

2021 ESG REPORT

BANKING
FOR A MORE
**SUSTAINABLE
FUTURE**

البنك
السعودي
الفرنسي
Banque
Saudi
Fransi



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CHAIRMAN'S MESSAGE

Banque Saudi Fransi's (BSF) is pleased to present the Environmental, Social and Governance (ESG) Report for 2021. This report has been developed to provide our stakeholders with information and analysis on BSF's ESG-related activities. We are proud to share this update as we strive to accelerate our ESG trajectory and support a more sustainable Saudi Arabia.

The release of this ESG report coincides with a continued emphasis on sustainability in Saudi Arabia, as seen in the initiatives stemming from Saudi Arabia's Vision 2030, the Saudi Green Initiative, and the ESG Disclosure Guidelines of the Saudi Stock Exchange (Tadawul). As BSF is aligned with the Kingdom's vision for a sustainable future, and we take our responsibility to our stakeholders seriously, which is why we strive to align our approach to ESG with global standards. This report will demonstrate how we are aligning to such standards and measuring our progress towards achieving our ESG goals.

Led by the Board and its committees, our robust governance structures establish a framework for conducting our business in a transparent, ethical, and compliant manner. With clear reporting structures and lines of communication, issues are quickly elevated as needed for resolution, thereby minimizing risk to our Bank. To continue to evolve, the Bank regularly reviews policies and frameworks to update compliance measures and identify opportunities to further integrate sustainability-related approaches.

As a financial institution, we believe we can play a critical role in promoting sustainable development by offering a range of sustainable products and financing opportunities. During 2021, we took steps to bolster our investment policies to include ESG-specific analysis, as well as explore sustainable financing opportunities to start offering to the public, which will provide a platform to drive economic growth and simultaneously contribute towards multiple sustainability-related ambitions.

We constantly strive to attract high calibre candidates to join our Bank, as well as invest in and retain our talented workforce. I am inspired everyday by their dedication and drive to be ever better, and it is our responsibility to foster their unique capabilities and create an environment in which they can meet their potential. They are our greatest strength in helping the Bank to achieve its strategic objectives. At BSF, we have a strong commitment to the communities in which we work. We aim to minimize our environmental impact and extend a culture of philanthropy and investment to benefit individuals and local institutions.

We are proud of our ESG journey so far but recognize there is significant opportunity for growth. We are looking forward to accelerating our ESG performance by refining our structures and practices to make continued progress. We invite you to read this report to learn more about our journey, and I encourage all readers to continue monitoring our progress through subsequent ESG publications. Thank you for the continued trust you place on our Bank.

Mazin Al Romaih
Chairman of the Board



ABOUT THIS REPORT

This report covers Banque Saudi Fransi's (hereinafter referred to as 'BSF' or 'the Bank') ESG performance for the period from 1st January, 2021 to 31st December, 2021. It discloses details about how BSF addresses sustainability issues that are material to its business and stakeholders.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, and takes into consideration other sustainability-related standards, such as the United Nation's Sustainable Development Goals (SDGs), sector-specific Sustainability Accounting Standards Board (SASB) standards, ESG rating agency expectations, the Saudi National Standards of Sustainability, and the Saudi Vision 2030. The GRI content index is provided in Appendix B.

For any inquiries, feedback or suggestions, please reach us via:

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PROFILE OF BSF

OUR VALUES

We are BSF

Always putting the needs of our people, customers, shareholders, and society ahead of our own personal agenda. We are a community that we defend and protect, always.

Us before me

We put ideas before ego and leverage the expertise of others.

Winning is fun

We seek to be number one in the hearts and minds of our people, customers, and shareholders. We have limitless ambition and the drive to win.

Think big, act quick

We think long-term in our decisions, but we make them quickly and have a bias towards action.

True to ourselves always

We are honest with one another, even at the risk of temporary disharmony. It is never personal.

Keep it simple

We strive to make everything we do as simple as possible. We set our people up for success and then get out of their way. We only need to be asked once. We own it.

OUR MISSION

To become the most modern, innovative and experience-focused bank in the region.

OVERVIEW

BSF is a Saudi Joint Stock Company established by Royal Decree No. M/23 dated Jumada Al Thani 17, 1397H (corresponding to June 4, 1977). The Bank formally commenced its activities on Muharram 1, 1398H (corresponding to December 11, 1977) and has since established itself as one of the leading banking groups in the Kingdom of Saudi Arabia ('Kingdom').

BSF is a full-service bank regulated by the Saudi Central Bank (SAMA) and is listed on the Saudi Stock Exchange (Tadawul). The Bank's business comprises Personal, Wholesale, Investment Banking, Asset Management & Brokerage, and treasury, as well as offering both Islamic and conventional products.

The Head Office of BSF is located at King Saud Road, AlMuraba' District, P.O. Box 56006, Riyadh 11554, Kingdom of Saudi Arabia, and the Bank has established numerous regional offices and branches throughout Saudi Arabia.

BSF has also invested in a number of subsidiaries. Below is a list of the Bank's significant subsidiaries for which it maintains a 100 percent equity ownership. Additional subsidiary details can be found in BSF's annual reports.

The Bank's significant subsidiaries:

- Sakan real estate financing. Saudi Arabia.
- Saudi Fransi for Finance Leasing. Saudi Arabia.
- Saudi Fransi Insurance Agency. Saudi Arabia.
- Saudi Fransi Capital. Saudi Arabia



Long-term Ratings

S&P: **BBB+**

Moody's: **A1**

Fitch: **BBB+**

BSF AT A GLANCE

86
Branches



1,141,774
Personal Banking
Customers



**SAR 7.2
billion**
Total Operating Income



**SAR 142
billion**
Customer deposits



2,625
Employees



**SAR 3.50
billion**
Net Income After Zakat
and Income Tax



**SAR 215.8
billion**
Total Assets



**SAR 147.8
billion**
Loans and Advances



179%
Liquidity coverage ratio



SUSTAINABILITY AT BSF

BSF acknowledges the crucial part it can play in advancing sustainable development. As a leading institution in the financial sector, the Bank has the potential to drive and hasten a more sustainable economy that addresses the needs of all, while providing new solutions to key issues. By setting an example, BSF aims to illustrate a new approach to business through sustainable financing options supported by partnerships, creativity, and trust.

During 2021, some key areas the Bank focused its efforts to improve its overall sustainability performance included:

- Developing an ESG Policy Framework to present BSF's position and policies on the key ESG/ sustainability issues relevant to its business and stakeholders, as well as to describe BSF's commitments towards being a responsible Bank, lender, and investor. The ESG Policy is used to guide the Bank's ESG approach.
- Reviewing the expectations of key ESG rating agencies, including Morgan Stanley Capital International (MSCI), Sustainalytics, S&P Global, and ESG Invest, with the aim to better understand how the Bank can improve its sustainability-related practices.
- Developing robust and effective sustainability-related governance, both at the Board and Management levels, to help focus BSF's sustainability efforts, create accountability, and achieve its sustainability-related goals.



MATERIALITY MATRIX

The most important sustainability-related issues at BSF are those that can have a significant impact on its strategic objectives and are considered critical to its stakeholders. BSF's materiality matrix is grounded in the materiality assessment. This exercise included conducting regional and international peer benchmarking exercises and reviewing BSF's alignment with the Saudi Vision 2030, GRI's sustainability standards, the sector-specific sustainability standards issued by (SASB), the UN Principles for Responsible Banking (PRB), the World Federation of Exchanges (WFE) ESG guidance, and the UN Sustainable Development Goals (SDGs).

Through the materiality assessment, we identified and categorized a total of 15 sustainability-related issues, which are displayed in the matrix below. Issues not categorized as 'Most Important' do not mean they are unimportant to BSF or that they are not being addressed. To ensure BSF continues to identify evolving and new sustainability-related issues, the Bank will periodically review its sustainability-related issues and their materiality. To identify the needs and expectations of its stakeholders, BSF fosters stakeholder relationships through regular engagements (e.g.: media campaigns, surveys, feedback forms, reporting, meetings, and events) and their expectations through BSF sustainability-related efforts and initiatives.



Most Important

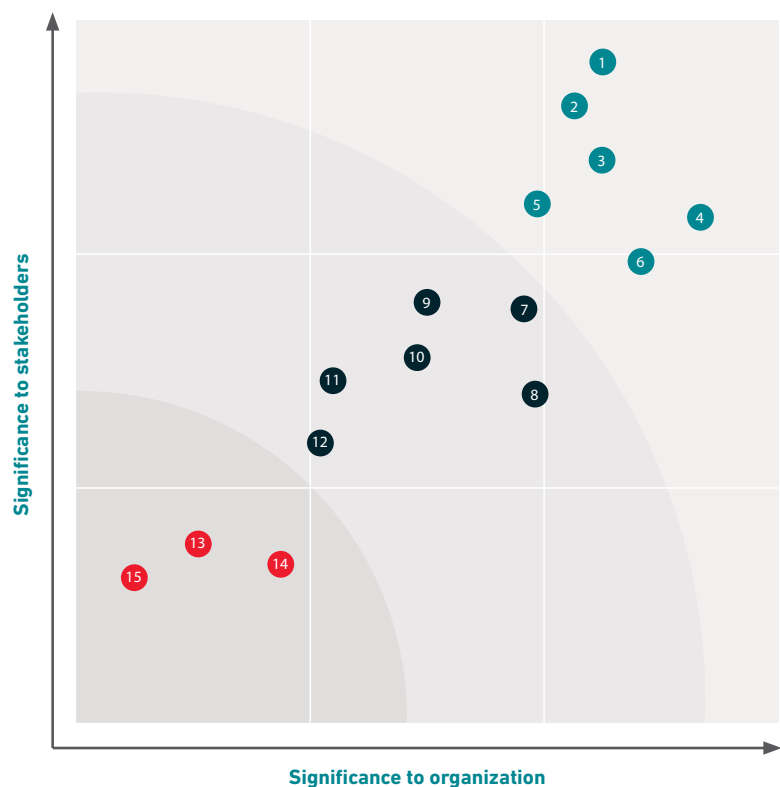
- 1 Governance, Accountability, Transparency and Ethics
- 2 Financial and Economic Performance
- 3 Risk Management
- 4 Responsible Customer Relations and Satisfaction
- 5 Data Privacy and Security
- 6 Financial Inclusion and Accessibility

Very Important

- 7 Digitalization
- 8 Employee Engagement, Wellbeing and Satisfaction
- 9 Diversity and Inclusion
- 10 Sustainable Lending and Investment
- 11 Talent Attraction, Retention and Development
- 12 Community Investment

Important

- 13 Nationalization
- 14 Environmental Management
- 15 Responsible Procurement



SUSTAINABILITY FRAMEWORK

BSF has created a Sustainability Framework ('Framework') to effectively focus its sustainability-related activities and strategies towards addressing the material issues identified by the Bank. The Framework revolves around five pillars and enables BSF to define what sustainability means for the Bank in alignment with BSF's mission and values. BSF will periodically review and enhance its Framework as necessary, ensuring it accurately reflects BSF's approach towards sustainability.



2021 SUSTAINABILITY HIGHLIGHTS



EXEMPLIFYING THE HIGHEST ETHICAL AND GOVERNANCE STANDARDS

- Over 95 percent attendance rate for all Board and Board committee meetings held during the year.
- Recognized for corporate governance excellence by receiving the Corporate Governance Index Excellence Award for companies listed on the Saudi Stock Exchange and the Best Corporate Governance Award in Financial Services in the Middle East
- Exceeded targets for both Liquidity Coverage Ratio and Capital Adequacy Ratio.
- 19.8 percent decrease in non-compliance associated financial penalties.
- Zero instances of data security breaches, a trend continuing for at least the past three years.



ACCELERATING SUSTAINABLE ECONOMIC GROWTH

- 6 percent increase in revenue from the Personal banking business line.
- 4.34 million payments processed, valued at SAR 2.12 billion, via the Ejar system since the program's inception.
- SAR 864,020 donated to charity through the Bank's loyal points program.
- 13.5 percent increase in financing provided to Micro, Small and Medium enterprises (MSME).
- Over 94 percent of total procurement spending on local suppliers.



