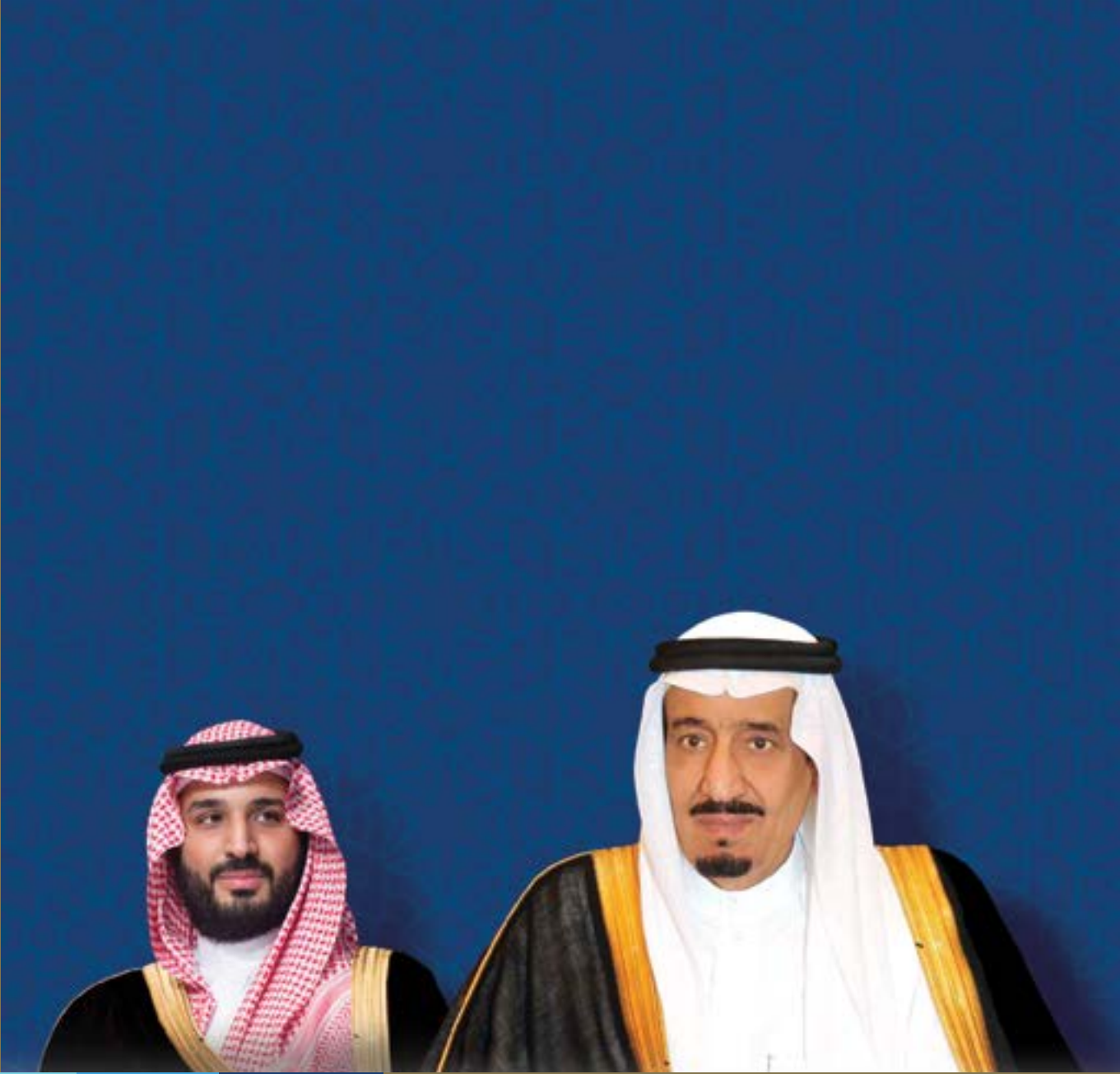


Enriching lives through financial wellbeing

SUSTAINABILITY
REPORT
2022

Enriching
lives through
financial
wellbeing



HIS ROYAL HIGHNESS
PRINCE MOHAMMED BIN SALMAN
BIN ABDULAZIZ AL-SAUD
Crown Prince and Prime Minister

KING SALMAN BIN ABDULAZIZ AL-SAUD
Custodian of the Two Holy Mosques

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ABOUT THIS REPORT

The Sustainability Report 2022 is the inaugural report published by Bank AlJazira to outline the Bank's increasing institutional interventions to serve the needs of people and planet, while creating sustainable value through our core business.

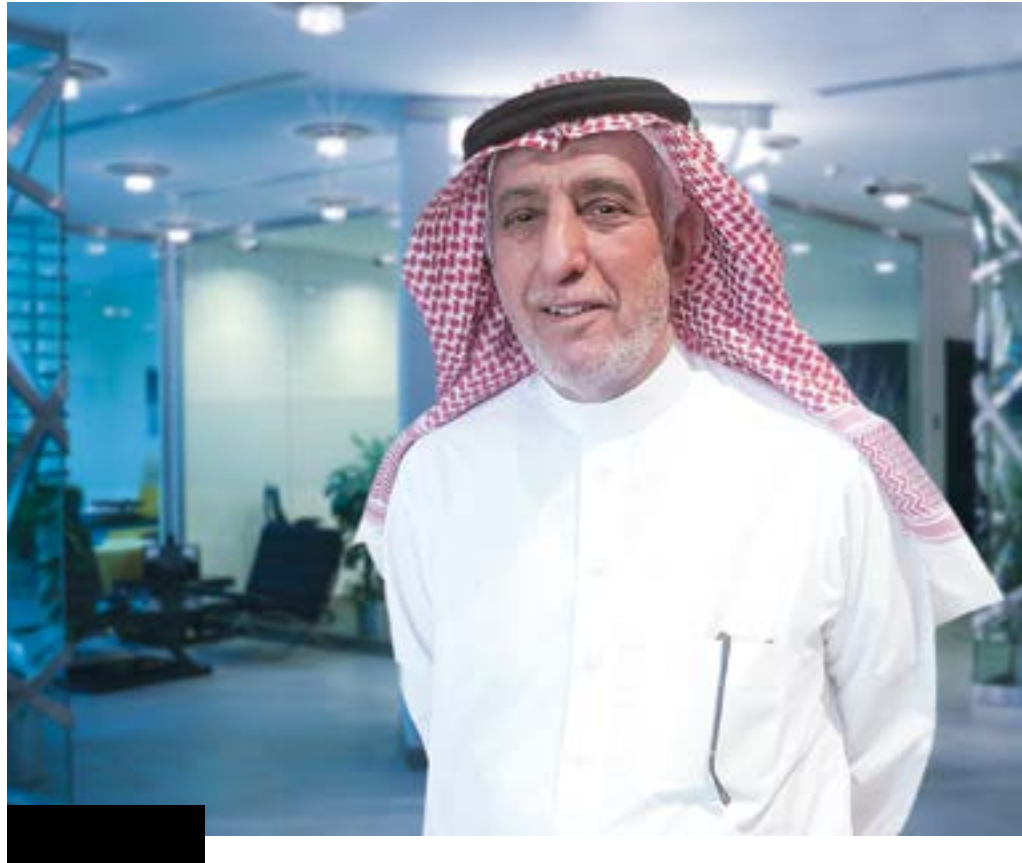
The Report has been approved by the Board of Directors of Bank AlJazira, and is a voluntary disclosure of the Bank's newly launched strategy for sustainability with key performance indicators and initiatives for the financial year ended 31 December 2022, unless otherwise stated. The report is prepared with reference to the Global Reporting Initiative (GRI) Standards.



Feedback

We welcome feedback on this report and any aspect of our sustainability performance. Please address all feedback to us at Sustainability@BankAljazira.com

MESSAGE FROM THE CHAIRMAN



Driven by our overarching purpose of enriching lives through financial wellbeing, Bank AlJazira strengthened its sustainability journey in 2022 by supporting various projects that promote the principles of sustainability and social responsibility, accelerating the Bank's identity as a key contributor towards achieving the objectives of the Kingdom's Vision 2030.

Eng. Tarek O Al-Kasabi

Chairman of the Board of Directors
Bank AlJazira

During the year in review, Bank AlJazira laid out the groundwork to prioritize and align ESG themes.

It gives me great pleasure, on behalf of the members of the Board of Directors of Bank AlJazira, to present you with our first ever Sustainability Report, marking a key milestone in our ambitious sustainability journey.

Across the world, the financial sector has a responsibility by the nature of its business, to direct financial resources towards sustainable economic and development activities. Banks have the potential for major multiplier effects when they adopt sustainable lending and investment practices across the financial capital value chain. When the financial sector aligns financing decisions with environmental, social and governance (ESG) criteria, they send signals to the economy, customers, and communities on the type of investments, risks and opportunities that are acceptable for long-term value creation. This is why Sustainability Reporting can be a decisive tool when transitioning to a sustainable economy.

With the formation of international sustainability standards setting a more consistent global baseline of investor-relevant sustainability reporting in the recent years, Bank AlJazira has taken an important step forward to communicating our approach to sustainability, and our long-standing commitment towards social responsibility with the publication of this, our inaugural Sustainability Report. This publication aims to support calls by investors, shareholders, regulators, financial industry peers and other stakeholders, on the need for transparency and consistency with global standards in sustainability reporting.

Driven by our overarching purpose of enriching lives through financial wellbeing, Bank AlJazira strengthened its sustainability journey in 2022 by supporting various projects that promote the principles of sustainability and social responsibility, accelerating the Bank's identity as a financial institution that makes a positive impact on the economy, environment and society, and as a key contributor towards achieving the objectives of the Kingdom's Vision 2030.

During this year in review Bank AlJazira laid out the groundwork to prioritize and align ESG themes with our corporate purpose, drawing a sustainability roadmap of initiatives, indicators and implementation mechanisms, and the transformation of oversight and governance at Board as well as Organizational level, forming links between and across our business verticals based on ESG themes and criteria.

We enabled financial inclusion and access to financial services by adopting and investing in new technologies, improving the quality and accessibility of our products and solutions. The Bank also continued its community service initiatives through the "Khair AlJazira Le Ahl AlJazira" program, implementing more than 100 community projects in over 40 cities across the Kingdom, reaching almost 21,000 beneficiaries throughout the year. Our focused and continued efforts won us peer as well as industry recognition, as we were awarded the Best CSR Bank Award in the Kingdom of Saudi Arabia for the year 2022 by International Finance Magazine.

Bank AlJazira will remain committed to creating sustainable value for all our stakeholders by following prudent ESG practices, implementing the next phase of our sustainability agenda in 2023 with targets to achieve and opportunities to explore, as we continue to serve the needs of our clients and country, by creating a strong, sustainable, and profitable bank for our shareholders.

MESSAGE FROM THE CEO



We will continue to integrate ESG principles across our business functions and strategies with the aim of promoting sustainability for the greater benefit of our employees, customers, shareholders and the communities we are proud to serve.

Naif A Al Abdulkareem
CEO & Managing Director

We look to the future as we set out on what promises to be an ambitious and equally rewarding sustainability journey.

The year 2022 saw the Saudi economy record a positive shift among all sectors during 2022, mainly in the financial sector, which led to achieving a growth rate of 8.7%, the highest among the world's largest economies in the G20. Alongside this growth, Bank AlJazira continued to achieve its strategy towards growth and excellence, contributing to advancing the economic development of the Kingdom and fulfilling the aspirations of our shareholders.

This Report, comprises a detailed overview of Bank AlJazira's sustainability agenda, and how we have mapped our main business strategy across four key sustainability pillars, working together as a team by directing our cumulative competencies and capabilities to achieve strong financial performance, while creating a positive and sustainable impact through greater focus across environmental, social and governance (ESG) criteria.

Our first sustainability pillar focuses on sustaining value creation through our core banking business, while pillars two and three focus on socially and environmentally responsible banking. The fourth sustainability pillar focuses on Bank AlJazira's impact beyond banking, highlighting the work that we do through the "Khair AlJazira Le Ahl AlJazira" program and other initiatives outside of our core business.

As one of the leading Shariah compliant financial institutions in the Kingdom, Bank AlJazira continued to enhance the role of governance through annual reviews of all internal policies, updating all the Bank's regulations and compliance in accordance with ESG principles, initiating dialogues with our stakeholders on incorporating ESG criteria across our Bank's operations to positively impact the environment as well as our communities.

While we are proud of our past accomplishments as a fast-evolving financial institution, we look to the future as we set out on what promises to be an ambitious and equally rewarding sustainability journey. We will continue to integrate ESG principles across our business functions and strategies with the aim of promoting sustainability for the greater benefit of our employees, customers, shareholders and the communities we are proud to serve.

We look forward to making this journey with you.

BANK ALJAZIRA AT A GLANCE

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OUR PURPOSE

Enriching lives through financial wellbeing

OUR VALUES

We innovate for the Future... We succeed through Partnership

Bank AlJazira is one of the leading Shariah compliant, fast-growing financial institutions in the Kingdom of Saudi Arabia, established with the objective to provide a full range of Shariah-compliant banking products and services to Retail and Corporate customers including: current accounts, saving accounts, Murabaha, Istisna'a, Ijarah, Tawarruq, Musharaka, Wa'ad foreign exchange, credit cards and Sukuk which are approved and supervised by an independent Shariah Committee, and delivered by an empowered team of professional and dedicated employees.

Bank AlJazira is a Joint Stock Company incorporated in the Kingdom of Saudi Arabia, Bank AlJazira was established pursuant to Royal Decree No. 46/M dated Jumada Al-Thani 12, 1395H (i.e. 21 June 1975), and commenced its business on Shawwal 16, 1396H (9 October 1976) with the takeover of the National Bank of Pakistan's (NBP) branches in the Kingdom of Saudi Arabia. The Bank operates under commercial registration No. 4030010523 dated Rajab 29, 1396H (27 July 1976) issued in Jeddah.

The issued and fully paid up share capital of the Bank amounts to SAR 8.2 Bn. divided into 820 million shares of SAR 10 each.

PERFORMANCE HIGHLIGHTS FOR THE YEAR

Customer deposits			
2022	2021		
SAR 86,023 Mn.	SAR 78,365 Mn.	▲	9.8%
Net financing			
2022	2021		
SAR 70,599 Mn.	SAR 62,434 Mn.	▲	13.1%
Total assets			
2022	2021		
SAR 115,849 Mn.	SAR 102,827 Mn.	▲	12.7%
Total liabilities			
2022	2021		
SAR 102,240 Mn.	SAR 88,932 Mn.	▲	15%
Net income before zakat and income tax			
2022	2021		
SAR 1,297 Mn.	SAR 1,153 Mn.	▲	12.4%
Net income after zakat and income tax			
2022	2021		
SAR 1,109 Mn.	SAR 1,006 Mn.	▲	10.2%
Earnings per share			
2022	2021		
SAR 1.26	SAR 1.18	▲	6.78%
Staff strength			
2022	2021		
2,732	2,789	▼	2.04%
Female employees			
2022	2021		
310	244	▲	27.28%
Saudization rate			
2022	2021		
95.77%	94.80%	▲	0.97%

Awards

- Most Innovative Islamic Bank 2022 by International Finance Magazine
- Best CSR Bank in the Kingdom of Saudi Arabia 2022 by International Finance Magazine

OUR APPROACH TO SUSTAINABILITY



Operating Environment

Over the past few years, Saudi Arabia's financial landscape has been rapidly evolving. As the Kingdom progresses in line with its ambitious Vision 2030 targets, the Banking sector has also undergone a number of mega-mergers, thereby changing the sector's very structure and increasing the concentration of assets and deposits. The resulting larger banks have developed increasingly competitive behavior to appeal to customers, who themselves have undergone rapid behavioral changes following the pandemic and its effect on the economy and individual financial decisions.

As with every other industry, the Banking sector also continues to be largely impacted by digital challengers, with the Saudi Central Bank introducing Open Banking regulations to foster innovation and disrupt conventional banking value chains. Such changes in the operating environment have created opportunities for growth and transformation for traditional banks with a digital focus across the Kingdom.

