

Doing better every day

Sustainability Report 2023



**Sustainability Management
at Almarai®**

Sustainability Management at Almarai®

“ As the region’s largest food and beverage company, Almarai plays an important social, environmental, and economic role locally, regionally, and globally. ”



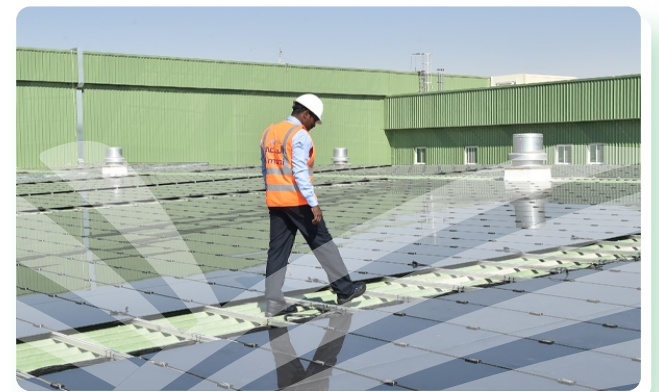
By overseeing the collective management of our economic, environmental, and social impact, our goal is to optimize the mutual value we provide to our stakeholders, both presently and in the future. We persist in adopting cutting-edge methods to safeguard the welfare of our consumers and employees, invest in the communities we operate in, guarantee the wellbeing of our farm animals, preserve the natural environment, and foster substantial economic value.



Stakeholder engagement



Alignment and contribution to national and international frameworks



Sustainability Governance



Defining and prioritizing the issues that matter the most



Sustainability strategy

Stakeholder engagement

“ We strive to engage in ongoing communication with stakeholders, including consumers, customers, investors, employees, regulators, and civil organizations. ”



We utilize various communication channels tailored to their specific interests to facilitate this dialogue effectively.

Historically, our most well-received engagement initiative has been granting public access to our manufacturing facilities in Saudi Arabia. However, due to the pandemic, we implemented a temporary lockdown of all onsite facilities to maintain uninterrupted production operations, thereby limiting public visits to our innovative facilities, however as the situation improved, we resumed out plant visiting program in later half of 2022. Nevertheless, as our communities gradually returned to normalcy, we resumed our facility visit program since the latter part of 2022.

Apart from the above engagements, we have ESG policies and position statements in place outlining our objectives regarding various aspects including animal welfare, climate change, community investment, energy, environmental impact of packaging, ethical sourcing, environmental policy, human rights, responsible marketing, and water stewardship. This initiative aims to provide transparency to our stakeholders regarding all our initiatives. To further strengthen transparency and credibility for our stakeholders, Intertek Saudi Arabia Ltd, an independent auditing firm, conducted an audit and provided assurance on our sustainability data and report in accordance with the ISAE 3000 standard.

The chart below outlines our key stakeholders, the significance of each stakeholder group to Almarai, their requirements and expectations, methods of communication with each group, and examples of specific actions to address them:



Shareholders/ Investors

Importance

Our shareholders and investors provide the capital necessary for sustainable growth; therefore, Almarai’s future growth and success ultimately depends on its ability to attract investment domestically and internationally. We are committed to delivering long term sustainable returns for shareholders and investors in a growing range of diversified product lines.

Needs and expectations

- Financial performance, efficient production and growth
- Dividends
- Contribution to economic development
- Share price
- Data disclosure and credibility
- Customer satisfaction
- Market share
- Publicly disclosed data about our Environmental, Social and Governance (ESG) performance, including strategies, targets and goals, methods for evaluation, policies, and procedures

Almarai engagement channels

- Board of Directors meetings
- Public reports
- Shareholders’ Rights Policy
- Investor Relations
- Almarai Code of Conduct
- Reporting Violation Policy
- Global Anti-bribery & Corruption Policy and Procedures

How Almarai is responding

- Annual Report, Corporate Governance Code, Financial reports, Earnings presentations, etc.
- Net income growth
- Sustainability Report



Consumers

Importance

Our consumers are at the heart of our business. We want consumers across the region to think Almarai first when purchasing food and beverages. Building trust and ensuring that our products are the best is essential to our continued growth.

