

Management Messages

Message from our Chairman

“ Welcome to our 2021 sustainability report. As with the previous years, the foundation of this report is our philosophy of sustainability and responsibility. ”

We believe that we are caretakers of our resources and that we have a responsibility to ensure stability, security, and continuity in our operations so that they can be passed onto the next generation as thriving operations.

The ensuing Covid-19 pandemic continued to challenge our operations in 2021, but particularly on the livelihoods of the many associates within our value chain throughout the world. I am pleased to report that our operations have continued to support staff throughout this crisis, and I am also enormously proud of the way that our operations teams have stepped up to make a real difference in their respective communities. There are many examples to mention; however, to summarize, our responses included providing food as donations or at reasonable prices where local prices have soared, promoting health and wellbeing for the benefit of the local community where needed, and sponsoring training and development for our employees and wider partnership networks.

This year our Doing better every day strategy was once again put to the test. It has prompted us to think differently, prioritize differently, act differently, and bring empathy and compassion to the forefront of our decision-making. Throughout this volatile year, we continued to ask ourselves: How can we be better? How can we better support one another? How do we continue to move forward as a smarter, more resilient business?

As we navigated 2021 with care, our values of being adaptable, sharing, passionate, innovative, respectful, and excellent shone through during this challenging year. Our values grounded us as we navigated our response, planned for the short and long-term, and continued to put our vision to serve quality and nutritious food for wellbeing of our consumers and communities.

At the core of our Doing better every day strategy is our ambition to create shared value. This sustainability report provides insights and transparency to our stakeholders whilst holding ourselves accountable to our sustainability targets. We are proud of our achievements in 2021 and the report highlights our various successes and opportunities as we continue with enhanced resilience to progress against our 25 strategic sustainability targets. By putting our people first and focusing on what mattered most, we ended 2021 stronger and ready for the future.



Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman of the Board

Message from our CEO

“ Entering into the fourth year of our Doing better every day strategy, we continued to work tirelessly towards the 25 sustainability targets that are aligned with the Saudi Vision 2030 and the United Nations Sustainable Development Goals. ”

Almarai is the World's Largest Vertically Integrated Dairy Company, and the Middle East's largest food and beverages manufacturer and distributor serving more than 42 million consumers in the Arabian Gulf region. Due to our geographic and economic scale, we are uniquely placed to enhance sustainability and build a more resilient and equal future for all. Entering into the fourth year of our Doing better every day strategy, the Covid-19 pandemic continued to affect our daily business operations. While continuing to navigate through challenges with strength and resilience, we continued to work tirelessly towards the 25 sustainability targets that are aligned with the Saudi Vision 2030 and the United Nations Sustainable Development Goals. I am proud of our accomplishments in 2021 as we continued to implement new initiatives and embed a culture of sustainability throughout our organization.

We are committed to 'Caring for people,' a culture that has been exemplified throughout the challenging Covid-19 period. We have been responsive to continual changes and supported our employees and consumers by prioritizing health, safety, and wellbeing through a variety of measures. This includes actively promoting vaccinations through awareness campaigns and sponsoring vaccine centers for use by employees and the communities we serve. Providing this support was just one of the many ways that we invest in our communities. In 2021, we continued to support over 300 charities close to our operations through sponsorships, events, awareness campaigns, and the donation of over 500,000 products. We are proud to have donated 2.7M healthy servings by 2021, which far exceeds our 2025 goal of 2.5M healthy servings.

Working in the farming, agriculture, and manufacturing sectors, our people recognize the importance of maintaining a balanced ecosystem. We remain committed to 'Protecting the planet' by putting in place continued measures to achieve our environmental goals. In 2021, Almarai was proud to be ranked fourth globally in the list of Kantar Research Company in achieving sustainability for the environment. This was a testament to the hard work and dedication of our people as they implement efficiencies, savings, and protection measures across the many environmental aspects of our business including energy, water, waste, refrigerants, transport, and farming. Our focus stretches further than just our direct operations with initiatives to reduce our packaging for consumers and the investment into environmental protection schemes.

