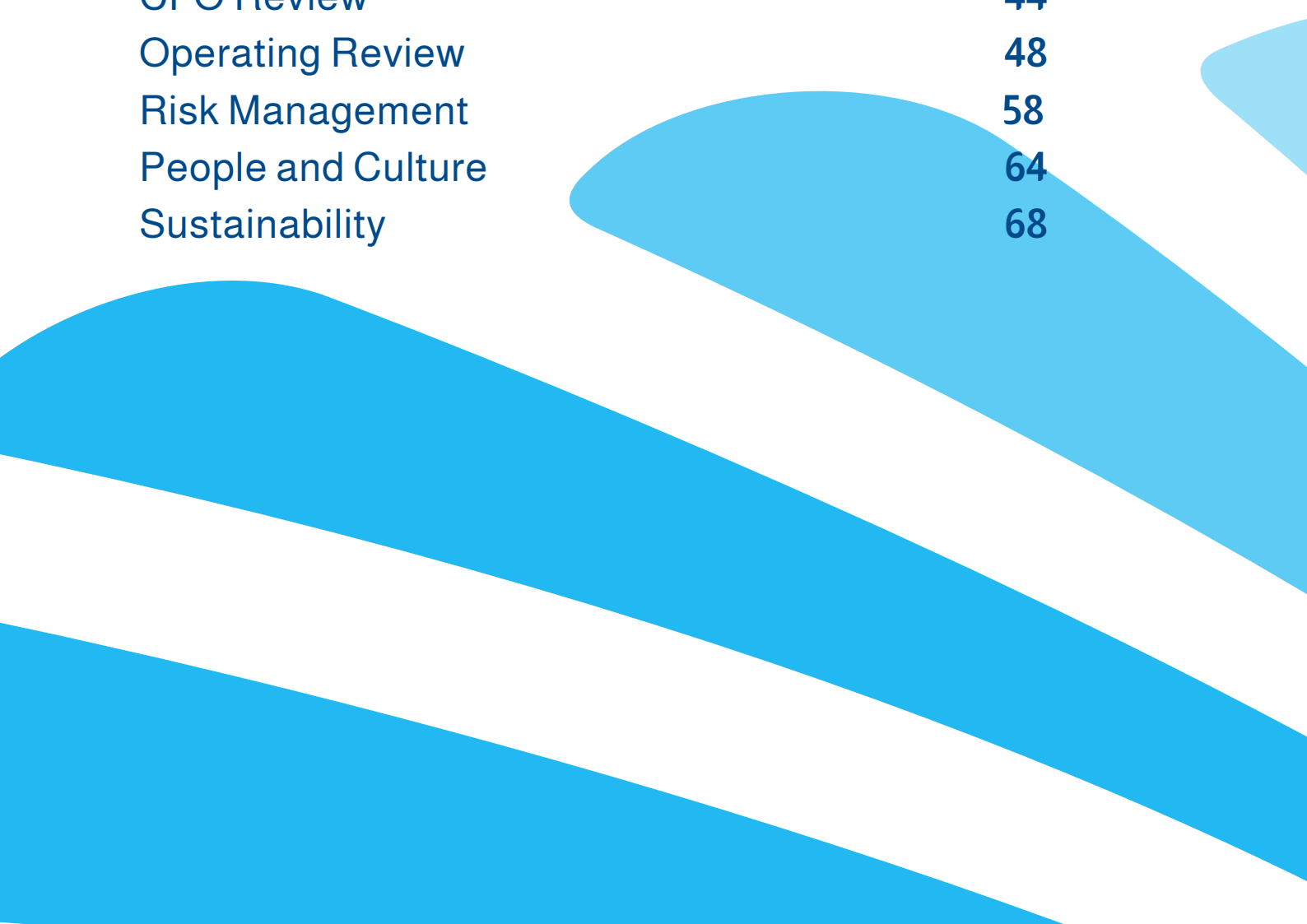


# 02 Strategic Review

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# Chairman's Statement

## Growing with confidence

**Almarai's approach to holistic and sustainable growth is the foundation of our corporate strategy, operational excellence, and outstanding performance. This approach delivered a successful year, and once again demonstrated our strength, capabilities, and resilience.**

While our commitment to increasing financial returns and growing shareholder value is irrefutable, 'growth' means much more to us at Almarai. Across our thriving ecosystem of exceptional and engaged stakeholders, we are unrelenting in our pursuit of creating ever-increasing value for all our stakeholders and building a better future together.

### Exceptional progress despite rising challenges

In early 2022, restrictions relating to the COVID-19 pandemic began to ease, and governments around the world started lifting travel and other limitations on public gatherings. We welcomed the return of children and adults to schools, hotels, and restaurants, as well as the resurgence of religious tourism. As Customers went back to socializing and meeting in person, our various businesses benefited from consumption and buying patterns returning to normal.

However, early 2022 brought fresh challenges: the war in Ukraine drove energy prices higher, steep increases in transport and logistics costs, and a sharp rise in feed and dairy inputs.

Nonetheless, Almarai - which is committed to a responsible approach to Customers, and the many communities we support - did not pass on the full impact of our costs. Instead, our dedicated team implemented exceptional forecasting and leveraged our scale and capabilities, mitigating some of the negative impacts on our business.

While steering a steady ship in these choppy waters, we also continued to implement our long term strategies to bolster the Kingdom's food security, expand in key sectors and geographies, build capacity and supply with targeted investments, and deliver innovative new products and marketing.

This growth mandate, deeply embedded in our corporate culture and integrated across our operations, guided us to overcome the significant and persistent market headwinds that confronted our industry and business this year, ensuring that we emerged even more vital.

With a beloved brand, trusted products, and exceptional people, we accelerated ahead of the competition, confident in our ability to continue our growth journey for many years.

By investing in Saudi talent and strengthening the nation's food security, we remain firmly on course to maintain our contribution to Saudi Vision 2030's social responsibility and sustainability objectives.

### Accelerating towards our ambitions

Growth powers everything we do - from the innovation that brings new products to Consumers, to the relationships with our people and partners that drive enhanced performance, quality, and efficiency. It also supports our sustainability program that reinforces the vital role we play in our communities, safeguards the environment, and ensures food security in the Kingdom.

In our role as a national champion of food production and supply, we are honored to have achieved market leadership in many of our segments and categories, affirming the loyalty and support of our Customers across the region.

This allowed us to deliver solid double-digit top-line growth in all countries, regions, and channels. An exceptional performance from our Bakery business reflected the normalization of trading conditions. We were also encouraged by the contribution of the Bakemart business, following our acquisition to full ownership, with performance exceeding expectations.

“

By investing in Saudi talent and strengthening the nation's food security, we remain firmly on course to maintain our contribution to Saudi Vision 2030's social responsibility and sustainability objectives.

**Naif bin Sultan  
bin Mohammed bin  
Saud Al Kabeer**  
Chairman



Key innovations in 2022 included launching ready-to-drink coffees and teas, non-dairy milk, and premium juices, and we announced several important developments, including our investment in a parent bird facility to grow our poultry business and withstand external disease challenges, and our expansion into new segments, namely beef and aquaculture.

We further consolidated our investment in the MENA region with our full acquisition of artisan bakery manufacturing company, Bakemart, and by acquiring the remaining 25% of the shares in Modern Food Industries (MFI) to increase our shareholding to 100%.

Group net operating profit growth lagged behind revenue growth due to our decision to manage price increases responsibly, and accordingly, the Group's margins contracted slightly to 12.2% in 2022 compared to 12.7% in 2021.

We are pleased to announce that our shareholders were rewarded with the same level of dividend as last year, supported by continued momentum in positive free cash flow.

### Progressing on our commitments

Almarai's total market capitalization at the end of 2022 was SAR 54 billion, with one billion shares in issue. Our progressive cash dividend policy ensured we continued to deliver on our commitments to our shareholders.

Free cash flow of around SAR 2 billion in 2022 funded total cash dividends of SAR 1 billion, equivalent to SAR 1 per share and a dividend payout ratio of 57%.

In September, we fully redeemed our SAR 1.60 billion Sukuk – Series V, with 1,600 Sukuk notes redeemed at a par value of SAR 1 million each. I would like to thank our investors, specifically all the Sukuk holders who participated in this series for placing their trust in the Company, our Board and Management.

### Championing corporate sustainability

During 2022, we worked to enhance the transparency of our sustainability efforts, taking our responsibility very seriously to people, place, and environment as the world's largest vertically integrated dairy company, and the most extensive food and beverages manufacturer and distributor in the Middle East.

