid. While electric vehicles eliminate tailpipe emissions and improve local air quality, their life cycle emissions reductions are moderated where charging relies on a high-carbon electricity mix. Therefore, we consider electric transport assets and their core infrastructure to be consistent with a Medium green shade.
- Environmental benefits will depend on fuel source and life cycle emissions for the multiple eligible technologies and fuels. For assets using alternative fuels, including hydrogen, biofuels, and synthetic fuels, the issuer indicates that eligibility considers life cycle emissions, feedstock sustainability, and recognized standards, although specific schemes are not specified by the issuer. Fuels that do not demonstrate credible life cycle emissions reductions compared with conventional fuels may be excluded. Importantly, we understand that only hydrogen derived synthetic fuels produced from green hydrogen, such as green ammonia or other e-fuels generated using renewable electricity, are considered eligible. The issuer states that fuels relying on unsustainable feedstocks or fossil derived inputs are excluded.
- Low-carbon vessels, alternative marine fuels, bunkering facilities for eligible fuels, and automated port and logistics technologies are included where they support lower-emission shipping and port operations. Supporting infrastructure is limited to facilities serving eligible lower-carbon fuels, which reduces fossil fuel lock-in risk. We consider these maritime and port-related activities to be consistent with a Light green shade.
- Production-phase emissions from asset manufacturing, such as batteries, steel, vessels, or aircraft, are recognized by the issuer as potentially material, while transport and port infrastructure projects may also be associated with construction-phase emissions and localized environmental impacts. These risks are not systematically addressed by the framework eligibility criteria or project selection.

Green buildings

Assessment	Description
Light green	Acquisition, construction, operation and/or renovation of new and existing buildings that meet (or are expected to receive) one of the following certification standards: • LEED “Gold” or above • Mostadam “Gold” or above • BREEAM “Excellent” or above • Estidama: 3 Pearls or above • Other equivalent internationally recognized green building certifications

- Buildings belonging to top 15% based on emission intensity in the region, as determined by a third-party assessment. This criterion applies exclusively to existing buildings

Analytical considerations

- Improving energy performance in buildings and reducing reliance on fossil fuel–based systems supports decarbonization objectives in the real estate sector. Certification-based approaches and relative performance thresholds can promote better environmental outcomes.
- We assign this category a Light green shade, as eligibility is primarily based on defined certification thresholds and relative performance criteria rather than absolute energy or carbon thresholds. Eligible existing buildings will be among the top 15%, ensuring strong performance compared with the typical local buildings, or meet certification levels where data is limited. For new construction, the issuer indicates that the referenced certification thresholds are intended to exceed local building code requirements, particularly on energy performance and environmental criteria. Buildings primarily supporting the fossil fuel value chain are excluded.
- The framework allows both design-phase and in-use certifications. Green building certifications cover a broad range of environmental topics but differ in their treatment of energy efficiency, embodied emissions, and climate resilience. Their point-based structures do not necessarily ensure low operational emissions or high energy performance outcomes, and requirements vary by scheme and certification level. In-use certifications support operational performance management but do not always include strict energy or carbon thresholds, so environmental outcomes can vary across certified assets.
- New buildings are expected, where feasible, to prioritize low-carbon or zero-emission heating and cooling systems. The issuer indicates that new developments primarily reliant on direct fossil fuel–based systems without credible alternatives or transition pathways may be excluded. Existing buildings with fossil fuel heating or cooling may be eligible where certification or performance criteria are met and efficiency improvements or transition pathways are demonstrated. This reduces but does not eliminate fossil fuel exposure risk within the category.
- Embodied emissions from construction materials and building activities are material for new construction and major renovations. The issuer indicates that embodied emissions may be considered on a risk-based basis, although specific schemes are not specified by the issuer, and no embodied carbon thresholds are required, which we view as a limitation.
- Projects may be developed on brownfield or greenfield land. The issuer indicates that biodiversity risks for greenfield projects are assessed through environmental impact assessments, permitting processes, and mitigation measures. Projects located in protected areas or involving significant adverse impacts on high biodiversity value areas without credible mitigation measures are excluded.
- Both new construction and existing buildings are exposed to physical climate risks. The issuer indicates that physical climate risks are considered for new and existing assets on a risk-based and proportionate basis using project planning, technical assessments, and available risk information, with resilience measures incorporated where relevant. Where material, assessments may go beyond minimum regulatory requirements, although comprehensive scenario analysis is not required for all assets.