Our commitments towards people and the environment are connected to our commitment to 'Producing responsible products.' We want our consumers to lead enriched and healthy lives with access to products that are produced at the highest safety and environmental standards. In 2021, Almarai Manufacturing Facilities achieved Food Safety certification according to FSSC 22000, a standard recognized by the Global Food Safety Initiative (GFSI). In 2021, Almarai also achieved international animal wellness certification for farms and operations by NSF International to become first company globally for dairy and first company in Saudi Arabia for poultry. These certifications are the latest assurance for customers and consumers that food produced by Almarai has been assured for quality, safety, and animal wellness.

Our achievements this year could not have been realized without the dedication of our employees. I would like to thank them for all their hard work in what has been a continually challenging year, further affected by the Covid-19 pandemic. Without their support our Doing better every day strategy would not be such a success. As we continue our journey to a more sustainable 2025, I welcome you to learn more about our company and progress in this report.



Abdullah Albader
CEO



Sustainability Management at Almarai

Stakeholder engagement

“ We understand that balancing the needs and expectations of our stakeholders is essential to delivering on our commitments ”

Our approach

At Almarai, we understand that balancing the needs and expectations of our stakeholders is essential to delivering on our commitments and creating maximum shared value. We engage in regular dialogue with our stakeholders (our consumers, shareholders/investors, employees, government regulatory bodies, and civil society organizations), through various communication channels to ensure we consider and respond to their needs and expectations, on the issues that matter to each of our key stakeholder groups.

The table below identifies our most important stakeholders, their relevance to Almarai, their needs and expectations, channels of engagement, and examples of specific response measures.

Stakeholders	Importance	Needs and expectations	Almarai engagement channels	How Almarai is responding
Shareholders/ Investors	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.	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Annual Report, Corporate Governance Code, Financial reports, Earnings presentations, etc. Net income growth Sustainability Report

Stakeholders	Importance	Needs and expectations	Almarai engagement channels	How Almarai is responding
Consumers	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.	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ● Social media channels ● Visitor tours ● Website ● Call center ● Electronic mail 	<ul style="list-style-type: none"> ● Direct dialogue with consumers on social media, including Facebook, Twitter, YouTube, Instagram and more ● Monthly consumer surveys ● Consumer hotline and ● WhatsApp
Employees	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.	<ul style="list-style-type: none"> ● Fair payment and benefits ● Equal opportunity ● Engagement and motivation ● Transparent hierarchies ● Job security ● Training and career development ● Safe work environment ● Grievance mechanisms 	<ul style="list-style-type: none"> ● HR Policy ● Training and development program ● Training needs analysis ● Employee grievance mechanism ● Employee satisfaction surveys (on an ad hoc basis) 	<ul style="list-style-type: none"> ● 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	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.	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ● Internal audit ● Stakeholder meetings and open dialogue ● Public reporting ● Working closely with regulators to develop improved standards 	<ul style="list-style-type: none"> ● Corporate Governance Code ● Annual Report ● Sustainability Report ● Regulatory team meet regularly with government bodies representatives ● Corporate affairs team meetings ● Government forums
Civil society organizations	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	<ul style="list-style-type: none"> ● 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 	<ul style="list-style-type: none"> ● CSR activities ● Student learning opportunities ● Food donations 	<ul style="list-style-type: none"> ● Food support for lower income and vulnerable groups ● Educational awards ● Dairy and Food Polytechnic ● Almarai Driving School





Sustainability Management at Almarai

Alignment to national and international development frameworks

Saudi Arabia's Vision 2030 and National Transformation Program (NTP) provide a clear roadmap for Saudi Arabia's future, guiding economic, social and environmental development over the coming decade; while the Sustainable Development Goals (SDGs) provide governments and businesses with a framework to achieve sustainable development, as they represent a universal call to action to end poverty, protect the planet, and ensure prosperity for all. In this report we have identified where our initiatives work towards contributing to targets of the NTP and SDGs. This is represented by the appropriate icons preceding those correlating sections throughout the report.

