



# | ESG Policy Framework

## Table of Contents

<b>Document Authorization Control Sheet</b> .....	4
<b>Document Approval Record</b> .....	4
<b>Review, Update &amp; Maintenance</b> .....	4
<b>Purpose</b> .....	5
<b>Applicability &amp; Commitment</b> .....	5
<b>Related Charters, Policies &amp; Manuals:</b> .....	6
<b>1 Introduction</b> .....	7
<b>1.1 BSF ESG Philosophy</b> .....	7
<b>1.2 Industry Collaboration</b> .....	7
<b>2 BSF’s ESG Framework</b> .....	8
<b>2.1 Advocating the Highest Ethical and Governance Standards</b> .....	8
<b>2.2 Accelerating Sustainable Economic Growth</b> .....	11
<b>2.3 Serving our Customers</b> .....	12
<b>2.4 Creating a Thriving Workplace</b> .....	13
<b>2.5 Protecting our communities</b> .....	15
<b>3 ESG governance</b> .....	16
<b>3.1 Roles and responsibilities</b> .....	16
<b>3.2 ESG training</b> .....	17
<b>4. Integration of ESG in financing activities</b> .....	17
<b>5 Reporting</b> .....	18

## Table of Abbreviations

S. No.	Abbreviation	Expansion
1	BoD	Board of Directors
2	ESG	Environment, Social and Governance
3	BSF or the Bank	Banque Saudi Fransi
4	CDP	Carbon Disclosure Project
5	CGD	Corporate Governance Division
6	SAMA	Saudi Central Bank
7	WWF	World Wide Fund for Nature
8	DoA	Delegation of Authority Manual
9	CSR	Corporate Social Responsibility
10	UN	United Nations
11	HRG	Human Resources Group
12	GHG	Green House Gas

## Explanation of Terms

S. No.	Term	Explanation
1	Principles for Responsible Banking (UNEP- FI)	UNEP- FI is a unique framework for ensuring that signatory banks' strategy and practice align with the vision society has set out for its future in the Sustainable Development Goals and the Paris Climate Agreement.
2	Principles for Responsible Investment (PRI)	PRI is an international network of investors working together to put the six principles into practice. Its goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision-making and ownership practices. In implementing the principles, signatories contribute to the development of a more sustainable global financial system.
3	UN Sustainable Development Goals (SDGs)	The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership.
4	Science-Based Targets	The Science Based Targets initiative (SBTi) is a joint initiative by CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and WWF intended to increase corporate ambition on climate action by mobilising companies to set greenhouse gas emission reduction targets consistent with the level of decarbonisation required by science to limit warming to less than 1.5°C / 2°C.
5	Task Force on Climate-related Financial Disclosures (TCFD)	Financial Stability Board – Task Force of Climate-related Financial Disclosures (FSB TCFD) is a voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The Task Force considers the physical, liability and transition risks associated with climate change and what constitutes effective financial disclosures across industries.

### Document Authorization Control Sheet

Document Type	Policy
Document Title	ESG Policy Framework
Version	2.0
Document Reference	
Date	14-5-2025
Policy Custodian	Corporate Governance & ESG Division
Policy Owner	Corporate Governance Division

### Document Approval Record

Version	Approval Date	Description of Changes
1.0	27 November 2022	New Framework
2.0	14 May 2025	Periodic Review

### Review, Update & Maintenance

- The authority to approve any amendment to this policy framework rests with the General Assembly upon Board of Directors recommendation.
- Any amendment to this document shall be as per procedure set out in the DoA.
- The minimum frequency for reviewing this policy is once in three (3) years or when required. The Board Strategy & ESG Committee is responsible for ensuring that this document is reviewed and approved as per the DoA.
- This policy shall be a permanent part of the induction program provided to all new Board and Board Committee members upon their appointment. It is the duty of the new member to understand and be familiarized with it.