Climate change adaptation

Assessment	Description
Medium green	Activities that increase the resilience of ecosystems, including: • Climate observation and early warning systems • Flood defenses • Infrastructure to combat anticipated wind speeds, heavy rains, and increased temperatures

Analytical considerations

- Climate-change adaptation projects are essential for building resilience against climate-related risks and protecting vulnerable communities from adverse impacts such as extreme weather events and natural disasters. Climate scientists have indicated that some level of climate change is unavoidable, even under the most optimistic scenarios, making it important to plan for and mitigate these risks to enhance resilience and reduce environmental impacts. Saudi Arabia is highly exposed to physical climate risks such as risk of coastal floods, extreme heat, wildfires.
- Eligible investments under this category encompass a broad range of adaptation measures aimed at enhancing resilience to both acute and chronic climate risks. These may include, for example, reinforcement of public buildings, transport infrastructure, or utility networks to withstand stronger wind loads; flood-protection infrastructure such as levees, retention basins, and climate-resilient wastewater systems; and urban heat-mitigation measures such as shading systems, green roofs, and climate-resilient public spaces. However, as the framework does not specify a defined pipeline or clear selection criteria at the project level, our visibility on the expected environmental performance remains limited. This constrains our assessment to Medium green.
- The issuer has confirmed that it does not, within this category, intend to invest in adaptation measures dedicated to any high-emitting assets, fossil-fuel-based power, or heat generation assets (coal, oil, natural gas); emissions-intensive industrial facilities (e.g. steel mills, cement factories); oil and gas extraction, processing, refining, or related infrastructure.

Circular economy adapted products, production technologies, and processes and/or certified eco efficient products

Assessment	Description
Medium to Light green	Projects that promote resource efficiency, waste minimization, and recycling, including: • Sustainable packaging solutions: Adoption of reusable or returnable packaging systems • Waste-to-energy technologies: Use of biogas and refuse-derived fuel (RDF) generated from biogenic waste or sludge • Product life cycle extension: Establishment of remanufacturing and refurbishment facilities or research and development aimed at creating products with longer lifespans and modular repair options (e.g., home appliance repair services) • Eco-certified products: Goods certified under internationally recognized sustainability standards such as Cradle-to-Cradle, Blue Angel, or equivalent independent verifications

Analytical considerations

- Resource efficiency, waste minimization, reuse, and recycling contribute to reducing material consumption and waste generation across value chains. Circular economy activities can lower demand for virgin resources and reduce landfill volumes, although environmental outcomes depend on feedstock selection, process design, and alignment with the waste hierarchy.
- We consider this category consistent with Medium to Light green shading, reflecting the diversity of activities included and differing levels of environmental impact. The category combines higher-impact circular activities with more variable-impact ones, such as waste-to-energy and eco-certified products.
- The issuer indicates that allocations are expected to focus primarily on life cycle extension, eco-efficient certified products, and reusable or returnable packaging systems. Waste-to-energy is expected to represent a limited share and is subject to additional eligibility controls. This allocation focus supports circular economy principles centered on durability, reuse, and resource efficiency.
- Sustainable packaging eligibility is limited to formats designed for multiple reuse cycles and supported by structured collection or return systems. The issuer indicates that reuse must be embedded in the operating model and demonstrate material waste or life cycle impact reduction compared with single-use alternatives.