SERVING OUR CLIENTS

- Over 96 percent of customer complaints resolved.
- 700 percent increase in the number of KIOSKS made available to customers.
- Over 28 percent increase in the number of digital financial transactions completed by customers.
- Co-founded and launched a Digital Engineering Apprenticeship Program, the first in the banking sector.



CREATING A THRIVING WORKPLACE

- Over 31 percent increase in the number of full-time female employees in middle management positions.
- Over 91 percent of the full-time workforce comprised Saudi Arabian nationals.
- An average of 12 hours of training provided to employees.
- 97 percent of all employees received an annual performance review.
- 100 percent of employee grievances were addressed or resolved.



PROTECTING OUR COMMUNITIES

- Improved capabilities to accurately capture annual energy consumption and calculate associated greenhouse gas emissions.
- SAR 2.5 million provided for community investment activities.
- 196 employee volunteering hours completed.

Highlight

We implement the highest standards of corporate governance, aligned with our core values and in line with Shariah principles. We aim to protect the rights of shareholders and stakeholders, and to achieve justice, competitiveness, and transparency. We are guided by a sound risk management framework and a three lines of defence approach to mitigate risks. We have zero tolerance for bribery, corruption, money laundering, and all forms of financial crime. We are committed to safeguarding our customers' personal data and privacy. We are honest with one another, even at the risk of temporary disharmony. It is never personal.

Material Issues Covered

Governance, Accountability, Transparency and Ethics.
Risk Management.
Data Privacy and Security.

Saudi National Vision 2030

A Thriving Economy

Sustainable Development Goals



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1

**EXEMPLIFYING THE
HIGHEST ETHICAL
AND GOVERNANCE
STANDARDS**

BOARD, BOARD COMMITTEES & KEY GOVERNANCE AREAS

Board of Directors

BSF's governance structure ensures accountability in our operations, in line with our mission and values. The Board of Directors (hereinafter referred to as 'Board') is elected by the General Assembly and maintains the broadest powers in managing the Bank after the general assembly. The members of the Board maintain an effective combination of experience and skills, as well as significant leadership capabilities, that are aligned with the Bank's business and strategy. Based on this knowledge, the Board establishes a purpose and strategy that enables the Bank to meet its sustainability objectives.

The Board's responsibilities include approving strategic objectives, risk strategy and corporate governance rules, supervising Senior Management, forming Board committees to assist with the discharge of its responsibilities, and other roles and responsibilities as defined in BSF's **Board of Directors Charter**. The Board **Nomination, Membership, Assessment and Succession Policy** transparently sets out the Bank's guidelines to the basic policies, standards, and procedures on the selection, appointment, assessment, and succession of Board members and Board Committee members.

According to the Policy, the Board must comprise 10 members and shall:

- Not exceed two Executive members.
- Must maintain at least four independent members, as defined by the Capital Market Authority (CMA) of Saudi Arabia, and at least two members or one-third of its members must also be independent, as defined by the Saudi Central Bank.



The process for selecting Board members is summarized below:

- Every three years, BSF posts an **announcement** on Tadawul that it is accepting applications for candidates to join BSF's Board and requests candidates to submit applications.
- The Nominations and Remunerations Committee (NRC) assesses candidates and ensures the Board's depth, diversity, and balance are sufficient. As outlined in the Board Nomination, Membership, Assessment and Succession Policy, Board members must possess the appropriate personal qualities, with a focus on honesty and integrity. They must also possess professional competence and various practical and administrative skills, including: leadership skills; the ability to exert independence; competence, as reflected through education, training, skills, desire to continue learning, and diversified professional experience; the technical and administrative capability to provide sound guidance; financial knowledge; and be in sufficient health to perform his/her duties and responsibilities.
- The NRC makes recommendations for potential Board members to BSF's shareholders, who vote on the Board candidates via an Ordinary General Assembly.
- The Tadawul website posts results. The General Assembly meeting minutes—including percentages of approvals, rejections, and abstains—are published under the **General Assembly page** on BSF's website.



Board members are elected for a three-year term and may be reappointed following their term through a re-nomination in the General Assembly. The Board's Chairman and Vice Chairman are elected by the Board—with the majority of the Board present—and also serve a three-year term. The Board in 2021 remained consistent with 2020. ; the new Board term will commence on January 1, 2022. The Board comprised 10 members: one Executive Member, four Non-Executive Members, and five Independent Members. Six Board meetings were held during the year with an attendance rate of approximately 95 percent.

Board of Directors	2019	2020	2021
Total number of board members	10	10	10
Total number of independent members	6	5	5
Total number of non-independent members	4	5	5
Total number of executive members	1	1	1
Total number of non-executive members	3	4	4
Total board seats occupied by men	10	10	10
Total board seats occupied by women	0	0	0
Percentage of Board seats occupied by women	0	0	0

The data for 2019 has been updated to reflect an enhanced calculation methodology.



The Board is committed to the full protection of all legitimate rights of shareholders without discrimination or bias. Policies and procedures put into place by the Board reflect this commitment, as well as the established processes for resolving any complaints or disputes that may arise between the Bank and its shareholders. Additional details are outlined in the Bank's [Shareholders Rights Policy](#).

The Board and its Board Committees must adhere to the following policies, which have been developed in accordance with legal and regulatory requirements, as well as best corporate governance practices. These include:

- The **Shareholders Rights Policy**, which establishes key principles and policies in relation to the protection and furtherance of all legitimate rights of BSF's shareholders.
- The **Code of Conduct Policy for Board and Board Committees' Members**, which establishes BSF's key ethical principles and policies for the Board.
- The **Standards for Determining Competing Business with Banque Saudi Fransi**, which includes the criteria for how Board members are considered to be engaged in competing business.
- The **Transparency and Disclosure Policy**, which establishes BSF's commitment to and requirements related to transparency and disclosure.
- The **Related Party Transactions Policy**, which establish ground rules ensuring that BSF's decisions in connection with related party transactions are entered into in the best interests of BSF, its shareholders and, where appropriate its customers
- The **Conflict of Interest Policy**, which establishes the guiding principles to identify and manage actual and potential conflicts of interest in BSF.

BSF defines an independent board member as per the definitions provide by the **Capital Market Authority (CMA)**. This can be defined as: a non-executive member of the Board who enjoys complete independence in his/her position and decisions and none of the independence affecting issues stipulated in Article 20 of the CMA's Corporate Governance Regulations apply to him/her.

The official mandates of independent Board members are stated in the **Board of Directors Charter** and include:

- Expressing his/her independent opinion in respect to strategic issues and the Bank's policies and performance and appointing members of the Executive Management.
- Ensuring that the interest of the Bank and its shareholders are taken into account and given priority in case of any conflicts of interest.
- Overseeing the development of the Bank's corporate governance rules, and monitoring the implementation of the rules by the Executive Management.
- Making every effort to attend all meetings in which important and material decisions affecting the position of the Bank are made.

To promote accountability and foster a culture of continuous improvement, BSF has established a robust evaluation mechanism for its governing body. This includes:

- Each Board member conducts an annual self-evaluation of their participation, commitment, attendance, and performance in fulfilling Board and committee responsibilities and duties.
- The Board conducts an annual evaluation of its own effectiveness, as well as the effectiveness of its committees, assessing the working procedures, skills, and experience of its members, and identifying strengths and weaknesses.
- Non-Executive Board members conduct an annual evaluation of the Chairman of the Board, in which they consider and discuss the opinions of the Executive Directors, without the presence of the Chairman.
- An independent organization conducts external third-party Board assessments at least once every three years, or as deemed necessary.

Board

The results of Board and Board committee assessments are provided to the NRC to analyse and address or submit improvement plans for action. Action plans may include a range of recommendations, such as specific training programs, committee nominations, or other types of relevant changes or actions. In 2021, BSF conducted a third-party Board and Board committee performance assessment, the results were shared with the NRC and Board, along with recommended enhancements.

Based on best practice and in compliance with the regulatory requirements, BSF believes in separation between the Board Chair and CEO and any other executive position in the Bank to avoid a centralized decision-making process. The CEO's authorities and responsibilities, as defined in BSF's Delegation of Authority Manual, ensure the Bank's performance is in accordance with the Bank's corporate strategy. The CEO's compensation is linked to metrics tracked by BSF, including financial metrics, such as percent completion of BSF's strategy and cost to income ratio; customer experience metrics, such as Net Promoter Score; people metrics, such as employee engagement score; and governance metrics, including percent of identified control issues closed out and the percent of retargeted high-risk issues. Should the Board decide a change of direction is needed, BSF maintains the appropriate policy to oversee a transition of the CEO leadership position.

Ordinary & Extra Ordinary General Assembly Meetings

BSF is responsive to its shareholders, incorporating them into key decision-making processes. The Board invites the Ordinary General Assembly to convene upon the request of the shareholders holding at least 5 percent of shares of the Bank's capital. These shareholders are entitled to add one or more items to the General Assembly agenda prepared by the Board. Ordinary General Assembly quorum is reached when shareholders representing at least 25 percent of Bank's capital are present; resolutions are issued by the absolute majority of shares present and represented at the meeting. Extra Ordinary General Assembly attendance quorum is reached when shareholders representing at least 50 percent of the Bank's capital are present; resolutions are issued by a two-thirds majority of the shares present and represented at the meeting.



Board Committees

In 2021, the number of Board committees remained the same as in 2020, with six committees in existence. Each Board committee maintained its own committee charter that outlines key responsibilities.

Board Committees	2019	2020	2021
Total number of Committee chairs	6	6	6
Total Committee chairs occupied by men	6	6	6
Total Committee chairs occupied by women	0	0	0

Audit Committee:

The Audit Committee (AC) assists the Board in fulfilling its oversight responsibilities as defined in the **Audit Committee Charter**. By the end of 2021, the AC comprised five members. The AC was chaired by an Independent Board member. Additional members included an Independent Board member and three members from outside the Board. Seven meetings were held during the year, with an attendance rate of approximately 97 percent.

Executive Committee:

The Executive Committee (EC) assists the Board in fulfilling its oversight responsibilities as defined in the **Executive Committee Charter**. By the end of 2021, the EC comprised four members. A Non-Executive member served as chair, and remaining members included one each of an Independent member, Non-Executive member, and Executive member. Six meetings were held during 2021 with a 100 percent attendance rate.

Nomination & Remuneration Committee:

The NRC assists the Board in fulfilling its oversight responsibilities as defined in the **Nomination and Remuneration Committee Charter**. By the end of 2021, the NRC comprised five members, including four Board members and one member from outside the Board. Of the four Board members, two are Independent Board members—one of whom served as chair—and two are Non-Executive members. Six meetings were held with an attendance rate of nearly 97 percent. Two policies approved by the General Assembly support the responsibilities overseen by the NRC. The **Board Nomination, Membership, Assessment, and Succession Policy**, and the **Remuneration and Compensation Policy for Board, Board Committees, and Senior Executives**, which ensures the aforementioned are fairly appointed and rewarded in line with the Bank's objectives and in accordance with the laws and regulations issued by the Saudi Central Bank (SAMA) and the CMA, respectively.

Board Risk Committee:

The Board Risk Committee (BRC) assists the Board in fulfilling its oversight responsibilities as defined in the **Board Risk Committee Charter**. By the end of 2021, the BRC comprised four members, one of whom was from outside the Board. The BRC was chaired by an Independent Board member and also included a Non-Executive Board member and an Independent Board member. Four meetings were held with an attendance rate of 100 percent.

The BRC comprises members from within and outside the Board with specific and technical expertise in different fields, such as cyber and technology risks, to assist the Board in fulfilling its oversight responsibilities related to all risk matters. To effectively oversee BSF's data privacy, information security, and new product and service activities, the BRC receives direct reports from BSF's Risk Management Committee, which receives direct reports from BSF's Information Security Governance Management Committee and BSF's New Activities and Products Management Committee, respectively.