The next five years is projected to bring significant growth to the Kingdom's banking industry, with asset volumes expected to evolve in line with the GDP. Retail Banking growth will be driven by mortgages with the Government's efforts to increase Saudi homeownership as part of Vision 2030, while corporate banking growth will focus on building non-oil-sector contributions towards the Kingdom's economy. Medium, Small and Micro Enterprises (MSMEs) will also continue to be a growing demographic for banks. Deposit volume growth is expected to accelerate, while wealth advisory trends show an increased demand for alternatives such as real estate trust funds.

More significantly, consumers are developing higher expectations for personalization of financial products, services, and advice based on lifestyle experiences. All these trends are driven by a shift in the collective behavior, where more sustainably conscious stakeholders give greater importance to the global Environment, Social and Governance (ESG) agenda, with expectations on financial institutions to demonstrate adoption, disclosure and transparency of sustainability strategies growing significantly. High sustainability standards are increasingly becoming critical to a bank's reputation and license to operate.

Stakeholder Engagement

We engage with a set of key stakeholders who are directly impacted by or are interested in Bank AlJazira and its operations. Our stakeholder engagement process prioritizes feedback of our constituents, including shareholders, in order to shape our decisions and our approach to disclosures. We value the long-term relationships we have formed with our stakeholders over the years, and continue to strengthen our mutually beneficial partnerships by understanding and addressing key stakeholder topics of concern.

Stakeholder Group	Engagement Mechanism and Frequency	Key Topics for 2022
Shareholders/ Investors	<ol style="list-style-type: none"> Annual General Assembly – Annual Extraordinary General Meetings – As required Annual Report – Annual Social Responsibility Report - Annual Shareholder Services Division – Continuous Interim Financial Statements – Quarterly Investor Presentations and Earning Calls – Quarterly One-on-One Discussions and Meetings – As required Road Shows – Annually Press Conferences and Releases – As required Announcements made via the Saudi Exchange – As required 	<ul style="list-style-type: none"> Financial Performance Shareholder Returns Governance Risk Management Sustainability Disclosure Business Continuity
Customers	<ol style="list-style-type: none"> Online Banking – Continuous Branches/Service Centers/ATMs – Continuous Customer Visits – As required Social Media – Continuous Conventional Media (Advertisements) – As required 	<ul style="list-style-type: none"> Service Speed Access to Financial Services Improving Financial Literacy Improvement of Digital Channels Service Quality Awareness on Sustainability Matters (Social and Environmental)
Employees	<ol style="list-style-type: none"> Induction Program – Once Internal Communication – Continuous Training Programs – As required Special Staff Events – Annual Performance Appraisals – Annual One-on-One Discussions – As required Employee Surveys – As required 	<ul style="list-style-type: none"> Career Progression Knowledge and Capacity Development (Focused Areas such as Shariah, Digital Banking) Diversity, Equity and Inclusion Remuneration and Benefits Awareness on Sustainability Matters (Social and Environmental)
Communities	<ol style="list-style-type: none"> Special Awareness Events – As required Public Events – As required Website – Continuous Press Releases – As required Social Media – Continuous Social Responsibility Initiatives through the “Khair AlJazira Le Ahl AlJazira” Program – Continuous 	<ul style="list-style-type: none"> Community Empowerment Awareness on Sustainability Matters (Social and Environmental) Financial Inclusion
Regulators/ Policymakers	<ol style="list-style-type: none"> Consultations – As required Extraordinary General Meetings – As required General Assembly Meetings – Annual Annual Report – Annual Announcements made via the Saudi Exchange – As required 	<ul style="list-style-type: none"> Compliance with Directives and Regulations Financial Performance Saudization Sustainability Disclosure Alignment with Vision 2030

Table 1.1: Bank AlJazira Stakeholders

Assessing Materiality

In order to advance and grow progressively and sustainably as a financial institution, Bank AlJazira (BAJ) understands the need to identify and address matters that are most important to our key stakeholders as well as our business.

Our materiality assessment and resulting stakeholder outreach is a dynamic and ongoing process that is guided by the Global Reporting Initiative (GRI) Standards; we identify material topics through a Bank-wide assessment across all operations, which gives us insight to stakeholder concerns, market demands, business risks and opportunities that greatly influence our ability to create value. In developing this – our inaugural Sustainability Report, we combined expert consultations with desktop research on external trends, data analysis, and regular feedback loops with key stakeholders through various channels to prioritize matters of relevance to them. BAJ then applied an internal lens to align these identified material topics with our sustainability Key Performance Indicators (KPIs) for 2022, regularly assessing their progress and duly considering them in strategic decision-making throughout the reporting period.

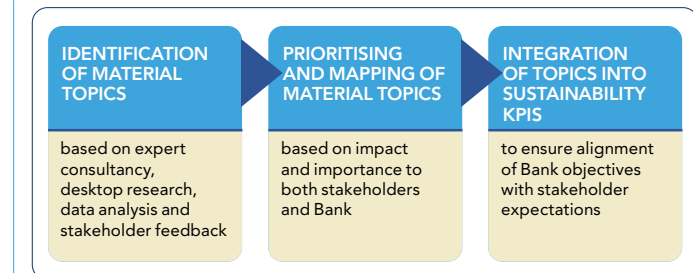


Diagram 1.1: Materiality Assessment Process of Bank AlJazira for 2022

UMBRELLA KPI:

Introduce Sustainability Maturity Index

KPI 1

Improve environmental footprint

KPI 2

Incorporation of ESG criteria into lending and investment evaluation

KPI 3

Enhance digital channels

KPI 4

Develop two new climate pledges

KPI 5

Improve financial literacy among customers

KPI 6

Improve sustainability awareness

KPI 7

Improve Islamic Banking and Shariah knowledge amongst employees

KPI 8

Improve diversity, equity and inclusion

Diagram 1.2: Sustainability Key Performance Indicators (KPIs) of Bank AlJazira

For the reporting period, we have identified eight (08) material topics, which were then aligned against our overarching sustainability KPIs (Diagram 1.2):

Materiality Topic	Relevant Stakeholder/s	KPI
<p>1 Direct Environmental Footprint Minimizing the environmental impact of our own activities is a pre-requisite of responsible operations, prioritized by the Bank and discussed as a material topic by a growing segment of environmentally-conscious customers as well as regulators. This materiality topic drives our efforts to minimize our own resource use.</p>	<ul style="list-style-type: none"> Customers Employees Communities Regulators/ Policymakers Shareholders/ Investors 	<p>KPI 1 Improvement of environmental footprint</p> <p>Group: Technology and Operations Group/Sustainability and Social Responsibility Group/Human Capital and Corporate Support Group</p> <p>KPI 4 Develop two new climate pledges</p> <p>Group: Sustainability and Social Responsibility Group</p>
<p>2 Responsible Financing We focus on introducing products and services that take into account the most pressing financial needs of our stakeholders. This also ensures effective screening of projects and proposals, covering environmental, social and governance (ESG) criteria at relevant stages of our financing process.</p>	<ul style="list-style-type: none"> Customers Regulators/ Policymakers Shareholders/ Investors 	<p>KPI 2 Incorporation of ESG criteria into lending and investment evaluation</p> <p>Group: Retail Banking Group/Corporate and Institutional Banking Group/Treasury Group/Enterprise Risk Management Group</p>
<p>3 Compliance and Transparency Operating in accordance with national and international regulations and legislation, policies, standards and codes of conduct underpins our license to operate. This also enables us to be transparent in our efforts and approach towards sustainability in our communications with all stakeholders, as well as our reporting and disclosures.</p>	<ul style="list-style-type: none"> Regulators/ Policymakers Shareholders/ Investors 	<p>Umbrella KPI Introduce Sustainability Maturity Index</p> <p>Group: Sustainability and Social Responsibility Group</p> <p>KPI 2 Incorporation of ESG criteria into lending and investment evaluation</p> <p>Group: Retail Banking Group/Corporate and Institutional Banking Group/Treasury Group/Enterprise Risk Management Group</p>
<p>4 Privacy Protection Protecting customer and other key stakeholder data is a fundamental right and requirement, particularly with the growth of digital banking, requiring robust security procedures and systems.</p>	<ul style="list-style-type: none"> Customers Regulators/ Policymakers 	<p>KPI 2 Incorporation of ESG criteria into lending and investment evaluation</p> <p>Group: Retail Banking Group/Corporate and Institutional Banking Group/Treasury Group/Enterprise Risk Management Group/Customer Experience and Protection Division</p>

Materiality Topic	Relevant Stakeholder/s	KPI
<p>5 Financial Inclusion We continue our role as a key partner and a major contributor in the realization of the ambitious financial goals and targets of the Kingdom's Vision 2030, and ensure that financial products and services remain accessible and affordable to all people, and ensure that these people are educated on how to make the best use of these products and services, by improving financial literacy</p>	<ul style="list-style-type: none"> Customers Communities Regulators/ Policymakers 	<p>KPI 2 Incorporation of ESG criteria into lending and investment evaluation</p> <p>Group: Retail Banking Group/Corporate and Institutional Banking Group/Treasury Group/Enterprise Risk Management Group</p> <p>KPI 5 Improving financial literacy among customers</p> <p>Group: Customer Experience and Protection Division</p>
<p>6 Digital Transformation Digitalisation remains a key expectation for customers, and BAJ continues to focus and invest in digitalised products and services for our clients that deliver significant process and resource efficiencies across our business verticals, whilst also providing greater accessibility to financial products and services to customers.</p>	<ul style="list-style-type: none"> Customers 	<p>KPI 3 Improvement of digital channels</p> <p>Group: Technology and Operations Group</p>
<p>7 Responsible Communication We believe it is our responsibility as a leading financial institution and key enabler of the Kingdom's Vision 2030, to raise awareness among our key stakeholders – mainly our employees – on our approach towards planning and implementing Sustainability initiatives, and our progress towards delivering on our promises. We also consider it our duty to exert more effort towards improving Islamic Banking and Shariah knowledge among our employees, so that they can strengthen our reputation and trustworthiness as a Shariah-compliant Bank by serving our customers better.</p>	<ul style="list-style-type: none"> Employees Regulators/ Policymakers 	<p>KPI 6 Improve sustainability awareness</p> <p>Group: Sustainability and Social Responsibility Group</p> <p>KPI 7 Improve Islamic Banking and Shariah knowledge amongst employees</p> <p>Group: Shariah Group</p>
<p>8 Diversity, Inclusion and Equal Opportunity We embrace diversity and inclusion to better understand and reflect the evolving communities that we serve across the Kingdom of Saudi Arabia. Inclusivity and equal opportunity results in a more competitive and productive work environment that promotes a sense of belonging.</p>	<ul style="list-style-type: none"> Employees 	<p>KPI 8 Improve diversity, equity and inclusion</p> <p>Group: Human Capital and Corporate Support Group</p>

Table 1.2: Materiality Topics of Bank AlJazira

Management Approach

Materiality topics are mapped onto the Bank's Sustainability KPIs, as shown in the above materiality topics table (Table 1.2), and are assigned to the relevant Heads of Business and functional Units responsible for the implementation and follow-up of the mapped KPI.

Materiality Matrix

Each materiality topic has been mapped onto our Materiality Matrix, rated from significant to highly significant in importance:

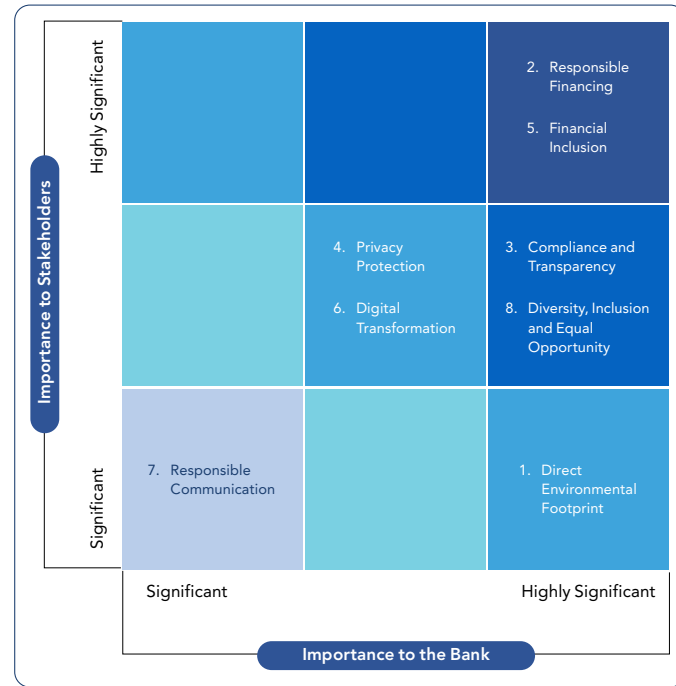


Diagram 1.3: Materiality Matrix of Bank AlJazira

Our Sustainability Journey

While the nature of our business as a responsible financial institution has organically contributed towards the sustainable development of our communities, and the strengthening of our economy, our inaugural Sustainability Report highlights BAJ's goal to embed sustainability in the core of our operations. We provide an overview of our sustainability approach, structured to address the materiality topics we consider to be most relevant for our stakeholders. In 2022, we established a sustainability framework following approval from the Board of Directors to publish an annual Sustainability Report each year, guided by the objective to create long-term value by conducting our business in a balanced and responsible way to benefit our people and planet.

Sustainability Governance Structure

The Board of Directors has overall responsibility for sustainability in terms of governance, and integrates such matters in the formulation of the Bank's overarching business strategy. Given the increasing expectations among our stakeholders for transparency, the Social Responsibility Committee was renamed as the Sustainability and Social Responsibility Committee in 2022.

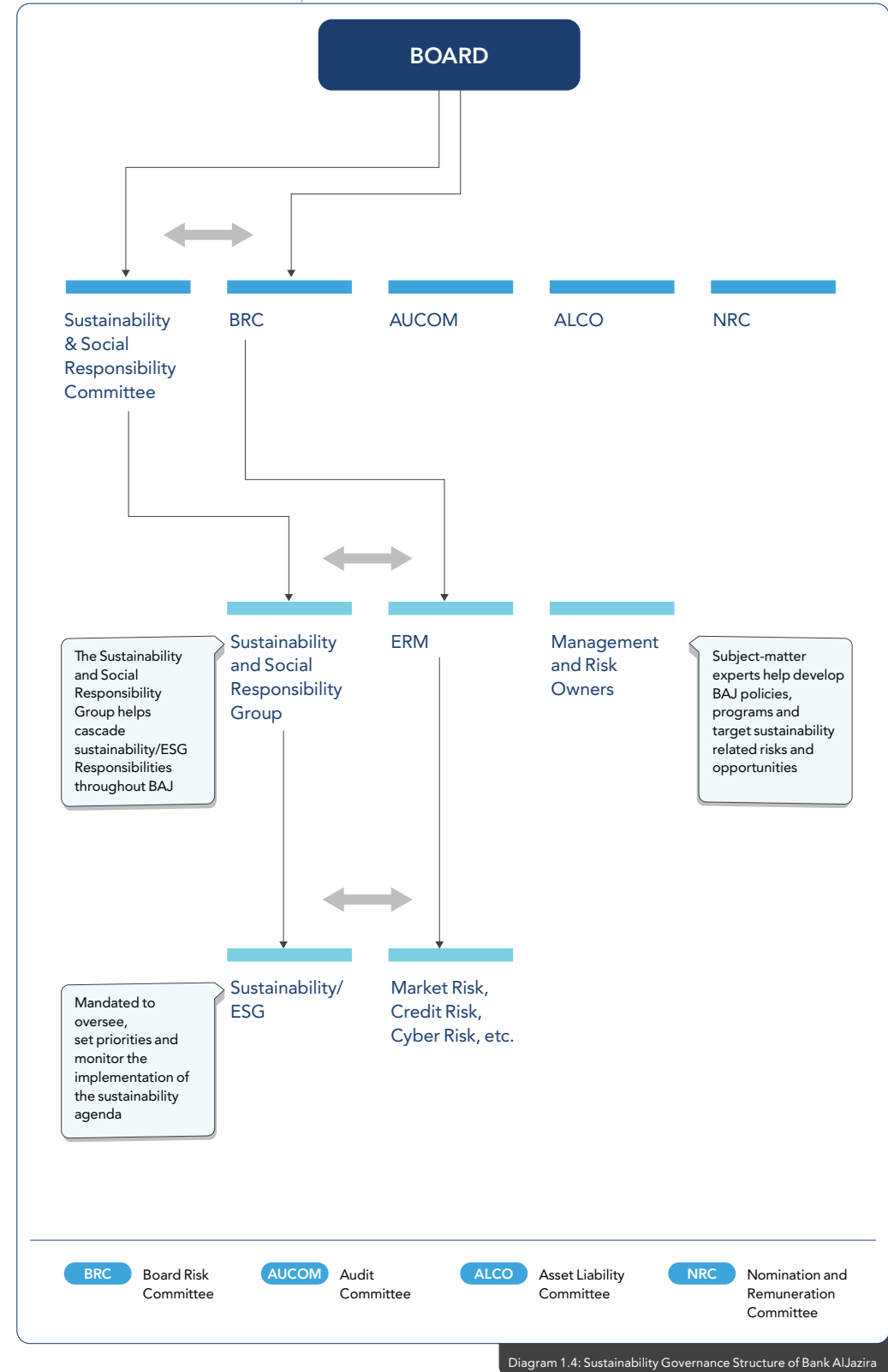


Diagram 1.4: Sustainability Governance Structure of Bank AlJazira

The Social Responsibility Group was retitled Sustainability and Social Responsibility Group, with a direct line of reporting to the Sustainability and Social Responsibility Committee, as well as a dotted line to the CEO for continuous guidance and direction. The Group consists of a dedicated Sustainability Division, with a member at this stage driving our sustainability efforts across all business verticals.