- Product life cycle extension activities, including remanufacturing, refurbishment, and repair, aim to extend useful product life beyond standard practice and reduce virgin material use. Routine maintenance that does not materially extend lifespan is not eligible. Avoided resource use is primarily assessed qualitatively rather than through quantified thresholds.
- Waste-to-energy projects are limited to biogenic waste streams, sludge, or residual non-recyclable fractions and must comply with waste hierarchy conditions. Recyclable or reusable materials are not intended to be diverted to energy recovery. Projects must demonstrate credible net emissions reductions relative to relevant baselines, although comprehensive life cycle modelling is not systematically required.
- Eco-certified products must be certified under recognized schemes demonstrating performance beyond regulatory requirements, with independent verification and defined environmental criteria. Self-declared or non-robust certifications are excluded. Environmental performance depends on certification scope and thresholds, which may vary.
- Circular production and recovery processes can involve environmental and health risks. The issuer indicates that screening relies on regulatory compliance, permitting, and risk-based technical assessment, and excludes projects that undermine recycling systems or incentivize increased waste generation.

Environmentally sustainable management of living natural resources and land use

Assessment	Description
Medium to Light green	Sustainable agriculture: Practices such as biological crop protection, erosion prevention, and measures to improve soil health Biodiversity and landscape conservation: Projects that protect, restore, or enhance biodiversity and preserve natural habitats Sustainable forestry: Afforestation, reforestation, and land rehabilitation activities certified under credible sustainability standards Relevant certifications may include, but are not limited to: • Aquaculture Stewardship Council (ASC) and AquaGAP standard, fisheries accredited by the Marine Stewardship Council (MSC), Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), Rainforest Alliance, or Sustainable Forestry Initiative (SFI). • In cases where certification is not available, Alinma will evaluate the scope, practices, and expected impacts of the investment against recognized market best practices to determine eligibility.

Analytical considerations

- Agricultural practices that reduce climate emissions from crop and livestock farming and enhance soil health, water quality, and ecosystem integrity are crucial for a low-carbon climate resilient future. Sustainable inputs and farming practices, as well as a shift to more plant-based and lower-emission protein sources, contribute to a green transition for this sector. Meanwhile, forests can contribute to carbon sequestration and support biodiversity habitats. Forests can also provide ecosystem services, such as water regulation and soil stabilization, which improve climate resilience. Implementing sustainable forestry management practices, avoiding harmful land use change, and managing physical climate risks, including wildfires and pests, are key to achieving these benefits.
- Alinma will finance a variety of agricultural, forestry, and biodiversity projects, each with varying climate and environmental benefits. As such, we assign a shade of Medium green to Light green to this project category.
- Biological crop protection uses natural mechanisms, such as beneficial organisms and microorganisms, to manage pests, diseases, and weeds while enhancing soil health. These measures support the reduction of pesticide use and can improve crop quality. Measures taken to prevent soil erosion and improve soil health may anchor soil, reduce water velocity, and enhance structure. These actions prevent nutrient loss, increase water retention, and boost agricultural productivity. The

issuer intends to primarily finance projects within Saudi Arabia, with potential opportunities extending to other countries in the Gulf Cooperation Council (GCC) region. We assess these projects as Medium green.

- Forests cover only 1.3 % of Saudi Arabia's national land area. We view eligible sustainable forest management practices, such as afforestation, reforestation, rehabilitation, and forest conservation measures as Medium to Light green. Generally we certify sustainable forest management, such as FSC, PEFC, and SFI, as Medium green. However, it remains unclear how Alinma determines the equivalency of the certifications that could be eligible in the framework, and the bank refers to general considerations of equivalent practices, compliance, and project-level safeguards, which is reflected in the interval of shades. Beyond the certification benefits, general challenges with certifications lie with enforcement, traceability, and gaps in criteria.
- Investments in restoration, rehabilitation, and conservation of natural habitats are critical for a low-carbon future. Alinma expects projects to be voluntary conservation, restoration, or protection initiatives exceeding regulatory requirements and not intended to offset environmental impacts. However, the absence of quantitative targets and thresholds limits visibility on the potential impact of financed projects.