Corporate Social Responsibility Committee:

The Corporate Social Responsibility Committee (CSRC) assists the Board in fulfilling its oversight responsibilities as defined in the **Corporate Social Responsibility Committee Charter**. By the end of 2021, the CSRC comprised three members, one of whom was an Independent Board member, one a Non-Executive Board member, and one Executive member. The CSRC was chaired by a Non-Executive Board member. During 2021, two meetings were held with a 100 percent attendance rate. The General Assembly-approved **Corporate Social Responsibility Policy** supports BSF's commitment to act in a manner that supports social goals and to adapt to changes, developments, and challenges faced by the Bank as a participant in society.

Board Strategy Committee:

The Board Strategy Committee (BSC) assists the Board in fulfilling its oversight responsibilities as defined in the **Board Strategy Committee Charter**. By the end of 2021, the BSC comprised five board members, including two Independent Board members, two Non-Executive Board member, and one Executive Board member. A Non-Executive Board member served as chair. Seven meetings were held with an attendance rate of more than 97 percent.

For more information on BSF's Board of Directors and its Board Committees, including the number of shares held by each director and executive, professional experience and qualifications, compensation, specific meeting attendance, and other relevant details, please refer to **BSF's 2021 Board of Directors' Report**.



97%

Attendance rate

Management Committees

BSF has a total of 16 management committees that are categorized into two levels. First level management committees include the CEO and only senior executives and have a direct reporting line to the Board or one of the Board Committees. Second level committees do not include the CEO and act as a sub-committee which reports to a first level management committee or to the CEO. There are nine first level management committees, with the remainder being second level. First level management committees include the following

Management Committee Name	Direct Reporting Line				
	AC	BRC	EC	BSC	NRC
Compliance Committee	✓				
Assets & Liability Management Committee		✓			
Risk Committee		✓			
Management Credit Committee			✓		
Investment Projects Committee			✓		
MSME Steering Committee			✓		
Treasury & Investment Committee			✓		
Strategy Steering Committee				✓	
Incentives Oversight Committee					✓

Corporate Governance

The Board-approved **Corporate Governance (CG) Manual** sets out the Bank's foundational governance framework of policies, procedures, systems, and controls. Key aims of the CG manual include regulating relationships between key stakeholders; promoting transparent and credible decision making; ensuring BSF complies with all applicable laws and regulations; and appropriately assigning responsibilities and accountabilities throughout the Bank. Regarding the Bank's sustainability-related governance, steady progress has been made in developing charters for both a Board-level and Management-level ESG Committee. By defining specific roles and responsibilities for each committee, the Bank intends to create the necessary structures and accountabilities to advance its sustainability ambitions. For 2022, plans have been established to convert the existing CSR Committee into an ESG Board Committee, as well as establish an ESG Management Committee and ESG function.

In recognition of the Bank's corporate governance practices, BSF was granted several awards throughout 2021. The Corporate Governance Index Excellence Award for companies listed on Tadawul, which assesses companies in terms of their compliance to governance rules, was granted to BSF for the second year in a row. The Best Corporate Governance Award in Financial Services in the Middle East, which recognizes outstanding leadership from Boards, was granted to BSF from the Ethical Boardroom.

RISK MANAGEMENT PRACTICES

BSF takes a proactive approach to risk management in order to enhance early detection of and resilience to materialized risks, with the goal of bolstering the long-term growth of the Bank. The Risk Management Group (RMG), led by our Chief Risk Officer, maintains an ISO 31000-aligned Risk Management Framework that establishes our approach to effectively managing risk within the Bank; reflecting the risk management principles issued by the Basel Committee for Banking Supervision (BCBS) regulations issued by SAMA.

Key elements include:

- Setting the Bank's risk appetite and tolerance levels.
- Establishing three lines of defence (i.e.: management, enterprise risk management, and internal audit).
- Structuring Board committees and Management committees to oversee all identified risks in BSF's risk taxonomy.
- Identifying and regularly monitoring key risk types, including credit, market, operational, fraud, money laundering, information security, business continuity, risk strategy, asset and liability management liquidity, Shariah, people, strategic, reputational, governance, and reporting.
- Maintaining and monitoring 125 key risk indicators across all areas of the Bank.

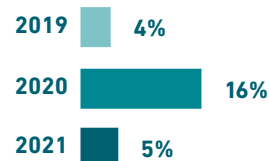


The organizational structure for the RMG incorporates dedicated departments to address specific types of risk. Such departments include Wholesale Credit Risk; Retail Credit Risk; Risk Strategy; Treasury and Financial Markets Risk; Operational Risk; and Business Continuity and Crisis Management. Each of these departments focused on various initiatives throughout 2021. For example, the Wholesale Credit Risk department focused on improving its operational efficiencies and reducing the costs of credit; the Risk Strategy Department focused on implementing Basel III requirements concerning regulatory capital calculations and capital planning; and the Business Continuity and Crisis Management department conducted a company-wide business impact assessment and completed its annual disaster recovery testing. Moreover, to enhance and reinforce the Bank's risk management practices, the RMG ensures appropriate risk-related training is provided to relevant employees. During 2021, 21 employees received 18 hours of training on how to become an effective risk practitioner.

Another key component of our risk management practices is ensuring the independence, objectivity, fairness, and effectiveness of the Bank's external audits of our financial statements. To this end, the Bank maintained a low non-audit fee of 5 percent in 2021. During 2020, our audit fees were unusually high due to fees paid to our external auditors related to our Sukuk issuance.

Non-Audit Fees

Non-audit fees received by the audit firm as a percentage of total fees*



*excludes VAT

Lending - Institutional Credit and Risk Management

Guided by the Bank's Credit Risk Policy, BSF's lending processes incorporate best practices, adhere to regulatory guidelines (e.g.: large exposures, related parties, management of problem loans), and address multiple stakeholder expectations. Depending on the extent of credit requested from the Bank's business lines, a range of credit committees can approve these requests and our Credit Risk Department provides independent opinions on all credit requests. During 2021, we reviewed and updated our risk rating standards to enhance the Bank's approach towards appropriately categorizing loans.

To ensure the Bank can meet its financial obligations, withstand financial shocks, and maintain its financial soundness, key financial metrics are consistently monitored throughout the year. During 2021, the Bank had a Basel III Common Equity Tier 1 ratio—a primary measure of Bank's Solvency ratio, far in excess of minimum capital standards set for internationally active Systemically Important Banks—of 19.9 percent, above the 6 percent minimum Tier 1 ratio set by the Basel Accords. The Bank also maintained a liquidity cover ratio, used to measure the ability to meet short-term obligations, and a capital adequacy ratio, which measures risk-weight credit exposures, in excess of established targets for the year.

Key Financial Metrics

2021

Liquidity Coverage Ratio (%)
Capital Adequacy Ratio (%)
Basel III Common Equity Tier 1 (%)

179%
18.7%
19.94%

Conducting semi-annual stress tests helps the Bank to evaluate the impact of various scenarios on its business. These tests are submitted to SAMA for capital planning purposes and incorporate scenario analysis to assess changes in income, provisions, other comprehensive income, and risk weighted assets, all of which enable the Bank to calculate its capital and liquidity impacts over a three-year horizon. The Bank, under the direction of SAMA and the Board, also conducts ad-hoc stress tests as needed. Moreover, to assist the Bank in calculating market risk capital charges and to comply with the new Fundamental Review of the Trading Book (FRTB) rules, which were developed by the BCBS as part of Basel III, a new risk-related software was implemented during 2021.



Internal Audit

To help the Bank in accomplishing its objectives, the Internal Audit Group (IAG) provides independent and objective assurance that all governance systems, risk management practices, and internal controls are operating as intended. By regularly conducting a bank-wide universal risk assessment, which includes all BSF subsidiaries, key inherent risks and mitigating controls are identified, and residual risk ratings are developed for all auditable entities. This enables the IAG to prioritize internal audits on all high-risk auditable entities and develop an appropriate internal audit plan. Key areas of focus for the IAG when conducting internal audits include: anti-money laundering and counter-terrorist financing, compliance, prevention of corruption, safety, and security.

When testing the adequacy of the Bank's established internal controls, the IAG aims to evaluate the following:

- The reliability and integrity of information.
- The availability of approved policies and procedures.
- Compliance with policies, plans, procedures, laws, regulations, and contracts.
- Assets and interests of depositors and other stakeholders are safeguarded.
- Resources are used economically and efficiently.
- Established objectives and goals for operational activities and programs are being achieved.
- Reporting processes and mechanisms are effective and efficient.

By the end of 2021, the IAG completed 100% of its planned reviews and conducted 13 unplanned engagements related to internal investigations and developing technical reports. Two key ways the IAG improved its audit capabilities throughout the year included implementing a data analytics tool and automating certain audit processes.



COMPLIANCE

The Bank is committed to developing and adopting compliance policies and reducing non-compliance risks in order to protect its business and customers. BSF's Compliance Group leads these efforts, which include activating and enhancing compliance policies, fostering a compliance culture across the Bank, and ultimately ensuring the Bank complies with all applicable laws, regulations, and standards. It conducts a number of activities, including reviewing the quality of established compliance mechanisms; monitoring, investigating, and submitting suspicious activity reports to relevant authorities; overseeing the whistleblowing mechanism; keeping the Board, Audit Committee, and various management committees informed of compliance-related updates; serving as a resource for compliance advice, training, awareness, tools, and resources for business units; and developing annual compliance plans.

Throughout 2021, the Compliance Group undertook a detailed review of its roles and responsibilities, as well as an assessment of all existing BSF charters, policies, and procedures to ensure they accurately incorporated all relevant compliance requirements. The Compliance Group also carried out a rigorous exercise to ensure the Bank adequately implemented SAMA directions; which led to the development of a compliance risk register to ensure diligence of closing out any identified findings.



Key policies overseen by BSF's Compliance Group include:

- **Anti-Money Laundering and Counter-Terrorist Financing Policy**, which outlines BSF's policy for ensuring compliance with global and local laws, as well as SAMA and other regulatory requirements, to prevent illegal transactions or activities.
- **Global Sanctions Policy**, which establishes protocols for proper screening of transactions and customers in accordance with local and international sanctions requirements.
- **Anti-Bribery and Corruption (ABC) Policy**, which adheres to the United Nations Convention against Corruption signed by the Kingdom of Saudi Arabia on January 9, 2004, and ratified on April 29, 2013. The policy establishes the framework for preventing bribery and corruption across the Bank's operations/businesses.
- **Anti-Fraud Policy**, which outlines oversight and communication protocols to prevent fraud.
- **Whistleblowing Policy**, which provides a high-level strategy for BSF to manage whistleblowing incidents.
- **AML/CTF, and ABC Risk Assessment Policy**, which establishes a framework for assessing associated risks.
- **Code of Conduct**, which states the Bank's expectation for employees to adhere to the highest standards of ethical behaviour. All BSF employees are required to acknowledge the Code.

The Bank has a number of programs to support implementation of its compliance policies. For example, the Know Your Customer (KYC) Program ensures all customer information is well defined and verified. The Monitoring Customer Transactions Program monitors customer account activities to identify suspicious transactions. The Sanction Program screens customers and transactions against lists from local authorities and global organizations, such as the UN, the United States Office of Foreign Assets Control, and the European Union. The stress testing of our AML Program identifies and mitigates risks related to money laundering and terrorist financing.

Given its applicability to the financial sector, BSF takes a multi-faceted approach to addressing anti money laundering (AML) and combating the financing of terrorism (CTF) in the Bank. BSF and its Board of Directors are firmly committed to encouraging the highest possible standards regarding AML and CTF. BSF complies with all applicable AML/CTF laws and regulations and is building a well-defined program that ensures BSF and its affiliates do not engage in, or are used by others in connection with, money laundering or terrorism financing activities.

