

أرامكو السعودية
saudi aramco



entrepreneurship

THE WA'ED NEWSLETTER

Q2 2022



CONTENTS

News From Wa'ed	03
Q2 Highlights	03
Wa'ed Welcomes New Team Members	04
Commentary: Venture Capitalists Play a Vital Role in the Adoption of ESG Practices	05
Commentary: A Talent Shortage is Limiting the Scalability of the Kingdom's Recycling Startups	07
The Startup Viewpoint	08
Feeding Future Generations: The Drive For Agrotechnology Innovation	09
About Wa'ed	11

NEWS FROM WA'ED



Wa'ed Leads \$50 Million Investment in Wahed

Wa'ed has led a \$50 million Series B funding round in New-York based fintech Wahed, which owns the ethical investment platform, Wahed Invest, which has more than 300,000 global clients. The investment will support the startup's current growth phase as it plans to launch an ethical neobank on its platform, allowing users to fulfill their banking and investing needs all on one super-app.

Wa'ed will also continue to act as the company's "anchor partner" during its expansion into Saudi Arabia and the MENA region.

Last call for Incubation Program Applications

The latest round of Wa'ed's Incubation Program will close on July 31st. The program, which is open to applications from technology startups who have succeeded in completing the minimum application phase for their first product MVP, will provide successful entrepreneurs with training, mentoring, workspaces, financial support, and go-to-market services to prepare for investment. Applications can be submitted through waed.net/en/incubation.html.

Q2 Highlights

SAR 61.88 million
(\$16.5MM) venture
capital deployed



Two funded VC deals:
Wahed and Whitehelmet

WA'ED WELCOMES NEW TEAM MEMBERS



Majed Abu Al-Faraj Joins Wa'ed As An Investment Manager

Majed has more than 12 years of diverse experience across corporate and investment banking, in addition to working for technology startups, across international markets. Previous to joining Wa'ed he has held management positions at US venture studio Wavemaker Labs, London-based healthcare startup Clinova; AI discover marketing app Bubble; and Greenstone Equity Partners in Dubai. His early career included positions at the Saudi British Bank (SABB) and First Abu Dhabi (FAB). He holds an MSc in Management Sciences from the London School of Economics (LSE), a BSc from the University of Queensland, Australia and is a Certified Financial Modelling Valuation Analyst (FMVA).



Qamar Aftab Joins Wa'ed As An Investment Manager



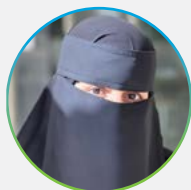
Qamar brings with him more than 10 years of venture capital, private equity, and startup experience; in Saudi Arabia, Qatar, UAE, and Pakistan. Prior to Wa'ed, Qamar was leading the corporate finance function for Red Sea Farms where he raised \$35 million for the company in under 18 months. Before that, Qamar worked for various impact funds, private equity boutiques, and family offices and deployed \$500+ million globally. Qamar is a CFA Charterholder and has a first-class bachelor's degree in applied accounting from Oxford Brookes University (UK).

Anwaar Alshamlan Joins Wa'ed As A Senior Hr Analyst

Anwaar brings more than 10 years of experience in human resources and has held a number of related positions across the industrial and HR sector within the Eastern Province. Her garnered skills will support Wa'ed's Human Capital Group, supporting the company's growth. A graduate from King Faisal University, Anwaar holds a Bachelor's degree in Business Administration, Accounting.



Norah Alshamrani Joins Wa'ed As Hr Analyst



Norah has assumed the role of HR Analyst after supporting Wa'ed's Human Resources department during the last six-months. Her skills and knowledge have proved invaluable during this period, and builds on her experience gained through previous internships following her graduation from Prince Mohammad Bin Fahad University with a Bachelor's degree in Human Resources Management and General Personnel Administration.

Maha Alkhesaifi Joins Wa'ed As A Senior Legal Specialist

Maha has joined Wa'ed's Strategy, Governance, Risk, and Compliance Group as a Senior Legal Specialist, bringing with her more than five years' experience in legal project development and finance, project management, and international policy analysis. Prior to joining Wa'ed, she worked at the legal department of Saudi Aramco as a paralegal, and as an international policy analyst at the Ministry of Energy, representing the Kingdom at various United Nations conferences. Maha received her legal training in Washington, DC where she graduated from George Washington University. She recently completed a master's degree in International Studies from DePaul University in Chicago.