Alignment to NTP

	Material Issues	Relevant NTP strategic objectives
 <p>Caring for People</p>	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
 <p>Protecting the planet</p>	Packaging Innovation	2.4.1
	Climate Change	2.4.1
	Water Management	5.4.2
	Waste Management	2.4.1
	Sustainable agriculture	N/A





Quality and food safety	5.4.1
Animal welfare	5.4.1
Ethical Sourcing	3.1.6 3.3.5

Alignment to SDGs



Material Issues	Relevant NTP strategic objectives
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



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



Quality and food safety	3.9
Animal welfare	17.16 12
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





Sustainability Management at Almarai

Sustainability governance

“ Almarai believes that a sound governance system is an important tool for the long-term growth of the company’s business and investments ”

Our approach

Almarai believes that a sound governance system is an important tool for the long-term growth of the company’s business and investments, which is consistent with our commitment to quality in all processes and products. We have implemented an effective corporate governance strategy which sets the rules and procedures to ensure compliance with the best governance practices that cover the protection of our shareholders’ rights. Our strategy has ensured that we consistently rank as a leading company for governance, ranking number one in the Middle East and the GCC.

Our Executive Vice President of Quality, Regulatory, Health, Safety, Security & Sustainability reports directly to our CEO and Executive Management on sustainability during bi-monthly management meetings, while our Head of Sustainability plays a coordinating role to ensure progress against our strategic goals and targets. Executive Vice Presidents are ultimately accountable for achieving the strategic sustainability goals and targets relevant to their divisions.



For fiscal year 2021, Almarai ranked as the **No. 1 issuer on the Saudi Stock Exchange** for ESG performance.

Source: ESG Invest by Sustainability Excellence



Almarai was ranked among the **top ten companies** in the Kingdom’s Non-Financial Corporate Governance Index traded in the Saudi market.

Source: General Investment Authority in cooperation with Al-Faisal University



Almarai won the “**Excellence in Governance Award 2020**”, awarded to the best companies listed in the Saudi capital market, for successfully completing 150 governance standards.

Source: Third Global Conference on Governance activities with Al-Faisal University



Sustainability Management at Almarai

Defining and prioritizing the issues that matter the most

“ We use the principle of materiality to identify the economic, social, and environmental issues that matter most to our business and our stakeholders. ”

Our materiality processes

By considering the concerns of our stakeholders, alongside the risks and opportunities that face our business, materiality helps us prioritize where to focus our efforts to enhance stakeholder value and our sustainability performance. Materiality also guides us on what we should report on publicly.