Training and awareness are one of the fundamental tools to develop a robust compliance culture, including around AML/CTF. BSF uses several channels that provide training and awareness, such as e-learning platforms, classroom programs, and information sharing through SMS, the BSF intranet, email, and social media. Per SAMA requirements, AML/CTF and anti-fraud training is provided across BSF, including to the Board and Senior Management. During 2021, the Board and employees received a AML/CTF training on topics such as anti-fraud awareness, financial crimes, anti-bribery and corruption, and compliance. The Bank also maintains an anti-fraud function, which conducts fraud risk assessments on new products and services prior to their launch to ensure sufficient anti-fraud controls exist.

Training Area	Number of Attendees	Training Hours
AML/CTF: Seniors employees	18	6
AML/CTF: All employees	2,720	6
Anti-Fraud Awareness	2,281	6
Anti-Bribery & Corruption	1,942	6
Financial Crime	1,933	6
Compliance Induction	2,720	6

Compliance

Whistleblowing & Non-Compliance

BSF aims to ensure that all employees and stakeholders feel supported in speaking up in confidence and reporting suspected matters, such as unethical behaviour or inappropriate conduct within the Bank. BSF maintains systems in both Arabic and English that are always available (twenty-four hours a day, seven days a week) for reporting of misconduct. Individuals can anonymously report through the Bank's whistleblowing hotline (011) 289-1133 or online whistleblowing form and are legally protected against any form of retaliation, per the Bank's Whistleblowing Policy.

It's important to note that in 2021, the financial penalties were estimated to represent a negligible 0.08 percent of our overall operating income, which resulted in a 19.8 percent decrease in the associated financial penalties compared to 2020. Nearly 59 percent of financial penalties were a result of violations of SAMA's supervisory instructions, while the remainder were a result of violations of SAMA's instructions for protecting customers. BSF has taken steps to enhance oversight and put into place procedures to support compliance with regulatory authorities in the future. In 2021, BSF had no fines associated with violations of SAMA's instructions regarding the performance of ATMs and point-of-sale devices or due diligence combating money laundering and financing terrorism.

Total amount of associated financial penalties (SAR)



19.8%

Decrease in associated
financial penalties

DATA PRIVACY & SECURITY

BSF is committed to maintaining the highest standards of cybersecurity for all assets and information. Data protection and information security is a priority for BSF's Board in managing risks to its business and upholding trust and the Bank's reputation with its customers. The Information Security Governance Management Committee oversees all cybersecurity practices at the Bank and reports directly to the Risk Management Committee, which has a direct reporting line to the Board Risk Committee to ensure leadership remains apprised of cybersecurity risks and associated mitigation practices.

The Committee's mandate, approved by BSF's Board, is to:

- Maintain a positive security posture through the enforcement of security policies and prompting of security awareness.
- Ensure secure business operations by providing strategic risk-based direction for the protection of BSF information assets.
- Ensure proper alignment of information security with the Bank's mission and business objectives.

The Corporate Information Security Division (CISD), headed by the Chief Information Security Officer, supports the Bank in fulfilling its cybersecurity vision and develops all associated strategies and programs to be implemented. The Bank's cybersecurity strategy is reviewed and approved by the Board and all cybersecurity programs comply with ISO/IEC 27001 standards, a set of globally recognized standards for information security management systems, and Payment Card Industry Data Security (PCI DSS) standards, another set of globally recognized standards for maintaining a secure environment when accepting, processing, storing and/or transmitting credit card information. To reinforce the Bank's cybersecurity practices, awareness programs for both employees and customers are regularly conducted, which use multiple communication channels to explain appropriate behaviours for the safe and secure use of information. Regular training is also provided to CISD employees to ensure all cybersecurity practices are appropriately implemented, which includes a two-year cyber development program. During 2021, 265 employees received training on data privacy and cybersecurity.

Two key functions within the CISD include the Security Operations Center and Cybersecurity Information Security Assurance (ISA). The Security Operations Center, which operates twenty-four hours a day and seven days a week, is tasked with monitoring, assessing, and addressing security-related data activities within the Bank's enterprise information systems, as well as assessing the security posture for all identified critical assets. The Cybersecurity ISA is tasked with overseeing all internal and external vulnerability assessments conducted on the Bank's information technology infrastructure.



Additional ways the Bank strives to uphold the highest standards of cybersecurity include participating in a cybersecurity committee for the banking industry, addressing any findings from periodic internal audits and regulatory inspections, and appropriately managing third-parties that have access to the Bank's data. The CISO is a member of the Banking Committee on Information Security (BCIS), which is managed by SAMA and used for exchanging cybersecurity information and expertise. All cybersecurity practices at the Bank are subject to annual internal audits and inspections from SAMA, both of which test the sufficiency of established cybersecurity controls and highlight areas for improvement. Due diligence is conducted on all potential third-party vendors with whom data will be shared with, in order to ensure they can comply with all relevant internal policies and regulatory requirements. Specific information security clauses are included in the contracts with these vendors and all must sign a Non-Disclosure Agreement. Moreover, periodic risk assessments are conducted on these vendors to ensure they continue to comply with all relevant internal policies and regulatory requirements.

As detailed in the Bank's **Privacy Statement**, it is committed to respecting customer privacy rights and keeping all information in a strictly confidential manner. All information collected from our customers is obtained through lawful and transparent means, which helps the Bank to appropriately offer BSF products and services, execute contractual obligations, and comply with all relevant regulatory requirements. Specific policies and procedures are maintained by the CISO to appropriately record and manage all customer information, as well as to notify customers in accordance with SAMA requirements in the event of a data breach. During 2021, and continuing a trend for the past three years, there were zero instances of a data security breach.

Data Privacy & Information Security	2019	2020	2021
Number of data security breaches	0	0	0
Number of data security breaches involving customers' personally identifiable information	0	0	0
Percentage of data security breaches involving customers' personally identifiable information	0	0	0

**0%**

Data security breaches

02

ACCELERATING SUSTAINABLE ECONOMIC GROWTH

We are contributors to the economic vitality of Saudi Arabia. We aim for sustainable financial growth and investments by diversifying our sources of income, while maintaining low costs and high operating efficiency. We seek to apply ESG criteria in our lending and investment activities. We ensure that our procurement processes are carried out in a responsible manner that strengthens the economy and promotes the welfare of the community. We think long-term in our decisions, but we make them quickly and have a bias towards action.

Material Issues Covered

Financial and Economic Performance.
Sustainable Lending and Investment.
Responsible Procurement.

Saudi National Vision 2030

A Vibrant Society
A Thriving Economy
Ambitious Nation

Sustainable Development Goals



FINANCIAL & ECONOMIC PERFORMANCE

BSF's financial performance remained strong in 2021. The Bank's revenue grew by SAR 143 million, or 2 percent, during the year to SAR 7.2 billion. Revenue from the Investment Banking and Brokerage business line grew by 27 percent, Wholesale Banking revenue increased by 1 percent, and Personal Banking grew by 6 percent. Revenue from the Bank's Treasury business line experienced a 4.8 percent decline as compared to 2020.

Revenue	2019	2020	2021
Revenues by business segment			
Personal Banking (SAR Million)	1,885	1,811	1,923
Wholesale Banking (SAR Million)	3,060	2,926	2,947
Treasury (SAR Million)	1,634	1,946	1,859
Investment Banking & Brokerage (SAR Million)	294	362	459
Revenues by geography			
Saudi Arabia (SAR Million)	6,873	7,045	7,188



The Global Markets Group manages the Bank's investment portfolio and is guided by the Treasury Investment Policy. The purpose of this policy is to maximize the Bank's returns by appropriately and efficiently deploying capital and liquid resources, while ensuring the Bank adheres to regulatory liquidity ratios. To enhance this policy from an ESG perspective, a third-party review was conducted and we subsequently incorporated ESG sector analysis and issuer's ESG rating factors into the defined investment due diligence processes. In the future, additional ESG considerations will be incorporated, including assessment of identified ESG-related allegations and controversies that may hamper an issuer to meet its financial obligations.

Economic

FACILITATING SUSTAINABLE GROWTH

BSF aims to help its customers achieve their financial goals while supporting both national and international sustainability-related ambitions, including Vision 2030 and the UN SDGs. By leveraging its place in the financial sector, BSF strives to promote sustainable growth and increase its sustainable banking product offerings.

Personal Banking

Our Personal Banking Group maintains a comprehensive range of products and services to help its customers with managing financial priorities, including purchasing a home, managing household needs, raising a family, education planning, and retirement planning. The Bank also offers a range of card and payment options to meet a broad range of customer needs. BSF-issued debit, credit, and prepaid cards allow all eligible customers to make purchases through electronic payments. Payroll cards allow underserved segments to receive their salaries and conduct purchases using a secure payment method rather than cash. Prepaid cards enable small businesses not served or targeted by banks to have access to payment methods. And remittance services are made available through Western Union to instantly transfer money to family members.

During 2021, the Bank played a pivotal role in transforming the housing rental landscape by providing solutions to automate payments via the Ejar platform. The initiative, a major component of the 'Housing Program' under Vision 2030, supports transparency of rental terms and agreements, minimizes unscrupulous payments, eliminates tenants getting extorted by owners, and ends payment delinquency by tenants. As of December 31, 2021, the Bank had processed more than 4.34 million payments worth SAR 2.12 billion for Ejar since the inception of the program. BSF also offered programs subsidized by the Kingdom's Real Estate Development Fund to increase home ownership in Saudi Arabia. As part of this effort, the Bank offered various mortgage products to drive sustainable momentum in real estate ownership.

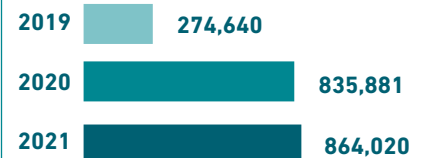
BSF also aims to support customer aspirations regarding specific social causes; offering them the option to redeem loyalty points towards charities with which the Bank has partnered for this purpose. In 2021, BSF customers donated 70,011,200 loyalty points to charity, valued at SAR 864,020 and representing a 3.4 percent increase as compared to 2020.

Charity Donations

Number of loyalty points donated to charity



Total value of loyalty points donated to charity (SAR)



The data for 2019, 2020 and 2021 has been updated to reflect an enhanced calculation methodology.



3.4%

Increase in charity donations

Wholesale Banking

During the year, BSF restructured its Government Institutions Department (GID) with a new operating model to expand its role and focus more on cross-selling and referrals to other business lines. This contributed to significant increases in revenue and a 560 percent growth in shadow revenue due to cross-selling. BSF also established, renewed, or continued its partnerships with multiple government bodies, in support of Vision 2030, which included:

- Collaborated with the Ministry of Finance on its Sustainability Support Program.
- Established partnerships with the National Development Fund, Tourism Development Fund, Cultural Development Fund, Jeddah Airports Company, Mudad Company, Social Development Bank, and Saudi Power Procurement Company.
- Signed Agreements with the Agriculture Development Fund, General Entertainment Authority, Tourism Development Fund, Cultural Development Fund, and King Salman Humanitarian Center.

To streamline services and provide greater depth, the Bank undertook efforts to enhance specific management structures. The Bank launched a new Wholesale Banking Group structure to better address customers' distinct requirements, established a Business Governance Unit, and onboarded a Head of Global Transactions Solutions, Head of Liquidity Cash Management, and Head of Trade Finance and Supply Chain. The Bank also initiated a streamlined credit process through its Corporate Credit Transformation and kicked off the Integrated Corporate Portal. These steps contributed to:

- 11 percent growth in the Bank's asset book.
- 12 percent growth in net loans and advances.
- 22 percent increase in cross-sell across the Bank.
- 79 percent increase in point-of-sale terminals to 76,000 (versus the market's 40.5% growth).
- 17 percent increase in corporate deposits.
- 16.1 percent improvement in market share of Letter of Credit issuance business.
- 83 percent growth in digital transactions.

