

## COMPANY DATA

IVA Rating:

IVA Rating Date:

Publication Date:

Ticker: 1120

IVA Industry: Banks

GICS Sub-Industry: Diversified Banks

Country: SA

## ESG ISSUES

	Score	Industry Average	Industry Percentile	Controversies	Rating Contribution
<b>Financing Environmental Impact</b>				None	9.0%
<b>Labor Management *</b>				None	
<b>Human Capital Development</b>				None	17.0%
<b>Financial Product Safety</b>				None	17.0%
<b>Privacy &amp; Data Security</b>				None	13.0%
<b>Access to Finance</b>				None	13.0%
<b>Financial System Instability</b>				None	13.0%
<b>Corporate Governance *</b>				None	18.0%

## Environmental Metrics - Carbon Emissions

No Environmental metrics have been highlighted.

## Social Metrics - Health &amp; Safety

No Social metrics have been highlighted.

## Governance Metrics

No Governance metrics have been highlighted.

Additional metrics are available in the report.

\* Universal Issue

(E) - Estimated

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## ESG ISSUES

## Financing Environmental Impact

Pillar	Score	Industry Average	Industry Percentile	Weight
E				9.0%

## Metrics

## Management &amp; Performance

## Practices

## ESG Risk Management Policies

Evidence of policy or systems to manage ESG risks in financing activities:	<b>Yes, but no information on scope or depth of policies</b>
Scope of ESG due diligence policy (operations covered):	<b>None or unspecified</b>
Equator Principles Signatory:	<b>Not Disclosed</b>

## ESG credit or investment policy covering each of the following areas:

Investment policy related to agriculture:	<b>No evidence of a policy</b>
Investment policy related to biodiversity:	<b>No evidence of a policy</b>
Investment policy related to climate change:	<b>No evidence of a policy</b>
Investment policy related to energy use:	<b>No evidence of a policy</b>
Investment policy related to forestry:	<b>No evidence of a policy</b>
Investment policy related to mining:	<b>No evidence of a policy</b>
Investment policy related to oil and gas:	<b>No evidence of a policy</b>

## Implementation and Oversight

Involvement of Group Credit Risk in ESG due diligence:	<b>Not Disclosed</b>
Number of project finance transactions reviewed against Equator Principles or equivalent:	<b>0</b>
Number of corporate finance transactions reviewed on ESG criteria (excluding Project Finance):	<b>0</b>
Formal training of risk officers and bankers on ESG risks and procedures:	<b>Not Disclosed</b>
Ownership over ESG performance of the company's financing and investment activities:	<b>Not disclosed or no clear responsibility</b>
Triggers and risk escalation processes clearly defined:	<b>Not Disclosed</b>
Number of commercial customers/transactions subject to environmental screen:	<b>0</b>
ESG standards applied to subsidiaries or financial intermediaries (if applicable):	<b>Not applicable</b>

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Controversies

No major relevant controversies have been uncovered.

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**Labor Management**

Pillar	Score	Industry Average	Industry Percentile	Weight
S				

Metrics

Exposure

Additional Exposure Indicators

Size and Composition of Workforce

Number of employees: **13,077**

**Management & Performance**

Performance

Employee turnover

Year	Annual employee turnover (%)	Details
2017		

Controversies

No major relevant controversies have been uncovered.

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Human Capital Development

Pillar	Score	Industry Average	Industry Percentile	Weight
S				17.0%

Metrics

Exposure

Additional Exposure Indicators

Layoffs and Restructuring Events

Major merger or acquisition in the last three years (affecting large proportion of staff):	No Evidence
Major layoffs in the last three years (affecting 10% of staff or over 1,000 employees):	No Evidence