VENTURE CAPITALISTS PLAY A VITAL ROLE IN THE ADOPTION OF ESG PRACTICES

The last decade has marked a shift in global venture capital focus towards solving more complex issues that affect our daily lives, such as climate change. Venture capital investors, which traditionally targeted the funding gap for high-risk startups that other investors shy away from, are now transitioning away from solving problems which would be considered as luxuries, to drive innovation in businesses which incorporate environmental, social, and governance (ESG) policies.

However, as the case with all emerging trends, increased regulatory pressure has meant ESG as an investment screening tool has become burdensome, and has been largely looked at as a tool to minimize risk ESG. Despite these challenges, the focus from VCs is encouraging startups and entrepreneurs to consider ESG to maximize opportunities and ethical impact, giving an advantage to those companies who adopt such practices from an early stage.

Lately, venture capitalists have accepted working closely with founders as they fine-tune their startup's product-market-fit and navigate through scalability and growth, giving venture capitalists the privilege to advise founders about ESG opportunities and possible business model integration. Having ESG aspects in the startup DNA from the inception is much easier than retrofitting ESG at much later stages.

Venture capitalists should be the leaders in promoting ESG and make it part of their mandates. The aim of venture capitalists should be to promote greater transparency about integrating ESG with founders. If done correctly, ESG implementation in VC will create better startups with a positive social impact and desirable financial returns.



Feras Al Safwan, Investment Manager at Wa'ed

ESG to drive business sustainability

The United Nations' Sustainable Development Goals (SDG) built on its earlier Principles for Responsible Investment "PRI", which laid the foundational framework for responsible business practices in 2000. Now backed by 193 countries, SDGs provide a clear direction for sustainable development.

These initiatives, and subsequent regulations, present clearly defined ESG goals which should be embedded in business models from the early stages, saving time, effort, and money when companies become public. ESG has been lagging in VC compared with other asset classes, but it is increasingly catching up to the mainstream VC and unlike Corporate Social Responsibility (CSR) businesses should not handle ESG as a PR or box-checking exercise, which was largely seen as greenwashing. It is not about compliance; it is about proactively making a change toward a more sustainable world.

ESG has over SAR375 trillion (\$100 trillion) AUM according to ESG Principles, illustrating the exponential growth potential when used with the right incentive from policymakers, and countering well-known

Implementing ESG should not be a one-size-fits-all approach in VC; instead it should be a fluid process that looks at the challenges on a case-by-case basis.



misconceptions that ESG investing compromises on profits.

In fact, it was proven that responsible investments should still generate alpha for the investors. Research by the University of Cambridge in 2015 looked at 2,000 ESG engagements, and found that successful ESG engagements led to 7.1 percent excess returns over a 12-month period. During the Middle East Green Initiative Summit in Riyadh, Larry Fink, CEO of BlackRock stated: “The next 1,000 unicorns won’t be search engines or social media companies, they’ll be sustainable, scalable innovators – startups that help the world decarbonize and make the energy transition affordable for all consumers”.

Following HRH Prince Mohammed bin Salman’s pledge for Saudi Arabia to reach net-zero emissions at the Saudi Green Initiative Summit in October 2021, there has been an unprecedented attention in ESG locally, presenting an optimal time to incorporate ESG factors in the venture capital industry. In 2018, Tadawul became a partner exchange supporting the UN Sustainable Stock Exchanges Initiative and has since been active in promoting ESG awareness among market participants.

VCs as innovation catalysts

Known for being innovation catalysts and proven enablers for disrupting technologies, venture capitalists should be ahead of the curve when it comes to ESG.

This should be addressed with extra care, given that young startups are already focused on navigating their startups through hectic day-to-day challenges and we should not burden them with additional KPIs. Implementing ESG should not be a one-size-fits-all approach in VC; instead it should be a fluid process that looks at the challenges on a case-by-case basis. Identifying ESG opportunities early on is imperative given that startups scale quickly, and so do ESG risks.

Startups that are ESG-ready can stand out from the competition as they will be rewarded with higher valuation, lower costs of capital, more market share, more recognition, and a better reputation. ESG is in a race to play a significant role in shaping our future, and VC should take the lead in this transformation by displaying a positive ESG trajectory and backing the next FANGs, which should be more ESG positioned.