## Purpose

- The purpose of this document is to set Banque Saudi Fransi's (also referred to as "BSF" or the "Bank") Policy Framework on Environment, Social and Governance matters ("ESG") recognising its position at the heart of the economic system and as a significant contributor to society and the environment. It supports BSF's commitment to act in a manner that supports ESG goals and adapt to changes, developments and challenges faced by the business as a participant in ESG related matters.
- ESG is a broad concept at BSF extending beyond the way it conducts business in an ethical manner, its commitment to fair and equal treatment of employees to encompass direct contributions through philanthropy and engagement in our society and the environment.
- Presents BSF's position on key ESG issues relevant to our business and that of our stakeholders and to solidify our commitment to sustainable finance including environmental protection, social responsibility, and good governance. BSF ESG policy framework builds a foundation from which governance will be undertaken and management actions will stem.
- BSF and departments within BSF will, where deemed necessary, implement more detailed policies and procedures, which are designed to support the Bank's on-going compliance with, among other things, this framework.

## Applicability & Commitment

This framework applies to all groups and business units at BSF. All the Bank staff and contractors working either on permanent or temporary basis may follow this framework. BSF and its Board of Directors are firmly committed to integrate ESG across our banking operations, and to support environmental programs, social and charitable activities and programs.

## Related Charters, Policies & Manuals:

Certain other policies and procedures are relevant to this framework. These include, in particular:

Policy
Board of Directors charter
Executive Committee charter
Board Audit Committee charter
Board Risk Committee charter
Nomination & Remuneration Committee charter
Board Strategy & ESG Committee charter
Code of Conduct Policy for Board & Board Committee members
Code of Conduct and Professional Ethics at BSF
Delegation of Authority Manual
Corporate Governance Framework
Human Resources Policy
Whistleblowing & ABC Manual

## 1 Introduction

### 1.1 BSF ESG Philosophy

#### 1.1.1 BSF as a Responsible Company and Lender

As a responsible public company, BSF acknowledges its responsibilities to comply with the legal requirements of Regulators and is committed to deliver a strong financial performance through a prudent and robust banking infrastructure. BSF is aware of the importance of strong governance and business ethics, sustainable commercial success, inclusive work environment, and mindful of its direct and indirect environmental and social impacts.

BSF works continuously on its sustainable journey by considering the ESG implications of its activities. BSF works to develop sustainable financial products and services to achieve the ambitions of the UN Sustainable Development Goals (SDGs) and contribute to the Saudi Vision 2030.

#### 1.1.2 BSF as a Responsible Investor

BSF aspires to support and transform with potential, in order to deliver investment returns as well as lasting benefits to society. BSF aims to enhance integration of ESG into investment decision-making and portfolio company oversight with emphasis on mitigation of ESG risks.

BSF continues to grow its Islamic product range throughout its business, and believes that considering ESG factors in its investment decisions in alignment with Sharia principles will support in its mission to drive value for its clients.