Needs and expectations

- Product and ingredients quality, freshness, and safety
- Product nutritional value and health implications
- Product price
- Brand reputation
- Environmentally sound production practices
- Animal welfare
- Fair and ethical marketing
- International recognition and certificates
- Direct communication channels

Almarai engagement channels

- Social media channels
- Visitor tours
- Website
- Call center
- Electronic mail

How Almarai is responding

- Direct dialogue with consumers on social media, including Facebook, Twitter, YouTube, Instagram and more
- Monthly consumer surveys
- Consumer hotline and WhatsApp



Employees

Importance

Our employees are paramount to our business success, as they hold the commitment, dedication, and intellectual capital to drive innovation within our organization and deliver on our strategy.

Needs and expectations

- Fair payment and benefits
- Equal opportunity
- Engagement and motivation
- Transparent hierarchies
- Job security
- Training and career development
- Safe work environment
- Grievance mechanisms

Almarai engagement channels

- HR Policy
- Training and development program
- Training needs analysis
- Employee grievance mechanism
- Employee satisfaction surveys (on an ad hoc basis)

How Almarai is responding

- Housing allowance and transport
- Life / Medical insurance
- Annual service award
- Recreational activities for work/life balance
- Talent assessments
- E-learning and training program
- Management courses
- Almarai Academy
- Graduate Professional Trainee Program
- WE@Almarai



Governmental regulatory bodies

Importance

We deeply value our relationships with our regulators and other government stakeholders, as they help us ensure that we effectively manage risks to our business and produce safe, quality products for consumers. We are committed to complying with all legal and regulatory requirements.

Needs and expectations

- Compliance with national legislation and regulation
- Contribution to economic development
- Environmentally sound production practices
- GHG emissions and impact on climate change
- International recognition and certificates

Almarai engagement channels

- Internal audit
- Stakeholder meetings and open dialogue
- Public reporting
- Working closely with regulators to develop improved standards

How Almarai is responding

- Corporate Governance
- Code
- Annual Report
- Sustainability Report
- Regulatory team meet regularly with government bodies representatives
- Corporate affairs team meetings
- Government forums



Civil society organizations

Importance

As a people centric business, we believe that contributing to communities in the countries of our operations is important to building trust and bonds. We are committed to ensuring that access to quality and healthy food is not only a luxury, but a right.

Needs and expectations

- Corporate Social Responsibility (CSR) and engagement
- Funds and financial support
- GHG emissions and impact on climate change
- Data disclosure and credibility
- Animal welfare
- Environmentally sound production practices
- Contribution to social and economic development

Almarai engagement channels

- CSR activities
- Student learning opportunities
- Food donations

How Almarai is responding

- Food support for lower income and vulnerable groups
- Educational awards
- Dairy and Food Polytechnic
- Almarai Driving School

Alignment to national and international development frameworks

“ Saudi Arabia’s Vision 2030 and National Transformation Program (NTP) have provided a comprehensive pathway for the country’s future, guiding economic, social and environmental progress in the upcoming years. ”



National Transformation Program 2020



The Sustainable Development Goals (SDGs) provide governments and businesses with a framework to realize sustainable development, which is an urgent call for action to eliminate poverty, preserve the environment, and ensure prosperity for all. This report has identified how our initiatives are contributing to the objectives of the NTP and SDGs, which is symbolized by the relevant icons that are placed before the relevant sections throughout the report

Alignment to NTP



Caring for people

Material issues

Relevant NTP strategic objectives

Nutrition and wellbeing	2.1.3
Health and safety	2.1.1 2.1.3 2.3.4
Employee talent and diversity	4.2.2 4.4.2 4.4.3
Community Investment	2.1.3 6.2.1