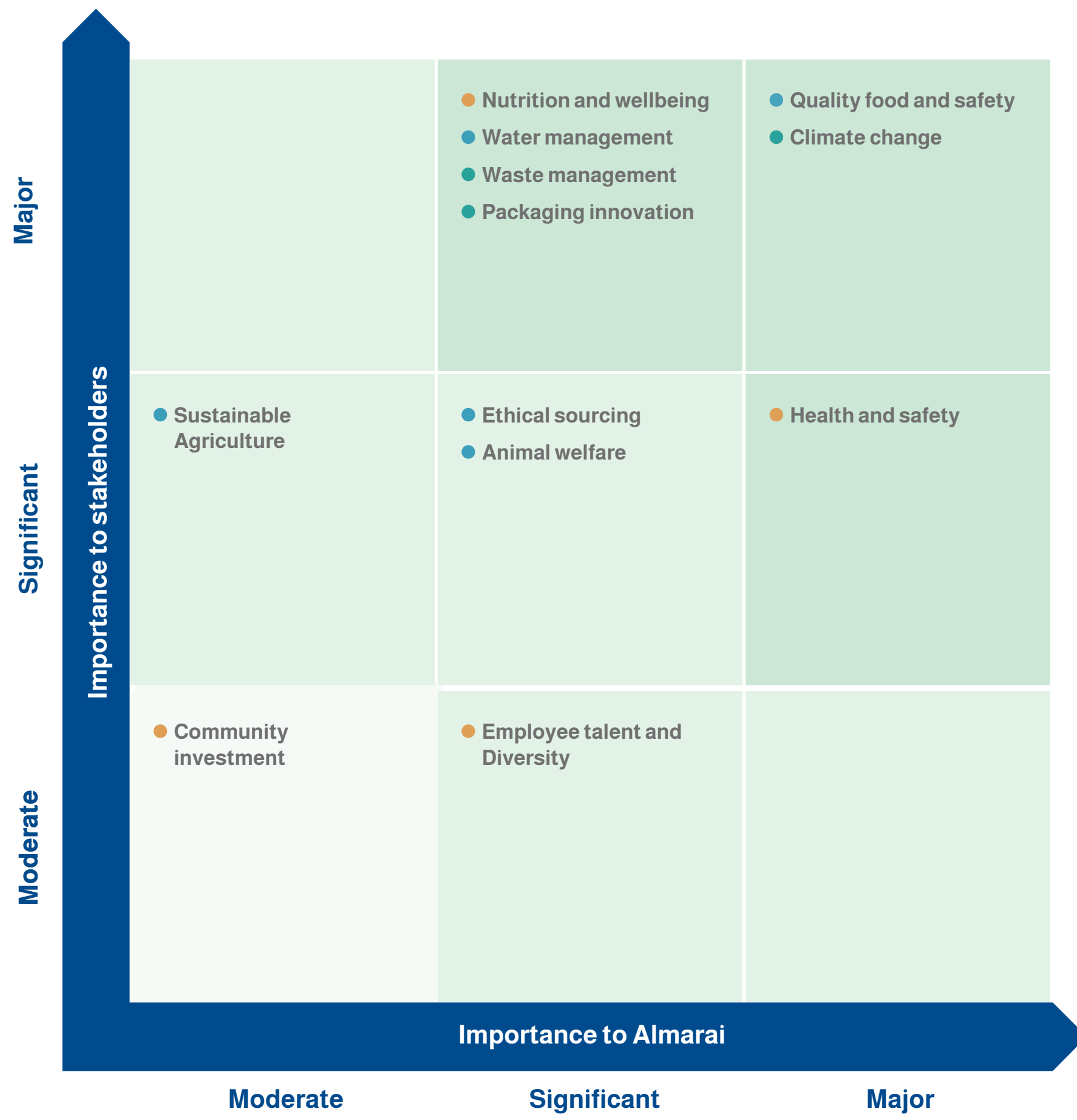
In 2019, we conducted an internal review of materiality and continued to monitor priority issues considering internal and external factors during 2020. We have initiated another formal materiality assessment with internal and external stakeholders in 2021, and the results will be available in 2022.

Our approach to materiality is consistent with the GRI Standards.

Our 2019 materiality assessment

In 2019, we reviewed our list of 20 material issues from 2018 against international industry guidelines, frameworks, and industry peers, along with analysis of our operating market and regulatory landscape. We engaged internal stakeholders to supplement our market analysis. Based on internal feedback and external considerations, we have consolidated our list of material issues from 20 to 12 issues and replotted them on the matrix below. We consider governance to be material and interwoven throughout our sustainability framework rather than a standalone topic. We continue to address governance vis a vis our annual report and GRI-based disclosures. Our materiality update was validated by our executive management.





Pillar theme key:

- Caring for people
- Protecting the planet
- Producing responsible Products



Sustainability Management at Almarai

Sustainability strategy

“ Almarai believes 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 developed 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 three interconnected pillars and 12 material issues that are essential in supporting our contribution to building a more sustainable future.

Progress:

Achieved On-track Some progress Limited progress

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



Caring for People



Protecting the planet

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

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 operation 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, as well as Premier Foods and Pure Breeds 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.