



ESG INTELLIGENCE

SIDF صندوق التنمية الصناعية السعودي

SIDF - KSA

Enabling Sustainable Industrial Growth in Saudi Arabia

Executive Summary

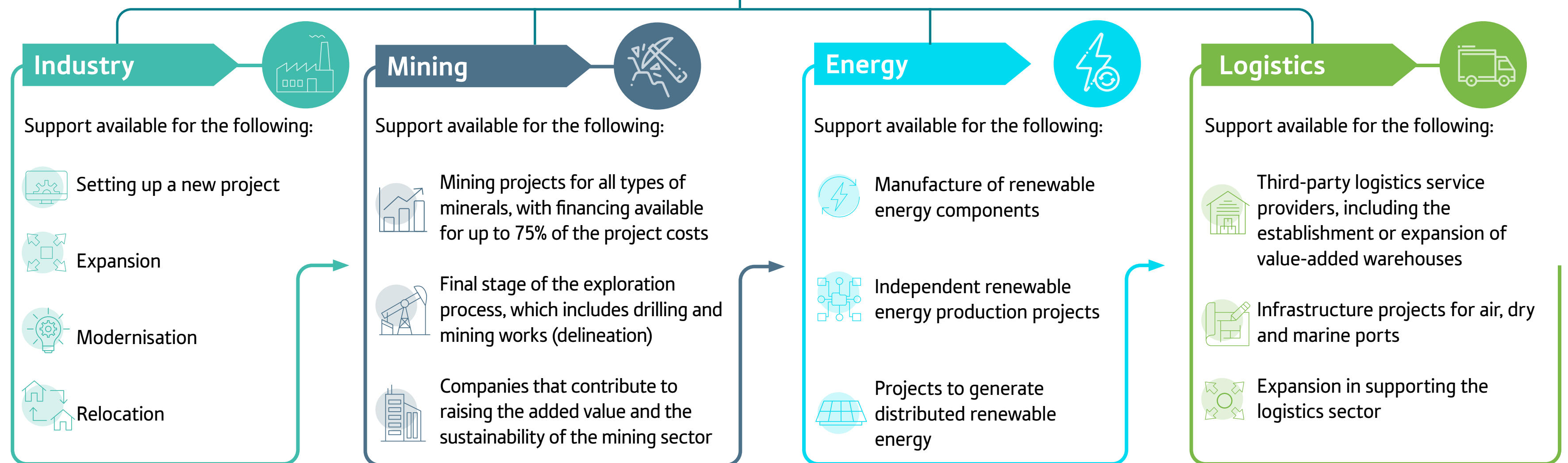


صندوق التنمية الصناعية السعودي

SIDF outline

SIDF was established in 1974 as a government financial institution to help realise the economic diversification and industrial advancement objectives of Saudi Arabia by providing mid-term and long-term loans to the private industrial sector. Today, SIDF's strategy and role has expanded to support the realisation of the Kingdom's Vision 2030 and the National Industrial Development and Logistics Programme (NIDLP). SIDF's vision is to be an "Industrial development fund enabling Saudi Arabia's transformation to become an industrial powerhouse and a global logistics hub". SIDF is focused on enhancing the competitiveness of the ecosystem and improving the investment climate by providing financial and non-financial offerings to the promising sectors of industry, energy, mining and logistics.

Supported sectors



Scope of support

Projects located in Saudi Arabia with ownership from both local and international investors can avail of:

- Financing
- Advisory services
- Guarantees*

*Partially activated

Training

Academic training centres established and managed by SIDF serve the organisation's employees and wider industrial ecosystem

SIDF in line with net zero

Saudi Arabia is now ushering in a new era as the Kingdom aims to reach net-zero carbon emissions by 2060. This target is in line with Vision 2030's broader ambitions to accelerate the energy transition, achieve economic diversification and sustainability, and attract more investment. As part of its mandate to stimulate the growth of target sectors, SIDF is increasingly taking sustainability criteria into account in its project evaluations, credit assessments and support services. By doing so, the fund can help ensure a sustainable growth trajectory for domestic enterprises and a positive economic multiplier effect from their activities.



Bandar Alkhorayef, Minister of Industry and Mineral Resources; and Chairman, Saudi Industrial Development Fund

I am pleased to present this report about how environmental, social and governance (ESG) issues are shaping the development of the industrial, mining, energy and logistics sectors in Saudi Arabia.

There has been significant interest within the Kingdom in developing ways of adopting sustainable principles that meet the needs of both local industry players and broader Saudi society, as well as align with the sustainable development principles established in Vision 2030, the country's long-term economic development plan.