NTP 37 strategic objectives mapped into the eight themes:

Transform Healthcare 2.1.1 Ease Access to Health Services 2.1.2 Improve the Quality and Efficiency of Healthcare Services 2.1.3 Promote Prevention Against Health Risks	Improve Living Standards and Safety 2.3.1 Improve the Quality of Services Provided in Saudi Cities 2.3.2 Improve the Urban Landscape in Saudi Cities 2.3.4 Enhance Traffic Safety 2.4.1 Reduce All Types of Pollution 4.4.1 Improve the Living Conditions of Expatriates	Ensure the Sustainability of Vital Resources 2.4.2 Provide Environmental Protection from Natural Hazards 2.4.3 Protect and Rehabilitate Natural Landscapes 5.4.1 Ensure Development and Food Security 5.4.2 Ensure Sustainable Access to Water Resources
Social Empowerment and Non-Profit Sector Development 2.6.4 Empower Citizens Through the Welfare and Social Development System 2.6.5 Improve Effectiveness and Efficiency of Welfare and Social Development System 6.1.2 Encourage Volunteering 6.2.1 Enhance Business Focus on their Social Responsibilities 6.3.1 Support Non-profit Sector Growth 6.3.2 Enable Non-Profit Organizations to Achieve Greater Impact	Achieve Governmental Operational Excellence 5.2.3 Improve the Productivity of Government Employees 5.2.4 Develop e-Government 5.2.5 Improve the Quality of Services Provided to Citizens 5.3.1 Enhance Transparency Across Government Entities 5.3.2 Support Communication Channels with Citizens and Businesses 5.3.3 Ensure Government Entities' Response to Customers' Feedback	Labor Market Accessibility and Attractiveness 4.2.2 Increase Women's Participation in the Labor Market 4.2.3 Enable Integration of People with Disabilities in the Labor Market 4.4.2 Improve Working Conditions for Expatriates 4.4.3 Effectively Attract Suitable Global Talent
Contribute in Enabling the Private Sector 3.1.1 Facilitate Doing Business 3.1.6 Attract Foreign Direct Investment (FDI) 3.3.2 Develop the Digital Economy 3.3.5 Develop the Retail Sector 4.3.2 Increase the Contribution of Small- and Medium-size Enterprises (SMEs) to the Economy 4.3.3 Increase the Contribution of Productive Households to the Economy 6.2.2 Encourage Businesses' Interest in Sustaining the National Economy	Develop the Tourism and National Heritage Sectors 1.3.2 Conserve & Promote the Kingdom's Islamic, Arab, and National Heritage 3.3.6 Develop the Tourism Sector	



Protecting the planet

Material issues	Relevant NTP strategic objectives
Packaging innovation	2.4.1
Climate change	2.4.1
Water management	5.4.2
Waste management	2.4.1
Sustainable agriculture	N/A



Producing responsible products

Material issues	Relevant NTP strategic objectives
Quality and food safety	5.4.1
Animal welfare	5.4.1
Ethical sourcing	3.1.6 3.3.5

Alignment to SDGs



Caring for people

Material issues	Relevant SDGs targets
Nutrition and wellbeing	2.2 3.4 17.16 17.17
Health and safety	3.4 3.6 8.8
Employee talent and diversity	5.1
Community Investment	1.2 2.1 2.2 4.3 17.17



Producing responsible products

Material issues	Relevant SDGs targets
Quality and food safety	3.9
Animal welfare	17.16
Ethical sourcing	1.2 6.3 6.4 6.5 6.6 8.7 8.8 12.2 12.4 12.7 15.1 15.3 15.5 15.A 15.B



Protecting the planet

Material issues	Relevant SDGs targets
Packaging innovation	12.2 14.1
Climate change	7.2 7.3 9.4 13.1
Water management	6.3 6.4 6.5 6.6 17.16 17.17
Waste management	12.3 12.4 12.5
Sustainable agriculture	1.2 2.3 2.4 6.3 6.4 6.5 6.6 8.7 8.8 12.2 12.4 15.1 15.3 15.5 15.A 15.B 17.16