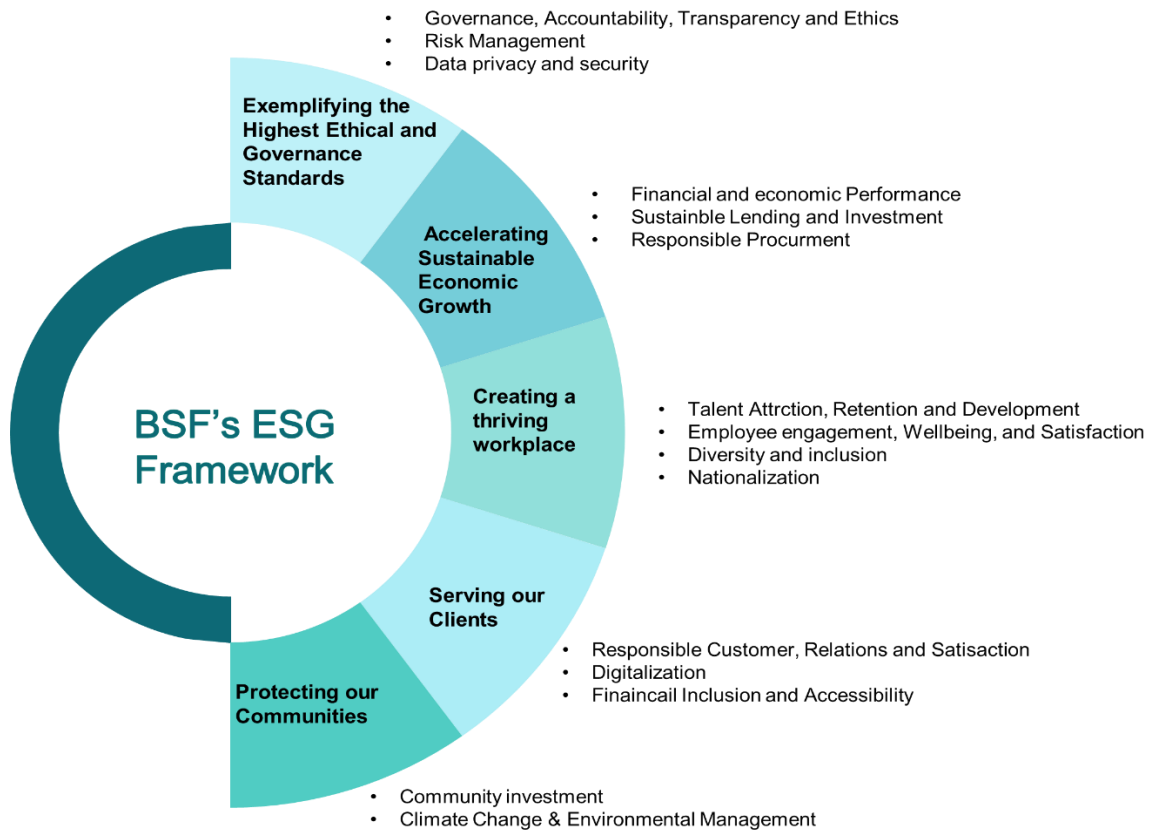
### 1.2 Industry Collaboration

BSF strives to expand its role in ESG to maintain a sustainability mindset. This is showcased via the Bank's pledging to aligning to the objectives of the Saudi Vision 2030 and UN SDGs.

BSF is continuously reviewing relevant industry and global guidelines such as the Principles for Responsible Banking (PRB) and the Principles for Responsible Investment (PRI). In addition, BSF is also exploring the Task Force on Climate-related Financial Disclosures (TCFD), and Science-Based Targets.

## 2 BSF’s ESG Framework

BSF’s framework revolves around five pillars that align with BSF’s corporate mission and values. The five key pillars of the ESG framework have defined focus areas which are aligned with the material topics selected for BSF as part of the materiality assessment. The five pillars are described in the below sections.



### 2.1 Exemplifying the Highest Ethical and Governance Standards<sup>1</sup>

#### 2.1.1 Governance, Accountability, Transparency and Ethics

##### Code of Conduct

Good governance is fundamental to BSF ESG framework - emphasizing both transparency and accountability at the highest level of the bank. In line with the Code of Conduct Policy for Board and Board Committees’ Members, BSF’s Board members and Board Committees are required to act with the highest ethical standards when engaged in BSF business and should always act in accordance with the duties of their office and take effective measures to avoid conflicts of interests that could impact proper discharge of their duties.

##### Governance Framework

BSF is committed to meeting the highest standards of governance in line with all laws and requirements issued by regulatory bodies. In addition to improving transparency and accountability to deliver value for

<sup>1</sup> UN Sustainable Development Goal 16 “Peace, Justice and Strong Institutions”

all stakeholders. The Bank has established, and advocated for, a robust governance framework starting with the formation of Board of Directors and its committees and the formation of management committees. BSF's Board committees are:

- Board Audit Committee;
- Executive Committee;
- Board Risk Committee;
- Nomination & Remuneration Committee;
- Board Strategy & ESG Committee.

While the committees of the board support ensuring effectiveness of decision-making via assisting the BoD in performing its duties and responsibilities, BSF's management committees assist both the Board, the Board committees as well as the executive management in discharging its responsibilities which is classified in two levels; the first level of management committees report to a Board related committee such as: Management Credit Committee, Compliance Committee and Risk Management Committee...etc., the second level of management committees report to a first level of management committee. In addition, the bank has a Shariah Committee that supervises compliance with Sharia rules and principles and its application in the Bank. This structure effectively addresses the roles and responsibilities of the Board and management and provides structures, policies, and tools to ensure sustainable long-term growth.