Now in our fifth year of 'Doing Better Every Day', we remained on track to meet our 25 sustainability targets, which are fully aligned with Saudi Vision 2030 and the United Nations Sustainable Development Goals, while substantially improving transparency.

Our sustainability data collection and reporting processes were independently verified by a qualified and reputable third-party auditor, with Almarai receiving a formal assurance.

In addition, we created policies and position statements on 10 of our Environmental, Social, and Governance material issues to provide our internal and external stakeholders with additional clarity and transparency. This included animal welfare, climate change, community investment, energy, environmental impacts of packaging, ethical sourcing, environmental policy, human rights, responsible marketing, and water stewardship.

We accelerated our active engagement with government and non-governmental entities to transform the Kingdom's packaging industry, and we continued working on novel ideas to incorporate circularity in our packaging.

### Maintaining robust Governance

The Almarai Board was voted in again for a new three-year term. Three new members were introduced to the Board in line with our governance policies, and six Directors remained. Board Committees were appointed for the new term.

### Looking forward to 2023

Although elements of the global supply chain show signs of easing, we expect global commodity cost pressures to continue in 2023. The food industry has shown resilience in the face of global cost increases in 2022, and we expect this to continue next year.

Our anticipated growth will be strengthened by further streamlining and aided by digitization, new investments, and innovation streams.

### Acknowledgements

On behalf of my fellow Board Members, I would like to thank the Government of the Kingdom of Saudi Arabia for its unwavering support and leadership.

I would also like to share my deep gratitude and appreciation for all our partners and shareholders whose loyal commitment to our shared objectives has ensured that we are able to remain firmly on course in delivering robust and meaningful growth.

Finally, I remain deeply indebted to our employees, who demonstrated exceptional fortitude in the past year, ensuring we thrived under challenging conditions and continued to provide outstanding customer satisfaction in all our markets.



المراعي  
Almarai

حليب  
Almarai  
كريمة الطبخ

لوسين  
لوسين  
خبز التوست  
أبيض  
SLICED BREAD  
WHITE

المراعي  
Fresh  
Almarai  
Milk  
FULL FAT

FETA CHEESE  
لبنان  
LIFE

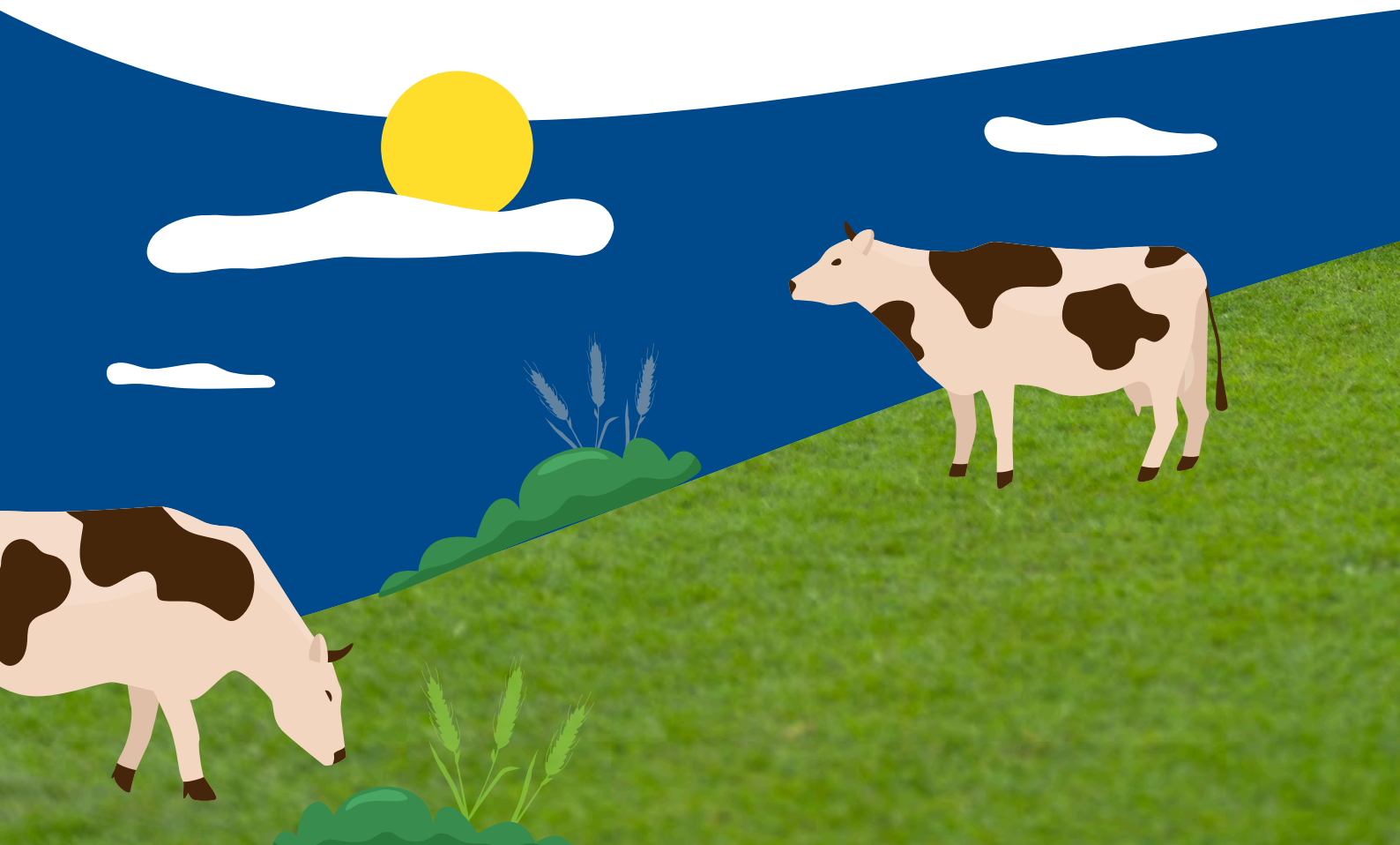
# Growing With Confidence

**During a successful year that once again demonstrated our strength, capabilities and resilience, Almarai continued to prioritize the delivery of our growth strategy to achieve operational excellence and outstanding results.**

Built on our enduring commitment to 'Quality you can trust', we remained focused on increasing financial returns and growing shareholder value. Beyond this, our commitment to growth extends to ensuring that we create sustainable value for all our stakeholders and build a better future together.

Growth powers everything we do – from the innovation that brings new products to consumers, to the relationships with our people and partners that drive enhanced performance, quality and efficiency, to our Sustainability programme that reinforces the vital role we play in our communities, in safeguarding the environment, and in ensuring food security in the Kingdom.

This growth mandate, which is deeply embedded in our corporate culture and integrated across our operations, enabled us to overcome significant market headwinds throughout this year and emerge even stronger. With a beloved brand, trusted products and exceptional people, we are accelerating ahead of the competition, confident in our ability to continue our growth journey for many years to come.







# CEO's Message

## Delivering Value For Our Stakeholders

**Almarai continued to deliver on promises to our stakeholders and grow with confidence during 2022, capitalizing on opportunities to expand and diversify our business to bring exceptional quality and variety to Consumers across our markets.**

### Confident growth

Almarai's pledge to increase robust financial returns and shareholder value is matched by our ongoing collaboration with all stakeholders in building a better future for all. This approach is the foundation of our corporate strategy, operational excellence, and outstanding performance.

A successful 2022 again demonstrated our strength, capabilities, and resilience in the face of continued market challenges and growing competition.

We demonstrated how- underpinned by our commitment to growth and responsibility to all stakeholders - we successfully leveraged our scale and capabilities, enabling us to maneuver through challenging times.

Supply chain disruptions and commodity price increases continued throughout the year, but we were able to forecast and mitigate risks. Importantly, we have once again validated the trust our stakeholders have in us, ensuring supply and food security continuity while also delivering solid top and bottom-line growth.

Consumers are at the center of everything we do, and we remain steadfast in our dedication to providing them with the quality they expect and trust.

### Progressing our strategy

Growth in 2022 was driven more by volume and careful selection of product mix and channels. A particular focus on risk mitigation and forecasting helped us deliver industry-leading growth.

Consumer behavior began normalizing in 2022 after significant disruptions in the preceding years from COVID-19. Across the board, the market re-opened: schools and workplaces resumed normal operations, and residents and tourists returned to restaurants and hotels. Volumes in the religious tourism sector also improved.