ESG metrics have become a critical tool used by the international investment community to assess the capacity of a company to move beyond regulatory compliance and excel in managing ESG issues and, indeed, risks across all sectors of the economy. ESG has also become a permanent aspect of the agenda for corporate boards of directors and a notable concern for shareholders. Around the world, sustainability concerns are providing the impetus to enhance multilateral voluntary agreements, such as the World Bank's Environmental and Social Framework and the UN Global Compact.

ESG principles have also become a guiding factor in programmes that have been launched in Saudi Arabia in recent years, including the Saudi Green Initiative – a highly ambitious national framework implemented under the patronage of Crown Prince Mohammed

bin Salman bin Abdulaziz Al Saud that encompasses environmental protection, energy transformation and sustainability programmes.

At the Ministry of Industry and Minerals Resources, we support organisations and companies by providing them with a platform for collaboration on sustainability and ESG issues, as we recognise the positive impact that effective ESG strategies can have on Saudi industry, as well as on the broader society.

To this end, the ministry launched the Sustainability Council in May 2021 to act as a platform for enhanced collaboration among stakeholders, and develop and reinforce ESG standards that are customised in line with the specific needs of local players involved in both the industrial and mineral resources sectors. The Sustainability Council has four key goals: to consolidate efforts to achieve sustainability goals, to improve sustainability performance throughout the sector, to apply the best environmentally friendly technologies and to promote clean production initiatives.

The Sustainability Council's membership is drawn from entities across the ministry's ecosystem, which means that we support more than 10,000 manufacturing plants, over 1200 mining licences and 40 industrial cities. We are proud that this project has been launched, and we believe that it will benefit all industry stakeholders.

SIDF's approach to sustainability creates positive multiplier effects across the national industrial base

Pathway

UN SDG alignment



Enable the industrial transition to net zero

Approach: Implement and expand financial and non-financial support programmes to enable industrial firms to propel the national transition to net-zero carbon emissions by producing renewable energy components, investing in independent or distributed renewable energy generation, and improving operational energy efficiency



Decent work and economic growth



Industry, innovation and infrastructure



Reduce operational emissions and waste

Approach: Scale back SIDF's carbon footprint through the use of energy efficiency solutions at the fund's premises, and reduce paper usage and waste through the digitalisation of internal and external processes and the expansion of recycling



Affordable and clean energy



Life on land



Raise industrial awareness and expertise on sustainability issues

Approach: Deliver a broad range of webinars, training programmes and events for the Kingdom's industrial and corporate leaders focused on sustainability challenges and opportunities, while factoring the environmental impact into project evaluations and credit assessments, and broadening the advisory services available to clients



Quality education



Responsible consumption and production

SIDF's environmental shift can help address national challenges

Industrial sector is KSA's largest source of CO2 emissions from fuel combustion



65-90%

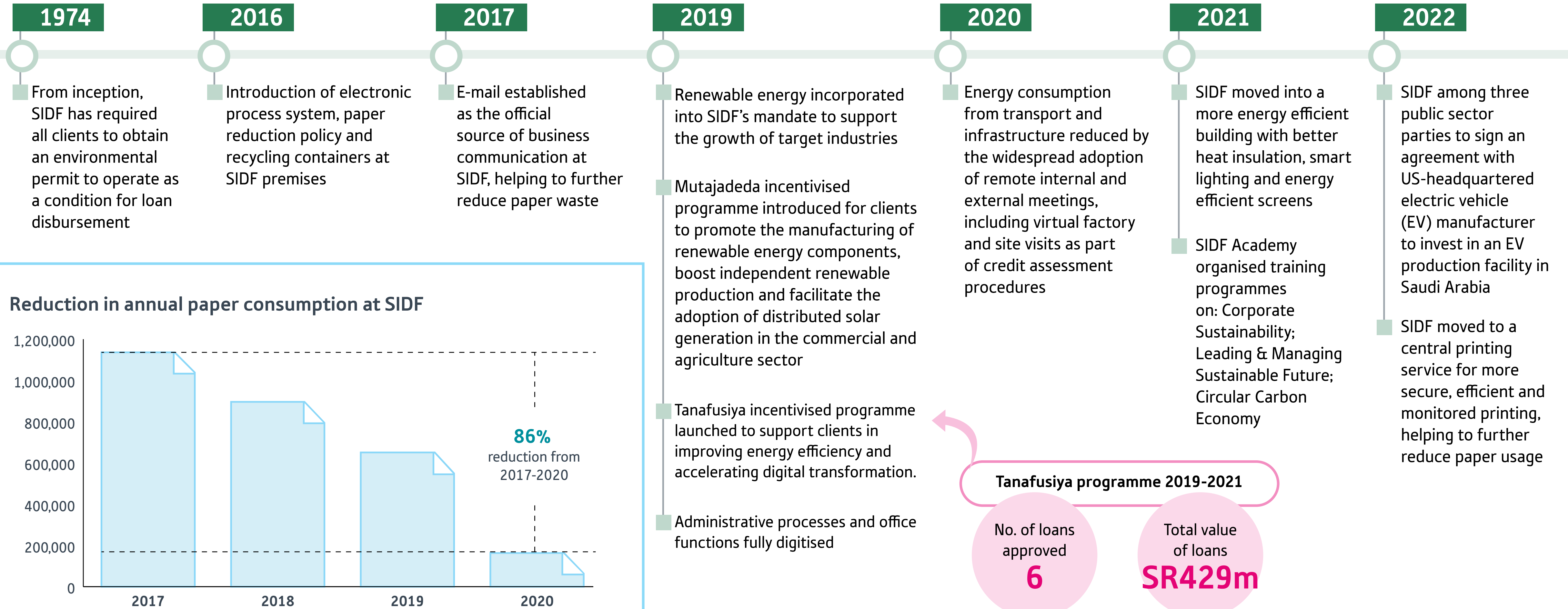
The amount by which industrial carbon emissions in Saudi Arabia need to be reduced from 2010 levels by 2050, in order to meet the range needed to limit global warming to 1.5°C