### **Board of Directors Composition**

BSF makes diversity a priority in which it is embedded throughout the organization at all levels starting from the Board of Directors election process, our Board of Directors are elected by the General Assembly based on Nomination & Remuneration Committee and Board of Directors recommendation which is in line with BSF's Nomination policy that takes into consideration the need to have a strong combination of experience and skills aligned with the bank's business and strategy as well as to have a board that collectively possess leadership values and skills, such as strong ethics and integrity; diligence and conscientiousness. The policy encourages diversity of gender, backgrounds, age segment, education & past experiences. Moreover, the policy provides equal opportunities to all segments of the society.

### **Board of Directors Remuneration**

BSF's Board of Directors and Board Committee members are entitled to receive remuneration to encourage achieving the success of BSF and its long-term development. Such remuneration is determined based on BSF's Remuneration and Compensation Policy for Board, and Board Committees, which is approved by the general assembly. Moreover, details of the Board and Board committees' remunerations are disclosed annually in line with BSF's Transparency & Disclosure policy.

## **Anti-bribery, Corruption, Money Laundering and Financial Crimes**

BSF commitment also extend to the high standards of ethical behavior and operates a zero-tolerance approach to bribery, corruption and money laundering, and all forms of financial crimes in line with the rules and regulations issued by regulatory bodies.

BSF has policies and procedures that include strict measures to reduce the risk of misuse for financial crime. BSF continues to invest in technology to detect and deter such activities and provide learning and training courses for all employees. BSF's employees are fully committed and are equipped to combat financial crimes, including money laundering and terrorism financing, guard against any unusual or suspicious activities and report them.

### **2.1.2 Risk Management**

The Risk Management Framework is established to ensure strong risk management awareness and culture, and to embed these practices in day-to-day business activities and responsibilities. Risk management provides the foundation and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Bank. BSF's approach is to identify, analyze and respond appropriately to all risks. In addition, BSF continues to explore the application of ESG risk assessment in financing activities through the use of ESG Due Diligence Toolkit to help the Bank review the ESG performance of new deals and portfolio companies by evaluating criteria related to environmental, social, and governance risks.

BSF has carefully formulated a framework that guides and defines how risks (including those related to ESG) are measured and managed. It reflects the appetite of the BoD, executive management and Board committees towards monitoring and mitigating risks associated with strategy, financial performance, technology, asset and liability management, credit, operations, legal affairs, organizational affairs and information security. In addition, specific policy guidelines are defined for each business unit that address key areas of risk relevant to their primary activities. Independent and thorough risk reviews are also conducted for each new business transaction, namely investment and financing.

### **2.1.3 Data Privacy and Security**

BSF will assure that customer information is secured and will follow the guidelines of all applicable privacy and data protection laws and regulations. BSF is committed to following the National Personal Data Protection Law (PDPL) to ensure the highest standards of data privacy, safeguarding the confidentiality and integrity of customer information in alignment national and international best practices. BSF is also committed to maintaining and improving information security within accepted best practice and minimizing its exposure to risks in order to protect BSF assets and stakeholders.

BSF recognizes the importance of technology, information and cybersecurity risks, which the Bank has invested in a unique Cybersecurity Development Program that develops cyber skillset amongst local talent and promotes BSF in the local banking sector for cybersecurity.

Cybersecurity in BSF is an independent entity under Risk Management Group and managed by Senior Level Executive – Chief Information Security Officer (CISO) who is responsible for establishing and maintaining the enterprise vision, strategy, and program on cybersecurity.

The BSF Information Security Governance Committee consisting of Group Heads from all relevant Groups support the overall cybersecurity strategy in BSF.

BSF Board of Directors recognize cybersecurity as strategic enabler to accomplish corporate mission and achieve business goals, and hence, treat cybersecurity as high priority. BSF and its Board of Directors are firmly committed to maintain high standards of Cybersecurity over its assets and information.

The bank's overall position on cybersecurity is "Protect BSF data and reputation by providing a secure and resilient digital banking environment and security posture which is in compliance with local and international cybersecurity standards and regulations".