The resumption in activity supported growth in Foodservice, a strategically important vertical for Almarai, and we are proactively driving our expansion. In the year under review of Foodservice, there was growth in value and volume of 41% and 18% respectively, with annual revenue of SAR 2.9 billion.

We continue to make good progress on our existing pillars. As part of our commitment to double poultry supply by 2025, we invested in our first parent bird facility to build a homegrown poultry business in the Kingdom and further bolster national food security. There are potentially new land signings in the near future that will further this plan.

Innovation has always been a mainstay of our business as we continue to develop new products to delight our Customers and stay ahead of our competitors. This year we introduced new ready-to-drink cold coffees and iced teas, several plant-based protein milks for Consumers wanting dairy alternatives, and new Almarai Refresh products and carton juices.

We also embarked on our strategy to enter new food markets, representing a significant expansion for Almarai. We have commenced our development of a seafood business with an initial investment of SAR 252 million for a processing facility in the Kingdom.

“

A successful 2022 again demonstrated our strength, capabilities, and resilience in the face of continued market challenges and growing competition.

**Abdullah Al Bader**  
CEO



We announced plans to enter the red meat market and secured a land agreement. This will support the development of a new division, brand, and facility.

With technology key to our future success, we continued to digitize our business, making it more efficient, improving how we serve and engage with our Customers. Digital channels increased, and we launched a new customer-centric website.

We developed our eCommerce presence, achieving good results and paving the way for further investment to strengthen our connections with our Consumers and Customers.

In line with our overall strategy to expand our operational footprint, we also expanded our wholesale business.

## Financial performance in 2022

Despite the many challenges we faced in 2022, our strategic response and proactive expansion enabled us to post strong revenue of SAR 18.7 billion, a 18.1% increase on 2021's revenue of SAR 15.8 billion.

Net income attributable to shareholders of the Company of SAR 1.8 billion was 12.6% higher than in the previous year, while operating profit of SAR 2.3 billion also showed healthy growth, up 13% on SAR 2.0 billion in 2021.

With EBITDA of SAR 3.9 billion, Almarai ended 2022 with net debt to EBITDA of 2.3x.

## Achieving operational excellence

Although the restrictions around the global COVID-19 pandemic started lifting in 2022, new challenges emerged in the shape of much higher input costs, as well as supply chain and logistics issues. Nonetheless, we maintained our leadership in an increasingly competitive market.

Dairy, our core business and the most significant contributor to our volumes and financial performance, did not grow as an overall category in 2022. The lingering impact of the global pandemic continued to affect the entire dairy industry, leading to unprecedented commodity prices, a steep rise in freight charges, and supply chain disruptions.

Nonetheless, Almarai's Dairy business unit exceeded key performance targets - despite higher input costs - by maintaining its focus on its GCC markets, strengthening its core categories, implementing efficiency initiatives, particularly in long life (UHT) milk, and making improvements in the portfolio mix.

Our market-leading Poultry range of fresh whole chickens and related value-added products delivered solid volume and margin increases. Investment in production, regional economic recovery, and the implementation of accelerated

demand-generation strategies resulted in healthy growth in Retail and Foodservice, partially mitigating higher industry-wide input costs.

Our Bakery business performed exceptionally well in 2022, with revenues topping SAR 2 billion for the first time. This performance was helped by trading conditions returning to normal after COVID-19 restrictions eased. The resumption of travel and schools re-opening lifted demand for our higher margin single-serve products.

During the year, we acquired 100% of Bakemart UAE's shares and Bakemart Bahrain's shares, and secured an additional 25% stake in Modern Food Industries (MFI) from Almarai's subsidiary, Western Bakeries Company, taking our shareholding to 100%.

We are particularly pleased with Bakemart, which is already profitable following an accelerated turnaround. Adding Bakemart to our stable of brands brings valuable knowledge, access to the UAE, and a new channel to supply frozen foods and other products to Foodservice.

The entire Beverages category faced market pressure from steep increases in operating costs. Our Beverages business unit, however, still grew ahead of the rest of the segment in 2022, increasing value share thanks to the consistent implementation of its strategy. This helped us retain and grow our lead in the fresh and concentrated juices category while avoiding a price war to secure volume growth.

New products, namely ready-to-drinks cold coffees, iced teas, non-dairy milk, and additional Almarai Refresh products, will help us grow our market share and revenue moving forward.

## Supporting our People

We are particularly pleased that our ongoing efforts to enhancing the environment in which our people work achieved an improvement in our employee retention rate, which increased to 90% in 2022, from 88% in the previous year. This advance validates the measures taken in the year to strengthen our commitment to being an employer of choice.

We ended the year with a total workforce of 43,104 higher in part due to our acquisitions outside the Kingdom.

Once again, we made significant investments in training, with the Almarai Academy coordinating and delivering 76,855 learning hours to 3,250 employees.

We maintained our employee experience strategy of engaging with our people via various channels, while recognizing their contributions to our business success by offering various incentives and rewards.

## Solidifying our market leading position

Our focus in the coming year will be to maintain and grow our leadership position in all our primary market segments in the Kingdom, while boosting demand for our products in other GCC countries where we have a footprint. We anticipate continued top and bottom-line growth and increases in volumes in 2023.

Moreover, our strategy to accelerate performance in under-indexed segments and target new ones will continue, supported by identifying attractive, profitable organic and inorganic opportunities, and investing in capacity and distribution. We will also pursue further efficiencies by recalibrating lower-performing segments and channels.

As always, we will consider new categories and products that appeal to our Consumers and can deliver volumes, revenue, and sustainable growth. Accordingly, this will see us focus on poultry, red meat, and aquaculture.

We are in an excellent position to expand further internationally, and will take necessary steps to support our ability to grow in our current and other markets.

Innovation will remain integral to our DNA as we pursue novel ways to serve Consumers better. In addition, we plan to continue digitizing our systems and processes to become more efficient.

## Acknowledgements

Our performance in 2022 was once again a testament to the immense contribution of all our employees, who faced new challenges with resilience and agility.

Not forgetting our Customers, who are always at the center of every decision we make, without them, we would have no reason to exist. Their support and loyalty are priceless assets to Almarai.

# Market Review

This year, the MENA region and our home market of Saudi Arabia have seen an impressive recovery from the negative impacts of the COVID-19 pandemic, with the Kingdom registering one of the highest growth rates since 2011. While the region is experiencing higher inflation rates, the overall growth outlook remains promising.

## The Global Economy

Despite a rapid initial recovery, the headwinds and uncertainty experienced in 2022 continued to cast their shadow across global markets during the year, creating volatility in most industry sectors. The Ukraine crisis that began earlier in the year has continued to be the biggest geo-political event of recent times. This unsettled the world economy just as it was recovering from the impacts of COVID-19, and adversely affected energy prices, especially in Europe. The rise in food inflation affected people's daily lives and had a significant impact on middle- and lower-income countries. Central banks have raised interest rates to cater for inflation, but this hike may risk the world economy entering a recession in 2023.

## The MENA Region

The Ukraine crisis has also caused challenges in the regional economy, including rising inflation, particularly for commodity imports. This has led to increased volatility in commodity prices. Nonetheless, in 2022, the MENA region experienced a recovery and a rebound in economic activity. This year, GDP growth was at 6.1%<sup>1</sup>, up from 4.1% in 2021.

The economic conditions and inflation in advanced economies have also had impacts on the MENA region. Regional inflation remains high at 14.2%<sup>2</sup> on average and is expected to remain elevated in 2023. In addition, emerging and middle-income economies in the MENA region have been negatively affected as global demand has weakened and financial conditions have tightened. This has led to increases in government debt and a worsening of debt dynamics.

On the other hand, GDP per capita of middle-income oil exporters has increased by around 3.9%<sup>3</sup> in 2022. For oil exporters within the MENA region, the shifting global dynamics present a significant opportunity for increasing oil exports and improving foreign exchange figures.

## The Kingdom of Saudi Arabia

Saudi Arabia is expected to be one of the fastest growing major economies in 2022, with real GDP growth at 8.8%<sup>4</sup> in 2022, the fastest rate since 2011. This is driven by strong economic performance due to high energy prices and rising oil and petroleum rates. This growth also reflects the successful implementation of the Kingdom's extensive COVID-19 vaccination campaign. Real GDP growth is expected to be close to 5% in 2023, and around 3% in the following years.

On the other hand, as a net importer of food and other commodities, the Kingdom has been adversely affected by higher global inflation rates. In addition, the Saudi Central Bank has tightened the monetary policy in line with the Federal Reserve to maintain the exchange-rate peg to the US Dollar.

