



Public Investment Fund

Green Finance Framework

February 2022

1. Introduction

The Public Investment Fund (the “**Fund**” or “**PIF**”) is the sovereign wealth fund (“**SWF**”) of the Kingdom of Saudi Arabia (the “**Kingdom**”), mandated to be the driver of the Kingdom’s economic transformation and diversification.

Established in 1971 by virtue of Royal Decree No. M/24, PIF has throughout the years financed many projects of strategic importance to the national economy. In 2014 and 2015, PIF underwent a comprehensive reform, which prepared the institution for its enhanced role as part of Vision 2030. PIF has created several national private sector champions, funded key projects and companies and provided financial support to initiatives whose impact has already been felt well beyond the Kingdom’s borders.

Today, PIF is an autonomous, commercially driven investment fund and one of the largest and most active sovereign wealth funds in the world. PIF plays a vital role in realizing the Kingdom’s commitment to reach “net zero” greenhouse gas emissions by 2060 and driving the Kingdom to a flourishing future. This Green Finance Framework (the “**Framework**”) is the natural continuation of PIF’s role and will serve as a gateway to match PIF’s diverse array of sustainable projects with sustainable resources.

1.1. A Green Finance Framework in Line with Vision 2030

Vision Statement: PIF seeks to become a global investment powerhouse and the world’s most impactful investor, enabling the creation of new sectors and opportunities that will shape the future global economy, while driving the economic transformation of the Kingdom.

Mission Statement: PIF actively invests over the long term to maximize sustainable returns and enable the economic development and diversification of the Kingdom’s economy.

The central importance of sustainability for PIF was clearly set out in the mandate assigned by Vision 2030.

1.2. ESG Strategy and Roadmap

The Fund aspires to become one of the leading SWFs in terms of ESG coverage and integration. Achieving such ambitious targets means reaching a sophisticated level of ESG integration with a high degree of coverage of ESG across processes and portfolios and dedicated disclosure in line with international standards. To achieve this, PIF has identified the following broad initiatives:

1. development of proprietary ESG scoring framework;
2. PIF's carbon transition plan to support the Kingdom's ambition of net zero by 2060;
3. develop ESG policy and guidelines for portfolio companies;
4. attract thematic investments including through issuance of green bonds;
5. shaping & adopting international reporting and disclosure standards; and
6. establish a voluntary exchange platform for carbon credits.

To enable the broader PIF strategy and ambition, PIF therefore aims to champion six key ESG themes based on its portfolio and pipeline: ecological impact and biodiversity, carbon footprint and energy management, renewable energy and clean-tech adoption, water and waste management, community and socio-economic impact and corporate governance. These themes will enable PIF to attract thematic and impact investors by providing external transparency and positioning of advanced practices, enabling thought leadership.

To increase ESG integration, PIF will follow a two years' process with the following three phases from COP26:

- **Phase I:** Defining a common ESG language and establishing an ESG hub for a common ESG approach and capability, preparing the foundation for disclosure in selected international frameworks, setting up initial ESG scoring frameworks and defining stewardship roles and responsibilities.
- **Phase II:** Understand ESG performance of existing investments with ESG being fully integrated in the PIF Operating Model, internal and external reporting at PIF and asset level, a finalised proprietary ESG scoring methodology and a publicly communicated PIF ESG statement of intent.
- **Phase III:** Integration of ESG into the investment process with ESG capabilities fully established across PIF, published disclosure according to the international framework, rolled-out stewardship program, and ambitious initiatives such as ESG Index and Net Zero commitment with the objective of proactively shaping standards and positioning PIF as leader.

The Fund is setting a process to identify mitigation measures to known material ESG risks of negative social and/or environmental impacts from the relevant project and evaluate their potential trade-off. This process will be managed by the ESG & Sustainability Steering Group

which will validate that all investments have been through the appropriate approval processes already including a number of ESG elements.