*Refers to energy-related CO2 emissions from extracting and processing fossil fuels

With industrial emissions accounting for almost half of CO2 emissions from fuel combustion in Saudi Arabia, the wider adoption of energy efficiency solutions by industrial companies and distributed renewable energy generation to fuel industrial operations could have a significant impact on helping Saudi Arabia to reduce its carbon footprint and meet the target of being a net-zero economy by 2060. Since 2011, an energy efficiency framework has been in place for industrial plants. SIDF has a key role to play in accelerating the adoption of energy efficiency technologies and renewable energy generation through its soft loans and credit assessment criteria.

SIDF makes progress in adopting environmental policies in operations and product development

Environmental milestones at SIDF



SIDF's environmental sustainability journey continues to evolve in response to new opportunities and challenges



SIDF's approach to social impact supports the expansion of economic opportunity across the Kingdom

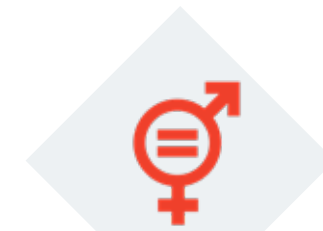
Pathway

UN SDG alignment



Promote female empowerment

Approach: Provide a welcoming and enabling environment for female talent to flourish within the organisation, in recognition of the economic and social imperative of harnessing the talents of all segments of society, while also supporting projects with a potentially positive impact on enhancing economic opportunity for women in the Kingdom



Gender equality



Reduced inequalities



Support nationwide job creation and entrepreneurship

Approach: Provide a range of financial and support services which can help start-ups and SMEs scale up their operations and hire more workers, while also working with major companies to localise their supply chains and support capacity building among Saudi industrial firms



No poverty



Decent work and economic growth



Enhance human capital development

Approach: Offer a transparent and effective path for career progression within the organisation supported by tailored training and coaching programmes and post-graduate study opportunities, while also boosting skills and knowledge among leaders and employees of fund clients from the private sector through the SIDF Academy