Terrestrial and aquatic biodiversity conservation

Assessment	Description
Dark green	Conservation, rehabilitation, and protection of sensitive ecosystems such as wetlands, mangroves, and coral reefs Projects that safeguard natural habitats and landscapes, including forests and watershed environments Initiatives to establish, expand, or maintain protected areas on land and in marine environments

Analytical considerations

- Protecting or restoring biodiversity often creates climate co-benefits, such as carbon sequestration or adaptation solutions. Well-designed projects can reduce threats such as climate change risks, land use change, pollution, and invasive species. The issuer aims to finance conservation, rehabilitation, and protection of sensitive ecosystems such as wetlands, mangroves, and coral reefs.
- We view these interventions as Dark green given their strong climate mitigation and adaptation benefits, and their alignment with long-term environmental sustainability objectives. Alinma expects the majority of biodiversity conservation projects to be financed primarily within Saudi Arabia, aligning with national biodiversity strategies, the sensitivities of coastal and desert ecosystems, and climate adaptation priorities. The issuer may also finance these projects in the wider GCC region, particularly those addressing shared or regionally significant ecosystems, such as marine or coastal environments.
- The issuer expects projects to be voluntary, proactive conservation, restoration, or protection initiatives, exceeding legal requirements and not intended to offset environmental impacts. Activities solely for regulatory compliance, permitting, mandatory offsetting, or routine land management are excluded under the framework. Alinma will monitor ecosystem restoration projects using a risk-based approach and may also rely on third-party assessments, public-sector monitoring, or project-level reporting. Where applicable, the issuer will identify and manage biodiversity and land-use risks through environmental impact assessments, biodiversity management plans, or equivalent documentation. These measures help ensure that the environmental benefits of restoration activities are maintained and measurable over time.

S&P Global Ratings' Shades of Green

Assessments	Dark green	Medium green	Light green	Yellow	Orange	Red
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Social project categories

Affordable basic infrastructure

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

- Development of infrastructure related to transport, water and energy, for example, delivery of potable water through distribution pipelines, local piping networks, sewage collection networks, and expansion of T&D networks to provide reliable electricity where established access is weak or does not exist
- Development of sanitation infrastructure to enable proper disposal of wastewater
- Development of telecommunication infrastructure (internet coverage, speed, and/or mobile phone coverage) to extend access to areas that fall below the national average for the above

Target population: Rural communities that lack access to these services

Analytical considerations

- Access to basic services such as water, sanitation, electricity, transport, and telecommunications is important for social inclusion and economic activity, especially in rural areas with low service coverage. Investments in this type of infrastructure can improve daily living conditions and access to essential services when they are directed to underserved communities and when affordability and continued access are considered. The category is focused on rural communities that lack access or fall below national service levels, with a clearly defined target population and social objective. We therefore consider this category aligned with the Principles.
- Eligible projects include the construction, development, operation, renovation, and maintenance of transport, water, energy, sanitation, and telecommunications infrastructure for rural communities. Examples include drinking water pipelines, wastewater and sewage networks, electricity transmission and distribution extensions, and telecom networks that expand coverage and speed in underserved areas. The issuer indicates that projects must be in rural or underserved areas and address clear service gaps. Projects that mainly benefit already well-served areas or the general population without a clear underserved focus may be excluded.
- The issuer indicates that target populations are identified using need-based and geographic criteria, supported by public data, government classifications, and project documentation. Underserved communities are defined based on limited access to essential services and development indicators. This helps ensure that financed projects are directed to the intended population, although definitions can differ by sector and region.
- Project screening considers whether the infrastructure is located in a rural or underserved area and whether it improves access to transport, water, sanitation, energy, or telecommunications where service levels are below average. Assessment may use national statistics, development indicators, and public authority benchmarks. This supports a focus on expanding access rather than upgrading infrastructure in already connected areas.
- Affordability and continued access are considered where relevant. The issuer indicates that tariffs, user fees, connection costs, and service reliability may be reviewed in line with regulatory rules or project arrangements. No single affordability threshold is set in the framework, so this is assessed case by case.
- Infrastructure projects can involve environmental and social risks, such as community impacts, land use issues, and health and safety risks. The issuer applies a risk-based environmental and social review process across social projects. This includes screening, review of legal and permit requirements, and review of impact studies and management plans where risks are higher. The approach is guided by recognized international good practice, including reference to International Finance Corp. (IFC) Performance Standards, and is applied in proportion to project risk.