Figure 1: King Abdullah Financial District (KAFD)



1.3. PIF's Strategic Objectives

In a stepping-stone that transformed PIF into an investment powerhouse, the Council of Ministers issued Resolution No. 270 in 2015, transferring oversight of PIF from the Ministry of Finance to Council of Economic and Development Affairs (“**CEDA**”). Accordingly, PIF's Board of Directors was reconstituted with the Chairman of CEDA, His Royal Highness Prince Mohammed Bin Salman Bin Abdulaziz, becoming PIF's Chairman.

The 2014-2015 reform denoted a significant institutional change for PIF. With its mandate broadened, PIF was tasked with a vital and strategic role within Vision 2030 to lead the charge in building a national economic transformation for positive, sustainable change in the Kingdom. Such measures were devised to develop new opportunities for non-oil GDP growth, generate more jobs, increase local content, empower a thriving private sector, improve quality of life, and solidify the Kingdom's leadership position.

Vision 2030 assigned the following strategic objectives to PIF:

- grow the assets of PIF;
- unlock new sectors;
- localize cutting-edge technology and knowledge; and
- build strategic economic partnerships.

In 2017, the first version of the PIF vision realization program (a “**VRP**”) was launched to guide the path for the Kingdom's Vision 2030 realization. The first VRP covered the period from 2018 through 2020 and detailed the targets and initiatives that PIF would carry out for that period. PIF met and exceeded these targets:

- PIF's assets have grown from SAR 570bn by end of 2015 to over SAR 1.8 trillion by the end of 2021;
- PIF has unlocked sustainable new sectors in the Kingdom, such as entertainment, renewable energy production and recycling;
- PIF has localized technology and knowledge in the cutting-edge sectors of finance, telecoms, health care and others; and
- PIF has built strategic economic partnerships with both public and private partners.

PIF now turns to its 2021-2025 VRP with a redefined portfolio organization.

1.4. PIF's Portfolio

The Fund's first VRP was launched in 2017 as part of an integrated program to achieve the Kingdom's Vision 2030. Under its second VRP, covering the 2021-2025 period, PIF will assist the growth of new sectors of the Kingdom's economy and continue the progress from the first VRP launched in 2017. The second VRP plans to further establish PIF as the world's leading sovereign wealth fund and a key driver of economic growth in the Kingdom. PIF is expected to contribute SAR 1,200bn to non-oil GDP through the companies in its portfolio and create 1.8 million new direct and indirect jobs in the Kingdom in the period from 2021-2025.

Investment Pools



International Diversified Pool



International Strategic Investments



Saudi Giga-Projects



Saudi Real Estate & Infrastructure Development



Saudi Sector Development



Saudi Equity Holdings

1.5. One Planet Sovereign Wealth Funds

The Fund is one of the six founding members of the One Planet Sovereign Wealth Fund (“**OPSWF**”) initiative¹, a forum that brings together the world’s leading institutional investors, to promote the ecological transition of the economy. PIF’s role as a founding member of the OPSWF highlights its commitment and engagement in the area of climate finance.



Following the adoption of the 2015 Paris Agreement in which parties committed collectively to mitigate the effects of climate change, the One Planet Summit was held on 12 December 2017. The “One Planet Sovereign Wealth Fund Working Group”, which is made up of six founding members including PIF, was established at the Summit in order to accelerate efforts to integrate the opportunities in the transition to a low greenhouse gas emissions economy (low-emissions economy), and address the risks related to climate change in the management of large, long-term and diversified asset pools.

In 2018, the OPSWF founding members published the One Planet Sovereign Wealth Fund Framework². This document sets out the principles enabling sovereign wealth funds to consider climate change systematically in their decision making and how, together, they can support ambitious global programs to combat climate change. The Coalition gradually extended to asset managers (the “One Planet Asset Managers – OPAM” initiative, in 2019) and to private equity and investment firms (the “One Planet Private Equity Funds - OPPEF” initiative, in 2020).³

Figure 2: Solar and Wind Generation at Dumat Al Jandal



¹ <https://oneplanetwfs.org/>

² https://oneplanetwfs.org/wp-content/pdfs/web/viewer.html?file=https://oneplanetwfs.org/download/23/online-publication/550/oneplanetwfs_online.pdf