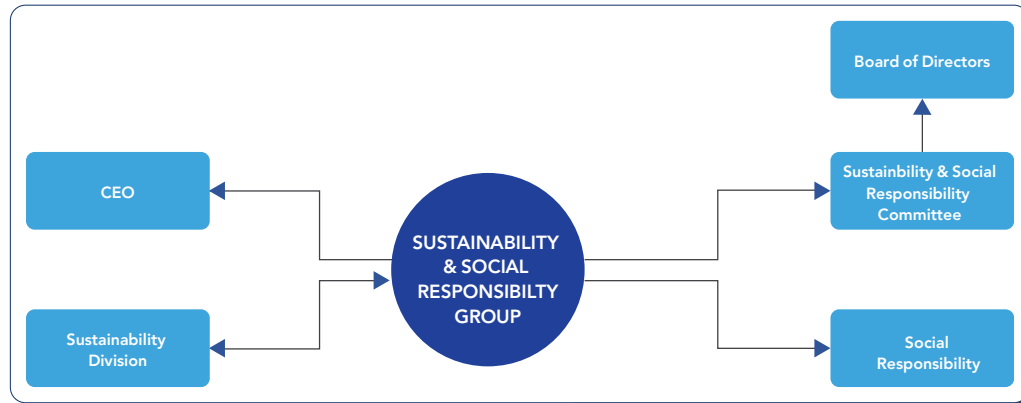


Diagram 1.5: Sustainability Governance Structure of Bank AlJazira

Mapping of Sustainability Framework

BAJ is currently implementing a five-year strategy which was first rolled out in September 2021, to guide the Bank from 2022 – the period under review – through to 2026. Approved and overseen by the Board of Directors, the Bank’s progress against the 2022-2026 Strategy’s objectives continues to be tracked and reported at quarterly Board meetings, where current and emerging market trends are also analyzed to ensure better, flexible alignment to changing customer demographics, regulatory imperatives, and technological advances in our operating environment.

Our strategy is based on being a purpose-led Bank driven to achieve three key sustainable outcomes;

1. **Improving our Financial Health** – measured by our Net Profit and Return on Equity (ROE)
2. **Improving our Organizational Health** – measured by employee engagement surveys, culture, values, and being the preferred employer of top talent
3. **Improving our Customer Experience** – measured by brand equity, and customer acquisition and retention

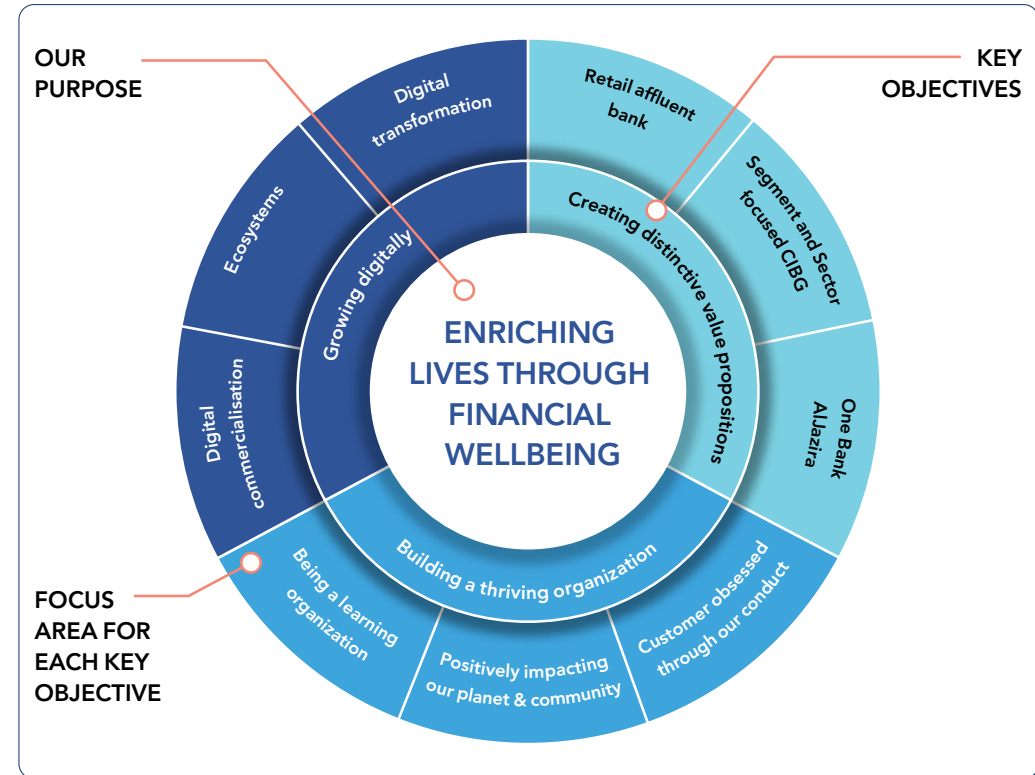
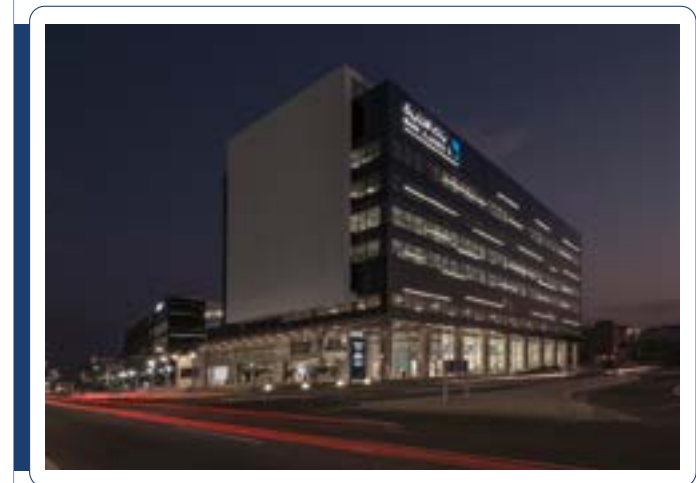


Diagram 1.6: Purpose and Objectives of Bank AlJazira

Steered by our goal to embed sustainability across our banking operations, we identified four key sustainability pillars within our established sustainability framework, which would enable BAJ to drive economic growth, and create both greater business value and wider sustainable impact. We then mapped the focus areas of the Bank’s key strategic objectives on to the sustainability pillars, creating a more cohesive, collaborated and comprehensive effort towards maturing in our sustainability journey. These key sustainability pillars support BAJ in remaining aligned to the core parts of our business strategy, to deliver on our commitment to strengthen the Saudi economy, and to contribute towards realizing the ambitious targets of Vision 2030.



Enriching lives through financial wellbeing

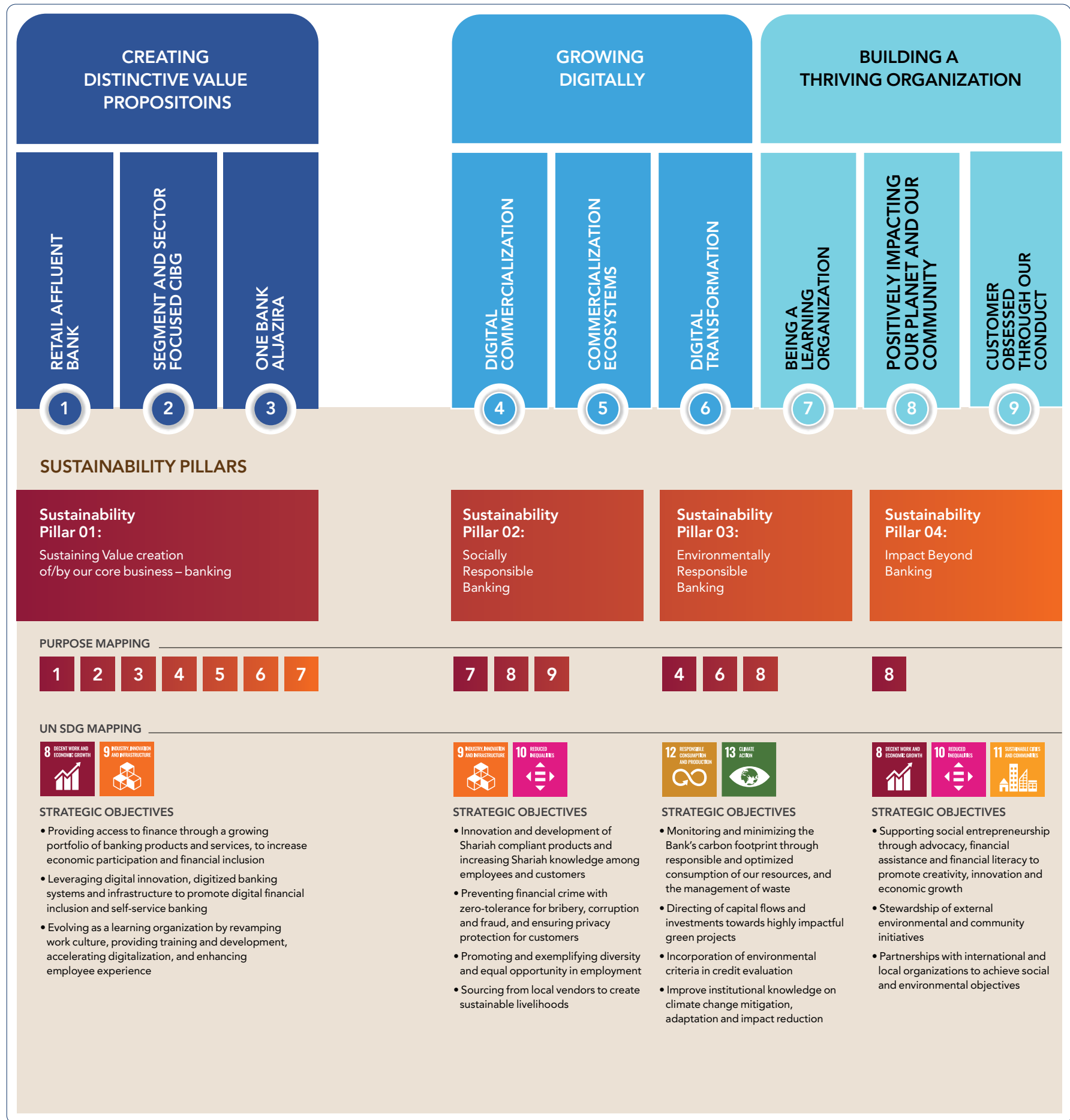


Diagram 1.7: Mapping of Sustainability Framework of Bank AlJazira

PILLAR 01: VALUE CREATION OF/ BY OUR CORE BUSINESS



Bank AlJazira believes in creating long-term value for our stakeholders through our core business verticals, delivering innovative, personalized and value-adding banking solutions to increase economic participation and financial inclusion.

Access to Finance through Banking Products and Services

Retail Banking Group (RBG)

With a nationwide distribution network of 79 branches, one ladies' section, 622 ATMs and over 22,000 Point-of-Sale devices, BAJ's Retail Banking Group continued to optimize its branch network to provide people with access to financial products and services.



2022 HIGHLIGHTS

There were a number of enhancements and customer-centric changes carried out by the Retail Banking Group; Updates made to the AlJazira SMART App greatly improved customer convenience. A WhatsApp chatbot was introduced as a form of real-time customer engagement, while WhatsApp campaigns were launched to enhance customer experience. New products and services including Auto Lease for payroll and non-payroll customers, low limit business credit cards, Mortgage Off-Plan Sale – Tawaruq, and Easy Payment Plan (EPP) through AlJazira Online and the AlJazira SMART App were also launched during the year. Bank coverage was increased by adding 21 more NFC-enabled ATMs to the network.

2022 saw the Retail Banking Group's liabilities portfolio increase to SAR 49,073 Mn., with the loan book increasing by 8% to reach SAR 30,824 Mn. The Bank's real estate finance portfolio grew by 9%, ending the year with a 3% market share.



Private Banking and Wealth Management Group

BAJ is a reputable Private Bank in the market, and has a significantly higher than average market share of high net worth Individuals (HNWI) and Family offices compared to other competitors. Private Banking differentiates its offering and stands out ahead in an intensely competitive local market through its collaboration with our brokerage and asset management subsidiary AlJazira Capital – to provide our Wealth clients base with many exclusive alternative investment solutions, and create sustainable value.



2022 HIGHLIGHTS

During 2022, the Bank's wealth management portfolio grew 8% serving its HNWI through three dedicated Private Banking Regions located in Central, Western and Eastern. Recruiting qualified Team leader and Relationship Managers.

AlJazira Capital

AlJazira Capital (AJC) offers a comprehensive range of investment services to its institutional and retail clients, that include; brokerage, asset management, wealth management, investment banking, and custody services.

2022 HIGHLIGHTS

2022 was very significant for AlJazira Capital, as the Company executed its new 5-year strategy with a philosophy to maintain leadership position in brokerage while creating a sustainable source of revenues in other business lines. Hence, AJC's Strategy is structured around developing Asset & Wealth Management business and the redeployment of AJC capital into investments with attractive yields.

Effective implementation of the new strategy is noticeable from AJC's financial results as, despite the decline in brokerage revenues versus 2021, AJC's revenues grew by 16% in 2022, driven by the strong growth in other business lines. AJC's net income before Zakat & income tax for 2022 amounted to SAR 154.3 Mn, which exceeds 2021 net income by 14%.

AJC received several awards in various securities business aspects. Refinitiv has awarded AJC the best 3 year & 10 year performance for AJC's International Equity Fund. Furthermore, International Finance Magazine recognized our AJC's International Equity Fund for the Most Innovative Equity Fund. The same Magazine also awarded AJC for the most Innovative Islamic Brokerage House.