Access to essential services: education

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

- Construction of public schools, universities, and university campuses
- Activities such as retrofitting infrastructure, school transportation service, mobilizing skilled resources for remote education, to expand access to primary, secondary, university, and vocational education
- Activities to promote entrepreneurship and innovation among secondary and university students including financing hackathons and FinTech

Target population: General population, including those who lack quality access to essential education services, students

Analytical considerations

- Access to education is linked to employability, income opportunities, and social mobility. Expanding access to public, not-for-profit, free, or subsidized education services can support more equal access to learning, especially in areas where coverage and quality are uneven. In the Saudi context, access gaps can be more pronounced in rural and remote areas, which makes targeted education infrastructure and support services relevant from a social inclusion perspective. The category targets students and communities with limited access to quality education services, including rural populations. We therefore consider this category aligned with the Principles.
- Eligible projects include the construction and upgrade of public schools, universities, and campuses, as well as related facilities and equipment. The category also covers retrofitting of education infrastructure, school transportation services, and remote education support through skilled resources and delivery tools. These activities are intended to expand access across primary, secondary, university, and vocational education. The issuer indicates that projects are expected to enhance access rather than support purely commercial education providers, and that the focus is on public, not-for-profit, free, or subsidized services.
- The target population includes the general population and students, with specific attention to groups that lack quality access to education services, particularly in rural communities. The issuer indicates that target groups under social categories are defined using need-based and geographic criteria, supported by public data, government classifications, and project documentation. This helps direct financing toward populations facing access barriers, although definitions and indicators may vary by region and education level.
- For education-related innovation activities, such as entrepreneurship programs, hackathons, and fintech competitions, the issuer indicates that project design is expected to include features that enable participation by underserved or disadvantaged students. This may include targeted outreach, partnerships with public or community institutions, and free or subsidized participation. Inclusion outcomes depend on program design and implementation.
- Affordability and effective access are relevant for education projects financed under this category. The framework specifies that eligible services are public, free, or subsidized, which supports access for lower-income users
- Education infrastructure and program projects can involve environmental and social risks, including construction impacts, community health and safety issues, and labor risks. The issuer applies a structured and risk-based environmental and social risk assessment process across social categories. This includes screening, review of regulatory and permit requirements, and review of impact studies and management plans where risks are material, with reference to recognized international good practice such as the IFC Performance Standards.

Access to essential services: health care

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

- Development, expansion, or acquisition of buildings, facilities, and equipment relating to hospitals, laboratories, clinics, health care, and hospices

- Funding of pediatric care or maternal and reproductive health care products and services for women
- Activities that support the funding of health-related research and development programs such as new medicines, treatments, vaccinations, or health equipment
- Investments that strengthen the provision of early warning, risk reduction, and management of health crises
- Vocational and professional training programs for health care workers, emergency responders, and public health professionals
- Establishment or enhancement of diagnostic services, including testing and imaging centers.

Target population: General population, including those who lack quality access to essential health care.