³ <https://www.oneplanetsummit.fr/en/coalitions-82/one-planet-sovereign-wealth-fund-coalition-165>

2. Green Finance Framework

The Fund intends to use this Framework as the basis to issue green bonds, sukuk, loans and other debt instruments (“**Green Financing Instruments**”). The Green Financing Instruments will fund eligible green projects as defined and listed in section 2.2 (*Eligible Green Projects*) (“**Eligible Green Projects**”) that conform to the green finance principles listed below:

- International Capital Market Association (“**ICMA**”) Green Bond Principles 2021 (“**GBP**”);⁴ and
- Loan Market Association (“**LMA**”) Green Loan Principles 2021 (“**GLP**”).⁵

In addition to alignment with the GBP or GLP, PIF may choose to seek certification in compliance with the requirements of the Climate Bonds Initiative (“**CBI**”) Climate Bonds Standard⁶ (V3.0) (“**CBS**”) where the availability of applicable sector specific technical criteria allows.

In aligning with the above principles, this Framework is presented through the GBP’s and GLP’s four core components as well as their recommendation for external review:

- A. Use of Proceeds;
- B. Process for Project Evaluation and Selection;
- C. Management of Proceeds; and
- D. Reporting.

Bond(s) or sukuk issued under this Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such sukuk, bonds and any loans entered into under this Framework will be standard recourse-to-the-issuer obligations and investors will not bear the credit risk of the underlying allocated eligible asset exposures.

2.1. Use of Proceeds

The Fund will allocate an amount at least equivalent to the net proceeds of the Green Financing Instruments issued under this Framework to finance, refinance and or/invest in whole or in part, new or existing projects under development and/or projects in operation from any Eligible Green Project categories. All Eligible Green Projects are aligned with the United Nations Sustainable Development Goals and are expected to provide significant environmental benefits. PIF intends to comply with the best Green finance market practices and will follow the development of official taxonomies defining sustainable activities, contributing to climate change mitigation, climate




⁵ LMA Green Loan Principles, February 2021, <https://www.lsta.org/content/green-loan-principles/>

⁶ <https://www.climatebonds.net/standard>




change adaptation, sustainable use and protection of water and marine resources, natural resource and biodiversity conservation as well as pollution prevention and control.

A maximum 2-year look-back period would apply for refinanced projects and PIF expects each issuance under this Framework to be fully allocated within a reasonable period from the date of issuance. For CBI certified issuances, PIF will endeavour to fully allocate the proceeds within 24 months of the issuance date, however some assets may require longer allocation periods given their nature as long term green infrastructure buildout projects.


2.2. Eligible Green Projects

Project Category	Eligibility Criteria
<p>Renewable Energy</p> 	<p>Investments and expenditures in the production, transmission and storage of energy from the following renewable sources:</p> <ul style="list-style-type: none"> • Solar (PV and Concentrated Solar Power with a minimum 85% of power generation derived from solar sources) • Wind energy • Hydropower, including pumped storage, with either a power density above 5W/m² or GHG emissions below 100gCO₂e/kWh <p>Investment in Green Hydrogen⁷ and/or projects, comprising hydrogen production (including either hydrogen produced (a) under a GHG emissions threshold of 3tCO₂e/tH₂ OR (b) by electrolysis powered using 100% wind and/or solar power) with, storage and distribution and R&D</p>
<p>Energy Efficiency</p> 	<p>Installation of energy-efficient technologies and products, for example LED lighting, to increase operational energy efficiency by at least 30%.</p> <p>Deployment of wireless technologies that allow for real-time response to energy demand, including smart city systems, smart building management systems, telecommuting systems, smart grids</p> <p><u>Exclusion Criteria</u></p> <p>Improvement activities that result in the lock in of fossil fuel technologies</p>
<p>Sustainable Water Management</p> 	<p>Investments and expenditures in projects and infrastructure that increase water-use efficiency, such as water recycling and reuse projects, water saving systems, technologies and water metering</p> <p>Desalination plants that have an average carbon intensity at or below 100gCO₂e/kWh over the residual asset life. These are on a reverse osmosis technology powered entirely by renewables</p>

⁷ Defined as Hydrogen produce through electrolysis using electricity powered fully by wind and/or solar energy.