Sustainability governance

“ Almarai is dedicated to delivering top-tier governance standards to its investors and has established a robust corporate governance strategy that establishes guidelines and protocols to uphold adherence to optimal practices. ”



This strategy has consistently positioned the company as a leader for governance within the Middle East and the GCC. To uphold this commitment to excellence, Almarai emphasizes the importance of a strong governance framework for the long-term growth of its business and investments. This framework is engineered to safeguard shareholders' rights and uphold the company's standing as a regional leader.

To maintain sustainability as a top priority in our operations, our Executive Vice President of Quality, Regulatory, Health, Safety, Security & Sustainability directly reports to our CEO and Executive Management bi-monthly. Moreover, our Head of Sustainability oversees the tracking of progress towards our strategic objectives and targets, while the Executive Vice Presidents are responsible for ensuring the successful execution of our sustainability goals and targets. The meetings between the Executive vice presidents and Head of sustainability occurs every month.

Defining and prioritizing the issues that matter the most

“ We apply the principle of materiality to identify the key economic, social, and environmental issues that hold the most significance for our business and stakeholders. ”



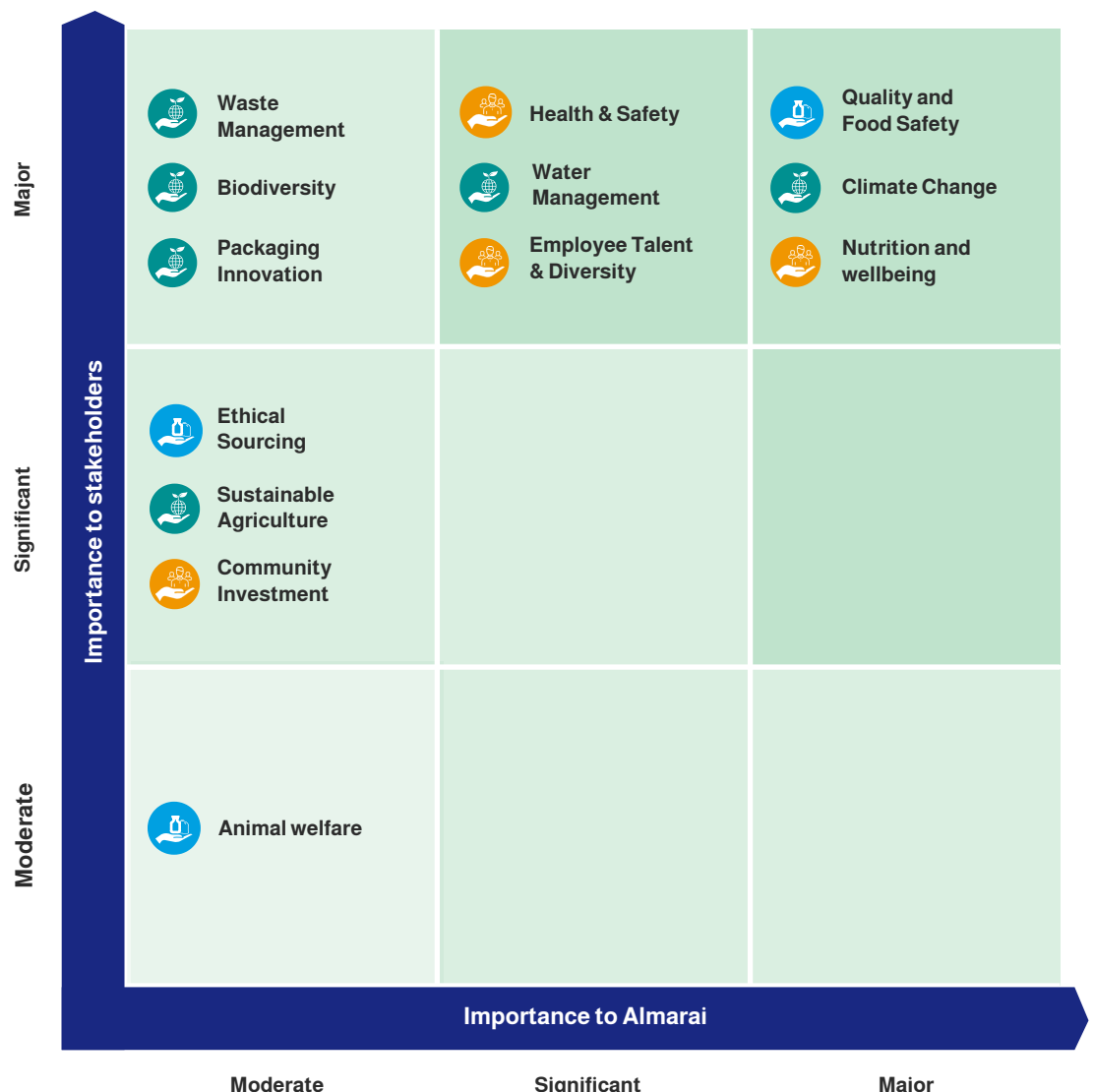
Our materiality processes

By considering the interests of our stakeholders, as well as the risks and opportunities existing in our operations, materiality helps us determine where to focus our efforts to enhance stakeholder value and improve our sustainability performance. Additionally, materiality guides us in determining what information should be disclosed publicly.

In 2019, we conducted a review of materiality considering internal and external stakeholders’ opinions to identify material environmental, social, and governance issues that are most relevant to the organization. To ensure that our business is responding to the most relevant issues, we updated our materiality process in 2023 and will continue to do so in the future. Our approach to materiality is consistent with the GRI Standards.

Our 2023 materiality assessment