Analytical considerations

- Access to health care services is a core social need and supports public health, productivity, and social stability. Financing facilities, equipment, and programs that are linked to government health programs or made broadly accessible through public funding or subsidies can improve service coverage and affordability. In the Saudi context, public and government-supported health care programs play a central role in service delivery. The category targets the general population, including people who lack quality access to essential health care services. We therefore consider this category aligned with the Principles.
- Eligible projects include the development, expansion, acquisition, and upgrade of hospitals, clinics, laboratories, diagnostic and imaging centers, and related health care facilities and equipment. The category also includes pediatric care, maternal and reproductive health care services for women, health-related research and development, early warning and crisis response systems, and training programs for health care workers and emergency responders. These activities are intended to increase service capacity, strengthen system readiness, and improve access to essential care.
- The issuer indicates that eligible health care projects are linked to government programs or supported through public spending, subsidies, or social security schemes, which supports broad access rather than private, market-only provision.
- The target population includes the general population, with attention to groups that face access barriers. The issuer indicates that target populations across social categories are defined using need-based criteria, geographic indicators, and public classifications. These may include underserved communities, women, vulnerable youth, persons with disabilities, and other disadvantaged groups, based on official definitions and project documentation.
- Health care projects and facilities can involve environmental and social risks, including medical waste handling, occupational health and safety, community safety, and supply chain risks for medical products and equipment. The issuer applies a structured and risk-based environmental and social risk assessment process across social categories. This includes environmental and social (E&S) screening, review of regulatory and permit requirements, and review of impact assessments and management plans where risks are material, with reference to recognized international good practice such as the IFC Performance Standards.

Employment generation

Providing finances to micro, small, and midsize enterprises (MSMEs) as defined by the Saudi Central Bank (SAMA) or under Alinma's program-based lending initiative for MSMEs, with a focus on supporting local entrepreneurs and promoting financial inclusion of local MSMEs

Target population: MSMEs

Analytical considerations

- Financing MSMEs can support job creation, local economic activity, and business development. MSMEs play a key role in employment and income generation, especially in domestic and regional markets. In Saudi Arabia, MSME development is part of broader economic diversification and private sector growth efforts. This category focuses on providing finance to MSMEs and local entrepreneurs. We therefore consider this category aligned with the Principles.
- Eligible activities include lending to MSMEs under SAMA definitions and under the issuer's MSME program-based lending initiatives. SAMA, as Saudi Arabia's financial regulator, classifies MSMEs based on revenue thresholds, with enterprises

generating annual revenues not exceeding SAR200 million falling within the MSME category under national definitions, consistent with banks' definition of SMEs. Using an official national definition supports consistency in eligibility and reduces classification risk at portfolio level.

- Financing MSMEs can support employment generation by enabling business creation, expansion, and operational continuity. Expected social outcomes include support for local entrepreneurs and improved access to finance for smaller firms that may face constraints in accessing conventional funding. The framework focuses on enterprise size rather than specific sectors, so employment effects depend on how financed businesses use the funds and their capacity to grow and hire.
- The target population is MSMEs, which are treated as a proxy for employment generation and financial inclusion. The issuer indicates that target populations across social categories are defined using objective and need-based criteria, including official classifications, geographic indicators, and borrower documentation. These may include underserved businesses, women-led enterprises, vulnerable youth entrepreneurs, and other disadvantaged groups where relevant and documented.

Socioeconomic advancement and empowerment

Development and support for women's initiatives to improve economic opportunities through business interventions, including:

- Financing for women-led companies where at least one of the following conditions is met: At least 51% of the shareholding is owned by women or at least 51% of top management are women

Target population: Women

Analytical considerations

- Improving women's access to finance and business opportunities can support income generation, enterprise growth, and broader economic participation. In Saudi Arabia, women's participation in the economy has increased in recent years, supported by policy and market initiatives, but access to finance and leadership roles can still vary across sectors. This category focuses on financing women-led companies through defined ownership or management criteria. We therefore consider this category aligned with the Principles.
- Eligible activities include financing for women-led companies where at least one of two conditions is met: women hold at least 51% of ownership, or women represent at least 51% of top management. These criteria are clear and measurable and provide a direct way to link financing to the intended target population. The use of majority thresholds reduces ambiguity in borrower selection and supports consistent eligibility screening.
- The target population is women entrepreneurs and women-led enterprises. According to the issuer, target populations across social categories are defined using objective and need-based criteria, supported by borrower documentation, official classifications, and due diligence checks. Eligibility of women-led companies may be verified through ownership records, management structure disclosures, and internal credit assessment documentation, on a proportionate basis.
- Financing women-led enterprises is intended to support women's economic participation, business development, and access to capital. Expected social outcomes include improved access to finance for women entrepreneurs and support for enterprise activity led by women.