Wholesale Customers	2019	2020	2021
Total number of Wholesale banking customers	6,903	6,209	6,124
Total number of MSME customers	3,672	3,546	2,616
Total value* of Wholesale banking loan portfolio (SAR Millions)	103,245	102,507	114,226
Micro	308	499	80
Small	1,238	2,316	3,423
Medium	6,292	10,694	11,823
Commercial	89,667	88,998	98,900

*Spot balance

Micro, Small, and Medium Enterprises (MSME)

Products and services are designed and offered specifically for MSMEs as a driver of sustainable economic growth in Saudi Arabia. The Bank's activities are aligned with the Small and Medium Enterprise General Authority ("Monsha'at"), which supports, develops, and nurtures MSMEs throughout the Kingdom. In 2021, BSF signed several agreements with Monsha'at, including:

- **Funding Gate:** BSF has actively used the referral portal for MSMEs to expand its reach to MSMEs and complement in-person sales efforts.
- **Franchise Financing:** BSF allocated an envelope to support entities operating under franchise agreements.
- **Financial Awareness:** BSF has actively participated in many workshops arranged by Monsha'at, local Chambers of Commerce, as well as other government bodies to advance financial awareness throughout the MSME sector. Moreover, the bank has used its social media platforms to develop financial awareness among MSMEs.

Loans to Small Business and to Promote Community Development	2019	2020	2021	Target
Number of outstanding loans qualified to programs designed to promote small business and community development	82	106	135	132
Value of outstanding loans qualified to programs designed to promote small business and community development (SAR Millions)	186	325	373	406

The Bank also developed business through the Monsha'at Financing Guarantee Program ("Kafalah") to support financing in the MSME sector. While the total number of MSME clients reduced in 2021 by 26.2 percent as compared to 2020, which was mostly due to account clean-ups, the overall financing allocated to these MSME customers increased by 12.8 percent. In addition, the Bank had 135 outstanding loans designed to promote small business and community development valued at SAR 373 millions during 2021, a 27 percent and 13.8 percent increase, respectively, from 2020 due to increased efforts to leverage Kafalah. During the year, the Bank also accommodated select loan restructuring requests from MSME's to lessen the impact of COVID-19 on businesses, and offered an online application that is capable of accepting contactless payments to support MSMEs and retail businesses.

Growth

Islamic Banking

Islamic banking promotes responsible investment by emphasizing proper risk sharing and screening unethical sectors from financing. It not only provides a viable alternative to traditional banking, but it also aligns with investors and businesses' ethical values. Islamic banking promotes economic growth while upholding moral and social considerations.

BSF promotes Islamic Banking products across its branches and digital channels. Awareness campaigns were launched to provide information on these products, including customer eligibility and the benefits of each product category. BSF's Shariah Committee—composed of four members and governed by the Shariah Committee Charter—supervises the compliance with Shariah rules and principles and their application in the Bank. BSF draws on the Shariah Committee to issue Fatwas and any general guidance related to Shariah. In addition, BSF leverages Amanie Advisors—global Islamic financial advisors—to ensure new products are Shariah compliant, as well as to support the creation of the policies and procedures used by the Shariah Division.

The Shariah Review Bureau at Bahrain was engaged to perform Shariah audits for BSF's Islamic transactions. The Bank quickly addressed and resolved all non-compliant transactions identified through the latest Shariah audits in 2021. Moreover, to further promote and support compliance efforts with Islamic banking in 2021, the Bank provided training on Shariah banking principles; Islamic banking products; client facilitation and account administration; and Islamic finance.

Training Area	Number of Attendees	Training Hours
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Intro to Islamic Banking	2,371	6
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When calculating Zakat, the Bank complies with the Zakat, Tax, and Customs Authority (ZATCA), the authority entitled to collect Zakat in the Kingdom of Saudi Arabia. Per the proportional method outlined by ZATCA, BSF's Zakat payment in 2021 was SAR 395.7 million, which is used by the Kingdom to support a range of social welfare programs in the country.

Shariah Committee	2019	2020	2021
Zakat payment	316,722,796	383,661,666	395,661,753
Number of Shariah Committee members	3	3	4



12.8%
Overall financing increased

Responsible Procurement

BSF is committed to implementing responsible procurement practices that comply with the Kingdom's labour regulations and other requirements. The Procurement Division carefully reviews all suppliers to determine Saudization rates, compliance with the laws and regulations issued by the General Organization for Social Insurance (GOSI), or any other applicable requirements. In 2021, 100 percent of suppliers formally certified their compliance with BSF's Supplier Code of Conduct and there were zero instances of a supplier breaching the Code.

Overall, procurement spending decreased by approximately 4 percent from 2020 to 2021, as ongoing projects leveraged prior year payments. The percentage of procurement spending on local suppliers decreased by approximately 1.5 percent and in total, accounted for 94 percent of total procurement spending. Local suppliers also accounted for 77 percent of BSF's suppliers in 2021.

Procurement	2019	2020	2021
Total procurement spending on local suppliers (SAR)	593,153,990	764,388,221	720,214,504
Total procurement spending (SAR)	623,682,403	799,814,705	765,829,715
Percentage of spending on local suppliers (%)	95.1%	95.57%	94.04%
Total number of suppliers engaged	620	591	560
Total number of local suppliers engaged	480	462	430
Percentage of suppliers that have formally certified their compliance with BSF's Supplier Code of Conduct	100	100	100
Number of suppliers blacklisted	-	6	8

The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.



Procurement trainings were administered to relevant staff to support compliant and strategic procurement practices. Course topics included negotiation skills and strategic vendor selection and management. 87 staff completed a total of 78 hours of virtual procurement training during the year.

Training Area	Number of Attendees	Training Hours
Negotiation Skills	76	18
Strategic Procurement Master	7	30
Strategic Procurement Master – Advanced Diploma in Strategic Sourcing and Category Management	4	30

Customer experience and satisfaction is an utmost priority. We always put the needs of our people, customers, shareholders and society ahead of our own personal agenda. We implement innovative technology to offer customers sustainable products and services that exceed their expectations. All our products and services are easily accessible nationwide. We contribute to raising the financial literacy of our stakeholders, enabling them to make better informed decisions. Our aim is to create long-term relationships with our customers based on loyalty, quality of service and innovative customized solutions.

Material Issues Covered

Responsible Customer Relations and Satisfaction.
Digitalization.

Financial Inclusion and Accessibility.

Saudi National Vision 2030

A Vibrant Society

A Thriving Economy

Sustainable Development Goals



03

**SERVING OUR
CLIENTS**

RESPONSIBLE CUSTOMER ENGAGEMENT

We value our customers and are committed to engaging with them to solicit feedback, identify trends and issues, and resolve matters quickly. Leadership at BSF prioritizes customer satisfaction across business lines and closely tracks customer engagement metrics.

The Bank's dedicated Consumer Protection and Customer Complaint Division (CPCCD) receives and manages all customer complaints. CPCCD is required to submit statistical information related to complaints to BSF's CEO, to whom the Division reports, and share regular progress reports towards KPIs to the Board and Senior Management, as per SAMA regulations. CPCCD provides oversight and quality assurance to all business lines and support functions to ensure adherence to principles of consumer protection; reviews logs to ensure resolution of all customer complaints within the time frame required by SAMA; and takes the necessary actions to address the root causes of the complaint as required.

CPCCD is independently monitored by BSF's Compliance, Internal Audit, Risk Management, and SAMA. CPCCD participates in a Customer Protection Committee with SAMA and other licensed banks in Saudi Arabia; engaging in information exchange and to enhance the future of the Bank's customer protection principles for fair and transparent banking.

Technology platforms are leveraged to manage customer complaints and relationships. Our Complaint Management System provides a holistic view on all registered complaints and has reporting and control mechanisms to effectively manage complaints and track data such as turnaround time, resolution validation, and root cause analysis. During 2021, the Bank implemented a Microsoft Dynamics Customer Relationship Management System to have clear visibility on customer activity, manage tasks (e.g.: customer follow ups), and track key data, among other functions.

In recognition of BSF's customer services, it received two awards during 2021. The J.P. Morgan US Dollar Clearing Elite Quality Recognition Award, which recognizes superior transaction processing, as well as the Wells Fargo Operational Excellence Award, which recognizes superior operational excellence with customers.



BSF's **Consumer Protection and Customer Complaints Policy** states:

“BSF and its Board of Directors are firmly committed to BSF maintaining high standards, ensuring that customers are dealt with fairly and honestly, and implementing an effective framework for the management, oversight of complaints resolution, and promoting an organization structure that values complaints as a tool for continuous improvement. The Bank is also committed to resolving all complaints in a timely and fair manner and rectifying process weaknesses, which adversely affect the service delivery to customers or other third parties.”

Customer Credit Risk Analysis & Information Sharing

BSF believes in protecting its customers from predatory financial practices and engagements that are not transparent or in their best interest. The Bank adheres to multiple SAMA regulations for responsible lending that account for credit history, employment, and lending ratios, among other rules, as well as qualitative guidelines. As a key component of its engagement strategy, the Bank believes in sharing communications that inform its customers with accurate and comprehensive information to inform their choices. BSF adheres to the regulations set by SAMA in its Banking Consumer Protection Principles-Advertising and Marketing Communications Article 10. Key elements include, but are not limited to, the below:

- Advertising issued by banks will not be deceptive or misleading and will not exaggerate the advantages of a product or service. All text and numbers will be clearly visible and understandable with a legible font size, including footnotes.
- Where a bank advertises or promotes any product or service that requires a consumer to pay a fee, it should include specific disclosures, including the Bank's name, logo and contact details; the name of the product and the annual percentage rate of the product should be clear for the consumer; and the amount of all fees and commissions relating to the use of the service or product.
- A bank should ensure that an advertisement or promotional material that offers introductory low-cost fees, charges, or pricing, clearly states the expiry date of such an offer.
- A bank should provide a designated area in each branch for consumers to review and complete opening of accounts and to display brochures and forms for consumers.
- Consumers have the right to receive short SMS messages or promotional material for services and products provided by a bank and the bank should obtain prior written or electronic approval of the consumer.

The Bank also adheres to **SAMA's Regulation for Issuance and Operations of Credit and Charge Cards**. Key elements include, but are not limited to, the below:

- The advertisement must disclose, in a manner that is clear to the Borrower, the name and Annual Percentage Rate of the advertised product and shall not include other rates, such as the Term Cost.
- The Creditor may not provide an advertisement that includes a false offer, statement, or claim expressed in terms that would directly or indirectly deceive or mislead the Borrower.
- The Creditor may not provide an advertisement that includes the unlawful use of a logo, a distinctive mark, or a counterfeit mark.



Customer Complaints & Satisfaction

BSF offers its customers a range of options to submit complaints and has established a timeframe of two to five days to respond to all complaints received. The range of channels offered to customers include:

- SAMACares.com
- FransiPlus & FransiMobile (web-based and mobile-based internet banking application)
- E-mail (CCC@Alfransi.com.sa)
- In-Person Branch Support
- FransiCare (form submission on corporate website)
- Customer Care Center
- Social Media
- Fax

In 2021, the total number of complaints received by BSF increased by 13 percent, mostly due to issues associated with our customer complaint platform. Following steps taken to increase CPCCD staff capacity, the response rate for Personal Banking client complaints and Wholesale Banking client complaints improved by 16.4 percent and 21.8 percent, respectively. During the year, BSF did not receive any legal and/or compliance-related inquiries or complaints.

Customer Complaints & Satisfaction

	2019	2020	2021
Total number of complaints received	19,647	24,464	27,650
Personal Banking	19,510	24,206	27,516
Wholesale Banking	137	258	134
Total number of complaints resolved	19,585	24,354	26,666
Personal Banking	19,448	24,097	26,531
Wholesale Banking	137	257	133
Customer Satisfaction (NPS)			
- Personal Banking – branch	61.8	71.7	77.3
- Personal Banking – priority customers	N/A	36.2	36.5
- Personal Banking – direct sales	N/A	67.7	69.6
- Wholesale Banking – Overall	N/A	55	64.3
SAMACare Customer Satisfaction (%)	-	-	72.32



16.4%

Response rate for client complaints improved

BSF's customer satisfaction policy provides a framework for engagements related to customer experience. Managed by our Customer Experience Division (CED), the framework highlights data analysis and information sharing to identify major pain points in the customer journey; ensures consistency and quality in customer experience operations; and measures progress against targets.