It is expected that increases in domestic interest rates will only have a minor impact on the Kingdom's economic performance, as it has witnessed a long period of high oil and gas prices, paired with strong liquidity in the financial sector.

Moreover, the Kingdom has implemented several reforms in efforts to attract foreign investment, improve the business environment, and encourage private sector participation in driving the economy. Many of these reforms have facilitated start-ups and reduced barriers for foreign companies to invest in the economy. These efforts are in line with Saudi Vision 2030 and will support the Kingdom's long-term development.

## The Regional F&B Market

The F&B industry in Saudi Arabia is the largest in the Middle East and is expected to grow considerably over the next five years. Revenue in the sector amounted to USD 57.29 billion in 2022, and the market is expected to grow annually by 4.78% (CAGR 2022-2027). Moreover, in the first half of 2022, the Kingdom invested USD 187 million in F&B start-ups, making Saudi F&B more attractive to investors. In addition to investments in start-ups, this growth was driven by a rapidly changing demography, with a youthful population and higher disposable incomes, and a significant increase in cross-border travel. Overall, the Kingdom is moving towards the adoption of more business and tourism friendly policies, which is shifting dynamics in the Kingdom's F&B landscape.

1 S&P Global Market Intelligence, Q3 2022

2 Region Economic Outlook, IMF 2022 projections

3 World Bank estimates

4 Bloomberg, Q3 2022



# Business Model

Our business model is structured to deliver on the promise of 'Quality you can trust'. It is tailored to our commitment to ongoing improvement and exists as a guiding force for operations across the Company. The business model enables management and staff to work in accordance with a clearly defined operating framework. It facilitates the practical application of a working culture that has efficient and effective process management at its heart.

## Inputs

### Raw materials

- 1,718+ suppliers
- Supplying 48,673 items
- SAR 8.7 billion spent on materials in 2022

### Advanced manufacturing

- Four ultra-modern Dairy and Juice processing facilities
- State-of-the-art Infant Nutrition facility
- Three bakeries
- Poultry plant and facility

### Leading innovation

- Innovative systems and processes
- Innovative product development to delight Consumers

### Best-loved brands

- Eleven leading brands

### Innovative people

- Workforce of 43,104 inspired by innovation
- World-class training and development programme
- 62 nationalities

### Strong financial support

- Robust financial management, low leverage
- Access to funding from global capital markets
- Strong working capital and capital expenditure control



## How We Do It

### Consumer insights and powerful branding

- Earned the trust of Consumers to become a trusted brand across the Middle East
- Ongoing feedback process for maintaining quality and Consumer satisfaction



### Best-in-class manufacturing

- Cutting-edge technology to mass produce nutritious products while reducing costs (Manufacturing 4.0)
- Continuous facilities expansion and renovation
- Meeting growing demand



### Exceptional transport and logistics

- Transport and Logistics division larger than any logistics company in the Middle East
- 8,475 vehicles deliver 2 billion kg's of product on time and in perfect condition



## Adding Value

### Crop cultivation and selection

- Animals consume highest quality feed
- Almarai imports 100% of its yearly green fodder requirements through its overseas arable operations



### Extraordinary care for farm animals

- Dairy herd and poultry flock have 24-hour veterinary care
- Temperature controlled housing
- Highly nutritious feed
- Ensures maximum yield and first-class end product



### Innovation in our DNA

- Commitment to innovation is a core value
- Innovation underwrites the Almarai quality culture
- Digitalization of production and automation of business processes



## Outputs

### Shareholder value

- For 40 years, consistent delivery of strong returns to shareholders
- Almarai is committed to creating shareholder value by paying dividends and realizing compelling returns for long-term investors

### People

- Almarai is recognized among the GCC's best employers
- All staff are encouraged to participate in training and develop their careers

### Society

- Social responsibility and sustainability programmes designed to support Vision 2030
- Connecting all levels of society and the environment from helping children in need to reducing our environmental footprint

### Consumers

- Delighting Consumers across the Middle East with healthy and nutritious food and beverages, at affordable prices from a brand they know and trust.

### Business unit structure

- Almarai transitioned from a functional to business unit model
- Management focus on end-to-end sales, profitability and return on Net Operating Assets (RONOA) for each business unit

### Commitment to quality

- Quality you can trust' is in our DNA
- The Almarai Quality 4.0 programme

covers process, people and technology, unifying the quality architecture across the Group

- Core values (ASPIRE) are directly connected to our world-class quality management system
- All business units served by Sales, Distribution and Logistics, Procurement and other corporate functions
- Exports team to grow opportunities for sales beyond GCC (worldwide)

### Almarai innovation management

- Stage-gate innovation management process captures product ideas, managing them to final launch
- 140+ projects in pipeline meet new Consumers trends and maximize operational efficiency





# Strategy: Almarai 2025

Our robust growth strategy remains in place, testifying to the resilience of its foundations, and Almarai continues to devote record levels of investment in the business, committing to double our supply through targeted investments over five years.

The key drivers of the strategy are:

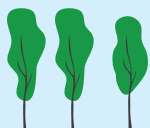
- 1 Strong focus on operating efficiencies and asset optimization and cost control**
- 2 Increased investment in innovation and marketing**
- 3 Expansion into new growth areas, organically and via acquisition**
- 4 Technology enhancements, with a focus on digitization**



# 2025 Aspiration

## Mission

To provide quality and nutritious food and beverages that enrich Consumers' lives every day.



## Vision

To grow our leading position as the trusted choice for food and beverages in the region, delighting Consumers with quality nutrition every day.

## Values

Adaptable

Sharing

Passionate

Innovative

Respect

Excellence

## Goals By 2025

~1.5X market growth

RONA > WACC+2%

Top quartile employee satisfaction

Preferred Consumer brand

Almarai's 2025 sustainability goals

## Where To Play

### Focus on GCC core full potential

- Strongly Grow Poultry and Food service
- Expand Dairy market share in Foods and Long Life milk
- Develop UAE footprint
- Continue to strengthen Egypt and Jordan operations

### Evaluate high-potential new growth opportunities

- Adjacent categories**
  - Beef, Fish, Ice Cream, Other
- New geographies**
  - Markets where Almarai can leverage its capabilities to create value



## How To Win



### Operational efficiency

- Cost reduction
- Asset utilization
- Distribution model optimization
- Channel profitability management



### Operating model and talent

- Simplification and agility
- Delaying
- Organizational Design
- Offshoring/Outsourcing
- Performance-based culture
- Saudization
- Succession planning



### Digitization

- Core system modification
- Process standardization and automation
- Digital and advanced analytics capability-building



### Active M&A Process

- Expansion of core businesses
- New categories
- New geographies
- Alternative supply sources

# Case Study

An acquisition with great potential and significant challenges

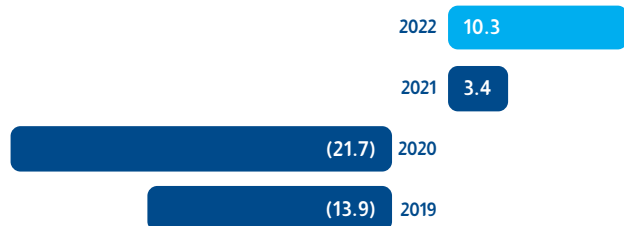


Taking Action to bring out the Best of Premier Chef



Delivering an Outstanding Turnaround in just One Year

Profit/(Loss) (SAR million)





## Premier Chef

Almarai's strategy of organic and acquisition-driven growth is behind one of our biggest success stories this year: the turnaround at Premier Chef (previously Premier Food), which made a substantial contribution to Group revenue growth in 2022.

Franchise operator Almar Foods established Premier Food Industries in 1999 to produce and distribute meat and poultry products. It expanded rapidly, supplying more than 21 international food chains throughout the Middle East. Almarai invested in the business in May 2019, taking the full 100% shareholding.

The successful integration of Premier Food is one of our best examples of how Almarai smoothly integrates value-added acquisitions, building a foundation for organic growth. It has not, however, been without significant challenges. Premier Food followed an entirely different business model and had many operational, financial and governance shortcomings. As a result, Premier Food was a loss-making business when it was acquired.

Almarai management rapidly implemented standard processes and procedures, strengthened financial management and administration, consolidated IT with Almarai systems, rebranded, and significantly improved the commercial strategy.

Key improvements included:

- Enhancing production capacity and utilization to improve efficiency and accommodate expansion.
- Integrating with SAP and other Almarai systems and introducing formal policies and procedures.