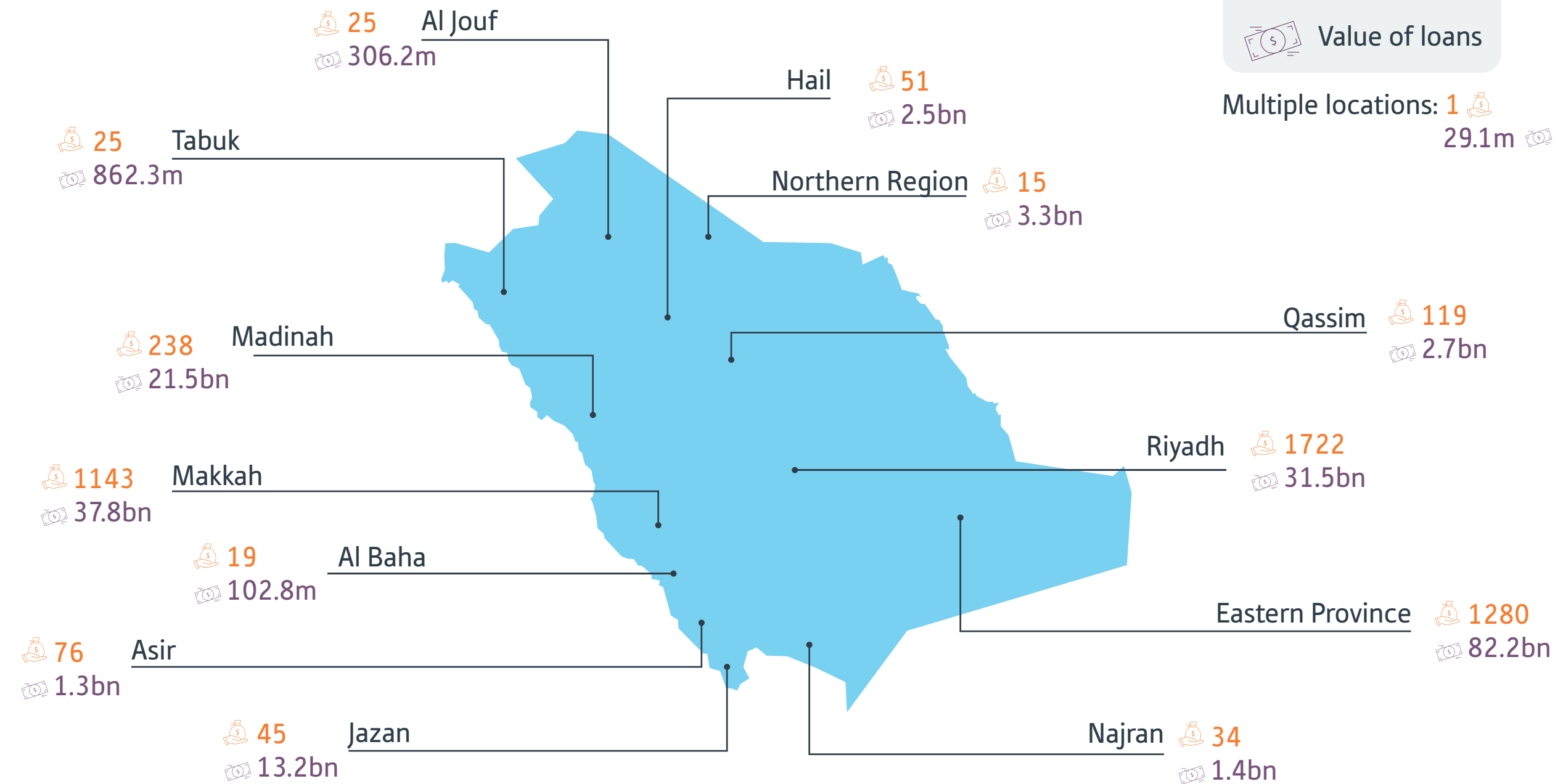


Quality education



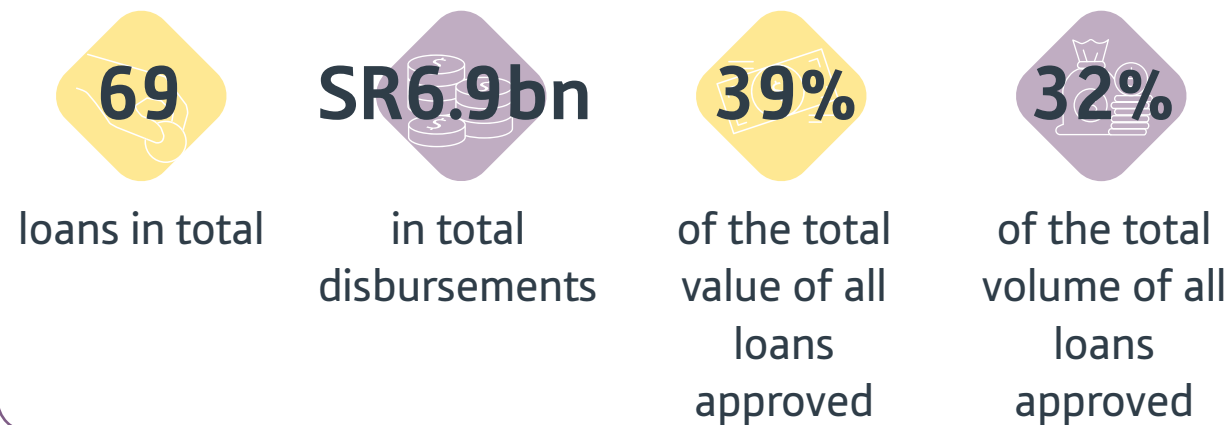
Industry, innovation and infrastructure

SIDF enables nationwide industrialisation and job creation Cumulative value and volume of loans, as of end-2021



SIDF support for promising regions

Loans to promising regions in 2020 constituted:



The SIDF board adopted new regulations in 2016 to boost funding for industrial projects in promising regions and cities outside the major urban centres. Provisions include covering up to 75% of the total project cost – rather than 50% – and extending the loan repayment period from 15 to 20 years.