Corporate and Institutional Banking Group (CIBG)



Bank AlJazira's corporate banking offering re-focused on identified segments for stronger alignment with customers, which has contributed to maximizing CIBG's share of wallet, increasing profitability while sustaining a satisfactory risk vs. Return-on-Assets (ROA) position in 2022. The segments include:

- **Corporate Banking Group:** Extensively focused on building a well-diversified portfolio, acquiring new prospects and businesses, capturing new financing opportunities, and cross-selling BAJ products and services. Achieved 29% growth in the total asset portfolio in 2022. Focused on the Mid-corporate segment in line with the Bank's overall strategy.
- **Specialized Finance Division:** Tasked with providing structured financing solutions and participating in syndicated arrangements, working with other leading banks in mega syndicated deals arranged on behalf of corporate and sovereign clients.
- **Commercial Banking Services:** Provides a wide range of banking products and services to Micro, Small & Medium Enterprises (MSMEs) aligning its strategy with the Kingdom's 2030 Vision initiatives of increasing their contribution to GDP. In 2022, Commercial Banking Services recorded strong profits by focusing on growing its portfolio and improving their profitability by cross-selling the bank's products and services, and improving their offerings.

2022 HIGHLIGHTS

- **Financial Institution Unit:** Manages BAJ's relationships with domestic and international banks as well as other financial institutions and supra-national entities for trade and cash management needs, and performs a key role internally, serving other Business Units in the Bank. During 2022, FIU achieved significant growth in unfunded exposure of 622% with the introduction of export-related strategies, while recording a Fee Income growth of 20% through LCs, remittances, and counter-guarantee issuances.
- **Public Sector Unit:** Manages the portfolio of government and quasi-government entities that operate in various sectors, and plays an essential role in the realization of the Kingdom's Vision 2030 objectives.
- **Global Transaction Services:** Provides commercial and financial institutions around the Kingdom with innovative and superior banking solutions that are cost-effective and efficient. Their services consist of online corporate banking channels such as "E-Corp" and "M-Corp", "E-trade", payroll services "Rawatebkom", cash pick-up, and delivery services.



BAJ receives the Excellence Award for executing Straight Through Payments (STP) in US Dollars

Over the past two years, through focused segment and sector business growth, CIBG has recorded almost a 50% increase in our Outstanding Portfolio as well as deposits, reaching SAR 43.26 Bn. and SAR 35.24 Bn. respectively by the end of 2022. There was a 72% recorded increase in online corporate business during this same period, while payroll clients grew 115% since December 2020, demonstrating BAJ's contribution towards increasing economic participation of corporate clients. BAJ also carried out a clean-up of non-performing loans (NPL) during 2022, reducing the NPL ratio to 1.69% during the reporting period. CIBG also automated several processes to streamline day-to-day operations for improved operational efficiencies, including the credit approval processes.

Additionally, several effective partnership agreements were signed with Government Agencies to provide value-adding services to corporate clients and the MSME sector, and plan to set aside a percentage from the CIBG portfolio to support green initiatives/ lending in the future. In doing so, BAJ aims to provide comprehensive packages of finance and credit solutions to corporates while bridging the financing gaps in the MSME sector, in line with the Vision 2030 goal of increasing SME contribution to the Kingdom's GDP.



BAJ signs a co-financing agreement with SME Bank



BAJ Signs agreement with The Saudi EXIM



Bank AlJazira Signs a Syndicated Loan Agreement with AviLease Company

Treasury Group (TG)

Bank AlJazira's Treasury group focuses on managing the Bank's liquidity, funding, risks associated with balance sheet gaps, profit rates, and foreign exchange, among other responsibilities. It is also responsible of managing the Bank's investment portfolio, which represents around 30% of the BAJ's total assets. The investment portfolio comprises diverse asset classes, including fixed income, equities, and alternative investments, aiming to generate risk-adjusted returns with the concentration on high liquid and quality investments. Treasury Group offers industry-leading insights and leverages its research capabilities and latest technology to offer a wide range of Shariah-compliant solutions to clients, from plain vanilla foreign exchange and deposits to bespoke structured products across asset classes.

2022 HIGHLIGHTS

Treasury Group contributed around 48% of the Bank's Net Income before zakat and income tax during the reporting period. This significant achievement was realized despite the challenging economic environment, a testament to the team's effort and perseverance.

In order to achieve diversification and yield enhancement, the Group has a diverse investments in different asset classes; however, the major component of the investment portfolio remains in government securities, providing the bank with a large pool of High-Quality Liquid Assets (HQLA) to meet regulatory requirements and to keep a high quality investment portfolio.

BAJ continues to fulfill its responsibilities as a Primary Dealer of Saudi government Sukuk, an esteemed appointment by the Kingdom's Ministry of Finance and the National Debt Management Centre (NDMC). Through this program, the Bank's Treasury Group actively contributes to the development of the local debt market's infrastructure. In 2022, Treasury Group launched an electronic service, allowing the clients to participate in the monthly NDMC government auction through Bank AlJazira's online platforms.

In alignment with the bank's own sustainability goals, Treasury Group is supporting the efforts towards investing in sustainable assets. This includes areas such as renewable energy and green infrastructure, as well as investment in entities that showcase strong Environmental, Social, and Governance (ESG) practices.



BAJ Treasury Dealing Room

Leveraging Digital Innovation for Financial Inclusion and Self-service Banking



Digitalization is one of the key objectives of our business strategy, and plays a crucial role in our sustainability agenda. We have increased our investments in technology – with multi-million-dollar investments made in the transformation program over the next three years – to accelerate our digital transformation agenda, enriching lives through digital financial inclusion, and support our growth and efficiency. By improving our agility and accessibility, and enhancing branch capability through state-of-the-art technologies, BAJ's digital transformation continues to give us a leading edge in competitive offerings. Under the Strategy and Digital Transformation Group's supervision and guidance, we aim to foster innovation with new solutions and streamlined processes that will simplify and enhance our customers experience.

During the reporting period, BAJ set its digital flywheel in motion to accelerate digital transformation across the Bank:

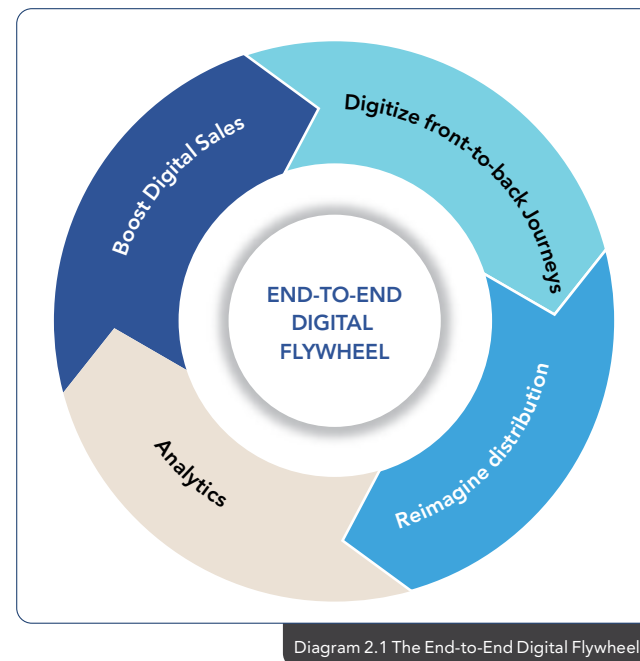


Diagram 2.1 The End-to-End Digital Flywheel

- A. **Boost Digital Sales** – through advanced and personalized omnichannel marketing, and addressing gaps by raising awareness and improving engagement
- B. **Digitize Front-to-Back Journeys** – through process reengineering and automation, and identifying digital use cases to better align solutions with customer journeys

2022 HIGHLIGHTS

- C. **Reimagine Distribution** – by investing in technology and marketing, streamlining operations and maximizing resource utilization
- D. **Analytics** – by investing in Advanced Analytics and Artificial Intelligence capabilities

Updates were made to our Digital Transformation agenda with the advent of Open Banking regulations, which the Bank sees as an opportunity to grow its market share - and more importantly - deliver on its purpose of Enriching lives through financial wellbeing. We successfully completed a number of technology refresh projects across the Bank including the Recovery Datacenter, and commenced data and technology revamps across the branch network. A number of new digital journeys were launched in 2022, including personal finance features, mortgages, digital recharge cards for BAJ online and BAJ SMART App users, and online credit cards for non-BAJ customers.



Digitalization of Corporate Banking processes saw the enhancement of online corporate banking channels E-Corp, M-Corp and E-Trade, with our pilot B2B Corporate Banking solution currently in user acceptance testing (UAT) phase.

The Bank launched an IT infrastructure assessment and redesign during 2022, to support the upgrades across our Management Information System (MIS) and Customer Relationship Management (CRM) System. As part of our data and technology revamp, the reporting period saw BAJ identify 38 use cases for Advanced Analytics and Artificial Intelligence, which were added on to our implementation roadmap for delivery.



Building Digital Ecosystems

BAJ, through the Strategy and Transformation Group have successfully nurtured partnerships with fintechs across the Kingdom. Fintech partnerships and strategic alliances have enabled BAJ to build digital ecosystems that are scalable, and mutually beneficial. Such initiatives are aimed at differentiating our value proposition and distribution models, while enhancing the customer experience with self-service banking. We continue to improve the quality of financial solutions offered, increasing the volume of the Bank's business and contributing positively to the objectives of Vision 2030.



2022 HIGHLIGHTS

One of our biggest achievements during the year under review was the establishment of the Bank AlJazira Digital Garage, our very own in-house innovation hub for new fintech solutions and technologies, with the development of two minimum viable products (MVPs) currently underway. The Bank has also made significant inroads with applications for new fintech partnerships underway.



Self-service Banking

We added a number of enhancements to the AlJazira App, providing over 140 services to set the benchmark for self-service banking in the Kingdom. The usability and features of the App were improved, with a full suite of control for cards, which allowed users to bank immediately upon account opening via virtual cards. The new features, including the issuance of stamped documents online, ensure customers are able to conduct all their banking transactions without visiting physical branches. The Bank extended its new capabilities towards investment tools during the reporting period, enabling Sukuk and IPO subscriptions for BAJ customers.

We made more progress towards increasing self-service banking during the reporting period, strengthening our Bank's strategic positioning to increase customer acquisition and reduce churning. We utilized the power of analytics to better engage with customers and identify cross-sell opportunities, especially for the SME segment, which is currently spread across the Retail and Corporate banking segments.



Building a Learning Organization

Becoming the preferred employer for top talent in the financial sector of the Kingdom of Saudi Arabia is a strategic priority and targeted outcome of the Bank's ongoing five-year strategy. In the long-term, our aim is to attract and retain progressive talent; people who share our values as well as our purpose to enrich lives through financial wellbeing. To achieve this, we understand the need to address current job market challenges, and deliver an unrivaled employee value proposition, one which is centered around continuous learning, development, and transformation of the employees as well as our organization, empowering our team to grow and prosper both personally and professionally, and become key contributors and stakeholders of the Kingdom's future.

In line with this overarching objective of becoming a Learning Organization, and in order to strengthen our reputation as a preferred employer for top talent in an increasingly competitive job market, the Bank's Human Capital and Corporate Support Group launched a three-year strategy with a focused theme for each year:



Diagram 2.2: The Three-Year Strategy Implemented by the Human Capital and Corporate Support Group

Revamping Culture

Each year, the Human Capital and Corporate Support Group has set a clear, target-driven strategy to across a number of focus areas, including but not limited to:

1. Revamping Culture
2. Strengthening Governance
3. Enhancing Digitalization
4. Operational Excellence
5. Focusing on Development and Performance Management
6. Enhancing Employee Experience

Winning behavior thrives in a culture that can sustainably support it. In 2022, BAJ released the Bank's Culture Blueprint - a document that clearly articulates who we are as a Bank, with a systematic guide to implement a nurturing company culture that fosters committed, enthusiastic employees, working together for the success of the Bank in alignment with its strategy. Not only has this alignment become one of the Bank's key differentiators, it has also helped us communicate, collaborate, innovate, and pursue continuous improvement, producing superior results.

The Bank's dedicated Culture and Happiness Team established in 2022 will continue to drive the Culture Blueprint in 2023, transitioning our day-to-day activities to further strengthen employee engagement, enhance employee experience, promoting our conducive culture to attract the Kingdom's top talent.

Age	CEO - 1 (SVPs)		Division heads (N-2 & G19, 18)		Managerial level (G17, 16)		Supervisory (G15, 14, 13, 12)		Support (G11, 10, 9)		Management Trainees		Outsources	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
18 – 25 years					2	1	19	19	25	1	2	8	42	7
26 – 35 years			4	3	145	39	409	88	354	26	5	2	184	27
36 – 45 years	4		30	3	372	51	260	35	39	17			144	13
46 – 55 years	8		16	1	155	12	36	4	5				47	1
56 and above	1		4		13	1	3						12	

Table 2.1: Recruitment by Age, Gender and Job Category

No.	Male		Female	
	2022	2021	2022	2021
Central Region	840	830	160	103
Eastern Region	217	233	26	23
Northern Region	-	-	-	-
Southern Region	-	-	-	-
Western Region	877	942	124	118

Table 2.2: Total Recruitment by Gender and Region

Strengthening Governance



Our employees abide by our Code of Conduct – a collated framework of values, policies, standards and principles that strengthens our core governance structure, and helps our team conduct themselves and make decisions in an ethical and responsible manner within a work environment that is strongly governed, and secured against financial crime, bribery, fraud and corruption. The Code of Conduct is our fundamental tool of corporate governance in terms of Human Capital; it identifies our responsibilities towards each other; encourages open, clear and concise communication; and obliges management to comply within the framework when exercising their authority. All employees are introduced to the Code of Conduct at the point of their induction, and upon acknowledgement, each employee is expected to comply with these policies and best practices and be accountable both individually and collectively for the Bank's reputation. As practiced by the Human Capital and Corporate Support Group, the Code of Conduct also promotes non-discrimination and equal opportunities for all employees at BAJ, with the violation of such policies considered to be against Bank regulations.

Enhancing Digitalization

The Human Capital and Corporate Support Group initiated the first cloud-based system development at BAJ, transitioning from on premise Human Resource Management System (HRMS) to a highly automated on the cloud Human Capital Information System (HCIS), to further enrich our employee experience while allowing for greater scalability of the system to support our projected growth and future expansion. Planned and initiated during the reporting period, the project is scheduled to be launched in 2023. The new system will enable faster, more informative decision-making for management and leadership, and be accessible to users anytime, anywhere.

Bank's strategy aimed at improving the self-services of the human capital system, enabling us to achieve the goal of efficiency of daily operations.



Operational Excellence

As a Learning Organization, we believe in continuous transformation of our people as well as our processes, constantly optimizing our HR practices to institute operational excellence across the Human Capital and Corporate Support Group. We focus on securing HR professionals who are highly proficient in order to ensure the technological advances made across the HR function are strategically planned, and efficiently and effectively implemented. The Bank continued to roll-out its strategy aimed at improving self-services of the Human Capital System, enabling us to achieve operational efficiencies across our daily operations.



Focusing on Development and Performance Management

This has been one of the key areas of focus to drive attraction and retention of top talent at BAJ. The Bank's non-discriminatory training, development, and performance management initiatives have made a major impact on both recruiting appeal as well as retention of our employees.



Launch of the Future Leaders Program

Training and Development

The Bank generates an annual development calendar aligned with our overarching five-year strategy as well as the Human Capital and Corporate Support Group's target-driven annual strategy based on the Bank's talent and business development requirements. BAJ's training includes soft skills, technical skills, job-related courses as well as mandatory training for every employee. More specific technical development courses are offered if and when such special requirements arise.

We continue to also focus on leadership development as part of our succession planning, especially for SAMA approved leadership positions and other critical roles across the Bank. Leadership development is addressed with a dedicated Leadership Development Program at BAJ, as well as through coaching support for Executive roles from global professionals. Succession Planning has also contributed towards directly enhancing employee morale through promising career growth, and increasing retention rates at BAJ. Furthermore, we also introduced a Future Leader Program, to attract and retain young emerging talent, helping them to grow, lead and succeed by discovering their full potential.

2022 HIGHLIGHTS

During 2022, the Human Capital Development and Career Management Division offered close to 300 courses, with 85% of our team completing nearly 5,000 training sessions, and reaching a key milestone by surpassing 10,000 training hours in total during the reporting period. Yet another achievement during the reporting period was a 50% increase in training hours per female employee in the organization, improving from 27.2 hours in 2021 to 40.8 hours per female employee in 2022.