To track customer satisfaction, the Bank uses Net Promoter Scores (NPS)—a company loyalty metric and a key measure of customer experience. Through a process managed by CED, NPS is calculated based on customer responses to a survey question sent via SMS or email by BSF following a branch visit. Branch managers follow-up with survey respondents as applicable to ask more in-depth questions. In addition to this survey, BSF shares approximately 7,000 customer satisfaction surveys each month to priority customers to bolster customer satisfaction data. In 2021, BSF received a 63.7 percent NPS and a 72 percent customer satisfaction score based on SAMACare's satisfaction methodology.

The CED continuously strives to identify opportunities to improve customer satisfaction by making improvements to induction training for customer-facing employees, enhancing data collection and analysis, and implementing process efficiencies. Employees in customer-facing positions are regularly offered a variety of training courses to enhance customer satisfaction. These courses cover topics such as customer engagement, customer service, customer experience, and complaints handling based on ISO 10002 guidelines for complaints handling. During 2021, 131 staff participated in these trainings.

Training Area	Number of Attendees
Banker Associate – Customer Experience (CX)	23
Customer Engagement	7
Customer Service/Teller	71
Handling Negative Customer Feedback	30



72%

Customer satisfaction score
(based on SAMACare's
satisfaction methodology)

During 2021, SAMA introduced KPIs for consumer protection and customer complaints. The Bank took a number of steps to ensure it met the targets, including hiring a new Head of its CPCCD to lead on efforts to achieve the SAMA measures, increasing staff capacity to overcome workload challenges, and providing dedicated resources to identify the root causes of complaints. These efforts supported the Bank to exceed all of SAMA KPIs related to customer satisfaction, response quality, service-level agreement performance, and conduct by the end of the year.

Target	70%	97%	95%	10%
Quarter	Customer Satisfaction	Quality of response	SLA Performance	Conduct
Q1	59.93%	93.52%	88.70%	14.55%
Q2	68.80%	92.18%	74.37%	7.72%
Q3	71.08%	96.25%	93.80%	2.68%
Q4	89.47%	99.27%	99.90%	2.02%



PERSONAL BANKING

The Bank continuously strives to provide an excellent experience for its customers. Between 2020 and 2021, the total number of Personal banking customers grew by 5.2 percent, while the total value of BSF's personal banking loan portfolio grew by 18.2% during the same period, due to greater diversity of financing products and support provided by the Real Estate Development Fund. The total number of branches and ATMs remained relatively stable in 2021; however, the number of KIOSKS increased from 9 to 72—a 700 percent increase—between 2020 and 2021 as part of the broader Personal banking strategy to cover the majority of BSF branches to enhance Personal banking accessibility. KIOSK financial transactions increased by more than 1,294 percent due to greater availability.

Retail Customers

Total number of retail banking customers



The data for 2020 has been updated to reflect an enhanced calculation methodology.

Total value of retail banking loan portfolio (SAR Millions)



The data for 2020 has been updated to reflect an enhanced calculation methodology.



18.2%

Total value of the retail banking loan portfolio grew

BSF plans to enhance its personal banking performance in the future. For example, this will include initiatives to streamline the customer experience by increasing staff training and leveraging the use of technology to reduce customer wait times. Additional examples include addressing the results of branch audits; continuing to revise and update branch policies and procedures; and creating e-learning exams to ensure branch employees are sufficiently familiar with all branch policies and procedures.

Banking Network & Transactions	2019	2020	2021
Banking network (#)			
Number of Branches including Service Centres	88	88	86
Number of ATMs including cash deposit machines	569	563	551
Number of KIOSKs	0	9	72
Total Points of Sale	29,548	45,031	76,159
Non-financial transactions (#)			
Branch	794,321	459,658	632,241
ATM	25,468	5,655,219	5,341,025
KIOSK	1,765	9,945	153,582
Call centre	1,456,979	1,118,386	1,269,876
Digital	69,150	130,764	182,210
Financial transactions (#)			
Branch	2,488,970	1,662,019	1,659,391
ATM	23,940,832	16,232,975	15,179,065
KIOSK	92	169	2,356
Call centre	241,216	235,402	200,166
Digital	10,949,704	13,617,994	18,921,871

The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.

Personal

FINANCIAL INCLUSION & EDUCATION

As BSF continues to grow its business, it also recognizes its responsibility as a leader in the financial industry to ensure access to its services for all people in the Kingdom. The Bank has several branches in remote and underserved areas where residents can access in-person services. Alternatively, BSF's digital platforms facilitate access to its services for anyone with an internet connection, regardless of their location. To support women in accessing its in-person services, the Bank has dedicated waiting areas and employs women in several branches. In addition, facilities are equipped for persons with disabilities by providing wheelchair access, appropriate evacuation exits, and car park accommodations. ATMs and the Bank's website are accessible to visually impaired customers through voice support of written text.

Service Channels in Low Populated Areas¹

	2019	2020	2021
ATMs in low populated areas	4	4	4
KIOSKS in low populated areas	-	3	3

¹SAMA defines these areas (Zone 4) as rural areas which include villages and small towns with a population of less than 100,000.

BSF is committed to promoting financial inclusion. To this end, BSF offers multiple courses to its employees associated with financial literacy and education, including introductory courses to the banking industry, principles of banking, and Personal banking and mortgage loan fundamentals. In 2021, 305 employees participated in financial education and literacy courses, a 13 percent decrease as compared to 2019 due to the COVID-19 pandemic limiting the number attendees. BSF looks forward to growing participation to or exceeding pre-pandemic participant numbers.

Financial Education

Number of employee participants in financial education/ literacy initiatives



Inclusion

DIGITIZATION

Digitization is critical to BSF's strategy and core pillar of its vision to become 'The go-to Bank for Digital'. Guided by its overarching Digital Strategy, BSF aims to incorporate digital technologies, develop digital-related talent and capabilities, and identify smart ways of working to achieve its digitization goals.

In 2021, BSF undertook a number of initiatives to promote digitization. This included the launch of a Digital Engineering Apprenticeship Program—the first in the banking sector—in partnership with AstroLabs, which is building digital capabilities in the MENA Region. BSF strives to harness software engineering talents and skills with an interactive training experience that combines learning and application, culminating with a fintech project addressing a real-world problem. The six-month program regularly assesses participant progress and offers a mentorship component to complement the training.

BSF also ran a virtual hackathon in partnership with Fintech Galaxy and Oracle. Participants were given real-life situations and asked to develop an innovation to address the problem while promoting good behaviour and educating the customer. Two winners were selected to receive financial prizes from the three host companies.

Digital Banking	2019	2020	2021
Number of digitally active unique customers using FransiPlus (web-based banking application)	103,078	84,174	98,202
Number of digitally active unique customers using FransiMobile (mobile banking application)	155,055	165,831	314,765
Number of online transactions completed (FransiPlus)	4,510,638	4,281,118	4,412,294
Number of online transactions completed (FransiMobile)	6,439,066	9,336,876	14,509,577

The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.



04

CREATING A THRIVING WORKPLACE

We are committed to maintaining an outstanding workforce by attracting, training, and retaining talented individuals. Our employees undergo the necessary training to develop their full potential. We combat any form of discrimination to provide our employees with an inclusive, safe, and healthy work environment. We strive to make everything we do as simple as possible. We set our people up for success and then get out of their way. We only need to be asked once. We own it.

Material Issues Covered

Talent Attraction, Retention and Development.
Employee Engagement, Wellbeing and Satisfaction.
Diversity and Inclusion.
Nationalization.

Saudi National Vision 2030

A Vibrant Society
A Thriving Economy

Sustainable Development Goals



WORKFORCE

BSF is committed to its people, who are critical to the Bank in achieving its vision and strategic objectives and generating long-term value for stakeholders. As part of this commitment, the Bank strives for excellence in all areas that provide services and foster professionalism for its employees. By the end of 2021, the total number of employees in our workforce increased by two percent as compared to 2020. Full-time employees accounted for 81 percent of our workforce, while consultants and contractors comprised the remainder.

Employees between 31 and 50 years of age accounted for 71 percent of our full-time employees in 2021, followed by employees 18 to 30 years of age, who accounted for 24 percent. The age bracket of 51+ years comprised the remainder of all full-time employees. Male employees continued to make up the majority of BSF's workforce, accounting for 79 percent of full-time employees in 2021. However, the number of full-time female employees increased by 19 percent from 2020 to 2021 and accounted for 21 percent of the full-time workforce in 2021. Moreover, the number of women working in middle management positions increased by 31 percent as compared to 2020. This comes as a result of BSF's efforts to accelerate the hiring of female employees in middle management positions in 2021.

To appropriately guide BSF's workforce management practices, the Bank has developed a comprehensive Human Resources Policy that outlines multiple policies, procedures, and controlling laws, as well as policies related to the structure of BSF's Human Resources Group. Key areas include: organizational design, job description management, Saudization, manpower planning, recruitment, screening, employee orientation, learning and development, career management, succession planning, performance management, promotions, rewards and recognition, compensation and benefits, employee separation, leave management, employee relations, and business ethics, among others. For any significant organizational changes, the notice provided to the affected employees depends on the extent of changes to be made; all changes to employee roles require written consent.



Workforce	2019	2020	2021
Workforce size			
Total number of employees	3,216	3,149	3,222
Full-time employees	2,693	2,581	2,625
Part-time employees	0	0	0
Trainees and sponsored students	0	0	0
Total number of contractors and/or consultants	523	568	597
Full-time workforce by employment level			
Employees in senior management	21	20	20
Female	1	1	1
Male	20	19	19
Employees in middle management	627	634	663
Female	81	83	109
Male	546	551	554
Employee staff (other levels)	2,045	1,927	1,942
Female	378	382	443
Male	1,667	1,545	1,499
Full-time workforce by gender profile			
Female	460	466	553
Male	2,233	2,115	2,072
Full-time workforce by age profile			
Age 18-30	810	667	637
Age 31-50	1,752	1,784	1,861
Age 51+	131	130	127

The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.

BSF is expanding its workforce in-line with the demand to staff its branches and aims to attract and hire new employees at mostly the entry and junior levels. The total number of new employees hired from 2020 to 2021 increased by 165 percent; most of this increase was accounted for by new employees 18 to 30 years of age. For all open positions at the Bank throughout the year, 49 percent were filled from our existing pool of talented employees; which positively reflects the success of the Bank's training and development programs, as well as the strong preference for promoting employees when possible.

In 2021, the annual turnover rate remained below the 15 percent threshold established for turnover rates at the Bank. BSF continues to implement initiatives to support the collection and analysis of turnover data, with an aim to improve employee engagement activities to retain internal talent.

New Hires	2019	2020	2021
Percentage of positions filled by internal candidates	50%	79%	49%
New employee hires by gender			
Female (#)	129	56	176
Male (#)	220	112	269
Female employment rate (%)	37%	33%	40%
New employee hires by age (#)			
Age 18-30	176	72	261
Age 31-50	169	93	175
Age 51+	4	3	9

The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.



10%

Senior management positions
rose in foreign talent

Nationalization

Saudi nationals comprised nearly 92 percent of BSF's full-time employees by the end of 2021, remaining consistent with 2020. Given this workforce composition, our Human Resources policies and employee engagement practices are intrinsically tied to the human capital development and equal access ambitions outlined in the Kingdom's Vision 2030. Simultaneously, the Bank strives to attract foreign talent with skills that meet business needs, another Vision 2030 objective. Employees from countries outside of the Kingdom offer different perspectives and skills in roles throughout the Bank to positively contribute to its success. While the vast majority of senior management comprises Saudi nationals, foreign talent increased in senior management positions from 10 percent in 2020 to 15 percent in 2021.