Management & Performance

Practices

Scope of support for degree programs and certifications:	Programs covering all permanent employees (excluding part-time and contractors)
Source: Scope of support for degree programs and certifications:	<p>The Bank considers its initiatives on training and development to be a long-term investment. In 2017, Al Rajhi Bank's employees were motivated towards their future career growth by providing them with structured career development paths. These while increasing the job satisfaction of the staff will also provide for succession planning. Learning and development initiatives were launched through Al Rajhi Academy, the training arm of the Bank, which are aligned with career development paths. Al Rajhi</p> <p>academy is intended to have two divisions, the banking academy and the leadership</p> <p>academy. The banking academy is already operational and has provided courses on control and governance, retail banking, technical skills, soft skills and leadership. The leadership academy, which will be established in 2018 will take over leadership, communications and other soft skills development. The total number of training hours during the year amounted to 65,000. The Bank's training and development initiatives brought fruition during the year. The employee attrition rate and the high performer resignations were kept within targeted levels. The employee engagement score also increased significantly in the second half of the year, demonstrating the positive impact on staff morale.</p>

Strategy

Extent of grievance reporting or escalation procedures:	No evidence
Engagement surveys to monitor employee satisfaction:	General statements about engagement initiatives

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## Talent pipeline development strategy

Formal talent pipeline development strategy (forecasts hiring needs, actively develops new pools of talent):	<b>Not Disclosed</b>
Graduate traineeship/apprenticeship program:	<b>Yes</b>
Partners with educational institutions to develop or deliver joint training programs for staff:	<b>No</b>

## Programs &amp; Initiatives

Scope of employee stock ownership plan (ESOP) or employee stock purchase plan (ESPP):	<b>Only select number of employees eligible for ESOP and/or ESPP</b>
Availability of variable component to pay for non-officer and non-sales staff:	<b>Yes</b>
Non-salary benefits and work/life balance:	<b>Benefits cover all employees</b>
Regular performance appraisals and feedback processes:	<b>Not disclosed</b>
Job-specific development training programs:	<b>Yes</b>
Evidence of managerial/ leadership development training:	<b>General statements on leadership training with unknown scope or achieved results</b>

## Performance

External recognition - details:	<b>12/3/2018 RG: No evidence</b>
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## Workforce Diversity

Year (YYYY)	Annual employee turnover	Profit per employee (USD '000)	Percentage of women in executive management	Details
2017		185.86 USD		12/3/2018 RG:  1) Profit per employee (USD '000): Net profit/ Net income  9,120,726 SAR ('000) 2,430,470 USD ('000) 2430.47 USD (in millions)  Total employees 13,077 Profit/ employee ('000) 185.858

\* For terms used in this report and for an explanation of the Governance score, please refer to the IVA Methodology document.

Year (YYYY)	Annual employee turnover	Profit per employee (USD '000)	Percentage of women in executive management	Details
				<p>3Q investor presentation 2017: Higher percentage of women (13.27% at 9M 2018)</p> <p>No woman in senior Management level</p>

#### Controversies

No major relevant controversies have been uncovered.

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## Financial Product Safety

Pillar	Score	Industry Average	Industry Percentile	Weight
S				17.0%

## Metrics

## Exposure

## Additional Exposure Indicators

## Reliance on Consumer/Retail Business Segments

Retail and/or consumer loans as % of total loans: **69.58%**

## Management &amp; Performance

## Performance

Customer complaints: **Not disclosed**

## Evidence company offers high-risk categories of consumer / retail financial products

Evidence of offering high-risk investment products: **No evidence**

Evidence of offering high-risk insurance products: **No evidence**

Evidence of offering high-risk lending products: **No evidence**

## Practices

## Strategy

Ownership of product safety compliance oversight: **No evidence**

Company partners with financial counselors or relevant community organizations: **No evidence**

Practices related to investigating and addressing complaints of mal-administration or a violation of rights: **Internal complaints resolution department**

## Programs and Initiatives

## Programs to protect the interests of consumers

Evidence of employee training on customer product safety: **No evidence**

Evidence of Consumer Charter: **No evidence**

Evidence of hotline for customer complaints: **Yes**

Evidence of loan modification program or other programs to assist customers facing financial difficulties: **No evidence**

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Controversies

No major relevant controversies have been uncovered.