SIDF advances social development and generates positive impact through internal policies and external actions

Social milestones at SIDF

2016

SIDF hired its first women employees

Significant growth in female representation

22%	42%	24
Proportion of women employees in total SIDF workforce, 2021	Share of women in total new hires, 2020	Number of women in leadership positions, 2021

The advancement of women in the labour market is an economic and social necessity. The Kingdom can only fulfil its broad goals for economic and social transformation if it harnesses the potential of all members of society.

2010

Security and Safety committee was established to protect the health and safety of employees

1974

Since its inception, SIDF has fostered a diverse and inclusive workforce comprising Saudi citizens and non-nationals

2017

The work environment is redesigned into an open space to enhance transparency and communication

2018

SIDF sets target of 50% of graduates starting the entry-level Nokhab training programme being women

- SIDF Academy launched to raise skill levels, expertise and awareness within the organisation, government ecosystem and client companies, in areas central to the growth of target industries.
- SIDF Young Leaders Council formed to generate innovative ideas from young talent in the areas of social impact, consulting and business development
- Childcare allowance introduced for female employees with children
- Annual employee engagement survey introduced to gauge satisfaction across the organisation
- Introduced an annually reviewed Training Path for each job category to ensure employees could see a clear route for career and personal progression within the fund



“Working together with the W20 will advance our mutual agenda on women empowerment, diversity and inclusion. This support stresses SIDF’s commitment to Vision 2030’s strategic goal of raising Saudi women’s economic participation rate to 30%.”

– **Noor Shabib**
Vice President, Strategy and Business Development

2019

2020

- SIDF Academy runs training programmes on Sustainable Leadership and Corporate Responsibility, and Women Leadership
- SIDF Young Leaders Council launched the respirators initiative to assist factories willing to adapt their production lines to produce respirators, which were then shared with the Ministry of Health to combat the pandemic
- Necessary technological devices, health advice and support, and cybersecurity awareness provided to employees to mitigate the risks of the Covid-19 pandemic
- Culture of Excellence Council launched as a continuation of the long-standing Social Services Committee, with the aim of advancing strategic goals through impactful teamwork, strengthening the engagement of employees, and contributing to the wider community
- Sponsored the Women20 (W20) engagement group during Saudi Arabia’s presidency of the G20, in support of female empowerment

2021

- SIDF Academy runs training programmes on Islamic Development Finance, SME Credit Analysis, and SME Management
- Individual Training Plans introduced to ensure every employee has a structured and tailor-made progression programme
- One day leave is granted to employees after receiving a Covid-19 vaccination dose
- 131 emails intended to raise awareness of social-oriented topics sent to SIDF employees by the internal communications team throughout the year
- 100% of employees receive performance reviews; 281,000 total training hours are delivered through HR and 122,000 total training hours are delivered through SIDF Academy.

SIDF’s strategies aim to maximise the potential of Saudi society in support of national objectives

	STATION (2019)	LOCATION (2022)	DESTINATION (BY 2025)
FEMALE EMPOWERMENT	<p>Significant expansion in the female workforce recorded at SIDF from 2016, supported by executive-level appreciation of the corporate and social importance of greater diversity; childcare allowance introduced this year alongside existing benefits such as 17 weeks of fully paid maternity leave and subsidised childcare of mothers of children under six.</p>	<p>Women now represent 22% of the total workforce, and constituted 38% of new hires in the previous year. Flexible working options have been improved and expanded following the experience of the pandemic, which can be especially beneficial for working mothers.</p>	<p>Expand the proportion of female employees in the workforce further, in line with the Vision 2030 target of a national female labour force participation rate of at least 30% by 2030; continue to offer career progression support services and engagement channels for women employees to maximise their potential and expand their leadership representation within the fund.</p>
JOB CREATION AND ENTREPRENEURSHIP	<p>Afaq programme launched to stimulate the growth of promising SMEs and to help high-potential early-stage start-ups commercialise their ideas and scale up their operations; 77% of the total number of loans approved in 2019 were distributed to SMEs.</p>	<p>Advisory services for SMEs launched in 2021 with a focus on cost optimisation and go-to-market strategies, as well as subsidised services designed to enhance SME performance and generate sustainable growth; 84% of the total number of loans approved in 2020 were allocated to SMEs, while significant efforts were made to restructure SME debts in response to pandemic pressures, with SR4bn in loans across 546 projects restructured in 2020 alone.</p>	<p>Broaden suite of advisory services to fit client needs, including in the SME and start-up segment; engage in advocacy for SME issues; expand financing services through investment and syndication.</p>
HUMAN CAPITAL DEVELOPMENT	<p>Annual employee engagement survey and tailored Training Path launched for each job segment at SIDF to create a clear route for skills development and career progression; SIDF Academy launched to broaden capabilities in target industries for the fund’s employees and private sector clients.</p>	<p>Individual Training Plans introduced for every SIDF employee to help maximise their potential; Culture of Excellence Council established to promote international standards and support strategic objectives, including in the area of developing talent. SIDF certified as a ‘Great Place to Work’, ranking fourth in the public sector in a 2021 analysis by the Great Place to Work Institute Saudi Arabia</p>	<p>Address talent and capabilities gaps within the organisation through the expansion of effective skills development programmes in line with strategic objectives; widen the offerings at SIDF Academy to reflect the evolving needs, challenges and opportunities in the market.</p>