No.	2022	2021	2020	2019	2018
Training hours	10,255	6,368	5,150	8,662	9,232
Average training hours per employee	22.8	14.2	11.5	19.2	20.5
Number of hours on digital training	4,422	252	6	294	48

Table 2.3: Training and Development at Bank AlJazira

Performance Management

The Human Capital Development and Career Management Division plans to continue introducing specialized development tracks for each business function such as IT and Retail Banking in the coming years, so that our employees can grow in their job roles alongside the rapidly evolving financial services industry. Leadership courses too, will be tailored for each level of management, an initiative the Bank plans to carry out in collaboration with internationally acclaimed professional development institutions.

While environmental and sustainability topics were covered in a number of training programs during the reporting period, BAJ will take a more structured approach to curate dedicated training sessions on sustainability topics based on environmental, social and governance (ESG) in future, while also aiming to reduce the Male: Female ratio in training hours.



Strategic Partnership between Bank AlJazira and INSEAD to strengthen the investment in Human Capital

The Bank has introduced a number of initiatives in order to drive a performance-driven culture at BAJ; key among them are SMART KPIs (Specific, Measurable, Attainable, Realistic, Timely Key Performance Indicators) that helps us measure, analyze and optimize banking operations, enabling us to thrive in a rapidly evolving financial landscape.

In 2022, 100% employees received performance evaluations, and were also introduced to their individual Performance Improvement Plan (PIP) - our latest sustainable development initiative that provides employees an opportunity for improvement and success. The PIP includes information on acceptable performance levels, SMART KPIs, relevant guidance, followed by details on progress meetings. PIPs also track employee behavior and their alignment with the Bank's Culture Blueprint, so that their improvement is holistic and supports personal as well as professional growth.

We also launched the Badge Your Expertise (BYE) Program in 2022, as a performance-based training incentive, where the Bank invests in specialized courses or professional development of employees who have achieved their KPIs and shown great promise in their job roles. A total of 39 employees were selected for the inaugural BYE Program during the reporting period, and are currently undergoing their selected training. Plans are also in place for strategic leadership and talent development in line with the Bank's succession planning, to ensure BAJ is equipped to fill in critical positions internally.

Long-Service awards are also handed out on an annual basis, to recognize, reward and show our appreciation towards our employees and their commitment and loyalty to the Bank.



Badge Your Expertise (BYE) - The Certified Professionals

Category	Years						Total
	< 2	3-10	11-20	21-30	31-35	>36	
Senior Management	25	29	36	3	0	0	93
Middle Management	197	328	228	28	1	0	782
Clerical	319	891	154	3	3	1	1,371
Total	541	1,248	418	34	4	1	2,246

Table 2.4: Total employees by employment category and years of service in 2022

Enhancing Employee Experience

We believe in enriching our employee experience across every point of employee engagement to differentiate ourselves as a preferred employer for top talent, from attraction and recruitment to onboarding, development and retention. The financial sector's rapid evolution in recent times, saw BAJ proactively set – and meet – benchmark standards in talent management as well as in salaries and benefits provided to employees. Our standard benefits include Medical Coverage, Life Insurance, Preferred Lending Rate of 0%, and a range of allowances covering employee needs from Housing and Transport to Vacations as well as a Ramadan allowance, all complementing an Annual Bonus.

During the reporting period, compensation and benefits provided to employees at BAJ remained highly competitive with current industry standards, which resulted in an increased employee retention rate.

We further enhance our employee experience by promoting staff health and wellbeing. During the pandemic, all BAJ employees were encouraged to get all three required COVID-19 vaccinations, and return to office gradually. Positive COVID-19 cases were monitored internally and reported to management to ensure staff health and safety. The return to office was made easier with the provision of two work-from-home days each month, as well flexible working hours for employees to better transition and balance their post-COVID lifestyles. In 2022, flexible working hours were also offered where eligible staff were provided with the option of two work shifts, as part of the Bank's continuous efforts to enhance work-life balance. Additionally, the Bank facilitated an annual flu vaccination to support and strengthen staff immunity.

To further strengthen the Bank's approach towards enhancing employee wellbeing, the Human Capital and Corporate Support Group carried out a Wellbeing Survey during the reporting period, with promising survey results showing 88% employees having a strong sense of belonging to their departments and teams. Additionally, it was noted that 82% employees believed in the goals BAJ strives to achieve, with an overall 71% employees showing commitment and dedication towards the Bank. The survey also revealed areas with opportunities for improvement through direct employee feedback, which has been instrumental in implementing a number of changes across the Bank to enrich employee wellbeing.

The Bank has a parental leave policy in place, with female staff members entitled to paid maternity leave for up to 10 continuous calendar weeks, with the possibility of extension under certain circumstances. Nursing female employees are also entitled to an hour of nursing per day for up to 24 months from delivery.



No.	2022	2021	2020	2019	2018
Number of employees entitled to maternity leave	157	279	206	181	166
Number of employees who took maternity leave	15	16	13	13	7
Number of employees who returned to work after maternity leave	15	16	13	13	7
Returned to work (%)	100	100	100	100	100

Table 2.5: Maternity Leave Entitlement and Availing in 2022

No.	2022	2021	2020	2019	2018
Male employees	2,369	2,522	2,554	2,636	2,591
Female employees	310	244	234	196	196
Total employees	2,724	2,789	2,788	2,832	2,787
Permanent staff – Male	1,936	2,005	2,035	2,034	1,985
Permanent staff – Female	310	244	216	189	193
Contract staff – Male	433	517	519	602	606
Contract staff – Female	45	23	18	7	3

Table 2.6: Five-Year Employee Figures

No.	Male	Female
Vice President and above	88	6
Managerial	673	105
Others	1,173	199
Grand Total	1,934	310

Table 2.7: Total permanent employees by employment type and gender in 2022

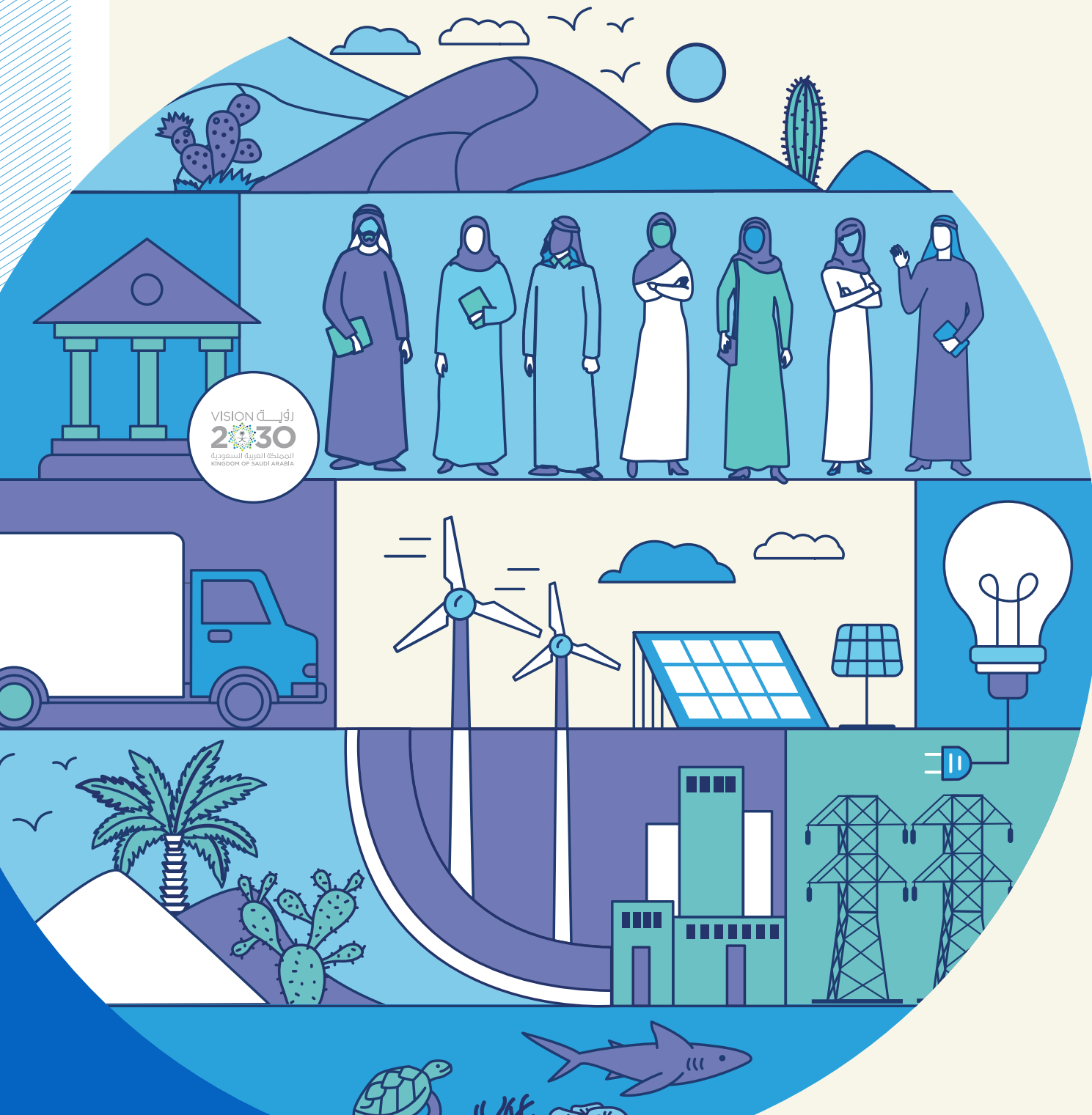
Region	Male		Female	
	2022	2021	2022	2021
Central Region	840	1,064	160	112
Eastern Region	217	278	26	23
Western Region	877	1,180	124	132

Table 2.8: Geographic dispersion of employees

No.	18-30 years	31-40 years	41-50 years	Over 50 years
Central Region	305	479	180	36
Eastern Region	58	109	69	7
Western Region	216	468	271	46
Grand Total	579	1,056	520	89

Table 2.9: Total permanent employees by region and age in 2022

PILLAR 02: SOCIALLY RESPONSIBLE BANKING



Being a socially-responsible Bank means we do the right thing for our customers, our employees and the rest of our stakeholders. This includes being committed to fair, transparent Islamic banking principles, with processes, disclosures and standards that ensure we act with their best interest at heart when conducting business.

Raising Awareness on Islamic Banking

With the very nature of Shariah principles focused on bringing about welfare and preventing harm, particularly in the preservation of religion, life, intellect, property, and posterity of our communities, BAJ recognizes the organic alignment of Shariah with the UN Sustainable Development Goals, and the role Islamic banking plays in furthering the positive impacts we can have on society.



As a locally respected financial institution, and a key contributor of economic growth and prosperity of the Kingdom of Saudi Arabia, BAJ strongly adheres to Islamic Shariah principles and provisions across our business activities and transactions. To dutifully sustain this significant commitment and meet the expectations of our customers and shareholders, BAJ has assigned the responsibility of Shariah Quality Control to the Shariah Group, which conducts intensive reviews and audits to ensure all BAJ transactions are compliant with Islamic Shariah law.

The Shariah Group is a member of the Sustainability Working Group (SWG) of the General Council for Islamic Banks and Financial Institutions (CIBAFI), which aims to guide and support Islamic banks in integrating sustainability within their business strategies and operational activities, taking into consideration environmental, social and economic objectives. The Bank, through its Shariah Group, continues to support infrastructure organizations such as CIBAFI based on the Bank's belief in the importance of supporting such institutions to achieve standardization of the Islamic financial industry.

2022 HIGHLIGHTS

During the reporting period, the Shariah Group enhanced the application of the Shariah Governance Framework as issued by the Saudi Central Bank across BAJ operations, to ensure the full implementation of the Framework across all Bank groups. The structure of the Shariah Group was amended by separating the **Shariah Audit** function from **Shariah Compliance**, splitting the functions in two different sections. In addition, the Shariah Committee was reconfigured and the number of its members increased in anticipation of the implementation of Article 7, which prohibits committee's multiple members in other banking committees.

The Shariah Group launched a series of internal messages to raise awareness on Islamic banking principles among BAJ employees in the year under review, to enable them to better serve our customers while strengthening our reputation as a leading Shariah-compliant Bank in the Kingdom. This initiative also addressed Responsible Communication – one of our eight identified materiality topics, and enabled us to greatly progress towards improving Islamic Banking and Shariah knowledge of our employees – which was prioritized as a Sustainability Key Performance Indicator (KPI) for the reporting period.

The Research Department of the Shariah Group continued to research and revise reports on Islamic finance activity in the Saudi market, with the following reports being updated in 2022:

- Islamic banking in the Saudi market,
- Insurance Industry in the Saudi market,
- Sukuk market in the Kingdom of Saudi Arabia.

During the reporting period, the Shariah Group also established a program for cooperation with Shariah scholars to prepare Shariah research on certain contemporary issues facing the Bank. The first of this program was a research on the Ruling on the Bank providing its services to clients who execute non-Shariah transactions.

With the successful print publication of the Arabic version of the book titled "Bank AlJazira's experience in transformation into Islamic Finance", the Shariah Group translated the book into English and French in the year under review, to be distributed among financial institutions and other parties interested in Islamic finance principles and practices.

The Bank's experience in transitioning into Islamic finance was further highlighted during a symposium held by the Saudi Fiqh Society in cooperation with the Bank's Shariah Group. His Excellency the Chairman of the Board of Directors of Bank AlJazira spoke about the pioneering experience, with interventions of a number of eminent sheikhs and specialists in Islamic finance.

The year in review saw our Shariah Group adopt a plan to further disseminate knowledge through the publishing and distribution of books and academic research papers covering specific aspects of Islamic finance. These books and research papers are distributed to students, as well as educational and financial institutions free of charge. Three publications were released during 2022:

- Waqf Investment Funds
- The Down-payment Contribution and its Contemporary Applications
- Provisions Related to Ethics in Financial Transactions.

Shariah Group Approval Process

1. Documented request inclusive of initial structure and idea for new Product/Service sent in by relevant business group to Shariah Group
2. Shariah Group conducts stringent studies on the request and forwards it to the Executive Committee, which is a subcommittee of the Shariah Committee.
3. Shariah Group will communicate their decision to the relevant business group; a no objection reply, or comments if there is a need to rectify and revert back to Shariah for initial approval.
4. Relevant business group sends the completed documentation of the product/service back to the Shariah Group for final approval.
5. Upon receiving the full documentation, Shariah Group will perform a final revision, and forward it to the Shariah Committee for final approval.

We also consider it our duty to exert more effort towards improving Islamic Banking and Shariah knowledge among our employees, so that they can strengthen our reputation and trustworthiness as a Shariah-compliant Bank by serving our customers better. If customers have any queries regarding any of our Shariah resolutions relevant to any product/service, they are encouraged to speak to our front-end employees, who will immediately communicate the query to the Shariah Group through the Shariah Group email.

During 2022, the Shariah Committee held four meetings, where 36 topics related to Banking products, investments, financing agreements, and queries were discussed.

Diversity and Inclusion



BAJ embraces diversity and inclusion so that we are able to attract people who are better qualified and suited for the job roles regardless of gender, age, ethnicity or any other personal characteristics that are not related to their professional performance. By strengthening diversity in our workforce, we are able to access a greater range of talent, and harness this collective power to create impactful outcomes for our businesses, customers, and communities.

Sourcing Locally to Create Sustainable Livelihoods

At BAJ, we follow a stringent supplier screening process and enter into non-disclosure agreements (NDAs), to ensure our dealings with suppliers are carried out in a manner that is aligned with the Bank's core values. We have a heavily localized supply chain with 93% of our procurement spend in 2022 directed towards a total of 879 local suppliers, which contributes towards the development of local businesses and their participation in the local economy, while also driving their growth to ultimately explore international market opportunities.

