

MATERIALITY

SAIB's overarching purpose is to create value – in the short, medium and long term. Value creation is a two-way process; we deliver value to our stakeholders as well as derive value from them. Value creation has to be viewed in the context of the environment within which we operate and the needs and priorities of the stakeholders. To identify the topics which need to be focused on in this Report, we have to first

determine which topics have the most impact on our value creation process.

The first step in this process was to carry out a PESTEL analysis of potential material issues categorised under the stakeholder group on which they have the most impact. The results of this analysis are shown below:

Stakeholders	Political A	Economic B	Social C	Technological	Environmental E	Legal/Regulatory	
Investors/ Shareholders		Economic slowdown	Growing influence of social media	Unorthodox competition		IFRS 9	1
(KKY)		Depreciating currencies against USD				Basel III	2
		Expected growth in the Saudi economy				Higher regulatory capital	3
		Financial system stability				Governance and accountability	4
Customers		Propensity to invest in Saudi Arabia	Increasing customer expectations (especially in the younger generation)	Cloud computing		Adherence to Islamic banking principles	5
		Corporates are de-leveraging	Customer trust and protection	e-onboarding			6
		Increase in non-performing loans	Quality of service and customer satisfaction	Digitalisation and automation			7
		New parallel stock market being set up for MSMEs	Engaging with customers	Innovation and product development			8
		Higher oil prices		AI, Robotics			9
		Higher percentage of short-term loans		Blockchain			10
				Cyber security threats			11)
				Infrastructure and accessibility			12
				Data security			13

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Stakeholders	Political A	Economic B	Social ©	Technological	Environmental	Legal/Regulatory	
Employees			Employee productivity	Technology driving change in job skills		Human and labour rights	14)
			Staff retention	Operational efficiency			15)
			Saudization				16)
			Employee satisfaction and engagement				17)
			Staff training				18
			Soft skills development				19
			Equal opportunity and anti- discrimination				20
Society and environment	Geopolitical conflicts		Need to commit to Sustainable Development Goals		Reduction of environmental impact of operations	ESG risk in lending and investment	21)
			Higher spending power in local population		Increasing demand for green banking and green lending	Compliance with regulations	22
			Community investment and engagement				23)
Business partners/ Suppliers			Sustainable procurement				24)
₹ E			Strengthening relationship				25)
Government/ Policy makers		Expected increase in non-oil revenue					26)
	Slow growth in economic integration in the GCC						27)
	Growth of MSME sector being part of the Vision 2030 goals						28)
	Diversification of the economy being one of the Vision 2030 goals						29
Regulators						Business ethics and prevention of financial crime	30

The next step was to map the topics that have the most impact on the stakeholders and/or SAIB itself. The topics have been categorised as risks or opportunities or both.

The degree of materiality or importance of a topic is assessed by its relevance to SAIB or the stakeholder and significance, the latter being determined by the probability of occurrence and the magnitude of its impact. Material risks and opportunities are further analysed as being of high, moderate or low importance to the business and its stakeholders.

The outcomes of the materiality analysis, contributed to the formulation of strategies and strategic imperatives.

Management approach

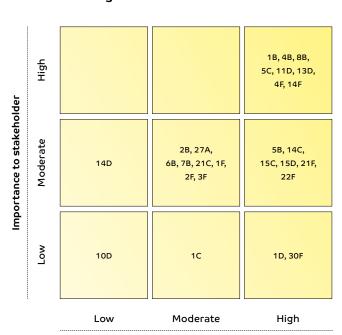
Material topics are managed in accordance with the strategic plan and responsibilities are assigned to the respective functional unit heads according to the Organisation structure. The degree of materiality of a risk or an opportunity will be a guideline for resource allocation. The Bank has crafted and implemented many policies relevant to material topics to guide its employees in conducting their duties.

Opportunities to be seized

29A, 4B, 8B, 26B, 5C, 6C, 7C, 8C, 16C, High 17C,18C, 19C, 20C, 28A, 9B,1D 22C, 23C, 5D, 6D, 7D, 8D, 10D, 12D, 15D, Importance to stakeholder 22E, 4F, 5F, 14F, 30F Moderate 2B, 1C, 21E, 1F, 3B, 10B, 14C, 2F, 3F 15C 24C, 25C ۲o 22F Moderate High Low

Importance to the Bank

Risks to be mitigated



Importance to the Bank