Governance approach designed to ensure sustainable growth at SIDF and its target industries

Pathway

UN SDG alignment

Enhance risk management

Approach: Embed robust risk management principles across all aspects of the organisation in an effort to ensure fiscal sustainability, strategic success and positive results for industrial client companies, underpinned by clear frameworks and policies that are widely understood by all employees



Industry, Innovation and Infrastructure

Increase the access of small-scale industrial enterprises to financial services, including affordable credit, and their integration into value chains and markets

Promote good corporate governance among clients

Approach: Provide data-led advisory services to ensure clients are making sound corporate decisions regarding expansion and diversification, in order to meet future market demand, optimise costs, and generate positive multiplier effects for the Saudi economy



Partnerships for Goals

Encourage and promote effective public-private partnerships, aided by data, monitoring and accountability

Ensure strategic and business continuity

Approach: Maintain effective internal procedures to continuously evaluate strategic plans and priorities in relation to the evolving industrial landscape and policy direction, while ensuring there are clear plans in place for progression and succession in key leadership roles



Peace, Justice and Strong Institutions

Develop effective, accountable and transparent institutions, and ensure responsive and representative decision-making at all levels

Key aspects to SIDF's risk management approach

Tone from the top

- Corporate principles and values
- Risk appetite statements and thresholds
- Capital budgeting and planning

Competencies

- Value based assessment
- Induction programmes
- High Potential Leaders programme.
- Continuous learning – includes training and SIDF Academy

Incentives

- Clear remuneration and incentive criteria documented in HR policy
- Performance review and value aligned behaviour rating
- Succession planning for key positions



Accountability

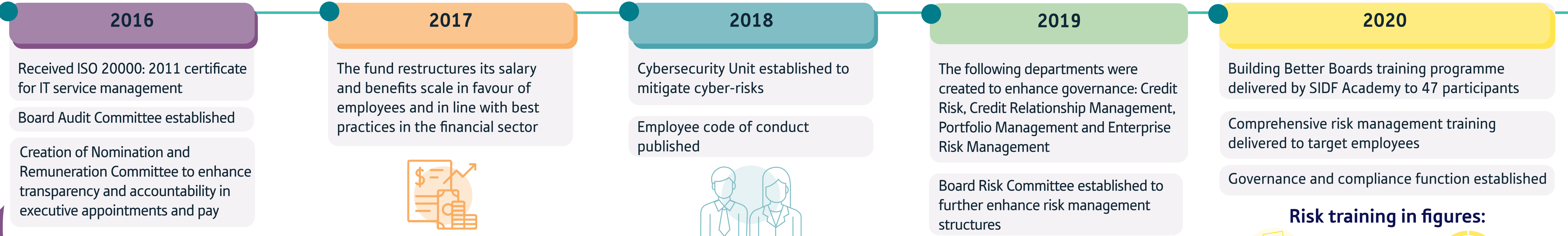
- Three lines of defence
- Individual accountability
- Whistleblower protections
- Code of conduct and values

Effective communication

- Risk governance and reporting
- Town hall meetings
- E-mail updates
- Knowledge management project

SIDF's growth journey underpinned by robust corporate governance and risk management principles

Governance milestones at SIDF



Selected certifications held by SIDF as of 2022:

- ISO 27001:2013 certification – Information Security Management System
- ISO 9001:2015 certification – Quality Management System
- ISO 22301:2019 certification – Business Continuity Management

ISO

- SAP Customer Centre of Expertise Primary Certification

SAP

- Integration Level in Digital Government Measurement (Qiyas)