Nationalization	2019	2020	2021
Number of nationals among total full-time employees	2,475	2,368	2,413
Number of nationalities among full-time employees	25	26	25
Full-time national employees by gender profile (#)			
Female	457	463	546
Male	2,018	1,905	1,867
Full-time national employees by position (%)			
Senior management	100%	90%	85%
Total workforce	91.90 %	91.75 %	91.92%

The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.

Succession Planning

To ensure BSF continues to progress towards its 5-year strategic plan and other targets without interruption, the Bank undertakes detailed succession planning. The **Board Nomination, Membership, Assessment, and Succession Policy** establishes the policies governing succession planning activities for BSF's Board and its committees.

BSF maintains a talent review process for Executive Management and critical roles as identified by SAMA. The process begins with reviewing the list of roles that require succession plans, after which a full talent review process is undertaken. This involves discussions with incumbents, performance reviews, talent pool identification, and ultimately, the identification of potential successors at various levels of readiness. Individual development plans (IDPs) are then set in alignment with the successor, their management, and the talent management team. All IDPs are subsequently monitored on a regular basis to ensure successors progress towards higher levels of readiness. The process was conducted for all identified positions in 2021.

BSF's "The Banker" program has successfully recruited approximately 20 Saudi Arabian national graduates each year since 2014. Each recruit must have a history of academic excellence, as well as complete a range of cognitive reasoning tests, display specific personality traits, and undergo panel interviews and group assessments. Successful candidates are given extensive academic and practical training within a structured framework. Graduates are recruited for a career in a specific area of banking, including treasury, operations, information technology, audit, accounting, and other areas. BSF's graduate intake is also expected to provide the Bank with its future leaders; all identified high performers will be proactively fast-tracked into management and leadership positions.

Nationalization

COMPENSATION & BENEFITS

The **Remuneration and Compensation Policy for Board, Board Committees and Senior Executives** guides the Bank's compensation practices for senior management positions and above. In accordance with this policy, a Board-approved long-term incentive plan called 'Thrive' has been established for all Executive and Senior Management. 'Thrive' is a restricted stock plan that awards BSF shares that vest after three years, subject to vesting conditions. The Bank also maintains a Bonus Deferral Policy for all Senior Executive and material risk takers, wherein the Bank reserves the right to take back all forms of variable compensation in the case of financial misstatements or fraud. In 2021, the Bank paid members of the Board and its Committees a total of approximately SAR 8 million in remuneration and sitting fees. The Bank also paid Shariah Committee members a total of approximately SAR 960,000 in remuneration, fees, and expenses.

Board Remuneration	2021
Board of Directors & Committees	
Sitting fees (SAR)	519,000
Remuneration (SAR)	7,530,000
Shariah Committee	
Remuneration, Fees and Expenses (SAR)	960,000



100%

Employees returned to work at the end of maternity and birth leave



BSF provides a range of benefits to attract and retain capable and high performing talent. For employees and their families, the Bank offers comprehensive medical insurance and life/disability insurance, childcare allowance for female employees, and child education assistance. In 2021, 100 percent of employees returned to work following the end of their maternity and birth leave. Additional benefits include savings plans with an employer match, mobile phones, and the option for senior management to avail a car.

Parental Leave	2019	2020	2021
Number of employees that took birth leave	95	57	75
Number of employees that took maternity leave	7	21	14
Number of employees who returned to work after birth leave ended	95	57	75
Number of employees who returned to work after maternity leave ended (return to work)	7	21	14
Total number of employees that returned to work after birth leave ended that were still employed 12 months after their return to work	95	57	75
Total number of employees that returned to work after maternity leave ended that were still employed 12 months after their return to work (retention)	7	21	14
Return to work rate	100%	100%	100%
Retention rate	100%	100%	100%

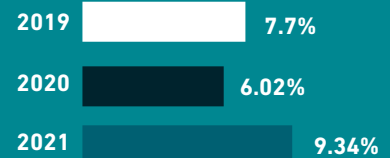
The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.



Employees in front-line sales roles with individual accountability or who lead a group of individual sales contributors are eligible for sales incentives. In 2021, almost 25 percent of remuneration was linked to the amount of products and services sold for relevant employees, including employees who fulfilled customer service, direct sales, relationship management, and branch manager roles.

Employee Remuneration

Median pay gap between male and female employees



The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.

The equation used is the "% difference". As indicated below:

$$= 100\% \times (\text{Median male compensation} - \text{Median female compensation}) / \text{Median male compensation}$$

Percentage of total remuneration that is variable and linked to the amounts of products and services sold, for the relevant employees.



Benefits

TRAINING & DEVELOPMENT

BSF places a high value on investing in its employees' training and development to support them in being equipped with the right skills and knowledge to fulfil their roles and responsibilities, as well as to reach their full potential. All employees receive professional development opportunities through high-quality internal and external resources. The Bank regularly assesses its business needs and those of its individual employees against the Bank's strategy in order to develop and update a variety of training and development programs. Simultaneously, BSF is guided by regulatory requirements and SAMA guidelines for specific jobs and levels that mandate specific annual training for Board members, management, and customer-facing employees. All training and development activities conducted during 2021 aligned with the Bank's 3-year Learning Strategy for 2020 to 2022, which incorporates eight learning principles to support the fulfilment of the Bank's aspirations.

As outlined in BSF's Human Resources Policy, employees are encouraged to meet the continuing professional development hours in accordance with their respective grades, position, and Saudi Arabian regulations. Employees can access training and development opportunities, including technical and behavioural skill courses, through the BSF Academy, which is responsible for and manages all learning and talent management activities for BSF. During 2021, employees completed an average of 12 hours of training. The BSF Academy also supports BSF subsidiaries, such as Saudi Fransi Capital and Saudi Fransi for Finance Leasing.

Training & Development	2019	2020	2021
Average hours training per employee			
Average training per employee	12.81	14.67	12
Male employees	12.81	12.89	12
Female employees	13.6	17.17	18
Senior management employees	12	30	24
Middle management employees	18	24	18
Non-management employees	18	12	12
Participation in specific training areas (number of employees)			
Compliance	3,504	2,894	2,720
AML/CTF	3,504	2,894	2,720
Health, Safety & well-being	250	0	159
Data privacy/ cybersecurity	1,873	19	265
Customer relationship management	21	45	196
Supplier engagement & management	15	0	19

The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology

Course offerings included mandatory annual training on BSF's Code of Conduct and consumer financial protection, as well as a range of other courses. BSF's Bankers Associate Program accelerates the careers of top performers by imparting professional, technical, and behavioural learning to a highly selective group recognized as future leaders at BSF. The Bank also collaborates with The Financial Academy, Saudi Industrial Fund, and local universities to expand its offerings.

Due to ongoing challenges related to the COVID-19 pandemic, many of the Bank's leadership training and development programs remained paused during 2021. However, BSF is fully invested in growing its internal talent and looks forward to scaling back up opportunities and being a frontrunner in leadership development. Board training did remain active during 2021, in part due to mandated Board training requirements from SAMA. Board members undergo annual training courses on areas relevant to the Bank's activities, in addition to specific trainings related to their duties and responsibilities as Board members. During 2021, this included training on anti-money laundering and counter terrorist financing – a training requirement from SAMA. To augment this training, the Bank's Anti-Fraud Division also provided a financial fraud crimes awareness presentation to Board members.

Performance Assessments

We believe performance assessments are integral in driving individual employee growth and success, as well as positively contributing towards the Bank's overall performance. To support a process of ongoing feedback between supervisors and employees, the Bank has established an annual and mandatory 2-cycle performance assessment process, which incorporates objectives and key results set at the beginning of each cycle. During 2021, 97 percent of full-time employees received a performance and career development review, consistent with the 2020 employee assessment percentage and representing an overall increase since 2019. The percentage of senior management employees receiving a review increased to 95 percent in 2021 as compared to the 90 percent recorded in 2020.

Performance Reviews	2019	2020	2021
Percentage of employees who received a performance and career development review	94.5%	97.1%	97%
Senior management employees	90%	90%	95%
Middle management employees	95%	95%	97%
Male employees	96%	97%	98%
Female employees	94%	97%	95%



97%

of full-time employees received a performance and career development review

EMPLOYEE ENGAGEMENT & SATISFACTION

BSF aims to foster a workplace in which people are fulfilled in their professional career and consider the Bank as an excellent place to work. The Bank closely tracks its Employee Net Promoter Score (eNPS) to measure impacts of employee engagement activities on satisfaction. The eNPS score improved by one point between 2020 and 2021 to 24, a 167 percent increase as compared to the 9 eNPS score recorded in 2019. The Bank aims to continue on a positive eNPS trajectory as it identifies opportunities to increase the work satisfaction of its employees and foster a positive workplace environment.

Employee Engagement & Satisfaction

Employee engagement (%)



The data for 2020 has been updated to reflect an enhanced calculation methodology.

Employee satisfaction score (eNPS)



To support data collection, BSF conducts an employee satisfaction survey twice per year. This process informs execution plans implemented by managers in their respective departments to address specific issues identified through the surveys. 76 percent of employees completed the surveys in 2021, which identified compensation and communication as key areas to be addressed by the Bank.

Simultaneously, the Bank undertook a number of employee engagement activities during 2021 to boost morale and demonstrate its commitment to its workforce, including those implemented under the bank-wide initiative "Testahil", or "You Deserve It", its wellness framework. These include recognition programs, allowances for marriage and schooling, subsidized gym memberships, sports activities, company Iftars, hosting family days, implementing casual work attire on Thursdays, and various team gatherings. Moreover, to continue promoting a safe working environment for employees, the Property Management and Security Division, which oversees all health and safety areas throughout the Bank, conducted employee evacuation drills and fire officer training. Although the total number of working hours increased by 19 percent in 2021 as compared to 2020, the Bank's employee absentee rate decreased significantly from 18 percent to 11 percent over the same period.

Employee Wellbeing	2019	2020	2021
Total work hours in a year (full-time employees)	4,764,488	4,873,288	5,799,600
Total number of missed workdays*	97,968	113,515	63,990
Employee absentee rate (%)	16%	18%	11%

*Missed workdays includes: sick leave, uncertified sick leave, injury sick leave, escort leave, local emergency leave, suspension leave, unauthorized leave, unpaid leave, eddah, Hajj leave and sports leave.

Discrimination & Grievances

BSF strives to create a harmonious, safe, and hostile-free work environment for its employees and strictly prohibits all forms of improper, unethical, or inappropriate conduct. A Behavioural Misconduct and Employee Grievances Policy is maintained that outlines all reporting mechanisms for employees to raise grievances and have them addressed promptly and fairly. As outlined in the policy, an employee who experiences or witnesses behavioural misconduct is asked to report such misconduct through our whistleblowing hotlines and channels. The misconduct is investigated, and all evidence is reviewed by the designated authorities within the Bank, which recommend disciplinary action as appropriate. BSF's Whistleblowing Policy protects those who report incidents against retaliation. The majority of employee grievances during 2021 related to annual performance reviews; of which 100 percent were addressed or resolved.

To promote the harmonious, safe, and hostile-free work environment the Bank strives to maintain, a Red Line Campaign was launched during 2021, which provides guidance on defining personal boundaries as they relate to anti-harassment policies. Proudly, the Bank received zero incidents of discrimination during 2021.



Grievances & Discrimination	2019	2020	2021
Number of grievances filed in the reporting period	25	11	13
Number of these grievance addressed or resolved	25	11	13
Number of performance grievances filed in the reporting period	2	11	13
Number of performance grievances addressed or resolved	2	11	13
Number of discrimination incidents	0	0	0

The data for 2019 and 2020 has been updated to reflect an enhanced calculation methodology.

We are committed to managing our environmental footprint supporting and adopting national and international efforts to preserve natural resources. We seek to contribute to the societal environmental benefits by implementing the latest technologies. Our culture of community investment and philanthropy aims to enhance the communities in which we operate. We seek to promote Nationalization to support Saudis in their career aspirations within the banking sector. We are a community that we defend and protect, always.