## 2.2 Accelerating Sustainable Economic Growth<sup>2</sup>

### 2.2.1 Financial and Economic Performance

BSF aims to deliver strong performance, achieve significant increases in profitability and size through its enhanced focus on customer experience. The bank works to optimize its balance sheet, while increasing its investment book, allowing it to significantly reduce cost of funding and increase profitability of the deployed capital.

### 2.2.2 Sustainable Lending and Investing

BSF believes in integrating ESG principles in lending and investment activities. This involves identifying material issues that affect business decisions, following-up on these issues within the due diligence processes and subsequent credit/investment reviews. BSF applies responsible lending rules in accordance with SAMA rules, taking into consideration a robust internal credit policy where credit history and scoring is applied to calculate an accurate debt burden ratio. In alignment with the government vision to promote small businesses, we aim to finance more micro and small businesses. The bank aims to explore the incorporation of ESG factors to its retail products offerings. BSF also continues to explore the integration of ESG factors in credit assessments and risk appetite, as well as list of sector exclusions or identified as climate sensitive sectors through the calculation of financed emissions.

### 2.2.3 Responsible Procurement

BSF is committed to ethical, fair and transparent dealings with our suppliers. BSF aims to maintain good relationships with suppliers, and to support local suppliers to streamline our value chain. Our supplier management practices and interactions are rooted in a set of strategic, tactical, and operational processes that guide our supplier engagement and relationships. The bank is committed to explore the integration of ESG factors into its procurement processes through the adoption of a responsible procurement program. BSF have implemented a fully automated Enterprise Resource Planning system that will deliver a huge improvement of all procurement-related activity and is fully aligned with the Bank's vision to become the most modern and innovative Bank in the region.

---

<sup>2</sup> UN Sustainable Development Goal 8 "Decent Work and Economic Growth"

UN Sustainable Development Goal 9 "Industry, Innovation and Infrastructure"

BSF aims to assess suppliers financially, socially and environmentally. This will allow the bank to build a strategic relationship with its suppliers and endorse business sustainability and continuity, as well as enhancing its spending efficiency and cost control.

## 2.3 Serving our Clients<sup>3</sup>

### 2.3.1 Responsible Customer Relations and Satisfaction

BSF success depends on maintaining strong and healthy relationships with its customers. The bank strives to remain close to the customer and offer the best financial services. BSF will provide transparent and responsible financial advice and communication to our customers to enable better financial decisions.

The Bank has implemented a Customer Relationship Management System for its corporate customers that helps the Bank maintain clear visibility on customer activity, identify prospect customers, manage tasks (e.g.: customer follow ups), create customizable internal reports (e.g.: related to customer phone calls and meetings), monitor branch activity through dashboard and/or campaign reports and other various functions. BSF also evaluates the needs of all its customers through market research to ensure competitive services and products. All financial products and services provided to the customer must be accompanied complete and correct information.

BSF has also developed the necessary policies and procedures to be followed by Stakeholders when submitting complaints or reporting any violations. The Bank is 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, and promoting an organization structure that values complaints as a tool for continuous improvement. The Customer Care Group (CCG) is an independent and centralized control function that is entrusted with the responsibilities of leading and managing consumer protection and customer complaints, CCG's key role entails monitoring BSF complying with SAMA requirements related to consumer protection through customer complaints from various channels by performing a review, validation, and reporting of all customers' complaints received, the main objective is the upkeep and protection of the Bank's reputation, and the continuous improvement of customer experience to better leverage development and growth.

### 2.3.2 Digitalization

Digitalization and automation of processes is a key enabler to achieve the Bank's strategy and core pillar of its vision of becoming "the go-to Bank for Digital. This is not only to enhance the customer experience, but also to help facilitate seamless integration with relevant government entities, credit bureaus and other stakeholders. This digitalization will also provide simple and convenient access to product offerings and customer service tools.