Sustainable food systems and nutrition security

Food security and sustainable food systems that support small-scale producers, with a focus on ensuring physical, social, and economic access to safe, nutritious, and sufficient food. Activities in this category promote resilient agricultural practices, the reduction of food loss and waste, and improvements in the productivity and livelihoods of producers, including:

- Adoption of modern and sustainable farming technologies, such as hydroponic systems and organic cultivation methods
- Food security and livelihood programs designed to safeguard access to food and protect household incomes during and after emergencies

- Initiatives that strengthen food systems by promoting climate-smart agriculture, supporting green employment opportunities, and building resilience through improved rural and urban production, entrepreneurship, and income generation

Target population: Small-scale producers

Analytical considerations

- Food security and resilient food systems are important for social stability, public health, and income generation in rural and peri-urban areas. Financing activities that support small-scale producers and improve access to safe and nutritious food can contribute to more stable livelihoods and food supply. In Saudi Arabia, food security and local production capacity are policy priorities, particularly in the context of climate and resource constraints. This category focuses on small-scale producers and food system resilience. We therefore consider this category aligned with the Principles.
- Eligible activities include support for sustainable and modern farming technologies such as hydroponic systems and organic cultivation methods, food security and livelihood programs during and after emergencies, and initiatives that strengthen food systems through climate-smart agriculture, reduced food loss and waste, and local production and entrepreneurship. The category also includes programs aimed at improving producer productivity and income generation. These activities are intended to improve production efficiency, strengthen supply resilience, and support producer livelihoods.
- The target population is small-scale producers. According to the issuer, target populations across social categories are defined using objective and need-based criteria, supported by official classifications, geographic indicators, and borrower or project documentation. This may include rural or underserved producers and small agricultural businesses identified through program criteria and lending documentation.
- Expected social outcomes include improved productivity and income stability for small producers, better resilience to shocks, and improved availability of food. Programs focused on food security and livelihoods during emergencies are intended to protect household income and access to food in stress situations.
- Activities under this category can also involve environmental and social risks, depending on farming methods and technologies used. Potential risks can include water use, soil impacts, chemical inputs, labor conditions, and supply chain practices. The issuer states that it applies a structured environmental and social risk assessment process across social categories. This includes E&S screening, review of regulatory and permit requirements, and review of impact assessments and management measures where risks are material. The approach is informed by recognized international good practice, including reference to IFC Performance Standards, and supported by exclusion criteria for activities that are not aligned with the framework.

Affordable Housing

Financing or refinancing of government-backed or government-subsidized mortgages provided in partnership with national housing programs, with the aim of expanding access to affordable housing.

Financing for projects related to the development and construction of residential properties that are supported through such government initiatives.

Target population: Populations eligible for government-supported mortgage financing schemes targeting affordable housing

Analytical considerations

- Access to affordable housing is a core social need and supports household stability and financial inclusion. Financing housing through government-backed or government-subsidized mortgage programs can improve access for lower- and middle-income households that may not qualify for standard market-rate financing. In Saudi Arabia, national housing programs and subsidy schemes play a central role in expanding home ownership among eligible households. This category focuses on housing linked to official public programs. We therefore consider this category aligned with the Principles.
- Eligible activities include financing or refinancing of government-backed or government-subsidized mortgages provided in partnership with national housing programs, as well as financing for development and construction of residential properties supported by these programs. Under programs administered by the Real Estate Development Fund (REDF) and the Ministry of Housing, eligibility is subject to income-based criteria, including profit-rate subsidies ranging from 35% to 100% depending

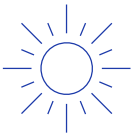
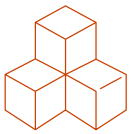
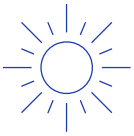
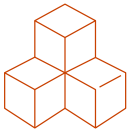
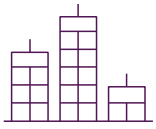
on income levels, support for first-time home buyers, and guarantees for lower-income borrowers. Eligibility is therefore tied to participation in government-supported schemes that apply defined affordability criteria.