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## Privacy &amp; Data Security

Pillar	Score	Industry Average	Industry Percentile	Weight
S				13.0%

## Metrics

## Exposure

## Additional Exposure Indicators

## Impact

Company collects information about its customers or other individuals: **Yes**

## Management &amp; Performance

## Practices

## Practices - Operations

Scope of company's publicly available data protection policy:	<b>Policy applies to corporate website only</b>
Rights provided to individuals regarding the control of their data:	<b>No evidence</b>
Source: Rights provided to individuals regarding the control of their data:	<b>12/3/2018 RG: <a href="https://www.alrajhibank.com.sa/en/privacy-and-security/pages/privacy.aspx">https://www.alrajhibank.com.sa/en/privacy-and-security/pages/privacy.aspx</a></b>
Data Breach/ Incident Response Plan:	<b>No evidence</b>
Information Security Policies and Systems audit frequency:	<b>General statements on conducting information security audits</b>
Company's executive body responsible for: Privacy and Data security:	<b>Special task force or risk officer</b>
Evidence of access control and protection of personal/sensitive data:	<b>No evidence</b>
Practices and consent requirements around handling of personal data by third parties:	<b>No evidence</b>
Minimizes data collection and retention:	<b>No evidence</b>

## Practices - Supply Chain

Extent of data protection and/or privacy programs covering suppliers and business partners: **No evidence**

## Practices - Employees

Scope of employee training on data security and/or privacy-related risks & procedures:	<b>No evidence</b>
Source: Scope of employee training on data security and/or privacy-related risks & procedures:	<b>12/3/2018 RG: <a href="https://www.alrajhibank.com.sa/en/privacy-and-security/pages/privacy.aspx">https://www.alrajhibank.com.sa/en/privacy-and-security/pages/privacy.aspx</a></b>

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Practices - Certification

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Scope of certification to widely recognized standards (e.g. ISO 27001, TRUSTe, Privacy Mark, SSAE16 soc2 standards):

**No evidence**

Source: Scope of certification to widely recognized standards (e.g. ISO 27001, TRUSTe, Privacy Mark, SSAE16 soc2 standards):

**12/3/2018 RG: <https://www.alrajhibank.com.sa/en/privacy-and-security/pages/privacy.aspx>**

Practices - Products & Services

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Privacy enhancing technologies and initiatives:

**Basic education towards customers/users on how to protect themselves online**

Performance

Performance - Products & Services

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Commercialization of Services and Products that Contribute to Cyber Resilience:

**No evidence**

Controversies

No major relevant controversies have been uncovered.

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## Access to Finance

Pillar	Score	Industry Average	Industry Percentile	Weight
S				13.0%

## Metrics

## Management &amp; Performance

## Performance

Most Recent Loans to SMEs (% of total loans):	<b>2.0%</b>
SME lending growth rate (% year-on-year):	<b>18.0%</b>
Evidence of business to underserved communities (incl. rural development, microfinance):	<b>Below-average level of business targeting underserved communities</b>

## Practices

## Products and Strategy

Extent of involvement in Microfinance/Microinsurance:	<b>Partnership with or delegation to micro-finance institutions</b>
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## Distribution and Outreach

Innovation in Mobile / Online Distribution Channels:	<b>Mobile/online distribution but no information on distribution targeting underserved demographics</b>
Reach of Points Service (Branches, ATMs, Self-Service, etc.):	<b>Regional leader in branch/self-service/alternative distribution channels</b>
Innovation in Other Alternative Branchless Distribution Channels (e.g. correspondents, partnerships with retail stores/post offices):	<b>Evidence of alternative branchless distribution channels but no information on distribution targeting underserved demographics</b>
Outreach Programs and Initiatives (e.g. Financial Literacy, Public-Private Partnerships):	<b>5.0</b>

## Controversies

No major relevant controversies have been uncovered.