- Rebranding Premier Food to Premier Chef in 2021.
- Consolidating customer segments and expanding marketing and distribution activities to the entire Kingdom, supported by additional sales teams.
- Extending Premier Chef products to Almarai SDL to start the new distribution model via SDL in the UAE and Saudi Arabia.

Within months, Premier Chef started demonstrating widescale improvements. A year after acquisition, the business has been successfully turned around and become profitable – it has gone from 2019's loss of SAR 13.9 million to a profit of SAR 10.3 million in 2022.

Working capital management has improved dramatically, procurement efficiency is increasing, and the customer base has grown and expanded via Almarai's regional distribution network.

Looking ahead, Premier Chef will be marketed to Almarai's customer base to achieve geographical expansion, profitable growth, massive footprint expansion and improved cost efficiencies.

Production capacity will also increase over the coming years. We will look to achieve over 30% volume growth in 2023 compared to 2022. Then, when a new factory becomes operational by the end of 2024, production will rise 200% from current full capacity of 7,100/MT to a projected 21,000MT/year, creating the foundation for continued value creation for Almarai and its shareholders.



# Key Performance Indicators

We have set Key Performance Indicators (KPIs) to monitor progress and to deliver on the objectives of our strategy. The KPIs address both our Vision and our quality-driven, consumer-focused working culture.

## Vision

To grow our leading position as the trusted choice for food and beverages in the region, delighting Consumers with quality nutrition every day.

## Corporate Scorecard

Net sales growth

**18.1%**

Market share growth

**0.50% to 0.75%**

in selected products

**On track for the year 2025**

RONOA on net operating assets

**8.5%**

**Nitaqat status**

All categories in platinum and high green

# 2022 KPIs

## 1 Growth drivers

- Defend number one position in key product categories
- Drive market share in under-indexed categories
- Accelerate Poultry momentum
- Expand Food service
- Grow exports

## 2 Operations / Efficiency

- Optimize forecast accuracy
- Reduce wastage
- Optimize new facilities
- Improve end-to-end planning
- Pursue efficiency projects
- Complete central warehousing project
- Reduce out-of-stock

## 3 Capabilities / Enablers

- Full implementation of new structure
- Saudization, to maintain platinum in Nitaqat rating
- Leadership development across management grades
- Robust succession planning
- Upgrade systems to manage regulatory and operational changes

## Culture

Quality driven,  
Consumer focused



# CFO's Review

**In a year marked by unprecedented input cost increases, Almarai's resilience, data-driven agility and focused collaborative workforce overcame these challenges to deliver stalwart financial results. Exemplary growth in our top line revenue and net profit validated the strength of our strategy, building the Group's confidence and driving momentum. Despite the formidable year, Almarai emerged stronger and leaner, and better equipped to advance its growth agenda.**

## Revenue growth amid dramatic cost increases

Net Income attributable to Almarai's shareholders increased 13% to SAR 1,760 million for the full year, compared to SAR 1,564 million in 2021. Trading conditions improved during the year; however, we faced rapid and substantial cost inflation, some of which we absorbed rather than passed on to Customers. We softened the impact of these obstacles with excellent forecasting that instituted rigorous cost management, and a positive review of management estimates of our provisions.

Revenues for the year came to SAR 18,722 million, an 18% increase on SAR 15,850 million in 2021. This was achieved against an exacting background of SAR 2 billion-plus in additional costs over the past two years, arising from unparalleled cost inflation in supply chain, commodities, and other inputs. We had no choice but to pass higher commodity costs on to Consumers, however we avoided over pricing by carrying other increased expenses. Absorbing these increases negatively affected our margin, which was 30% for 2022, compared to 32% in 2021.

Gross profit increased 11%, slower than the growth in revenue due to higher animal feed, dairy (mainly butter), and other input costs. Our operating profit grew 13%, higher than the gross profit growth rate, driven by the continued strong overhead cost control and efficiency initiatives.

Net profit rose 13%, with the rate of growth virtually the same as the operating profit level. While we were impacted by the global trend of steeply rising interest rates, net profits benefited from a favorable review of our existing Zakat provisions estimate.

For the 2022 financial year, earnings per share, based on consolidated profit attributable to shareholders of SAR 1,760 million, were SAR 1.79 and diluted earnings per share came to SAR 1.76.

Steep inflation of dairy and feed commodities costs are likely to remain challenging, and parts of the global supply chain are still under pressure. Nonetheless, we will continue to manage these risks with better hedging and leveraging stock cover if necessary.

### Revenue

(SAR million)

2022 18,722

2021 15,850

2020 15,357

## Precise cash flow and liquidity management in tougher markets

Given the cost growth previously mentioned, it was challenging to balance cash flow generation and liquidity. Nonetheless, we maintained availability of supply, with a close quarter-by-quarter focus on pricing.

Positive free cash flow of SAR 1,842 million in 2022 represented 10% of the net revenue and reflected enhanced cost controls and a strong operating performance, offset by the steep increase in costs. Net cash generated from operating activities came to SAR 3,829 million, a 22% decrease on SAR 4,915 million in 2021.

Our capital expenditure (Capex) programme in 2022 was largely similar to 2021. Net cash used in investment activities was SAR 1,987 million against SAR 1,814 million in 2021.

“

The outstanding performance on the top line was matched by our firm commitment to cost control, resulting in strong profit and healthy Operating Cash Flow generation

**Danko Maras**  
CFO





We also refinanced a Sukuk that matured during the year, securing very attractive rates, which further bolstered the predictability of our Treasury function.

### Free Cash Flow (SAR million)



### Segmental results

Dairy reported growth of 13% in 2022, due to higher year on year sales growth that was partly offset by cost inflation, mainly in dairy and feed commodities. Additionally, the devaluation in the Egyptian Pound in early 2022 pushed certain costs higher, however we maintained bottom line growth by adopting tighter cost controls.

In our Juice segment, we continue to persist with our strategy, which helped us retain and grow our lead in the fresh and concentrated juices category while avoiding a price war. Successful implementation of Revenue Growth Management (RGM) in existing categories and Consumer focus innovations, while expanding into new categories helped us to grow 10% in 2022. While revenue growth in Beverages was higher than 2021, margin growth reflected industry-wide higher input costs that affected the entire category.

Our Bakery business had an exceptional year, with 36% growth in category sales, largely stemming from higher demand for single-serve products as educational facilities re-opened. Excellent economies of scale were achieved in bakery manufacturing, which resulted in higher profit for the category.

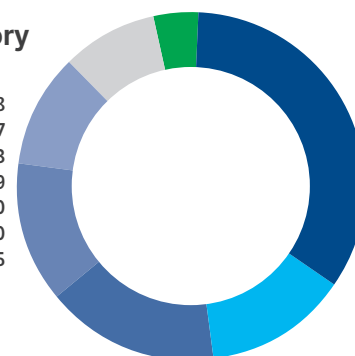
The Poultry category delivered outstanding revenue growth of 31%, supported by higher volumes in the Food Service segment and capacity expansion during the year that delivered 10% to volume growth. The better bottom line was aided by improved operational efficiencies and higher receipts of subsidies.

Finally, in the Other Category, we reported a loss of SAR 120 million, following a review of our overseas farming investment and timing differences between crop cycles in the USA and Argentina.

### Revenue by Category

(SAR million)

Fresh Dairy	6,348
Foods	2,537
Poultry	3,013
Bakery	2,439
Long Life Dairy	1,960
Fruit Juice	1,660
Other Sales	765



### Geographic results

The GCC benefited from the return to normality for Consumers as COVID-19 pandemic restrictions were lifted. This resulted in a rising demand for the Food service as religious tourism numbers started to recover, and there was a strong showing in the single serve category as people returned to offices and children to schools.

Saudi Arabia contributed 65% to Group sales in 2022 at country level. Full year revenue rose 18% to SAR 12,100 million from SAR 10,223 million in 2021, thanks in part to religious tourists returning to the Kingdom for Hajj and Umrah.

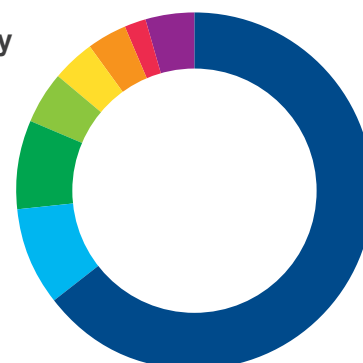
The UAE remains our second-largest market, representing 9% of total sales. UAE revenues of SAR 1,669 million were higher than the SAR 1,381 million achieved in 2021. The result was positively impacted by a resurgence in tourism boosting demand for food service.