Project Category	Eligibility Criteria
<p>Pollution Prevention and Control</p> 	<p>Investment and expenditures for the acquisition, development, construction and operation of facilities for:</p> <ul style="list-style-type: none"> • Waste collection and storage • Waste sorting, separation and material recovery • Recycling and reuse • Biological treatment facilities (including anaerobic digestion and composting facilities) <p>Expenditures related to construction, upgrades, renovations or improvements for transportation and treatment of wastewater, including but not limited to:</p> <ul style="list-style-type: none"> • Water and wastewater treatment plants (WWTP) • Sewer systems and pumping stations
<p>Green Buildings</p> 	<p>Investment in new or existing commercial or residential buildings that belongs to the top 15% in terms of energy efficiency of their local market or have received, or expect to receive based on its design, construction and operational plans, certification according to third-party verified green building standards, such as:</p> <ul style="list-style-type: none"> • LEED (Gold and above) • BREEAM (Excellent and above) • Mostadam (Gold and Diamond) • Other equivalent certification schemes, such as EPC A and above⁸
<p>Clean Transportation</p> 	<p>Investments and expenditure in low energy consuming or low emission transportation, including:</p> <ul style="list-style-type: none"> • Passenger cars (under 50gCO₂/km up to 2025, and zero tailpipe emissions thereafter) • Public transportation (under 50gCO₂/p-km up to 2025, and zero tailpipe emissions thereafter) • Freight transportation (under 25gCO₂/t-km up till 2030, 21gCO₂/tkm from 2030 up to 2050) <p>Investments and expenditure into development and production of electric vehicles (EVs), including construction of new dedicated manufacturing facilities and upgrading and retrofitting of existing facilities for the purpose of expanding production</p>

⁸ For CBI-certified bonds, PIF will additionally comply with the CBI criteria in relation to low-carbon buildings.

Project Category	Eligibility Criteria
<p>Sustainable management of living natural resources and land use</p> 	<p>Investment in agricultural technologies that aim to rationalize water consumption, raise production efficiency, and preserve the environment, such as:</p> <ul style="list-style-type: none"> • Activities enabling measurement, monitoring, reporting and verification of emissions reductions • Research and development of ruminant feed that reduce methane emissions • Research into alternative meat and dairy products • Capacity building or education services relating to low carbon agricultural practices

In the case of investments made via PIF’s subsidiaries and owned entities, including joint ventures entered into by its subsidiaries, only the issuer’s share of the investments will be applicable as an allocation to the eligible projects.

In the process of considering investments for allocation under the Green Financing Instruments, PIF will discount the portion of the Eligible Green Projects that has been financed and/or refinanced by one or several other issuers (PIF’s subsidiaries and owned entities, including joint ventures entered into by its subsidiaries) under their respective Sustainable Finance Frameworks.

2.3. Exclusion Criteria

For each Green Financing Instrument, PIF affirms that it will explicitly exclude funding towards any expenditures or projects associated with:

- coal or gas fired power generation and distribution assets;
- landfill operations and any incineration of any unsorted waste assets;
- exploration and development of new oil and gas fields;
- coal mining and transportation;
- fossil fuel related activities including refining and transportation of fossil fuel as well as underlying investments in research and development;
- heat or power facilities with emissions intensity above 100gCO₂e/kWh;
- nuclear power generation and distribution assets;
- military activities; and
- industrial agriculture and livestock practices.

2.4. Project Evaluation and Selection Process

The project evaluation and selection process will ensure that the proceeds of any Green Financing Instrument are allocated to finance or refinance Eligible Green Projects that meet the criteria and objectives set out above in section 2.1 (*Use of Proceeds*), and, where an issuance is to be CBI certified, conformance with the CBS and CBI sector criteria. Furthermore, where possible, PIF will endeavour to align projects to appropriate national and international environmental taxonomies, including the CBI Taxonomy.