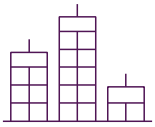
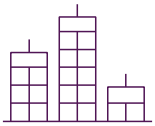
- The target population consists of households eligible for government-supported affordable housing and mortgage programs. According to the issuer, eligibility is based on public program rules and income-related criteria. Programs under the Real Estate Development Fund and the Ministry of Housing provide income-linked subsidies on mortgage financing costs, specifically covering part or all of the bank's profit rate charged on eligible financing amounts. The program may subsidize profit payments on financing up to SAR500,000, with subsidy rates ranging from 35% to 100% depending on income thresholds. Eligibility criteria include first-time home buyers and additional support features for lower-income borrowers, including those with salaries below SAR5,000 and borrowers approaching retirement. These features are designed to reduce monthly repayment burdens and improve affordability and access for defined groups.
- Because eligibility is tied to national program rules and subsidy structures, affordability screening is largely based on government-defined thresholds and controls rather than bank-defined criteria. This provides an external reference point for target population selection and affordability assessment.
- Development and construction of supported housing projects can also involve E&S risks, including construction impacts, worker health and safety, land use considerations, and community effects. The issuer states that it applies a structured E&S risk assessment process across social categories. This includes E&S screening, review of regulatory and permit requirements, and review of impact assessments and management measures where risks are material. The approach is informed by recognized international good practice, including reference to IFC Performance Standards, and supported by exclusion criteria for activities that are not aligned with the framework.

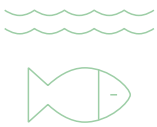
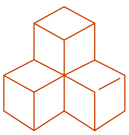
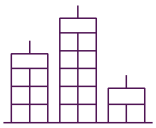
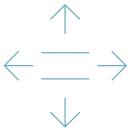
Mapping To The U.N.'s Sustainable Development Goals

Where the financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not affect our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Renewable energy	 **7. Affordable and clean energy***  **9. Industry, innovation and infrastructure***  **13. Climate action**
Energy efficiency	 **7. Affordable and clean energy***  **9. Industry, innovation and infrastructure***  **11. Sustainable cities and communities**
Sustainable water and wastewater management	 **9. Industry, innovation and infrastructure**
Pollution prevention and control	 **11. Sustainable cities and communities***  **12. Responsible consumption and production***

Clean transportation	 **7. Affordable and clean energy**  **9. Industry, innovation and infrastructure**  **11. Sustainable cities and communities***  **13. Climate action**
Green buildings	 **6. Clean water and sanitation**  **9. Industry, innovation and infrastructure**  **11. Sustainable cities and communities***
Climate change adaptation	 **13. Climate action***
Circular economy adapted products, production technologies and processes and/or certified eco efficient products	 **12. Responsible consumption and production***
Environmentally sustainable management of living natural resources and land use	 **13. Climate action**

Terrestrial and aquatic biodiversity conservation	 **14. Life below water***	 **15. Life on land***
Affordable basic infrastructure	 **6. Clean water and sanitation***	 **7. Affordable and clean energy***
	 **9. Industry, innovation and infrastructure***	 **11. Sustainable cities and communities***
Access to essential services: education	 **4. Quality education***	 **10. Reduced inequalities***
Access to essential services: health care	 **3. Good health and well-being***	
Employment generation	 **8. Decent work and economic growth***	 **9. Industry, innovation and infrastructure***

Socioeconomic advancement and empowerment	 **1. No poverty***	 **4. Quality education***	 **5. Gender equality***	 **8. Decent work and economic growth***
Sustainable food systems and nutrition security	 **2. Zero hunger***			
Affordable housing	 **11. Sustainable cities and communities***			

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions, March 6, 2025
- FAQ: Applying Our Integrated Analytical Approach For Second Party Opinions, March 6, 2025
- Analytical Approach: Shades Of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps: Banks, July 20, 2022

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