قياس
التحول الرقمي الحكومي
Government Digital Transformation

- 100% Maturity Level – Government Services Observatory (Marsad)

مرصد
الخدمات الحكومية
Government Services Observatory

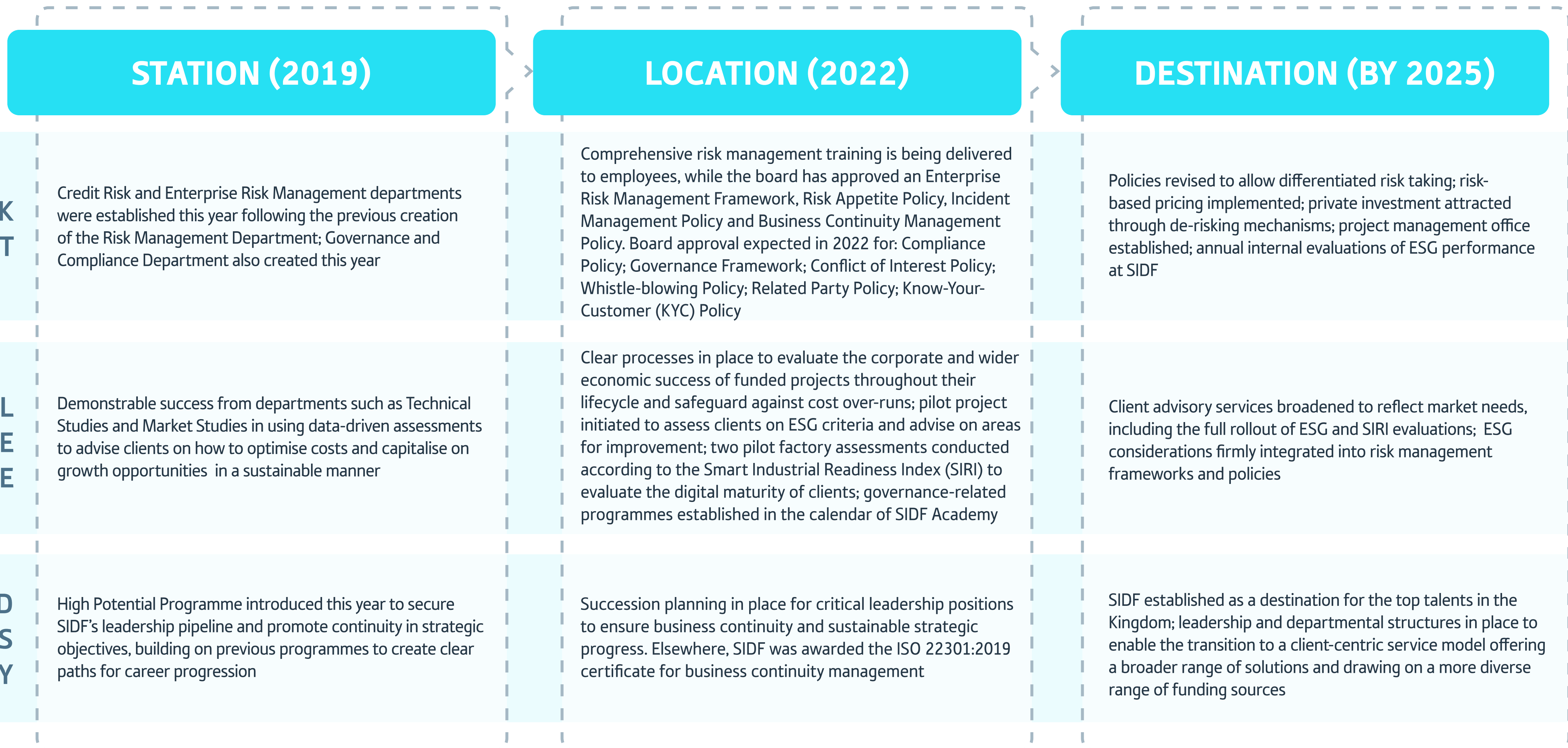
- Enterprise Architecture Maturity Level 3 Certificate (National Overall Reference Architecture)

NORA
المنهجية الوطنية للبنية المؤسسية
National Overall Reference Architecture

المركز الوطني للتصديق الرقمي
National Centre for Digital Certification



Evolution of SIDF’s governance strategy in pursuit of responsible business growth



Ibrahim Almojel, CEO, Saudi Industrial Development Fund (SIDF)



Ibrahim Almojel

To what extent has the Covid-19 pandemic led to more sustainable approaches in industrial development in Saudi Arabia, and how is SIDF helping to shape future national strategies in this area?