The cornerstone of PIF's evaluation and selection process is PIF's ESG & Sustainability Steering Group (the "**Group**"). The Group will be carrying out the activities needed to meet the requirements of this Framework, and support and/or advise PIF management committees on ESG-related matters in accordance with the authorities delegated by the PIF Board of Directors. The Group includes representatives from Risk, Compliance & Governance, Investment Strategy and Economic Insights, Global Capital Finance, Finance and Investment divisions. The Group will support PIF management committees, among other things, in:

- undertaking regular monitoring of the asset pool to ensure the eligibility of Green Projects with the criteria set out above in section 2.1 (*Use of Proceeds*), and, where required, compliance with the CBS and CBI sector criteria, whilst replacing any ineligible green projects with new Eligible Green Projects;
- managing and tracking proceeds to ensure allocation towards the Eligible Green Projects using the green finance register ("**Green Finance Register**");
- assessing the investments listed on the Green Finance Register to ensure that they continue to meet the criteria laid out section 2.1 (*Use of Proceeds*), ensuring that any unallocated proceeds from a green bond issuance are used in line with PIF's standard liquidity policy;
- facilitating regular reporting on any green bond issuance in alignment with reporting commitments;
- ensuring that the approval of Eligible Green Projects will follow PIF's existing credit/loan/investment approval processes; and
- Maintaining this Framework (and any ESG framework developed by PIF) and managing any future updates that might be required including whether any updates are required to retain compliance with regulations, disclosure standards and commitments and /or market best practices.

2.5. Management of Proceeds

The proceeds of each PIF Green Financing Instrument will be deposited in PIF's general funding accounts and reserved for allocation towards the Eligible Green Projects using the Green Finance Register.

The Green Finance Register will contain the following information:

- I. Green Financing Instrument details: pricing date, maturity date, principal amount of proceeds, coupon, ISIN number, etc.
- II. Allocation of Proceeds:
 - a) The Eligible Projects List, including for each Eligible Project, the Eligible Green Project category, project description, project location, Group's ownership percentage, total project cost, amount allocated, settled currency, etc.
 - b) Amount of unallocated Proceeds

To prevent double counting of eligible projects, PIF will ensure that the same project will not be listed twice in the allocation of net proceeds.

Any proceeds temporarily unallocated will be invested according to PIF's standard liquidity policy into money market and other liquid instruments, and, for avoiding any doubt, subject to the Exclusion Criteria (section 2.3).

2.6. Reporting

On an annual basis, PIF will publish an allocation report and an impact report on its Eligible Green Projects, as detailed below. This report will be updated annually until full allocation of the net proceeds of any Green Financing Instrument, or until the Green Financing Instrument is no longer outstanding.

The report(s) will be made available to investors on PIF's website www.pif.gov.sa

2.7. Allocation Reporting

- A. List of Eligible Green Projects
- B. The amount of Proceeds allocated to each Eligible Green Project category
- C. When possible, descriptions of the Eligible Green Projects financed, such as project locations, amount allocated, etc.
- D. Selected examples of projects financed
- E. Amount of unallocated Proceeds
- F. Amount and/or the percentage of new financing and refinancing

2.8. Impact Reporting

The Fund will also provide an annual impact assessment in accordance with the Framework's criteria. PIF will report on the environmental benefits of the Eligible Green Projects, including estimated carbon emissions avoided by Eligible Green Projects as well as the following impact indicators where possible. In addition, calculation methodologies and key assumptions will be disclosed.

Eligible Green Project Categories	Example of Impact Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> • Capacity of renewable energy plant(s) constructed or rehabilitated in MW • Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other energy)
Energy Efficiency	<ul style="list-style-type: none"> • Annual energy savings in MWh (electricity) and GJ/TJ (other energy savings) • Number and breakdown by type of energy-efficient technologies and products installed
Sustainable Water Management	<ul style="list-style-type: none"> • Number of water treatment facilities built or upgraded • Reductions in water distribution losses (in m³) • Amount (in m³) or % of water recycled • Amount of water reduced (in m³)
Pollution Prevention and Control	<ul style="list-style-type: none"> • Waste reduced/avoided (tonnes)
Green Buildings	<ul style="list-style-type: none"> • Level of certification by property • Energy efficiency gains in MWh or % vs. baseline • Annual energy savings (MWh pa)
Clean Transportation	<ul style="list-style-type: none"> • Number and type of clean transportation infrastructure built • Number of EVs produced • Number of users
Sustainable management of living natural resources and land use	<ul style="list-style-type: none"> • Amount (in m³) or % of water consumption reduced • Increase in production efficiency • [Inclusion of specific KPIs under consideration]