Material Issues Covered

Environmental Management.
Community Investment.

Saudi National Vision 2030

A Vibrant Society
A Thriving Economy
Ambitious Nation

Sustainable Development Goals



PROTECTING OUR COMMUNITIES

05

ENVIRONMENTAL MANAGEMENT

The Bank is committed to managing its environmental impacts and expects all employees to be conscious of consuming internal resources and appropriately using the Bank's facilities, as defined in BSF's CSR Policy. Commencing in 2016, the Bank continues to implement its Energy Management Program, which aims to ultimately optimize energy consumption throughout the Bank and reduce excess energy consumption where possible. In the past, the Bank has implemented a range of initiatives through its Energy Management Program, which included installing air conditioning timers, building management systems, LED lighting solutions, chiller cooling systems, and heat resistant glass. Overall, direct energy consumption has continued to gradually decline when compared to 2019. Indirect energy consumption, accounted for by the electricity consumed across the Bank's headquarters, branches, and ATMs, increased by 11.6 percent as compared to 2020, which mostly stems from the Bank's efforts to continuously improve the accuracy and coverage of reading its electricity meters.

Energy Consumption	2019	2020	2021
Direct Energy Consumption			
Petrol consumption from operations and vehicles (L)	60,654	55,686	56,554
Diesel consumption from operations and vehicles (L)	9,790	8,280	4,313
Indirect Energy Consumption			
Electricity consumption (kWh)	42,922,215	42,128,550	46,997,450



The majority of greenhouse gas (GHG) emissions produced by the Bank originates from its electricity consumption, which accounted for 73 percent of total Scope 1 and 2 GHG emissions in 2021. Refrigerant gas accounted for the remaining GHG emissions produced, which is used throughout the Bank's buildings for air conditioning and refrigeration purposes. Due to recent improvements in how the Bank collects and monitors its GHG emissions data, we are proud to disclose our GHG emissions for the first time. In the future, we aim to continue improving our GHG emissions data recording and monitoring capabilities, as well as developing strategies to reduce the Bank's GHG emissions.

The Property Management and Security Division (PMSD) oversees multiple policies that guide the Bank's overall resource consumption, including policies and procedures for the PMSD itself, as well as for maintenance, safety, and security. The PMSD also ensures the Bank complies with the standards established by the Saudi Standards, Metrology, and Quality Organization (SASO), which has established a range of environmental standards for the Kingdom. Moreover, the PMSD periodically collects and processes all paper consumed by the Bank's business lines.

GHG Emissions (tons of CO2eq)	2021
Direct GHG emissions (Scope 1)	9,985
Indirect GHG emissions (Scope 2)	26,695
Total GHG emissions	36,680
GHG emissions intensity (total tons of CO2eq / total employees)	11.38



COMMUNITY INVESTMENT

BSF is committed to supporting the communities where it operates, as well as contributing towards specific UN SDGs as identified in its Board-approved CSR strategy. In 2021, the Bank provided SAR 2.5 million towards community investment activities. BSF worked to rekindle initiatives that were paused during the COVID-19 pandemic and introduce new initiatives.

During the year, BSF:

- Sponsored a lab at Madac Schools in Al Madinah city related to the development of digital services for the financial sector.
- Undertook social projects, donating a total of 196 employee volunteer hours towards Ramadan Iftar initiatives and Alnahda student visits.
- Collaborated with King Faisal Specialized Hospital to set up blood donation locations, supporting donations from 150 individuals that helped 45 people.
- Provided various in-kind services in marketing and communications through a partnership with the GIFTZ Center, which facilitates cutting edge research and publication conducted by experts in the field of Islamic finance, tax, and Zakat, via the Shariah Fund.
- Donated to and participated in community sponsorships, in cooperation with BSF clients and the Kingdom's Ministry of Defense and King Salman Humanitarian Aid and Relief Center.

Community Investment

2021

Amount of community investment (SAR millions)	2.5
Total number of employee volunteering hours	196

United Nations Sustainable Development Goals Supported by BSF:

SDG 1 – No Poverty

SDG 3 – Good Health and Well-Being

SDG 4 – Quality Education

SDG 5 – Gender Equality

SDG 6 – Clean Water and Sanitation

SDG 7 – Affordable and Clean Energy

SDG 8 – Decent Work and economic growth

SDG 9 – Industry Innovation and Infrastructure

SDG 10 – Reduced Inequalities

SDG 11 – Sustainable cities and Communities

SDG 12 – Responsible Consumption and Production

SDG 13 – Climate Change

SDG 16 – Peace, Justice and Strong Institutions

APPENDIX

APPENDIX A: BSF STAKEHOLDERS

Stakeholder	Needs & Expectations	Methods of Engagement
Customers	- Open and simplified communication. - Friendly and responsive customer service. - Innovative and sustainable products and services. - Secure banking (data and information security) - Convenient access points.	- Social media channels, including Facebook and Twitter. - Complaints Handling Unit: FransiCare. - Customer Service Offices. - Customer Feedback forms. - FransiMobile application. - Online banking solution: FransiPlus. - Telephone banking service: FransiPhone. - Branches, including self service branches (FransiConnection). - Net Promoter Score (NPS)
Employees	- Career advancement. - Recognition and rewards. - Attractive benefits. - Timely payment of wages. - Safe working environment. - Fair and equal opportunities. - Open communication channels.	- Employee engagement surveys (ENPS). - BSF Ideal Wall: an employee engagement idea generating tool. - Bank sponsored, cross regional and employee driven events. - Human Resources (HR) Call Centre. - Training and development programs.
Shareholders & Investors	- Strong balance sheet and stable cash flows. - Consistent dividend payments. - Solid market positioning. - Dynamic risk management. - Strong brand image. - Transparency and disclosure. - Incorporate ESG criteria into business operations and activities.	- Annual Reports. - Roadshows. - Shareholder and investor presentations on a quarterly basis. - Investor relations and shareholder affairs contacts. - Board Risk Committee - General Assembly meetings

Stakeholder	Needs & Expectations	Methods of Engagement
Government & Regulators	- Alignment to national strategies and visions, including the Saudi Vision 2030. - Compliance with legal and regulatory requirements. - Managing financial crime compliance. - Protecting the interests of shareholders and customers.	- Internal audit. - External audit. - Compliance Group. - Board Risk Committee. - Annual Reports. - Compliance with obligations. - Board of Directors. - Audit Committee. - Corporate Governance Division & Corporate Secretary.
Local Community	- Employment opportunities. - Advancing social development including initiatives and programs to promote health, education, security, sports and culture. - Enriching local human resources. - Charitable initiatives. - Partnerships on common social and environmental issues. - Limited use of finite resources.	- Employee volunteering. - CSR activities. - Partnerships and cooperation. - Donations and sponsorships. - Financial awareness and inclusion. - Products and services.
Suppliers	- Timely payments. - Fair and transparent bidding process. - New opportunities for engagement and interaction. - Open communication channels.	- Local procurement. - Bidding and tendering. - Fair competitive selection. - Partnerships. - Public reports. - First engagements.

APPENDIX B: GRI CONTENT INDEX

GRI Standard/ Other source	Disclosure	Location and/ or direct answer
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	6
	2-2 Entities included in the organization's sustainability reporting	6
	2-3 Reporting period, frequency and contact point	5
	2-4 Restatements of information	15, 30, 34, 42, 43, 45, 48, 49, 50, 53, 54, 55, 57, 58
	2-5 External assurance	BSF doesn't seek external assurance
	2-6 Activities, value chain and other business relationships	6, 7
	2-7 Employees	47, 48, 49
	2-8 Workers who are not employees	48
	2-9 Governance structure and composition	13-19
	2-10 Nomination and selection of the highest governance body	14, 15
	2-11 Chair of the highest governance body	13-15, 17
	2-12 Role of the highest governance body in overseeing the management of impacts	16, 17, 18, 19
	2-13 Delegation of responsibility for managing impacts	17, 18, 19
	2-14 Role of the highest governance body in sustainability reporting	19
	2-15 Conflicts of interest	16 Conflict of Interest Policy
	2-16 Communication of critical concerns	5
	2-17 Collective knowledge of the highest governance body	14, 24
	2-18 Evaluation of the performance of the highest governance body	16, 17 Board Nomination, Membership, Assessment, and Succession Policy
	2-19 Remuneration policies	18, 52 Remuneration and Compensation Policy for Board, Board Committees, and Senior Executives
	2-20 Process to determine remuneration	14, 18, 52
	2-21 Annual total compensation ratio	Not disclosed
	2-22 Statement on sustainable development strategy	4
	2-23 Policy commitments	16
	2-24 Embedding policy commitments	18
	2-25 Processes to remediate negative impacts	20, 21, 58
	2-26 Mechanisms for seeking advice and raising concerns	25, 58
	2-27 Compliance with laws and regulations	23-25

GRI Standard/ Other source	Disclosure	Location and/ or direct answer
	2-28 Membership associations	https:// www.alfransi.com.sa/
	2-29 Approach to stakeholder engagement	65, 66
	2-30 Collective bargaining agreements	Not Applicable in Saudi Arabia
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	9, 65-66
	3-2 List of material topics	9
Governance, Accountability, Transparency and Ethics		
GRI 3: Material Topics 2021	3-3 Management of material topics	13-27
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	23
	205-2 Communication and training about anti-corruption policies and procedures	24
Financial and Economic Performance		
GRI 3: Material Topics 2021	3-3 Management of material topics	29-33
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	29-33
Data Privacy and Security		
GRI 3: Material Topics 2021	3-3 Management of material topics	26, 27
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	27
Employee Engagement, Wellbeing and Satisfaction		
GRI 3: Material Topics 2021	3-3 Management of material topics	57, 58
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	57
	403-3 Occupational health services	57
	403-5 Worker training on occupational health and safety	57
	403-6 Promotion of worker health	53
	403-9 Work-related injuries	57
Diversity and Inclusion		
GRI 3: Material Topics 2021	3-3 Management of material topics	47, 58
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	47, 48
	405-2 Ratio of basic salary and remuneration of women to men	54
GRI 406: Non- discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	58

GRI Standard/ Other source	Disclosure	Location and/ or direct answer
Talent Attraction, Retention and Development		
GRI 3: Material Topics 2021	3-3 Management of material topics	48, 55, 56
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	48, 49
	401-3 Parental leave	53
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	55
	404-2 Programs for upgrading employee skills and transition assistance programs	55, 56
	404-3 Percentage of employees receiving regular performance and career development reviews	56
Community Investment		
GRI 3: Material Topics 2021	3-3 Management of material topics	62
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	62
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	62
Environmental Management		
GRI 3: Material Topics 2021	3-3 Management of material topics	60, 61
GRI 302: Energy 2016	302-1 Energy consumption within the organization	60
GRI 303: Water and Effluents 2018	303-5 Water consumption	61
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	61
	305-2 Energy indirect (Scope 2) GHG emissions	61
	305-4 GHG emissions intensity	61
GRI 301: Materials 2016	301-1 Materials used by weight or volume	61
	301-2 Recycled input materials used	61
Nationalization		
GRI 3: Material Topics 2021	3-3 Management of material topics	50
GRI 202: Market Presence 2016	202-2 Proportion of senior management hired from the local community	50
Responsible Procurement		
GRI 3: Material Topics 2021	3-3 Management of material topics	34
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	34

BSF also report on topics that are not covered by the GRI standards

Risk Management		
GRI 3: Material Topics 2021	3-3 Management of material topics	20-22
Responsible Customer Relations and Satisfaction		
GRI 3: Material Topics 2021	3-3 Management of material topics	36 - 41
Financial Inclusion and Accessibility		
GRI 3: Material Topics 2021	3-3 Management of material topics	44
Digitalization		
GRI 3: Material Topics 2021	3-3 Management of material topics	45
Sustainable Lending and Investment		
GRI 3: Material Topics 2021	3-3 Management of material topics	29-33

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