ALMOJEL: The pandemic changed the debate about industrialisation in the Kingdom in two main ways. First, the health crisis led to a shift in priorities. While the focus had been on boosting efficiency by leveraging global supply chains, today efforts are concentrated on building resilience. This can be achieved by increasing localisation, particularly in strategic areas that are relevant to the region's prosperity. In this sense, SIDF's core mandate is in line with the changes seen since early 2020. Resilience can also be strengthened by protecting SMEs and supporting their growth. To this end, in addition to launching a SR1bn programme to help SMEs absorb the pandemic's economic shock, SIDF is increasingly guiding and financing smaller firms' expansion plans.

Second, long-standing trends like digitalisation are being accelerated as economies move towards a post-pandemic rebound. Technologies associated with the Fourth Industrial Revolution are being rolled out across sectors to boost overall competitiveness, and the emphasis on sustainability is greater than ever. Importantly, Saudi Arabia's pledge to achieve net-zero greenhouse gas emissions by 2060 is spurring action to catch up with global transition efforts. With a clearly defined target and timeframe, demand for renewables and energy-efficient technologies will be more structured, predictable and widespread. These factors will help both international and local providers and investors better plan for the future in a market that not only benefits from the financial support from SIDF and others, but also allows for economies of scale.

How can SIDF ensure financial sustainability and effective support for local industries amid a shifting fiscal horizon?

ALMOJEL: For nearly 50 years SIDF has worked to protect the value of the funds it has been entrusted with by our fellow citizens. Our efforts have been based on a three-pronged approach to business operations: undergoing diligent risk-management analysis; building partnerships to involve other financial players, including the private sector; and bolstering and promoting the competitiveness of Saudi industry on a local and international scale. This latter aspect is becoming more prominent as the relationship between capital and labour sees capital gaining more weight. By helping clients become more competitive, we guarantee timely debt repayment. In other words, if our clients are able to grow, we grow as well.

The development fund has sought to boost the performance of its clients by establishing efficient production processes, leveraging technology and identifying the most profitable market opportunities. We have done so through the provision of specialised lending and non-financial programmes aimed at improving productivity. SIDF has also turned to in-house project design and implementation experts, as well as market researchers, to further support our clients. Beyond this, we are increasingly focused on nurturing human capital, particularly in support of Vision 2030's Human Capability Development Programme, which aims to develop citizens' capacity and prepare them for the future, and the Public Investment Fund Programme, which seeks to strengthen the sovereign wealth fund's position as a catalyst for Vision 2030. Our commitment to developing domestic talent can be further seen in the contribution of the SIDF Academy and the Nokhab integrated training programmes to the creation of a pool of highly qualified specialists.

“ While the focus of industrialisation was on boosting efficiency through supply chains, today efforts are concentrated on building resilience ”

1

Vision

Saudi Arabia is on the path towards rapid economic and social transformation, guided by Vision 2030. This overarching national vision has spurred advancements in the industry, mining, logistics and energy sectors, with SIDF playing an important role in ensuring that industrial progress is achieved in an environmentally sustainable and socially impactful manner.

2

Net Zero 2060

As the Kingdom works towards reaching net-zero carbon emissions by 2060, corporations and supporting bodies such as SIDF are taking actions to reduce their carbon footprints and adopt clear environmental, social and governance (ESG) policies to ensure future growth in key sectors is both sustainable and inclusive.

3

Enablement

Beyond their own operations, public entities supporting business growth have an important enabling role to play in encouraging ESG adoption. At SIDF, corporate investments in technologies, facilities and products that address or mitigate environmental challenges are being incentivised, and advisory services are increasingly focused on corporate sustainability and social impact.

4

Impact

Growth in strategic sectors can have positive multiplier effects on society when the social impacts of projects and policies are factored into the corporate decision-making progress. At SIDF, this includes support for national aims such as Saudiisation, regional development and female empowerment through hiring, training and lending policies.

5

Mitigation

Sustainable growth strategies must be accompanied by clear governance structures that can measure progress in key areas and also anticipate environmental, social and financial risks arising from investment and policy decisions. SIDF has a key role to play in aiding clients from across the industrial spectrum to properly evaluate the risks and long-term benefits of planned projects.

6

Future

As Saudi Arabia pursues its vision of a diverse, competitive and sustainable economy, SIDF plans to continue to develop its advisory services, loan products and risk structures to reflect the evolving needs of the industry, mining, logistics and energy sectors, with issues related to environmental protection and social well-being becoming increasingly reflected in corporate plans for long-term value creation.

ESG INTELLIGENCE