

## ESG Rating Series | Part 4: KSA's Financial Institutions & Banking Sector

I'm excited to present the fourth part of Axial Consulting Ltd's ESG Rating Series! I'll be showcasing our team's findings on KSA's Financial Institutions & Banking sector.

Recently as part of an assignment my team and I developed an ESG Rating Framework on behalf of a client.

We began by undertaking a study of sustainability reports published by companies operating within KSA's 5 sectors – Oil & Gas, Services, Manufacturing, Financial Institutions & Banks, and Construction.

Trends paint a true picture. That's why we designed our analysis to only include companies that had recently published an ESG report and did so over the past three years (2020 to 2022). Here are a few notable observations for each component:

**Environment:** Initiatives that were commonly observed to have been adopted by the sector include the adoption of digital technology to minimize paper waste. Energy savings and environmental policy development are the two most frequently disclosed initiatives for this component. The sector has significant ground to cover when disclosing GHG emissions and the impact of its financing activities

**Social:** The sector is heavily engaged in human capital development through training and educational programs. In addition, the sector actively participates in community development through a variety of CSR programs. Due to its systemic importance, conducting social impact assessments and policy engagement are essential for the sector but are yet to be seen/disclosed.

**Governance:** Corporate governance disclosures concerning financial oversight and degree of board independence are a common feature in this sector. The sector has been quite active in implementing numerous ethical training programs and measures to enhance data privacy. More effort is required to disclose remuneration, accounting, and board diversity policies.

Key					
Performance	Poor	Average	Good	Very Good	No Score Assigned
Range	0-25%	26-50%	51-74%	75-100%	-

ESG Component	Theme	
Environment	Climate Change	
	Natural Capital	
	Pollution and Waste	
	Environmental Opportunities	
	Environmental Management	
Social	Human Capital	
	Product Liability	
	Community	
	Supply Chain Management	
	Collaboration and Partnership	
	Social Opportunities	
	Social Management	
Governance	Corporate Governance	
	Corporate Behavior	