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## Financial System Instability

Pillar	Score	Industry Average	Industry Percentile	Weight
G				13.0%

## Metrics

## Exposure

## Additional Exposure Indicators

## Contribution to Systemic Risk

Designated a Systemically Important Financial Institution (SIFI): **No**

## Size

Total Assets (USD million): **91,432.8**

## Interconnectedness

Total Liabilities (USD million): **76,576.4**

Total Deposits (USD million): **72,763.4**

Wholesale funding ratio: **4.98%**

## Substitutability

Market Share of Deposits: **16.4%**

## Government Support

Government Ownership: **0-20%**

## Management &amp; Performance

## Practices

## Strategy

Compensation measures to align incentives with long-term risk-adjusted performance:

**Industry standard incentive programs**

Independence of Group Risk Committee:

**No evidence of dedicated Risk Committee**

Board expertise:

**Presence of industry experts on Board**

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Programs and Initiatives

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Policies related to bribery and corruption:

**Some evidence of commitment**

Whistleblower protection:

**Not disclosed**

Employee training on ethical standards:

**Yes**

Policies related to Anti-Money Laundering (AML) and Know Your Customer (KYC):

**Policy and implementation strategy articulated**

Controversies

No major relevant controversies have been uncovered.

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## Corporate Governance

Pillar	Score	Industry Percentile	Weight	Home Market Percentile	Home Market
G			18.0%		

## Metrics

## Management &amp; Performance

## Board Indicators

## Board Independence

Inside directors:	0
Outside related directors:	7
Total directors:	11
Outside directors:	4

## Board Leadership

Chair / CEO roles combined:	No
Company lacks an independent lead director:	Yes

## Board Skills &amp; Diversity

Female directors:	0
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## Pay Indicators

## Pay Figures

Company fails to disclose specific pay totals for executives:	Yes
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## Pay Performance Alignment

Significant vote against pay practices:	No
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## Severance &amp; Change of Control

Company lacks a clawback policy:	Yes
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## Ownership &amp; Control Indicators

## Committee Structure

Company lacks a fully independent audit committee:	<b>Yes</b>
Company lacks a fully independent compensation committee:	<b>Yes</b>

## Ownership Structure

Controlling shareholder:	<b>No</b>
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## Shareholder Rights

Company has failed to adopt majority voting standards:	<b>No</b>
Ownership structure deviates from one share one vote:	<b>No</b>

## Takeover Provisions

Poison pill:	<b>No</b>
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## Accounting Indicators

Independent auditor:	<b>KPMG Al-Fozan and Partners</b>
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## Accounting Figures

Audit fees:	<b>0.0 USD</b>
Audit fees (currency):	<b>USD</b>
Total auditor fees:	<b>0.0 USD</b>
Total auditor fees (currency):	<b>USD</b>
Audit related fees:	<b>0.0 USD</b>
Audit related fees (currency):	<b>USD</b>

## Accounting Risks

Restatements or special charges in last two years:	<b>No</b>
Accounting investigations in last two years:	<b>No</b>
Qualified auditor opinion, most recent period:	<b>No</b>
Late filings:	<b>No</b>
Material weakness in internal controls:	<b>No</b>

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## CONTROVERSIES SUMMARY

## Social Controversies

## Moderate Controversies

Last Updated	Status	Headline	Source
April 2017	Ongoing	<b>United States: Insurance Companies Lawsuit over Alleged Facilitation of Activities Supporting Al Qaeda</b>	14 Apr 2017_Reuters

## CONTROVERSIES DETAIL

## Social Controversies

## Moderate Controversies

**Date:** April 2017

**Assessment:** Moderate

**Status:** Ongoing

**United States: Insurance Companies Lawsuit over Alleged Facilitation of Activities Supporting Al Qaeda**

In April 2017, multiple insurance companies sued several companies including Al Rajhi Banking over allegations of aiding and abetting Al Qaeda by facilitating Al Qaeda's activities prior to the 9/11 attacks.

In September 2011, terrorist attacks in the United States coordinated by the terrorist group Al Qaeda killed about 3,000 people. The plaintiffs cited that Al Qaeda could not have been successful in its attacks without the support of the defendants and reportedly sought at least USD 4.2 billion in damages.

UPDATES:

14 Apr 2017: Saudi banks, bin Laden companies face \$4.2 billion U.S. lawsuit by 9/11 insurers. (Reuters)

**Source:** 14 Apr 2017\_Reuters

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