Feras Al Safwan



A TALENT SHORTAGE IS LIMITING THE SCALABILITY OF THE KINGDOM'S RECYCLING STARTUPS

The global shift towards sustainability and associated focus on developing sustainable, innovative green solutions across various industries has placed a great emphasis on recruiting a specialized human capital resource pool to support ambitious national goals. While this presents numerous opportunities for those entrepreneurs with the knowhow, a shortage in local talent could hinder progress.

The Kingdom's strong targets to achieve net zero emissions by 2060, and Saudi Green Initiative, which lays out key objectives in order to reach these goals, provide a key framework, with one of the key areas of focus being to increase recycling. This is an area which requires significant development and investment not only in Saudi, but across the region.

The Public Investment Fund's Saudi Investment Recycling Company (SIRC) has announced a target of recycling 81 percent of municipal waste by 2035, with significant investment commitments to meet this target. To achieve these goals, current waste management activities within the Kingdom require a sustainable and integrated approach, which establishes regulated and industry standard processes. This must be supported by strong private sector entities, opening the door for startups and presenting a critical need to attract and nurture specialized talent which will drive a change towards a circular economy.

Speaking to startups in this sector, concerns have been raised around the recruitment of the required expertise and talent needed to support strategies and potential growth. While there are numerous examples of startups which have succeeded in this sector, such as Tadweer Food Recycling, Saudi Daz Electronic Waste Recycling Company, and Biofuels Limited Company, there is a dire need to increase education initiatives which instill



Nouf M. Al-Hezami, Sr. Relationship Manager – Team Leader Loan Management Group

the urgency and skills required to enable Saudi's green society opportunities. Not only will such an exercise encourage environmental business thinking from a young age, but also spread awareness and knowledge sharing across local communities and industries.

Until this scenario is realized, there is an opportunity for existing entrepreneurs to encourage one another by providing free seminars which aim to share knowledge and experience among the ecosystem and could support attracting talent to the sector.

Whichever course of action is taken, it is clear that there is a drastic need for the implementation of economically and technically viable, innovative, recycling solutions across the Kingdom. While the current scenario in Saudi Arabia is in the early stages, there is potential for a sustainable and integrated approach with implementation of waste segregation at source, waste recycling, and valuable material recovery. There has been developments within the Kingdom in the recycling field, with some strong waste management activities, but in order to meet the 2030 vision, encouraging people into relevant training fields needs to be encouraged so that the sector has a healthy talent pool to enable the establishment of support networks needed to achieve a circular economy.

Nouf M. Al-Hezami

THE STARTUP VIEWPOINT

WHAT IS THE KEY DRIVER IN YOUR ESG POLICY?

“At Red Sea Farms, we are committed to protecting our planet, making a difference in our communities, and establishing good governance for our actions. These principles, bolstered by our values of innovation, integrity, and impact are essential to our success as a global agriculture technology company and food producer within KSA. The early identification and mitigation of ESG risks will allow us to better serve our clients, investors, and community.”



Ryan Lefers, Co-Founder and CEO at Red Sea Farms



“Environmental, social and governance (ESG) considerations are an inextricable part of Athir’s approach to business. Value creation is the key driver in our ESG policy. We place high value in transforming businesses into digital workplaces by leveraging the power of artificial intelligence and cloud services, while following international standards and strict cybersecurity measures. Through Athir’s smart solutions and services, we allow businesses to raise information efficiency and save resources. Storing records digitally also helps to cut down on emissions and increases accessibility to critical information at a click of a button. We are committed to building a fair, sustainable workplace for our employees as well as partners with whom we do business and believe in holding ourselves publicly accountable to our ESG commitments.”

Jawad Chaudhry, Founder at Athir

“Our key drivers for our ESG policy revolve around water saving, affordable clean and organic food, and improving food longevity to reduce food loss and waste.”




Abdullah Sahab, Co-Founder and Chairman at iRama



“Participating in ESG activities is a sign for responsible investments that aims at making cities smart, safe, and sustainable. In order to do so, innovation and excellence needs to be the engine of the ESG change in our world now and for the years to come.”