We were very pleased by the excellent performance in non-GCC countries, which grew 19% overall in 2022. This comprised robust results in Jordan (+26%) and Egypt (+18%), with the latter's currency devaluation effectively mitigated. Exports and other countries were 15% higher driven by the export of Infant Nutrition and higher revenue in Fondomonte North America (USA) driven by feed export.

### Sales by Geography

(SAR million)

KSA	12,100
UAE	1,669
Egypt	1,493
Kuwait	899
Oman	691
Jordan	687
Bahrain	382
Others	800



	For the year ended 31 December				
SAR million	2022	2021	2020	2019	2018
<b>Operational Performance</b>					
Revenue	18,722	15,850	15,357	14,351	13,558
Gross Profit	5,624	5,059	5,536	5,367	5,327
Operating Profit	2,276	2,015	2,522	2,473	2,521
<b>Profit Attributable to Shareholders</b>	<b>1,760</b>	<b>1,564</b>	<b>1,984</b>	<b>1,812</b>	<b>2,012</b>
<b>Balance Sheet</b>					
Net Working Capital	3,785	3,043	3,623	3,048	2,988
Property Plant and Equipment	20,115	20,873	21,113	21,951	21,978
Right of Use Assets	499	465	470	461	548
Biological Assets - Non Current	1,565	1,469	1,392	1,381	1,367
Intangible Assets and Goodwill	1,146	1,129	1,218	1,129	1,038
Investments in Associates and Joint Ventures	6	89	90	88	0
Net Debt	9,054	9,201	10,749	11,955	12,743
<b>Total Equity</b>	<b>16,983</b>	<b>16,618</b>	<b>16,234</b>	<b>15,259</b>	<b>14,463</b>
<b>Total Assets</b>	<b>32,074</b>	<b>31,754</b>	<b>32,344</b>	<b>33,148</b>	<b>32,783</b>
<b>Total Liabilities</b>	<b>15,091</b>	<b>15,136</b>	<b>16,111</b>	<b>17,889</b>	<b>18,320</b>
<b>Cash Flow</b>					
Cash Flow Generated from Operating Activities	3,829	4,915	4,203	4,732	3,669
Addition to Property Plant and Equipment	(1,334)	(1,364)	(824)	(1,517)	(1,919)
<b>Free Cash Flows*</b>	<b>1,842</b>	<b>3,101</b>	<b>2,830</b>	<b>2,602</b>	<b>1,332</b>
<b>Key Indicators</b>					
EBIT to Sales	12.2%	12.7%	16.4%	17.2%	18.6%
Return on Net Operating Assets	8.5%	7.4%	9.1%	8.9%	9.4%
Net Debt to Equity Ratio	53.3%	55.4%	66.2%	78.3%	88.1%
EPS - Basic	1.79	1.59	2.02	1.83	1.98
DPS	1.0	1.0	1.0	0.85	0.85

\* Net of Investments

# Operating Review

From farm to table, Almarai is the world's largest vertically integrated dairy company, operating across the value chain and throughout the region. Starting in our world-class farms and facilities in the heart of Saudi Arabia, with state-of-the-art production, processing and distribution operations, our diverse range of high-quality products are delivered to more than 100,000 customers within the Kingdom and across the GCC, Egypt and Jordan every day.

## Production

We strive to produce quality and nutritious food and beverages that enrich Consumers' lives every day

## Processing

Innovating to develop nutritious products

## Distribution

Optimizing use of supply chain network and efficiency to maintain smooth and timely delivery of products



Delivering quality products to consumers across the Kingdom is at the heart of our promise and the foundation of our role in ensuring food security for the Kingdom. Millions of consumers depend on us each day to provide them with the highest quality, most nutritious dairy, juice, bakery and poultry products in the market. We repay this trust and loyalty through continuous consumer-focused innovation to ensure that every bite or sip of an Almarai product promotes health and wellness in line with our customers' evolving needs.

## Food Service and Retail

## Home cooks and consumers

## Consumers in and out of home channels

(hotel, restaurant, and catering)



## Operating Review

# Dairy

**Almarai’s Dairy business unit exceeded both profit and market share targets in a challenging 2022, thanks to consistent and thorough implementation of its proven strategy, specifically driving efficiencies and developing channels to market.**

Throughout 2022, Almarai Dairy demonstrated its brand strength and resilience by delivering increased revenues despite much higher input costs. The impact of the global pandemic continued to affect the entire dairy industry, leading to unprecedented commodity prices, a steep rise in freight charges, and supply chain disruptions.

Almarai’s concerted effort to mitigate these headwinds included maintaining its focus on its GCC markets, strengthening its core categories, implementing efficiency initiatives particularly in long life (UHT) milk, and making improvements in the portfolio mix.

In the core fresh dairy category, milk, laban and zabadi performed strongly, delivering revenue growth of 13%, 16% and 14% respectively in the Kingdom. There were also excellent performances from our UHT milk, butter and spreadable cheese products, which increased revenues 31%, 23% and 17% respectively. The numbers will change as we are seeing an improved performance on core in Q4.

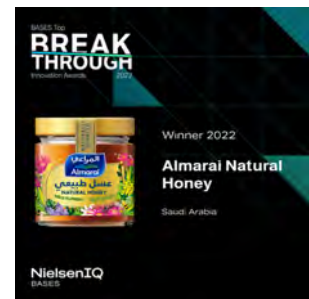
### Continued Innovation and Expanding Capabilities

In addition, Almarai expanded its capabilities in its e-commerce channel, which resulted in a robust 13% increase in revenues. The key drivers behind the impressive growth were increased investment in infrastructure in the key regions and continued expansion of outlet coverage and service. Almarai will continue to invest in the channel to realize its high double-digit compound annual growth rate (CAGR) outlook.

During the year, the Dairy business unit continued its programme of product innovation and development to cater to emerging consumer needs and to enter new segments. We invested in enhancing our consumer knowledge across multiple product segments to inform product development and positioning.

Product and segment development was complemented by ongoing investment in next-generation packaging innovation to support our abiding commitment to improving functionality and consumer experience. All new products are tested rigorously according to sophisticated methodologies to ensure that they receive consistently high ratings from consumers, and particularly when compared to competitor offerings.

In 2022 we received a significant endorsement, earning the NielsenIQ BASES Breakthrough Innovation Award for our Hummus and Honey products that were launched in 2021. Almarai Hummus received Superstar recognition for “potential, incrementality, distinction, and endurance”.



### Dairy in 2023

Building on the successful strategic programme followed this year, we will keep strengthening our value share and leadership positions in core segments in 2023. This will include investing in further packaging upgrades as well and enhancing accessibility, driving efficiency in the value chain, and focusing on communication.

Our strategy to accelerate performance in under-indexed segments and to target new segments will continue. We will support these activities by identifying attractive, profitable opportunities and investing in capacity and distribution. We will also pursue further efficiencies by recalibrating less profitable segments and channels.

# SAR 10,844 million

Total Dairy Revenue for 2022  
vs. SAR 9,631 million in 2021.

## Value Share of Saudi Market (Dec 22 MAT)

Market Share		Market Position
Laban:	63.8%	1
Fresh milk:	65.3%	1
Zabadi:	63.7%	1
UHT milk:	19.9%	2

## New Products in 2022

Mutabbal (Non-Dairy Dip)  
Kashkaval Cheese  
Bulgarian White Cheese

## Total Dairy Revenue

(SAR million)

2022 10,844

2021 9,631

2020 9,476

## Operating Review

# Juice

**Almarai's Beverages business unit grew ahead of its category in 2022, increasing value share thanks to the consistent implementation of its strategy to continue growing values ahead of the market in existing categories via Revenue Growth Management (RGM) and consumer innovations, while also expanding into new categories.**

While revenue growth in Beverages was higher than 2021, margin growth reflected industry-wide higher input costs that affected the entire category.

After a difficult 2021, the current year was distinguished by similar and new challenges. Supply chain disruptions, the ongoing impact of the COVID-19 pandemic, and the conflict in Europe led to steep price increases in raw materials and other operating costs.

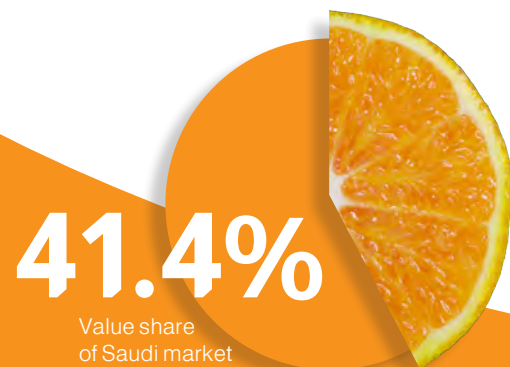
### Solid Growth in a Tough Market

With all industry participants facing the same difficulties, competition was again robust. We persisted with our strategy, which helped us retain and grow our lead in the fresh and concentrated juices category while avoiding a price war to secure volume growth.