No.	2022	2021	2020	2019	2018
Local suppliers (Nos.)	404	406	358	301	238
Total procurement spending (SAR)	824,784,710	778,101,532	559,274,437	506,049,750	383,056,019
Amount spent on local suppliers (SAR)	759,586,578	735,533,686	513,669,958	433,362,020	324,715,973
Spending on local suppliers (%)	92.10	94.53	91.85	85.64	84.77

Table 3.2: Sourcing and Supplier Statistics for Bank AlJazira in 2022

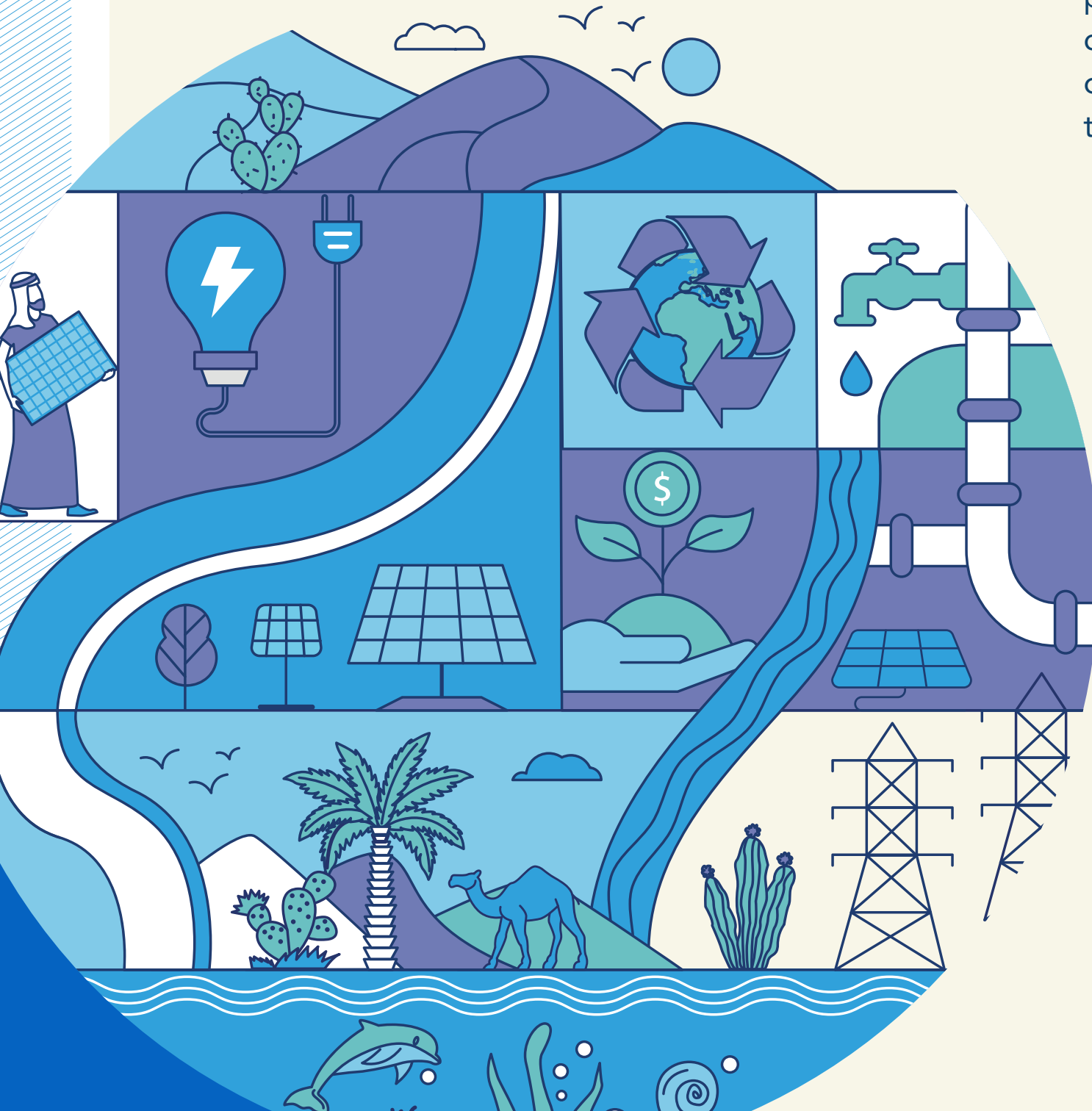
At BAJ, we promote gender diversity, and ensure that both men and women have access to opportunities and career choices. Female participation in our workforce increased to 21.3% during the reporting period, with female representation in senior management growing steadily, and increasing to 6.45% in 2022 from 5.38% in 2021.

While maintaining a strong Saudization rate of 95.77% in line with the Kingdom's nationalization scheme, we also hire foreign professionals who can add greater skill and value to the BAJ team in roles where local talent is limited. We help them integrate and assimilate to the local culture and social norms, while also ensuring they are provided with a well-balanced and encouraging work environment.

Nationalities	Totals
Sudanese	3
British, Palestinian, Syrian	4
Lebanese, Ethiopian, Chinese, Sri Lankan, South African, Other	6
Filipino	6
Bahraini, Egyptian	7
Jordanian	12
Yemeni	14
Indian	17
Pakistani	19
Saudi	2,065
Grand Total	2,153

Table 3.1: Nationalities employed at Bank AlJazira in 2022

PILLAR 03: ENVIRONMENTALLY RESPONSIBLE BANKING



We are committed to reducing our energy and water consumption as well as waste generation across the BAJ banking network, with an overarching ambition to preserve and protect the Kingdom's natural resources while meeting our compliance obligations. Equally important are the efforts we take to communicate our environmental initiatives internally to our employees, and on public forums to other key stakeholders, which we consider an important step towards expediting our own sustainability ambitions while contributing to the Kingdom's Vision 2030.

Resource Optimization

Paper

We continue to find ways to reduce and eliminate paper use across our operations wherever possible, by digitalizing and automating banking processes and functions to create paperless workflows, by enhancing our existing digital channels to make them more user friendly, and by further improving our collective efficiencies. We successfully introduced a paperless onboarding procedure for customers including the digitization of the KYC (Know Your Customer) process during 2022, while also carrying out the end-to-end digitization of a more paper-intensive customer journeys such as the ID renewal process following expiration and applying for new products, which greatly reduced paper usage across the Bank. The appeal of digital banking continued to improve with BAJ facilitating more real-time support on digital channels with the rapid development of the BAJ live chat and chatbot capabilities, further reducing physical resource utilization at the Bank. Such exercises remain constantly prioritized at BAJ, with the Bank looking to identify new approaches and means to optimize resource utilization in line with our Sustainability KPI to improve BAJ's direct environmental footprint.

Since 2012, BAJ has ensured the proper collection, shredding and recycling of paper waste across all Bank premises, collaborating with a third-party vendor for waste management following a strict selection process. Internal paper use has continued to decrease over the years with the implementation of best practices including double-sided printing as well as centralized printing at each branch for monitoring and better management of printing queues.

Energy

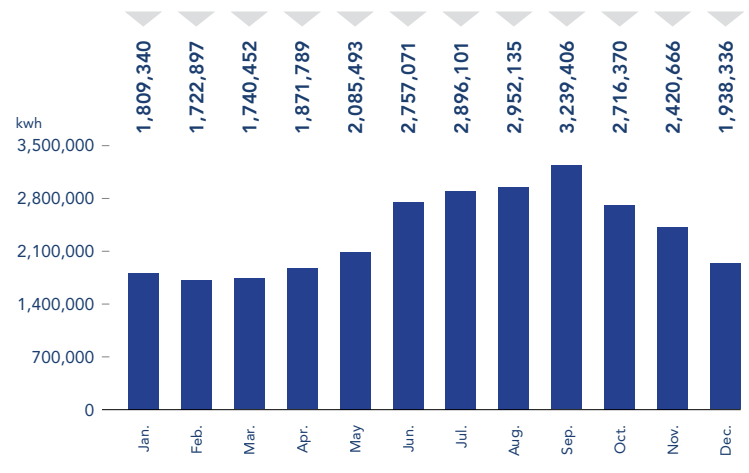
Collected paper waste is shredded internally according to our established policy mandate, and handed over to the third-party vendor to be recycled. All our efforts have resulted in reduced paper waste, with the Bank recycling around 1.5 – 2 tons of paper annually. We also extended our paper use reduction efforts by offering clients end-to-end digitized journeys and value-added online banking facilities.

A key priority at BAJ has been to reduce the energy we consume through our operational footprint. Over the years, we have taken action to reduce energy consumption across all BAJ facilities while increasing energy efficiency. Such efforts include replacing our lighting with energy saving LED lighting since 2018, which saw a 20% reduction in energy costs. This was followed by the introduction of smart lighting at our Head Office and car park in 2020, further contributing towards energy savings. Air conditioning is strictly controlled to save energy and reduce costs across all BAJ facilities, while illuminated BAJ logos at our Head Office and branches are controlled with switch timers. Power generators that are highly suitable for urban environments have been installed at all major BAJ branches, ensuring they meet our standards for reduced fuel consumption as well as reduced noise and emissions.

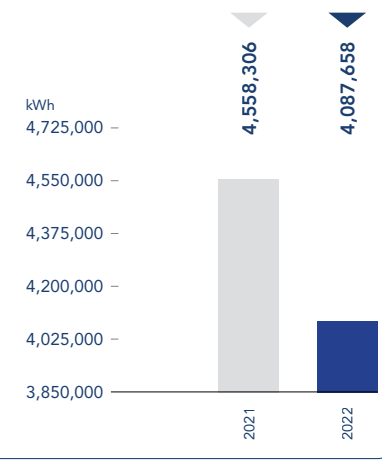
We are committed to transforming our branches into energy-neutral spaces by integrating net-zero technologies and design features.

During the reporting period, we have saved over 4,000 Megawatts of power across all BAJ branches.

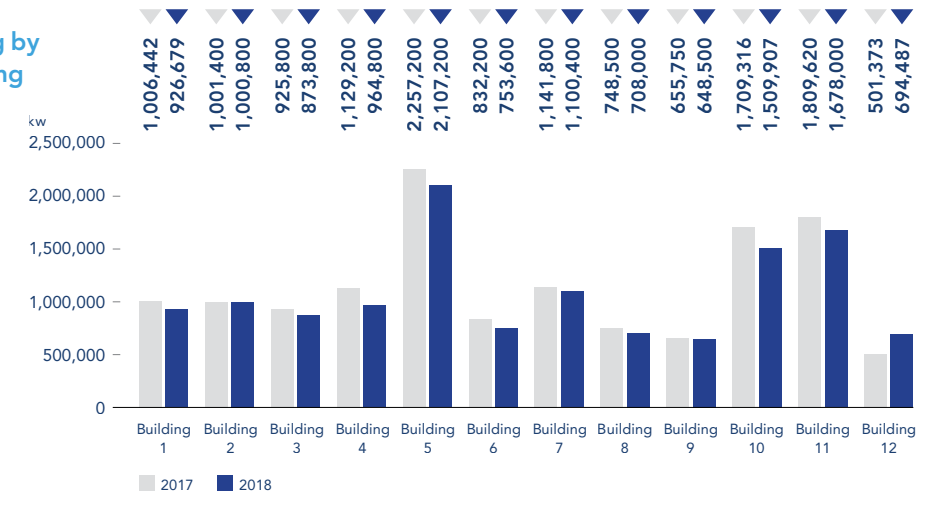
Monthly electricity consumption



Savings on total electricity bills at Bank AlJazira in 2022



Saving by Building

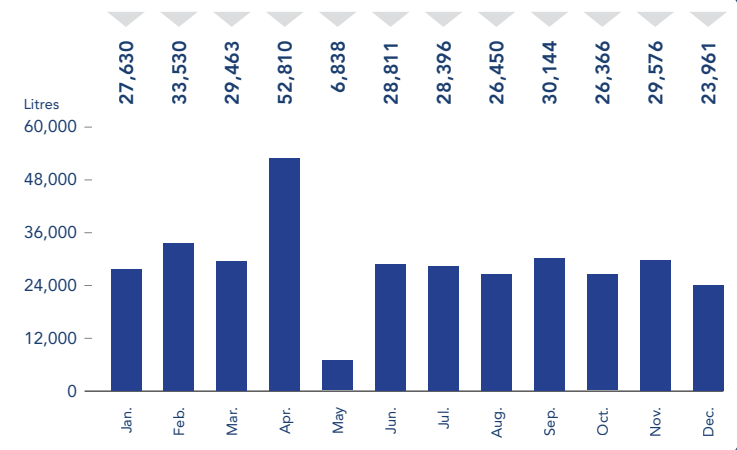


Water

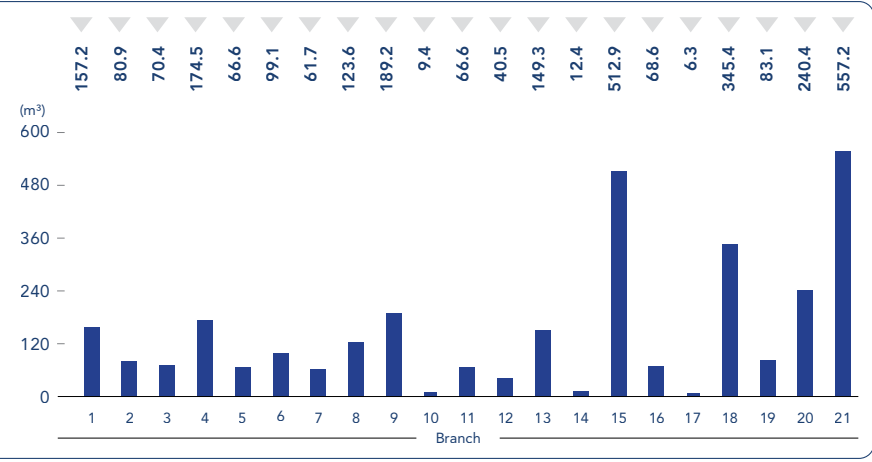
The Bank has utilized water saving methodologies across BAJ premises since 2009. Other efforts include replacing regular water faucets with automatic flow regulators to control water consumption.

In terms of consumption and discharge, BAJ follows a hybrid model, sourcing and discharging water through the National Water Company at more urban BAJ locations, while using water tanks and sewage tanks at other outlets based on available local water resources, and applicable public policy.

Monthly water consumption



Monthly water discharge



Waste Management

Solid waste is managed by third-party janitorial service providers hired by BAJ to conduct period cleaning across each facility, with the waste disposed to relevant municipality waste bins dedicated for collection. We also continued to improve employee awareness on the urgency of waste minimization and recycling during the reporting period.

The Safe Disposal of e-waste

The disposal of IT hardware at BAJ is managed by our Fixed Asset Management Department, under whose purview the management and disposal of IT assets is also included. The Department therefore ensures all IT assets across the Bank network are monitored, upgraded, deployed, maintained and disposed of at the right time. The Fixed Asset Management Department at BAJ applies best practices to increase the lifespan of all IT hardware, enhance their performance, and reduce asset maintenance costs, while also eliminating the misuse, misplacement or theft the Bank's IT assets. IT hardware assets across the BAJ network include computer systems, peripheral devices, terminals, communication equipment and other related hardware products.