Dr. Mustafa Mousa, Co-Founder and CEO at Sadeem International Company



FEEDING FUTURE GENERATIONS: THE DRIVE FOR AGROTECHNOLOGY INNOVATION

Increased investment and development in Agtech will support sector's role in addressing global food security

The impact that current global affairs are having on food supply chains are placing an increasingly heavier burden on agriculture to meet demands on key commodities. One of the largest in question is cereals, for which demand for both human and animal consumption is projected to reach three billion tonnes by 2050, a significant increase from two billion in 2009, according to the Food and Agriculture Organization of the United Nations.

"Solving this problem in a sustainable way is critical and one of the core pillars of Red Sea Farms," the agriculture technology (Agtech) company's Co-Founder and CEO, Ryan Lefers, says. "Through technology innovation, it is possible to grow food in the harshest of desert climates like Saudi Arabia and the UAE, while reducing the carbon, energy, and water footprint of modern agriculture."

The United Nations estimates that 1.8 billion people will be living in countries or regions with absolute water scarcity by 2025, placing a greater emphasis to find Agtech solutions for such geographic environments.



"To really impact the global problem you need broad, sustainable solutions, not just those which only a small fraction of farmers could utilize,"

Ryan Lefers, Co-Founder and CEO at Red Sea Farms.

"Recent global events such as the COVID-19 pandemic, the Suez Canal supply chain disruption, and skyrocketing costs of global goods transport have highlighted the urgent need for local, sustainable food production. The magnification of food and nutrition security issues globally has contributed to an overall positive reception to our technologies and business model," Lefers notes.

Similarly, iRama's Co-Founder and Chairman, Abdullah Sahab, which uses smart technologies and mechanical innovations to provide hydroponic, aquaponic, aeroponic, and vertical farming solutions, says the reception to such technologies has been positive in the region, and requires greater consideration: "Urban farming will be one of the key solutions for the food security issues. We need to communicate this message to both the consumers and professionals."

“The use of appropriate technologies can improve food security, reduce use of finite resources, improve the health of our nations, and create employment opportunities,” Lefers adds. “We are breaking the food water energy nexus by leveraging alternatives to freshwater, novel controlled environment technologies, science-empowered genetics for resilient rootstocks, and solar energy to lower costs and improve yields for farmers.”

However, despite strong demands and positive success stories from the likes of Red Sea Farms and iRama among others, investment in the sector has been relatively low until recently. In fact, between 2010 and 2018 the World Economic Forum estimates that only \$14 billion (SAR 52.5 billion) was invested in around 1,000 food systems-focused startups, compared to \$145 billion (SAR 543.75 billion) in approximately 18,000 healthcare-related startups during the same period.

Today this is much different according to Lefers who believes that the sector has pivoted towards attracting greater investment attention: “On a macro level, the Agtech sector is booming globally and across the GCC. [2021] was a record year for Agtech investments. But

this is a problem of global proportions and as such it requires a concentrated effort of the full investment community.”

A trend which Sahab notes needs to continue: “Investment plays an important role in Agtech and the use of AI and IoT. The need for more affordable clean food makes the current R&D and related investment more important than any time before.”

Talking specifically about their own success, which saw Red Sea Farms close its oversubscribed pre-Series A round last year at \$16 million (SAR 60 million), and a strategic raise at \$18.5 million (SAR 69.38 million) recently, Lefers says: “Our platform is focused on mass market adoption to deliver truly sustainable impact in harsh environments. We believe in appropriate, scalable, and sustainable technology for open field and protected agriculture which is backed by research. Having this harsh environment agriculture platform differentiates us from the competition and has really gained support from discerning and supportive investors and partners.”

Both believe that though the market is currently in its infancy, the developments being achieved to date will support future opportunities across the sector. “It is exciting to see complementary technologies being developed, and there are many potential collaborators in the space. We would love to see a full ecosystem emerge in the sector to support long-term sustainability and would expect to see consolidation in the industry as businesses work to synergize technologies and tackle complex challenges with Agtech solutions,” Lefers notes. “To really impact the global problem you need broad, sustainable solutions, not just those which only a small fraction of farmers could utilize.”



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Abdullah Sahab, Co-Founder and Chairman at iRama.

ABOUT WA'ED

Wa'ed was established in 2011 as the entrepreneurship arm of Aramco to develop a thriving ecosystem by nurturing and investing in innovative entrepreneurs, converting early-stage startups to SMEs through venture investment, business incubation, and access to partner resources.

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