BSF strives to continually getting more efficient by increasing the use of automation and digitalization across the Bank, making processes faster and more accurate, raising customer service levels and driving

---

<sup>3</sup> UN Sustainable Development Goal 9 "Industry, Innovation and Infrastructure"  
UN Sustainable Development Goal 10 "Reduced Inequalities"  
UN Sustainable Development Goal 11 "Sustainable Cities and Communities"

profitability. The bank understands the centrality of digitalization to this vision, and is committed to being a leader in the Kingdom’s Banking sector in the deployment of digital solutions and technologies.

### 2.3.3 Financial Inclusion and Accessibility

BSF is focused on driving social and financial inclusion in the communities in which it operates. BSF aims to provide all segment of the society with accessible customized banking services.

A range of programs overseen by the Bank have been conducted to increase the financial literacy of various communities throughout the Kingdom to expand BSF’s ability to reach all populations throughout Saudi Arabia. Examples, include monitoring and engagement with fintechs in KSA to develop strategic partnerships that can be mutually beneficial for the Bank. This will provide a larger and more flexible variety of services to BSF clients and position the Bank as an active member in the ecosystem, while supporting further government initiatives such as the Financial Sector Development Program.

## 2.4 Creating a Thriving Workplace<sup>4</sup>

### 2.4.1 Talent Attraction, Retention and Development

BSF is committed to enhance all areas that support service and professionalism for its employees. This commitment is fundamental to the Bank in achieving its vision and strategic objectives as well as maintaining an outstanding workforce by attracting, training, and retaining talented individuals. Our employees undergo the necessary training to develop their full potential.

To ensure the filling of positions with the best qualified applicants that meets BSF’s People & Organizational Strategy and as talented people are the prime ingredient to the Bank’s success, BSF established variety of channels to attract talented individual to be part of BSF such as Internship Program, Summer Program "SAIFI", graduate program...etc., as well as effective partnerships with agencies and recruiters in which they will play an important role in finding talented employees that can demonstrate their values on a daily basis to BSF. All job applications received by the Talent Mobility and Recruitment Division undergo an appropriate selection methods and objective criteria (e.g. qualifications, competencies, skills, knowledge and experience) are used to identify and appoint the best candidate for each role, in a fair and effective manner.

In line with BSF’s Human Resources Policy, BSF provides a framework for helping all its employees get the right learning, experiences and coaching to make a difference to their career. Formal learning helps employees acquire the skills and knowledge they need, whilst a focus on the right experiences can put their knowledge into practice and develop new skills. The training delivery methods follow a blended approach combining in-house training, local training, external training, conferences and seminars, e-learning, on-the job training. BSF develops annually Personal Development Plans (PDPs) for all employees.

---

<sup>4</sup> UN Sustainable Development Goal 3 “Good Health and Well-Being”

UN Sustainable Development Goal 4 “Quality Education”

UN Sustainable Development Goal 5 “Gender Equality”

UN Sustainable Development Goal 8 “Decent Work and Economic Growth”

As a part of BSF efforts to retain its employees, BSF set out the arrangements and programs which are crucial for supporting and motivating employees to achieve their performance potential and to recognize their contributions accordingly. Such arrangements and programs include awarding long served employees and retired employees to recognize the commitment of an employee and reward departing employees who served the Bank whilst ensuring both parties end the employment services on goodwill.

In addition, BSF established Recognition and Motivation Programs which one of its objects is to achieve a performance driven culture, to recognize and motivate employees for their contribution. Moreover, the Bank set forth Retention program which is a form of restricted cash plan, where upon enrollment, participants are granted a cash-based Retention Award that can only be cashed out upon satisfying each Retention Award's associated vesting conditions.

In regards of BSF compensation policy, the Bank set forth its Compensation Philosophy to ensure that there is a documented overview of the principles that will underpin the design and administration of compensation policy across BSF in order to enhance its ability to attract, retain, and motivate employees all while remaining compliant with applicable banking regulation and aligned to market best practice.

The Compensation Philosophy include four (4) key Reward Principles (Pay for Performance, Flexibility, Competitiveness and Risk Alignment) which are aligned to the Bank wide strategy and which should ensure the achievement of the Bank's intended strategic direction and results over the short, medium and long-term. Also, BSF set forth clear description of the compensation structure, which is comprised of fixed, variable, monetary, and non-monetary elements, with each designed to achieve a desired impact to assist in the attraction, engagement and retention of employees.