In the materiality update concluded in 2023, we assessed the identified and other important material concerns to confirm their significance. The findings are outlined below. We noted that ‘Nutrition and wellbeing’ has become increasingly important for our internal stakeholders, likely due to the pandemic underscoring Almarai’s vital role in ensuring food security for our communities. Furthermore, our external stakeholders emphasized the importance of employee health, safety, talent, diversity, and our community investment endeavors. Throughout 2023, Almarai continued to monitor the identified material concerns, initiatives, and progress to ensure alignment with our established objectives.



Pillar theme key:  Caring for people  Protecting the planet  Producing responsible Products

Sustainability strategy



“ At Almarai, sustainability is core to our strategy. We believe that the world can be a better place if we are all committed to ‘Doing better every day’. By living up to our commitments, we can make positive changes that support a better tomorrow. ”

In 2019, we established a set of 25 goals and targets to achieve by 2025, during the development of our sustainability strategy, “Doing better every day”. Our strategy is built upon 3 interconnected pillars and addressing 12 material issues that are essential in supporting our contribution to building a more sustainable future.

Better every day

Almarai believes the world can be a better place if we are all committed to doing better every day. By living up to our commitments, we can make positive changes that support a better tomorrow.

Our commitments



Caring for people

Our promise to improve the lives of those that are integral to our business success every day.

Nutrition and wellbeing:

We are working to make sure that our products and communications support healthy living every day.

Health and safety:

We are working to make sure we foster a health and safety culture among our people every day.

Employee talent and diversity:

We are working to make sure that our people are developed, valued and included every day.



Protecting the planet

Our promise to minimize our impact on our shared natural resources every day.

Water management:

We are working to make sure we are effectively using water resources every day.

Packaging innovation:

We are working to make sure we reduce the impact of our packaging on the environment every day.

Climate change:

We are working to make sure we implement more sustainable solutions to reduce our emissions every day.

Waste management

We are working to make sure that we are moving towards zero to landfill every day.



Producing responsible products

Our promise to deliver ‘Quality you can trust’ and enhance supply chain sustainability every day.