The Fund will conduct periodic Update reports to the CBI at least annually while the relevant bond remains outstanding. The update report shall be made available to holders of the relevant bond, the Climate Bonds Standard Board⁹ and the public and shall include allocation and impact reporting as required under the CBS.

⁹ The Climate Bonds Standard Board is an international body comprised of large institutional investors and leading environmental NGOs provides ongoing oversight of the Climate Bonds Standard, Approved Verifiers, the Certification Scheme as well as decisions on Certifications. For more information, please visit: <https://www.climatebonds.net/files/files/climate-bonds-standard-v3-20191210.pdf>

3. External Review

3.1. Second Party Opinion (“SPO”)

PIF has appointed DNV to assess this Green Finance Framework and its alignment with the ICMA’s Green Bond Principles and the LMA’s Green Loan Principles and issue a Second Party Opinion accordingly.

The Second Party Opinion will be made publicly available on PIF’s official website.

- The Fund may seek a CBI certification for its green bond issuance. In such event, and before any bond issuance, PIF will engage a CBI-approved verifier to provide a verifier’s report on the conformance of Green Financing Instruments with pre and post-issuance requirements of the Climate Bond Standard.

3.2. Periodic Ongoing Review

In order to provide timely and transparent information about the reporting of the funds from Green Financing Instruments issued under this Framework, PIF intends to engage a third-party reviewer to provide an annual assessment on the alignment of the allocation until proceeds have been fully allocated.

- The Fund will procure at least one certification within one year of issuance in conformance with the CBS.

Amendments to this Framework

The Group will review this Framework on a regular basis, including its alignment to updated versions of the principles as and when they are released, with the aim of adhering to best practices in the market. Such review may result in this Framework being updated and amended. The updates, if not minor in nature, will be subject to the prior approval of PIF and DNV. Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an external reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.



This Framework contains certain forward-looking statements that reflect the Fund's management's current views with respect to future events and financial and operational performance of the Fund. These forward-looking statements are based on the Fund's current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of the Fund to control or estimate precisely. You are cautioned not to place undue reliance on the forward-looking statements (as well as information and opinions) contained herein, which are made only as of the date of this document and are subject to change without notice. The Fund does not undertake any obligation or responsibility to release any updates or revisions to any forward-looking statements and/or information to reflect events or circumstances after the date of publication of this Framework. The information contained in this Framework does not purport to be comprehensive and, unless differently specified in this Framework, has not been independently verified by any independent third party.

This document is not intended to be and should not be construed as providing legal or financial advice.

This Framework does not constitute a recommendation regarding any securities of the Fund or any member of the Fund. This Framework is not, does not constitute, nor should it be interpreted as, or form part of, any offer or invitation to underwrite, subscribe for or otherwise acquire or dispose of, any solicitation of any offer to underwrite, subscribe for or otherwise acquire or dispose of, any securities issued or to be issued by the Fund or any member of the Fund in the U.S. or any other jurisdiction. Any decision to buy or invest in securities shall be made solely and exclusively on the basis of the information set out in the pertinent prospectus or equivalent or related documentation filed or otherwise made available to prospective investors by the Fund or any member of the Fund. Thus, this Framework does not constitute a prospectus or other offering document and no securities have been or will be registered under the U.S. Securities Act of 1933, as amended, or the securities laws of any state of the U.S. or any other jurisdiction.

Neither this document nor any other related material may be distributed or published in any jurisdiction in which it is unlawful to do so, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution.

Under no circumstances will the Fund or its affiliates, representatives, directors, officers and employees have any liability whatsoever (in negligence or otherwise) for any loss or damage howsoever arising from any use of this document or its contents or otherwise arising in connection with the document.