BSF's Human Resources Procedures Manual provides guidance on the implementation of BSF's various people-related processes. All HRG procedures shall comply with the Saudi Labor Law and SAMA's regulations and others set out by relevant regulatory authorities in the Kingdom of Saudi Arabia.

#### **2.4.2 Employee Engagement, Wellbeing and Satisfaction**

Driven by a commitment to provide the best working environment for its employees, BSF strives to be well informed on matters affecting employee engagement and job satisfaction. Therefore, BSF conducts the employee engagement survey on annual basis, identifies the key engagement and job satisfaction factors, sets action plans with the involvement and alignment of the senior management team, and monitors progress year-on-year. BSF has implemented a dedicated well-being program called "Testahil" with the aim of increasing awareness about the importance of workplace health and emotional well-being.

The Bank has an internal grievance mechanism to protect the rights of its employees and to help foster a strong safety mindset among employees as well as delivering a health and safety training. The internal procedure ensures that the grievances are taken seriously, thoroughly investigated, and resolved.

#### **2.4.3 Diversity and Inclusion**

BSF aspires to lead the way in diversity and inclusion. BSF continues to drive diversity and inclusion and to encourage female participation in the workplace, a key pillar of the national Vision 2030 strategy. The Bank has expanded its positioning in supporting females in the workplace by sponsoring initiatives and raising awareness about gender equality and female inclusion in the financial sector.

BSF respects the rights of its people and aims to promote a diverse and inclusive workforce, and prohibits any discrimination on the basis of gender, age, religion or nationality in the workplace. Every employee is entitled to a working environment that promotes dignity, equality and respect for all. BSF will not tolerate any acts of unlawful or unfair discrimination (including harassment) committed against an employee. BSF's principles of inclusiveness, fairness, and equal opportunity are embedded within its employment policies. In line with the Human Resource policy and Code of Conduct, BSF will investigate any charges of harassment, abuse or discrimination and take appropriate corrective action.

The Bank provides effective means of communication and multiple reporting channels to receive reports of actual or potential violations. BSF has a whistleblowing policy in place that allows employees to discretely report any misconduct through whistleblowing system, or via telephone or email.

#### **2.4.4 Nationalization**

Saudization is a key pillar of the Saudi 2030 Vision. BSF strives to increase the number of Saudi nationals in the workplace. In addition, BSF aims to employ and develop Saudi nationals among its workforce by providing bespoke development programs.

### **2.5 Protecting our communities <sup>5</sup>**

#### **2.5.1 Community investment**

BSF is committed to support the communities it operates in to make a difference. BSF aims to deliver targeted activities and initiatives that further socioeconomic development through innovative, social and philanthropic initiatives. It also provides donations to different organizations, sponsorship initiatives, and youth development.

BSF aims to support the largest possible segment of the community in all fields, to be an active participant in developing social, economic and cultural welfare in the community as a whole, and to work on increasing the level of awareness and guidance.

#### **2.5.2 Climate Change & Environmental management**

BSF is fully committed to tackling the issues related to climate change & protecting the environment. The bank is conscious of its environmental responsibilities and seeks to limit its negative environmental impact. BSF has implemented a range of measures to make a tangible impact and ensures effective monitoring, managing, and reporting on its progress to minimize GHG emissions and energy consumption. BSF also aims to deploy water saving mechanisms and recycling initiatives, and to increase responsible paper use by utilizing electronic platforms as an alternative means for document sharing and archiving. BSF is committed to explore practical approaches for waste reduction, recycling, and responsible waste disposal in all its

---

<sup>5</sup> UN Sustainable Development Goal 6 “Clean Water and Sanitation”

UN Sustainable Development Goal 7 “Affordable and Clean Energy”

UN Sustainable Development Goal 12 “Responsible Consumption and Production”

UN Sustainable Development Goal 13 “Climate Action”

operations. Ultimately, BSF recognizes the value of environmental protection and promises to reduce its ecological footprint through policies that comply with environmental laws and good business practices.