Quality and food safety:

We are working to make sure our products are safe and satisfy consumers’ needs every day.

Animal welfare:

We are working to make sure that our animals are treated and handled humanely throughout their lifecycle every day.

Community investment

We are working to make sure that we are leveraging our resources to create a positive impact every day.

Sustainable agriculture

We are working to make sure that our agricultural practices are regenerative every day.

Ethical sourcing

We are working to make sure we take a collaborative approach to elevate sustainability in our supply chain every day.

Progress:

● Achieved
 ◐ On-track
 ◑ Some progress
 ○ Limited progress



Caring for people

Goal/Target		Progress
Nutrition and wellbeing	Develop and implement a holistic plan to further enhance our nutrition and wellbeing offering by 2025	◐
Health and safety	Achieve ISO 45001 compliance for all our divisions by 2025	●
	Institute an occupational health and wellbeing program accessible to all employees by 2025	◐
Employee talent and diversity	Ensure gender equality in our workforce, with focus on talent development, capabilities building, and opportunities	◑
	Reduce voluntary employee turnover to achieve an average of 12% over the period 2020-2024	●
	90% of managers engage in at least 40 hours of professional development per year by 2025	◐
Community investment	Donate 2.5 million healthy servings by 2025	●
	Educate 250,000 people through our site visit program by 2025	◐
	Improve the employability of at least 1,400 young people through the Dairy and Food Polytechnic (DFP) program by 2025	●



Protecting the planet

Goal/Target		Progress
Water management	Increase water efficiency across our Manufacturing, Sales, Distribution and Logistics Divisions by 15% by 2025 (against a 2018 intensity baseline)	◑
	Initiate and support collaborative efforts with stakeholders to address water risk and enhance conservation by 2025	◐
Packaging innovation	Avoid the use of 9,000 metric tons of plastics from entering the consumer waste stream by 2025 (against a 2015 baseline)	◐

	Actively support the transformation of the packaging economy in KSA by 2025	●
Climate change		
Transport and refrigeration	Explore and trial alternative fuel vehicles for our sales transport fleet on an ongoing basis	●
	Increase the fuel efficiency of our sales, distribution and logistics vehicles by 10% by 2025 (against a 2018 baseline)	●
	100% of our sales depot cold stores will be CFC free by 2025	●
Energy	Reduce energy consumption across our Manufacturing, Sales, Distribution and Logistics Divisions by 15% from efficiency measures by 2025 (against a 2018 intensity baseline)	●
	Increase the share of electricity from clean energy sources across our Administration, Manufacturing, Sales, Distribution and Logistics Divisions to 20% by 2025	●
	Achieve ISO 50001 certification for our Administration, Manufacturing, Sales, Distribution and Logistics Divisions by 2025	●
Waste management	Reduce waste going to landfill across all our divisions by 50% by 2025 (against a 2018 baseline)	●
Sustainable agriculture	Enhance sustainable practices on our arable farms by 2025	●



Producing responsible products

Goal/Target	Progress	
Quality and food safety	All manufacturing sites will have Global Food Safety Initiative (GFSI) recognized certification by 2025	●
	All high-risk ingredient suppliers will have Global Food Safety Initiative (GFSI) recognized certification by 2025	●
Animal welfare	Achieve global animal welfare certification for our dairy and poultry farming operations by 2025	●
Ethical Sourcing	Put an ethical sourcing process and audit plan in place by 2025	●

Sustainability strategy boundaries

The scope of Almarai's sustainability strategy covers Almarai's GCC owned operations, excluding our subsidiaries Beyti and Teeba unless otherwise stated within the specific goal/target or below.

Goal/Target	Scope exceptions
Reduce waste going to landfill across all our divisions by 50% by 2025 (against a 2018 baseline)	This does not include animal manure.
Enhance sustainable practices on our arable farms by 2025	This includes Fondomonte USA and Argentina only.