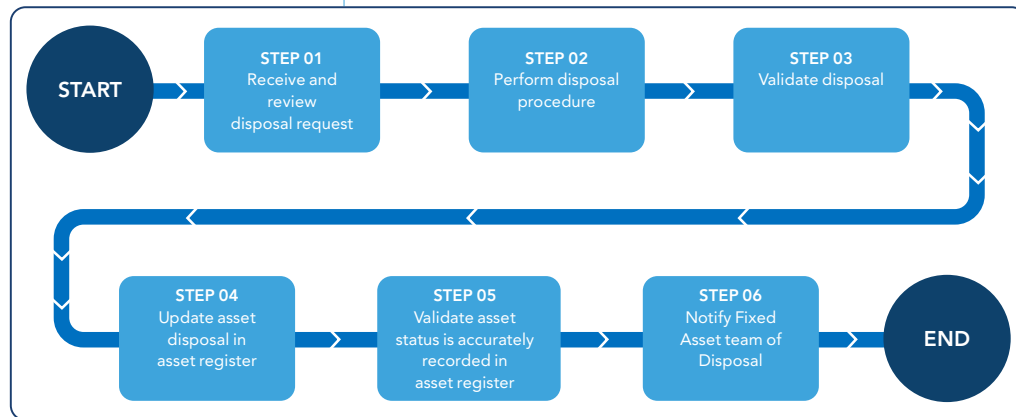


Diagram 4.1: Asset disposal flow chart

No.	Description
Receive and Review Disposal Request	<ul style="list-style-type: none"> Accept and assess disposal request. Initiate disposal procedure if approved, or reject request if disposal requirements are not met.
Perform Disposal Procedure	<ul style="list-style-type: none"> Work with the asset owner and the Enterprise Information Security (EIS) Division to ensure data is removed according to the required standards and security policy. Retrieve components that may still serve some business purpose.
Validate Asset Disposal Perform Disposal Procedure	<ul style="list-style-type: none"> Validate disposal of asset and ensure appropriate equipment handling. Sign off on disposal and track disposal to ensure there is a record of the personnel that performed the disposal procedure.
Update Asset in Asset Register	<ul style="list-style-type: none"> Update asset status to "Disposed". Attach relevant disposal documentation to asset record
Validate Asset Status is Accurately Recorded in Asset Register	<ul style="list-style-type: none"> Ensure the asset status is set to "Disposed". Check relevant disposal documentation is attached accurately to relevant asset record. Perform a "Discovery Report" to make sure that disposed devices are actually disposed.
Notify Fixed Asset Management Team of Disposal	<ul style="list-style-type: none"> Notify the Fixed Asset Management Team of the successful disposal

Table 4.1: Asset Disposal Process at Bank AlJazira

Reduced Use of Plastic

As digitization continues to fuel innovation in the cards and payments space, BAJ is proud to be among the early-adopters of virtual credit cards in the Kingdom, driving the transition from cashless to card-less transactions, and delivering increased convenience to customers. More importantly, virtual cards have helped us reduce the Bank's use of plastic, thereby contributing towards improving our environmental footprint.



More than 50% of the accounts that were opened since its launch in December 2022, have opted for the virtual card, while existing customers have been given the option of converting or renewing physical cards to their digital alternative. Customers are encouraged to switch, with the cards made instantly available upon approval through our mobile app.

Investments/ Financing for Green Projects

BAJ continued to drive capital flows and investments towards climate-action financing through a number of large-scale green projects across the Kingdom. The projects – ranging from renewable energy generation to desalination – received credit approval for SAR 2,295 Mn. in total by BAJ as at the end of the reporting period, with SAR 719.5 Mn. utilized thus far. All projects were assessed by environmental factors as part of the credit approval process.

The Bank will continue to integrate environmental factors into our loan evaluation criteria for all major financing projects in the future.

PILLAR 04: IMPACT BEYOND BANKING



Our Social Responsibility Policy is aimed at supporting the Sustainability and Social Responsibility Group of BAJ plan and implement, or support programs and activities that drive community development and environmental preservation, beyond our duty as a Bank. The Bank – renowned for its impactful initiatives carried out under the “Khair AlJazira le Ahl AlJazira” program – ensures that the projects implemented contribute towards the overarching goals and needs of our communities in alignment with the Kingdom’s Vision 2030.

BAJ was awarded Best CSR Bank in the Kingdom of Saudi Arabia 2022 by International Finance Magazine.



We focus on three key factors when planning, approving and implementing sustainability initiatives:

Transparency

Ensuring adherence to transparency standards in terms of clarity of reference for legal and financial granting agencies and organizations, in addition to business transparency in terms of implementation and achievement

Diversity

Ensuring diversity in the gender of the beneficiaries (males, females), and the geographical spread in the regions of the Kingdom (13 regions).

Development

Focusing on a specific field of a developmental nature which have continuity and sustainability.

The Sustainability and Social Responsibility Committee decides the budget for social and environmental initiatives at the beginning of each year, based on the most pressing needs of the communities in which we operate. Programs are monitored beyond completion, with progress reporting at each stage.

We communicate and raise awareness of our initiatives through multiple channels including social media, email as well as the Annual Report. Employees are encouraged to voluntarily participate in our CSR programs, and collaborate with charity associations to nurture a strong rapport and relationship with the communities in which we operate.

Community and Environmental Initiatives and Programs Carried out in 2022

Empowerment and Rehabilitation of Youth

- Training employees of orphan associations on social investment
- Training officials of media associations on governance and social responsibility Training young men and women on technical, developmental and vocational courses
- Training young men and women on the localization program
- Training young men and women on the project to qualify project managers in NGOs
- Training girls on the Kanaf program for managing home nurseries, first aid and project management
- Training young men and women on tourist guidance, mobile maintenance and media design Training orphans on the skill of diving
- Training young men and women on administrative, developmental and vocational skills
- Training girls in the art of cosmetics and the perfume industry
- Training youth on rescue program
- Training young men and women to provide psychological counseling
- Training young men and women on mobile maintenance, montage, perfume making, flower arrangement, and barista
- Training young people on the International License for Voluntary Work program
- Training young people on cashier skills and computer use
- Training orphans on Tamheer project
- Training of young men and women on the secretarial program
- Training young men and women on the course of a practitioner and specialist in social responsibility
- Training young men and women on technical, developmental and vocational courses
- Training young men and women on craft, development and vocational courses Training young people on human development courses Training young men and women on craft, development and vocational courses
- Training young men and women on craft, development and vocational courses Training young men and women on technical and vocational courses
- Training the young people of Dar Al Observation on an ambitious program Training of young men and women on the training of trainers' project to empower volunteers
- Workshop to develop and build a business model stop expertise Holding Workshops on social responsibility in many regions
- Makna project to qualify girls for the labor market
- Young leaders' qualification program
- Train the trainers program
- (Footsteps) project to qualify girls for the labor market

Empowering People with Disabilities

- My little project Workshop
- Volunteering values and skills Workshop
- Developing a Saudi cadre in project management to empower them Entrepreneurs workshop
- Tourist volunteering program
- Training courses: Guide me to the market



- Developing the element of balance for people with motor and neurological disabilities
- Creating a knowledge portal for people with disabilities on the Hayat platform
- Awareness rehabilitation for the deaf and hard of hearing
- Granting and equipping a mobile workshop for people with mobility disabilities
- Giving a bus to transport people with disabilities
- Counseling awareness for people with disabilities
- Equipping a computer lab for people with disabilities
- Tamkeen project to rehabilitate and train people with mobility disabilities in Souq
- A capable club project for people with disabilities
- Equipping a sensory therapy room for children with disabilities
- Equipping a rehabilitation hall for the elderly
- Training and rehabilitation of people with disabilities and their families
- Training program "You are the most beautiful" for girls with vitiligo
- Training and rehabilitation of blind men and women
- Granting a bus to transport children with autism
- Equipping a training room for people with hearing disabilities
- Speech and speech disorders for children with autism
- Providing computers for the blind and a course in using computers
- Psychology of people with mental disabilities
- Alternative methods of communication with people with hearing disabilities and the autism spectrum Club for People with Disabilities (Autism Spectrum – Down Syndrome – Intellectual Disability - Multiple Disabilities)

- Equipping the headquarters of the Centre for Children with Autism
- Equipping a computer lab for people with disabilities
- Kader Club for the hearing-impaired Psychological rehabilitation for celiac patients
- Registered Behavior Technician program for specialists dealing with people with autism spectrum Leadership Challenge Forum for People with Disabilities Blinds producing hand project



Empowering the Non-profit Sector

- A project to empower and develop the capabilities of the association
- The project of furnishing and equipping the training hall at the association's headquarters for the purpose of empowering the association.
- Equipping a laboratory dedicated to empowering productive families
- Equipping the association with the necessary empowerment tools
- Training and qualifying the employees of the association
- Training and qualifying workers in the non-profit sector in the administrative and leadership fields
- Furnishing and equipping the training hall at the association's headquarters for the purpose of empowering the association.
- Providing the association with a vehicle designated for the purposes of the association
- Equipping a computer lab for training and empowerment purposes
- Providing the association with a vehicle designated for the purposes of the association
- Training and qualifying workers in the non-profit sector in the administrative and leadership fields Training and empowering workers in the non-profit sector in the administrative and leadership fields health education industry
- Providing the association with the necessary office tools
- Qualifying consultants to build the capacities of associations in the non-profit sector
- Aswaa program to build the capacities of leaders and workers in the non-profit sector
- Training program for development project managers
- Governance facilitation project to enable non-profit organizations in the areas of governance and development of financial resources Leadership rehabilitation project in environmental associations Studying financing options for the non-profit sector
- A project to provide the association with a vehicle equipped to assist in the implementation of the association's activities
- Development capabilities initiative to develop the non-profit sector

Other Community Initiatives and Participation 2022

- Equipping two multi-purpose halls
- Our Home Our Future initiative
- Participation in the national campaign for charitable work in its second edition
- Environmental awareness project
- The path to carbon neutrality conference
- Endowment Investment Funds Book
- English translation of "The endowment investment fund book"



BAJ Program for Innovation and Social Entrepreneurship

- Innovators program fifth edition in the field of (digital producing)
- Empowering Saudi researchers at the King Abdullah Institute for Nanotechnology
- Project (Bridges of Innovation) to support innovation in the non-profit sector
- Mobdoon Program in the technical and industrial field and prizes
- (Social Finance Specialist) Second Edition
- Innovators Program Sixth Edition in the field of (Smart Cities)
- Sponsoring the Forum of Innovation towards Leadership
- Pioneers of Innovation Program in the field of entrepreneurship

Support Center of Excellence for Autism in Cooperation with the Ministry of Human Resources and Social Development

In a gesture that promotes the concept of social responsibility and community service, and as part of the Saudi banks' initiative adopted by the Saudi Central Bank, Bank AlJazira was honored along with other Saudi banks in 2019 to contribute to the cost of establishing and operating the "Autism Center of Excellence" in cooperation with the Ministry of Human Resources and Social Development over a period of 5 years, with a total estimated cost of SAR 286 Mn. Given the lack of specialized centers providing such a necessary service, the Autism Center of Excellence, which is considered a major center and a specialized reference for all private autism centers throughout the Kingdom, came about by means of dissemination of expertise and transfer of knowledge through the professional training and qualifying programs provided for cadres working in those centers.



CORPORATE GOVERNANCE



Board of Directors General Secretariat and Governance Group

The Board of Directors General Secretariat and Governance Group in Bank AlJazira assumes the organizing of the business of the Board of Directors and its subcommittees. It undertakes the preparations for and holding of Board meetings, maintains related records and files, receives incoming correspondence, and documents the decisions relevant to the work of the Board and its subcommittees, and follows up on the implementation of all such decisions.

The governance department within this Group is responsible for leading and managing the Bank's governance matters in line with the Governance Principles issued by the Saudi Central Bank (SAMA), Corporate Governance Rules issued by the Capital Market Authority (CMA) and other supervisory directives. The Group has formed and aligned the Bank's governance framework and complementing policies relating to conflict of interests, disclosure and related parties' transactions, with the terms of reference of the Board, its subcommittees and management committees that make up the governance framework of Bank AlJazira, to ensure good governance practices are aligned with the rules and regulations in force. This is in addition to the Group's contribution to the development and assessment of frameworks, suitability and training of the Board and its subcommittee members.

Board of Directors

The governance framework of Bank AlJazira is based on the structure of the Board of Directors, 5 Board Subcommittees and 14 Management Committees.



Engr Tarek bin Othman Al-Kasabi
Chairman of the Board



Engr Abdulmajeed bin Ibrahim Al-Sultan
Deputy Chairman of the Board



Mr Ibrahim bin Abdul-Aziz Al-Shaia
Member



Mr Naif A Al-Abdulkareem
Member



Mr Saad Ibrahim Almushawah
Member



Mr Abdulwahab Abdulkarim Albetari
Member



Mr Adil Saud Dahlawi
Member



Mr Mohammed Saad Bindawood
Member



Mr AbdulLatif K Al Meihem
Member

Board Subcommittees

1. Board Executive Committee
2. Audit Committee
3. Nomination and Remuneration Committee
4. Board Risk Committee
5. Sustainability and Social Responsibility Committee

Management Committees

1. Management Credit Committee
2. Micro Small and Medium Enterprises Committee
3. Asset and Liabilities Committee
4. Transformation & Innovation Steering Committee
5. IT Steering Committee
6. Business Continuity Committee
7. Management Risk Committee
8. Market Risk Policy Committee
9. Product Policy Review Committee
10. Anti-Fraud High Level Committee
11. Information Security Management Committee
12. Counter-Fraud Governance Committee
13. Real Estate Committee
14. Remedial Committee

The governance structure is also based on a series of governance empowerment factors that ensure achievement of required clarity and good discipline of governance, namely: Institutional values, design of organizational structure, procedures and policies, the delegation of authority matrix, as well as effective communication at internal and external levels.



Board Subcommittees

Board Executive Committee

The Board Executive Committee is chaired for the board term by the Chairman of the Board of Directors (BOD), and is responsible, in accordance with the delegated powers, to monitor the implementation of the strategy and policies set by the BOD, risk management and control of the Bank's performance, recommend the balance sheet and action plan submitted for the fiscal year, and ensure proper implementation of the policies of the Board, in addition to monitoring the efficiency of internal control standards and policies implementation.

Audit Committee

The Audit Committee plays a key role in helping the BOD meet its supervisory duties regarding the integrity of the Bank's financial statements and the independence, qualifications, and effectiveness of its auditors. The Committee assists the BOD to assess the effectiveness and adequacy of the internal control systems and seek independent confirmation for the assessment of its adequacy and effectiveness. It is also responsible for the supervision of the Bank's compliance department, and evaluation of its alignment with the ethical policies as well as regulatory and statutory requirements of the Kingdom. The Audit Committee is briefed by the Heads of the Bank's operational groups as well as external auditors on issues requiring the Committee's attention.

Nomination and Remuneration Committee (NRC)

The functions and duties of the NRC includes recommending nominations to the BOD as per the approved policies and standards, performing annual reviews on the skills required for the membership of the Board, performing reviews on the structure of the BOD and recommending those changes that could be carried out. The committee is also responsible for ensuring the independence of independent members and lack of any conflict of interests in case any Director was a member in any other company's Board, ensuring recommended appointment is commensurate with the proper skills and required qualifications, and development and review of remuneration for the Directors and Senior Executives.

Board Risk Committee

The Risk Committee assists the Board in fulfilling the responsibilities of overseeing the risks in the Bank's businesses and controls. Its duties and responsibilities are focused on the supervision and control, review of the Banks' ability to manage and undertake risks based on appropriate analysis, and formulation of appropriate risk management policies. It also approves the credit rating system in the Bank and risk policies for assets and liabilities management as developed by the Assets and Liabilities Committee.

The committee also measures the exposures to financial risks and other significant exposures as well as the steps taken by the management to monitor, control and report cases of risks, including, but not limited to, review of credits, market, liquidity, reputational, operational, fraud and strategic risks in addition to evaluating exposures, tolerance levels and approval of appropriate transactions or commercial restrictions. Additionally, the Committee reviews the scope of risk management and the targeted activities related to the functions of the Bank's risk management.

Sustainability and Social Responsibility Committee

The Sustainability and Social Responsibility Committee is responsible for the formulation of policies and procedures related to the Bank's social responsibility programs and activities, approval of the annual budget for "Khair AlJazira le Ahl AlJazira" program, approval of the annual plan for the program, creating solutions for obstacles that might hinder the social responsibility programs, and reviewing of the objectives of the program by highlighting the Bank's role in community service. It also contributes and participates actively in many social responsibility programs in the Kingdom, builds cooperation and communication between the Bank and the authorities related to such programs, and establishes specific partnerships with associations and charities in the Kingdom, which contribute to highlighting the role of the private sector in enhancing the process of social responsibility. The Committee also strives to create an appropriate environment to help the youth and rehabilitate them for the market, and facilitates distinctive programs for rehabilitating disabled people.