## 3 ESG governance

### 3.1 Roles and responsibilities

A robust approach to corporate governance is a key focus for BSF. The bank adopts best practices in this field, applying a transparent approach to create value for all the Bank's stakeholders. BSF follows a Corporate Governance Framework to set out BSF's Governance framework of policies, procedures, systems and controls by which the relationship between the Board, Executive Directors, shareholders and stakeholders are clearly regulated and their interests are protected.

#### 3.1.1 Oversight: Board of Directors:

BSF's Board is collectively responsible for setting BSF's business objectives, the strategy for achieving those objectives, and for approving the Bank's annual budget and business plan. In addition, the Board is responsible for overall oversight of the Bank's performance, ensuring management implement adequate systems & controls and for shareholder communication.

**For more details, you may refer to the Board of Directors charter.**

#### 3.1.2 ESG Governance Framework

To achieve a disciplined and well-governed structure for ESG, BSF formed a Board level ESG Committee, Management level ESG Committee, and appointed ESG champions to ensure integrated results.

**Board Strategy & ESG Committee:** supports the Board of Directors in achieving its targets in terms of ESG pillars to support BSF's ongoing commitment to sustainable finance, environmental stewardship, health and safety, diversity and inclusion, corporate social responsibility, corporate governance and other sustainability and responsibility matters which are an integral part of enhancing the Banks's long-term shareholder value.

**For more details, you may refer to the relevant Board Committee charter.**

**ESG Management Committee:** represents and assists the Board level ESG Committee in fulfilling its oversight responsibilities relating to ESG related commitments, strategies, objectives, progress, performance and activities, with the aim to have the highest standard and practices in areas of ESG applied by BSF.

**ESG Division:** Serves as a focal point for all ESG matters and overseas implementation of ESG-related strategies, policies, programs, initiatives, and disclosures, including the facilitations of meetings for the Board & Management level ESG Committees, engaging with stakeholders. Monitoring the Bank's ESG KPI performance, and advising in integrating ESG into products, services, and business strategies.

**ESG champions:** given the level of integration of ESG to BSF activities, one of the elements in BSF's ESG governance framework is ESG champions across all groups/divisions/departments of BSF who are responsible for implementation as BSF believes every employee and group within the bank has a role to play in achieving BSF's sustainable goals.

## ESG Governance

BSF's Multi-tiered ESG governance model ensures that we are well-positioned to effectively establish and manage our sustainability agenda.



### 3.2 ESG training

BSF believes in an ongoing learning and awareness process when it comes to ESG at the Board, Executive Management, and staff levels. BSF aims to provide its employees with relevant and up-to-date training regarding market trends in Sustainability. This allows the Bank to establish a common understanding of ESG across the organisation, and develop the expertise needed to understand, and act upon, the agendas and decision-making processes of key stakeholders.

## 4. Integration of ESG in financing activities

As the Bank acknowledges that large infrastructure and industrial projects can have adverse impacts on people and on the environment and as BSF committed to sustainable lending and investing practices, BSF developed its approach to integrate and identify ESG principles in its policies for lending and investment activities.

BSF's approach to integrate ESG principles in its portfolio review involves identifying material extra-financial (ESG) factors subsequent to credit/investment reviews in addition to engagement with stakeholders.

Moreover, BSF recognizes the importance of integrating ESG issues into its lending and investment operations by leveraging best practices from the Principles for Responsible Banking (PRB), the Equator Principles (EP), and the Principles for Responsible Investment (PRI).

BSF's Sustainable Financing Framework governs all activities related to Green, Social, Sustainability of financing and investing transactions including screening criteria of business activities to ensure alignment with sustainable financing framework as well as Shariah principles for Islamic products.

## 5 Reporting

Transparency and disclosure are crucial elements of BSF's ESG policy framework. The bank will disclose its environmental, social and governance performance within its public reporting activities, and engage with stakeholders to understand their expectations via designated communication channels.

BSF will undertake voluntary reporting on ESG-related activities, and on progress in its Sustainability journey, to all stakeholders through BSF website and annual reports. BSF's voluntary disclosures and reporting approach will continuously draw from leading international standards and best practices.