As of year-end 2022, our market share on juices is 41.4%, which represents an increase of 0.3% compared to the previous year.

In carton juices, our strong proposition with no added sugar and our commercial strategy resulted in 13.1% volume share, an increase of 4.9% compared to 2021.

Farm's Select maintained its leadership position in the super premium segment, driving higher Retail Sales Price (RSP) vs. Juice category (2.5 times vs. market average), despite our main competitors promoting aggressively to try to secure market share.



### Innovation is in our DNA

In line with our strategy, we expanded Beverages in 2022 to cater to new consumer needs as well as opportunities arising from the expansion of the occasions segment.

Alongside new juices, like Almarai Refresh range and carton juices with milk, a wider range of ready-to-drink (RTD) coffees and teas joined our portfolio of nutritious products, as did high protein milks and several plant-based milks for consumers wanting dairy alternatives.

In a very competitive beverages market, product expansion is key to our growth strategy. Innovation ensures that we maintain and grow our lead over our competitors.

Accordingly, we will continue to strengthen our portfolio with new beverage choices and recipe optimization in response to changing consumer demand.

### Award-winning Promotions

We are very pleased to be recognized for our innovative approaches with a SMARTIES Gold Award for Almarai Long Life Juice's influencer marketing campaign, and a SMARTIES Bronze for Farm's Select Smoothies location-based targeting campaign.

In addition, Farm's Select won the NielsenIQ BASES breakthrough innovation award. Almarai Long Life Juices' digital campaigns also took home one Gold and two Bronzes at the MENA Effie Awards.

During 2022 we built on the successes achieved in the previous year from our ROI-based promotion strategy to grow revenues and market share.

### Beverages in 2023

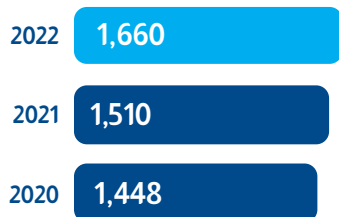
Conditions in our category will remain challenging in 2023, which further validates our proven strategy to evolve our portfolio. We will identify new categories and products that appeal to our consumers, and which deliver volumes, revenue, and sustainable growth.

### Key Performance Indicators - KSA Market

Juice Volume Shares	42.9%
Juice Value Share	41.4%
Household Penetration	78.5%
Household Frequency	14.0%

### Total Juice Revenue

(SAR million)



Total Beverages revenue for 2022 was

**SAR 1,660 million**

vs **SAR 1,510 million** in 2021



**1** Rank in KSA market

### New products in 2022

- Refresh Juice
- Tropical Mix Fruit
- Juice + Milk
- Ice Leaf Tea
- One Bean Coffee
- High Protein Milk
- Vetal Plant Based Dairy



## Operating Review

# Poultry

### Almarai's market-leading range of fresh whole chickens and related value-added products reported solid increases in volumes and margin in 2022.

Investment in production, regional economic recovery, and the implementation of accelerated demand generation strategies delivered healthy growth in Retail and Foodservice, and helped to offset higher industry-wide input costs.

New production capacity and demand generation boosted sales volumes in Retail and Foodservice, which ended the year 21.2% and 7.9% higher respectively.

Our performance in 2022 further entrenched our role as a national champion supporting the Kingdom's Vision 2030 to raise local poultry production as a key part of its food security policies.

Almarai Poultry's market share value across all retail channels in the Kingdom's fresh poultry segment was 33.6% compared to the previous year's 32%, and our ALYOUM brand maintained its first place ranking in the market with a solid consumer awareness score of 92%.

As our other GCC markets recovered to pre-pandemic levels, we accelerated demand generation to grow our leadership positions. In 2022, our market share volume in Kuwait and the UAE increased to 75.9% and 19.3% respectively.

#### New Capacity drives Record Volumes

Almarai commenced operations on its fourth processing line during the year under review. The new line, which will process 50 million birds when fully operational, aims to increase our total capacity by 25% to 250 million birds.

Higher production that was supported by continuing optimization and efficiency programmes resulted in volumes rising 13.8% to a record 183,902 metric tons (MT), culminating in robust revenue growth of 32.3%. While margins improved to 45.5%, segment profitability growth of 39.3% reflected the impact of cost inflation in feed stock and transportation.

#### Expansion Programme contributes to Vision 2030 Food Security Goals

Production facilities in Hail region were completed this year for full deployment in 2023. Furthermore, we announced land signings in the Alshamli-Hail region for a new facility with a capacity of 150 million birds, while in Al-Jouf, we

initiated projects to increase our hatching capacity by 150 million eggs. All these projects are part of the SAR 6.6 billion investment, announced in 2021, that is designed to double Almarai's poultry capacity.

Phased investments in different regions in Saudi Arabia will support accelerated growth and ensure we remain on track to achieve our expansion targets. As we strengthen the resilience of our Poultry business by enabling full vertical integration of supply, Almarai will continue making a meaningful contribution to the Kingdom's commitment to self-sufficiency.

#### Leading the way in Animal Care

We were pleased to announce during 2022 that Almarai was the first company in Saudi Arabia to be certified by NSF International in poultry hatchery, transport, and operations, according to international animal wellness standards.

This important recognition validates Almarai's commitment to animal health and care, and ensures that we deliver the best products to the millions of consumers who trust our brand.



#### Award-winning Innovation Boosts Performance

Product innovation, accelerated demand generation, and enhanced production and distribution all contributed to strong volume growth in our Retail channel compared to 2022. This was a particularly strong performance given that last year Retail had surpassed pre-COVID-19 volumes.

The Ready-to-Cook portfolio was expanded to include limited edition pre-marinated products, offering traditional flavors that consumers love and enjoy in their daily meals and on special occasions.



**ALYOU M Marinated Whole Chicken Biryani**

**ALYOU M Marinated Whole Chicken Mandi**

**ALYOU M Sambosa filling**

ALYOU M Marinated products are distributed in the KSA and Kuwait across all retail channels.

ALYOU M Marinated Whole Chickens was the preferred choice for consumers in the KSA in 2022, achieving 36.5% market share volume, 13 basis points higher than the second largest player.

Engaging communication campaigns were created to promote these limited-edition products, which will continue to add excitement to this new portfolio and further develop the Ready-to-Cook category. These seasonal products will also feature in ALYOU M's core portfolio in the future, subject to consumer demand.

ALYOU M continued to enhance the shopping experience across all retail channels with appealing innovations,

customer-friendly packaging, improved category navigation, and in-store activities in partnership with retailers. These initiatives supported ALYOU M's 21.2% volume growth in retail in 2022, and helped further consolidate brand preference, which surged to 78% from 71% in 2021.

In 2022, Nielsen's IQ Bases awarded ALYOU M Marinated Whole Chicken as one of Saudi Arabia's "Breakthrough Innovations".

**Supporting Growth in Foodservice**

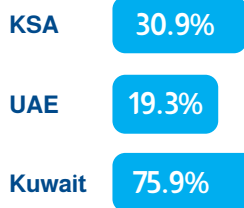
During 2022, we also accelerated demand generation strategies in our Foodservice division, Almarai Pro, resulting in a healthy 7% increase in sales volumes. We continue to support customers who opt for fresh poultry over frozen birds by consistently delivering quality products every day.

**Almarai Poultry in 2023**

In 2023, rising capacity and a continuing focus on efficiency will underpin our growth strategies in all channels and our commitment to consistent delivery of quality poultry to customers and consumers. Notwithstanding forecast sustained cost inflation in feed and energy, we are unwavering in our ability to deliver profitable growth across all channels, ensuring that we meet our robust expansion targets.

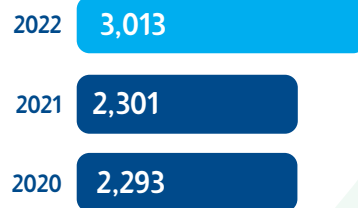
**Poultry Market Share**

by Volume



**Total Poultry Revenue**

(SAR million)



Total Poultry revenue for 2022 was

**SAR 3,013 million**

SAR 2,301 million in 2021

**New products in 2022**

- ALYOU M Marinated Whole Chicken Biryani
- ALYOU M Marinated Whole Chicken Mandi
- ALYOU M Sambosa filling



## Operating Review

# Bakery

**Our Bakery business provides quality, nutritious breads, snacks, and treats that enrich consumers' lives every day. It performed exceptionally well in 2022, with revenues topping SAR 2 billion for the first time. We also grew our contribution to Almarai's total income, remaining the second largest contributor to the Group margin after the Dairy business.**

Double digit growth in volume, revenue, margins and earnings before interest and tax were driven by our continued focus on trade execution and brand marketing to ensure our products are easily accessible and front of mind with consumers across our markets.