Privacy Protection

Protecting the confidential data of our customers remains one of Bank AlJazira's main corporate governance practices and priorities. We seek to implement preventive measures and strengthen our data security measures to mitigate existing threats as well as evolving risks in the new digital banking era. Following its tech infrastructure revamp, Bank AlJazira has multiple layers of data protection in place including firewalls, encryptions, anti-virus protection, web-application firewalls, DDOS protection, end point protection, network protection, intrusion prevention systems, and other monitoring tools that are used for cybersecurity monitoring. Additionally, a data classification framework enables the Bank to categorize the level of confidentiality of the data.



The Bank's information security is managed by a dedicated team housed under the Enterprise Information Security (EIS) Division, which ensures the Bank adheres to all Information security policies prepared under the Saudi Central Bank (SAMA) and the Saudi Data and Artificial Intelligence Authority (SDAIA) guidelines. The EIS Division comprises of the following functions:

Information Security Governance and Risk Management

Information Security Governance and Risk function continuously maintains and monitors compliance with SAMA and National Cybersecurity Authority (NCA) regulatory control frameworks along with developing, communicating and monitoring Enterprise Information Security (EIS) policies and standards. It performs regular Information Security risk assessments and internal security reviews on information assets. It also provides assurance on adequacy of security controls over high risk information assets and maintains a continuous Awareness and Education Program across the Bank.

Information Security Intelligence

The Information Security Intelligence function is entrusted with information security monitoring through the Security Operations Center (SOC), whereby real time monitoring and analysis on security threats and alerts of the Bank's IT infrastructure is carried out, along with necessary action to counter them. The bank's Information Security Intelligence function also conducts on-going security vulnerability assessments to identify and prioritize vulnerabilities across information assets. It also manages vulnerability remediation processes, security incident investigations and forensics along with detecting, responding to and recovering from cybersecurity incidents.

Information Security Architecture and Control

The Information Security Architecture and Control function manages user identity and access management across the Bank and its subsidiaries. It ensures that necessary controls are implemented and in place to control critical black box encryption devices in the Bank's payment gateways. The function is also responsible for security management of interbank payment and settlement systems, ensuring all SAMA requirements are met. It is involved in designing and implementing security controls in new systems and sites, coordinating, developing, and evaluating security programs, and recommending information assurance/security solutions. Information Security Architecture and Control function supports managing and controlling all credentials, encryption keys and certificates on all related information assets (such as SWIFT, SARIE, MC, VISA).

The Bank aims to achieve a benchmark in information security with zero breaches, leaks, thefts or loss of data, and maintain a track record of zero complaints concerning breaches of customer privacy from regulatory bodies, as we commit to treat the privacy of customer information as a prioritized materiality topic in our sustainability journey.

Ethical Business Practices

As one of the Kingdom's leading Shariah compliant financial institutions, Bank AlJazira continues to maintain the highest standards of professional and ethical behavior towards its internal and external stakeholders. BAJ has a zero-tolerance policy for any acts of fraud, bribery, collusion and corruption. BAJ has in place, and complies with applicable anti-fraud, anti-money laundering, and counter-terrorism financing policies. We protect our banking system as well as the integrity of the extended financial system, and are committed to conducting our business at the highest ethical standards. If such incidents are discovered, the Anti-Fraud Division has a program in place to launch an official investigation, take necessary measures, identify the root cause, recommend corrective action, recover losses (if any), and report the incident to the Central Bank of Saudi Arabia.

Based on our belief in sustaining this culture of ethical behavior to succeed as a trusted Bank, we have a comprehensive set of policies that enable us to uphold our ideals, acting as tools for promoting integrity and building trust among our key stakeholders. This includes:

The Code of Conduct

The Bank's staff Code of Conduct nurtures a work environment that is protected against financial crime, bribery and corruption. The policies and standards embraced by the Bank AlJazira provide an appropriate framework for employees to conduct their business, making the best decisions in their endeavor to achieve long-term, sustainable growth. It is the responsibility of the Bank's employees to comply with these policies, and to cultivate and demonstrate the Bank's values through their dealings with both internal and external stakeholders.

Whistleblower Policy

Employees are educated and made aware of the Bank's Whistleblowing policy at the point of induction, and on a regular basis to encourage good governance practices across the Bank. There are multiple whistleblowing channels including a dedicated 24*7 hotline, confidential email address, or the BAJ portal, all published on the Bank's intranet.

Anti-fraud Division Program

The Bank continuously assesses its Anti-Fraud controls against SAMA counter-fraud guidelines and international best practices. Employees are encouraged to contact or walk in to the Anti-Fraud Division office and report any incidents or violations in person or through its hotline channels, with guaranteed confidentiality. During the year under review, the Bank carried out a number of strategic initiatives to enhance its counter-fraud activities, and better align with the Bank's overarching business and strategic objectives :

- Creating a common approach for addressing fraud risks within the Bank
- Achieving an appropriate maturity level of fraud controls within the Bank
- Incorporating the Fraud Combat concept into the Bank's overall strategy
- Ensuring proper resources are delegated to the Anti-Fraud Division
- Implementing comprehensive Fraud Prevention and Detection solutions across the Bank
- Reviewing the Counter Fraud Risk Management Governance structure and associated strategy across the Bank
- Developing and updating the Counter Fraud Policy, Strategy, Standards and Procedures of the Bank

Fraud Risk Management

The Bank has in place a Fraud Risk Management process to understand, identify and manage fraud risks that the Bank is, and can be exposed to. The process follows four cyclical steps that enable the Bank to continuously evaluate and fast adapt to its evolving operating environment, and is an effective tool in combatting fraud:

1. **Fraud Risk Assessment** – Identification and assessment of fraud risks
2. **Fraud Risk Appetite** – Defining, monitoring managing the Bank's fraud appetite
3. **Key Risk Indicators** – Monitoring evolution of risks and effectiveness of controls
4. **Intelligence Monitoring** – Continuous analysis and monitoring of fraud landscape and corresponding evaluation of controls



Diagram 6.1: Anti-Fraud Framework at Bank AlJazira

The Bank has defined an appropriate governance structure and put together a dedicated team to ensure that the Anti-Fraud Framework remains operational at all times.

Internal Audit

The Bank's Internal Audit Group performs independent audits and evaluations of internal control processes across the Bank, covering all its businesses and functions. The Group uses standardized internal audit methodologies in providing reasonable assurance and independent opinion in relation to assessment of governance, risks and internal control systems including the submission of recommendations and follow up, to optimize the internal control systems' efficacy, and enhance awareness of the efficiency and importance of the control environment.

The Chief Audit Executive manages the Internal Audit Group and the Audit Committee has an oversight responsibility for ensuring that the Group's objectives are achieved.

The scope of the internal audit activity encompasses all aspects of internal control systems, governance and risk management frameworks, with the Internal Audit Group taking a risk-based approach in the planning and execution of audit engagements. The Internal Audit Group maintains a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activities in addition to an external assessment conducted by an independent qualified body on a periodic basis for conformance with the Institute of Internal Auditors standards.

Risk Management

Bank AlJazira (BAJ) has adopted a robust, transparent and prudent approach towards Risk Management and thus continues to invest into building an infrastructure that is able to proactively identify, assess, measure and control the risks the Bank is faced with on an Enterprise Wide basis. As a core risk management practice, the management keeps a close track of the top and emerging risks that are expected to emanate and challenge not only the International economies and financial markets but also their ripple effects on the Saudi Economy and thus the Financial Industry.

The Enterprise Risk Management (ERM) framework of the Bank aims to establish a Risk based strategy for all its products and banking services, driving operational efficiency across the Bank, with guidance on identifying and addressing various forms of risks, with risk-based capital utilization forming the key criteria for design and implementation of services, where applicable. The Risk Appetite Framework & Policy is reviewed by the Board Risk Committee (BRC) and the Board on a periodic basis and takes into consideration the bank's Risk Taking-Capacity, its desired financial position based on institutional and regulatory guidelines, the strength of its core earnings and the resilience of its reputation and brand. The risk appetite defines the key risk measures of the Bank and which are periodically reported to the BRC and to the Board through specific reports.

Credit Risk

Credit risk is the potential that the bank's obligor or counterparty will fail to meet its obligations in accordance with agreed terms. It also includes the risk arising in the settlement and clearing transactions. The Bank has developed a clear set of policies, procedures, and governance around establishment of Early Warning Signals (EWS) which are in line with SAMA guidelines on the management of problem debt. The bank considers it crucial to identify and manage upcoming problems with a borrower's ability to service his debt in order to maintain acceptable levels of non-performing exposures.

Market Risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, profit rates, foreign exchange rates, and commodity prices. The Bank has an approved Market Risk Policy and Treasury Limits Package that clearly defines policies, procedures, and limits of market risk exposures. The Bank performs Stress Testing semi-annually to further evaluate potential losses. By evaluating the size of the unexpected losses, the Bank is able to understand the risk profiles and potential exposures to unlikely but plausible events in abnormal market conditions using multiple scenarios, and undertake the appropriate measures.

Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up. To mitigate this risk, management actively pursues the diversification of funding sources, assets are priced taking liquidity into consideration while the Bank maintains an adequate balance of cash and cash equivalents.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Operational risk has an enterprise wide presence and can arise from any activity within the Bank.

Business Continuity Management (BCM)

Considering the need of 24/7 availability of BAJ business operations, BCM team has developed systematic procedures that allow the Bank to continue vital business processes and functions at acceptable pre-defined levels following any unforeseen incidents that may cause failure of critical assets and disruption of business. Furthermore, a BCM Committee has been established and the Committee members meet on a regular basis to monitor the Bank's BCM and DR performance.

BCM Department ensures the compliance with all required SAMA regulations, as well as internal and external audit standards and remains benchmarked to local and international standards in BCM best practices. As part of the compliance with SAMA requirements, a Crisis Management Plan (CMP) has been defined, approved and implemented which provides effective supervision and management to guide the Chief Executive Officer (CEO) and the Executive Management Team when responding to a major disruption or threat to the Bank's activities and to guarantee the overall safety to both internal and external stakeholders. CMP includes criteria for declaring a crisis, frequency of the crisis management test, the Crisis Management Team Members (CMT) and their roles and responsibilities.

The BCM program scope consists of six main phases:



Accounting Standards

Bank AlJazira's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"), and in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and By-Laws of the Bank.

APPENDICES

GRI CONTENT INDEX

Statement of use Bank AlJazira has reported the information cited in this GRI content index for the period starting 01 January 2022 to 31 December 2022, with reference to the GRI Standards.

GRI 1 used GRI 1: Foundation 2021

GRI Standard	Disclosure	Location
GRI 2: General Disclosures 2021	2-1 Organizational details	Page 12: Bank AlJazira at a Glance
	2-2 Entities included in the organization's sustainability reporting	Page 06: About this Report
	2-3 Reporting period, frequency and contact point	Page 06: About this Report
	2-4 Restatements of information	
	2-5 External assurance	
	2-6 Activities, value chain and other business relationships	Page 12: Bank AlJazira at a Glance
	2-7 Employees	Pages 37-45: Building a Learning Organization Pages 50-51: Diversity and Inclusion
	2-8 Workers who are not employees	
	2-9 Governance structure and composition	Pages 67-72: Board of Directors general secretariat and governance group Board Subcommittees
	2-10 Nomination and selection of the highest governance body	Page 71: Nomination and Remuneration Committee (NRC)
	2-11 Chair of the highest governance body	
	2-12 Role of the highest governance body in overseeing the management of impacts	Page 21: Sustainability Governance Structure
	2-13 Delegation of responsibility for managing impacts	Page 20: Management Approach
	2-14 Role of the highest governance body in sustainability reporting	Page 06: About this Report Page 21: Sustainability Governance Structure
	2-15 Conflicts of interest	
	2-16 Communication of critical concerns	Pages 15-16: Stakeholder Engagement
	2-17 Collective knowledge of the highest governance body	

GRI Standard	Disclosure	Location
	2-18 Evaluation of the performance of the highest governance body	
	2-19 Remuneration policies	
	2-20 Process to determine remuneration	Page 71: Nomination and Remuneration Committee (NRC)
	2-21 Annual total compensation ratio	
	2-22 Statement on sustainable development strategy	Pages 8-9: Message from the Chairman
	2-23 Policy commitments	
	2-24 Embedding policy commitments	Page 74: Ethical Business Practices
	2-25 Processes to remediate negative impacts	
	2-26 Mechanisms for seeking advice and raising concerns	Page 74: Ethical Business Practices
	2-27 Compliance with laws and regulations	Page 12: Bank AlJazira at a Glance Page 71: Audit Committee Page 78: Business Continuity Management (BCM)
GRI 3: Material Topics 2021	2-28 Membership associations	
	2-29 Approach to stakeholder engagement	Pages 15-16: Stakeholder Engagement
	2-30 Collective bargaining agreements	
GRI 201: Economic Performance 2016	3-1 Process to determine material topics	Page 17: Assessing Materiality
	3-2 List of material topics	Pages 18-19: Materiality Topics Table
	3-3 Management of material topics	
GRI 202: Market Presence 2016	201-1 Direct economic value generated and distributed	Page 13: Performance Highlights for the Year
	201-2 Financial implications and other risks and opportunities due to climate change	
	201-3 Defined benefit plan obligations and other retirement plans	
	201-4 Financial assistance received from government	
	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	
	202-2 Proportion of senior management hired from the local community	

GRI Standard	Disclosure	Location
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Pages 58-65: Pillar 04: Impact Beyond Banking
	203-2 Significant indirect economic impacts	Pages 58-65: Pillar 04: Impact Beyond Banking
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Page 51: Sourcing Locally to Create Sustainable Livelihoods
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	
	205-2 Communication and training about anti-corruption policies and procedures	Page 74: Anti-Fraud Division Program
	205-3 Confirmed incidents of corruption and actions taken	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	
GRI 207: Tax 2019	207-1 Approach to tax	
	207-2 Tax governance, control, and risk management	
	207-3 Stakeholder engagement and management of concerns related to tax	
	207-4 Country-by-country reporting	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	
	301-2 Recycled input materials used	
	301-3 Reclaimed products and their packaging materials	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Pages 54-55: Energy
	302-2 Energy consumption outside of the organization	
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	Pages 54-55: Energy
	302-5 Reductions in energy requirements of products and services	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	
	303-2 Management of water discharge-related impacts	
	303-3 Water withdrawal	
	303-4 Water discharge	Page 55: Water
	303-5 Water consumption	Page 55: Water
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
	304-2 Significant impacts of activities, products and services on biodiversity	
	304-3 Habitats protected or restored	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	

GRI Standard	Disclosure	Location
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-3 Other indirect (Scope 3) GHG emissions	
	305-4 GHG emissions intensity	
	305-5 Reduction of GHG emissions	
	305-6 Emissions of ozone-depleting substances (ODS)	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	
	306-2 Management of significant waste-related impacts	Page 56: Waste Management Page 57: Reduced use of Plastic
	306-3 Waste generated	Page 53: Paper
	306-4 Waste diverted from disposal	
	306-5 Waste directed to disposal	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	
	308-2 Negative environmental impacts in the supply chain and actions taken	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Pages 38: Tabulated data on Employee Recruitment
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 43-44: Enhancing Employee Experience
	401-3 Parental leave	Page 44: Tabulated data on Parental Leave
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	
	403-2 Hazard identification, risk assessment, and incident investigation	
	403-3 Occupational health services	
	403-4 Worker participation, consultation, and communication on occupational health and safety	
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	Page 43-44: Enhancing Employee Experience
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-8 Workers covered by an occupational health and safety management system	
	403-9 Work-related injuries	
	403-10 Work-related ill health	

GRI Standard	Disclosure	Location
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 41: Training and Development
	404-2 Programs for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	Pages 42: Performance Management
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Pages 50-51: Diversity and Inclusion
	405-2 Ratio of basic salary and remuneration of women to men	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	
	413-2 Operations with significant actual and potential negative impacts on local communities	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	
	414-2 Negative social impacts in the supply chain and actions taken	
GRI 415: Public Policy 2016	415-1 Political contributions	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	
	417-2 Incidents of non-compliance concerning product and service information and labeling	
	417-3 Incidents of non-compliance concerning marketing communications	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	

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