Trading conditions in the region returned to normal in 2022 after COVID-19 restrictions eased. The resumption of travel and schools re-opening lifted demand for our higher margin single-serve products. Our snacking portfolio performed particularly well, with revenue of SAR 2,439 million rising 36.4%, contributing extensively to Bakery's overall margin growth.

We are particularly pleased with our new acquisition, Bakemart, which is already profitable following an accelerated turnaround. Adding Bakemart to our stable of brands provides valuable knowledge and access to the UAE, and a new channel to supply frozen foods and other products to Foodservice.

Bakery's strong performance in 2022 reflected its larger share of the market in all relevant categories. Our brands L'usine and 7DAYS did particularly well, expanding their overall market share from 54% to 56% in Saudi Arabia. L'usine, which offers savory and sweet baked goods, remained at number one in KANTAR's Brand Footprint survey in the Kingdom, and fourth in the UAE.

Consistent and creative consumer marketing remained an essential business investment to support and build brand loyalty. Both L'usine and 7DAYS received awards during the year with the former earning the Smarties Gold award for L'usine Puffs Campaign. L'usine also took home the NielsenIQ BASES Packaging Design Impact Award for its Multigrain bread.

7DAYS, which produces a wide variety of croissants, cakes, strudel, and bake rolls, received a Smarties Bronze for its Mini Croissant Campaign.

Like most industries, we were affected by the global supply chain disruptions in 2022 that caused the cost of raw materials to increase. In response, we improved our cost per unit with economies of scale in manufacturing, and increased prices in the first quarter.

### Expanding Product Lines and Geographical Markets

We maintained our strategic focus on converting unpackaged bakery to packaged bakery products and growing our market share in existing and new categories. We also branched out regionally in 2022, expanding store presence in Oman by introducing extended shelf life breads, and launching in Jordan with the same bread products and related treats.

The Bakemart acquisition has expanded our footprint to the UAE and other GCC markets. Its outstanding assortment and opportunities for innovation will drive growth, while the additional capacity it brings will provide us with new platforms for expansion.

### Bakery in 2023

Our focus next year is to maintain and grow our leadership position in all our main market segments in the Kingdom, and grow demand for our products in the other GCC countries where we have a footprint. We will also concentrate on expanding our wholesale business (Win in trade). In line with our successful innovation strategy, we will also launch a range of new products across main categories and markets.

## New products in 2022

- Dates and Fruits Puff
- Plain Brioche Sandwich Rolls
- Tortilla Wraps BIF
- Chocolate Brownie
- Traditional Cakes
- 7DAYS Enrobed Cakes
- 7DAYS Mini Croissant
- 7DAYS Bake Roll Tomato

## Total Bakery Revenue

(SAR million)

2022 2,439

2021 1,789

2020 1,712



# Risk Management

## Risk Management and Internal Control Framework

Almarai has defined its risk management process according to the COSO Framework principles, which define industry best practice. Almarai's Board of Directors and Senior Management use these principles in the course of setting the strategy and making decisions. Management then plans, organizes and directs the performance of sufficient actions to provide reasonable assurance that the Company's objectives, stated below and articulated as per the COSO Framework, can be achieved while ensuring that associated risks are kept within an acceptable risk level. The Company's internal controls and risks are grouped within the COSO Framework categories:

- Strategy – high-level goals, aligned with and supporting the Company's mission
- Operations – effective and efficient use of resources
- Reporting – reliability of financial reporting
- Compliance – compliance with applicable laws and regulations

## Internal Control Participants

### Senior Management and oversight

Senior Management is responsible for Almarai's Internal Control System, while the Audit Committee is responsible for oversight of the effectiveness of Almarai's internal controls over financial reporting. To this end, Senior Management relies primarily upon the finance function and various second line of defense functions disseminated throughout Almarai, assurance providers such as the quality audit team, the risk champions and the operational reporting lines (by business locations, regions, business units and/or subsidiaries).

### Corporate Finance Department

The Corporate Finance Department is responsible for the finance function within the Company, both directly through centralized functions (Financial Planning and Analysis; Financial Policy and Regulatory Compliance Consolidation; Treasury and Financing; Tax; Corporate Legal) and through functional ties with the financial controllers of the various business locations, regions, business areas and subsidiaries.

The Corporate Finance Department's additional responsibility regarding risk management and internal control consists of a direct oversight over regulatory and compliance-related matters. The Chief Financial Officer (CFO) chairs monthly meetings of the Finance Executive Committee, which comprises of Corporate and Divisional

Finance; Legal, Business Systems Department, Investor Relations, Treasury and Risk Management, and Internal Control.

### Risk Management

Almarai's risk identification and risk management system adopts the COSO-based enterprise risk management framework geared to achieving an entity's objectives. The Risk Management function comprises a dedicated corporate team as well as one assigned risk champion in each business area. The function is overseen by the Executive Management Team and the Risk Committee. The process of identifying and managing Almarai's risks is described below under the subheading 'Risk identification and assessment'.

### Internal Control Department

The Internal Control Department comprises a dedicated central team, which is supported by a network of local Finance Managers who report to the Corporate Managers of the business areas, but who are ultimately answerable to the CFO. The role of these Finance Managers is to ensure, through close and recurrent controls, that the Company policies and procedures are properly applied within their area of the Company. The Internal Control Department's main responsibilities are as follows:

- Ensuring company-wide implementation of Almarai's internal control framework
- Defining (i) priorities related to internal control and (ii) the methodology to be used for self-assessment, its testing and documentation
- Managing and analyzing (i) the internal control indicators and (ii) the results of the assessments and action plans implemented by the community of Finance Managers
- Supporting and overseeing Finance Managers through coordination, communication and training initiatives
- Identifying gaps in current policies and procedures and recommending changes to the Policies Group

### Internal Audit Department

Almarai has a fully developed and independent Internal Audit Department reporting directly to the Audit Committee on all functional matters. The Internal Audit Department develops a risk-based audit plan that the Audit Committee reviews and approves annually. All control gaps identified during the audits are discussed with the Senior Management and remediation plans along with expected timelines are agreed. The Internal Audit Department

independently follows up to ensure gaps are closed as expected. The Head of Internal Audit reports quarterly to the Audit Committee on all key matters and provides the Committee (and, through the Committee, the Board and the shareholders) overall assurance of the effective operation of internal control systems.

### Other internal control participants

Apart from the financial governance in place within Almarai, the following departments perform regular internal reviews to ensure operational effectiveness and compliance with industry benchmarks and standards (ISO3 9001:2015, 14001:2015, 22000:2005 and 27001:2013, FSSC 22000, 45001:2018):

- Quality, Regulatory, Health, Safety, Security and Sustainability (QRHSS&S)
- Manufacturing
- Farming
- Sales Distribution and Logistics
- Information Security

### Internal control and Risk management process

The internal control and Risk management processes consist of the following five closely related components:

- Control environment
- Risk identification and assessment
- Control activities
- Dissemination of information
- Continuous monitoring

### Control environment

The aim of the control environment is to make staff aware of the usefulness and necessity of internal control. Such awareness is the foundation of all other components of internal control. Almarai's control environment is based on the following:

- Almarai's core values, which are widely communicated across the Company
- Almarai's Corporate Governance Rules, updated and approved by the Board in December 2017
- Human Resources and social policies, particularly regarding employee development and training
- Directions given by the Board of Directors and Almarai's Executive Management to achieve continuous improvements in all operating procedures

- Standardization of Almarai's operating processes and the regular use of a single integrated information system for the majority of functions
- Deployment of the Almarai operating processes and the single integrated information system across all Almarai subsidiaries and geographies
- Overlay of Almarai's internal control framework and Company-wide authority matrix, which is periodically reviewed to ensure Almarai's internal control and governance framework is up to date
- An intranet providing standardization and governance documents that allow staff within Almarai's financial and non-financial community to stay abreast of Almarai's internal control and quality best practices
- Written guidance on internal control, assessment and remediation distributed each quarter by the Internal Control Department

### Risk identification and assessment

Almarai defines risk as 'the possibility of an event occurring that will have an impact on its essential business processes and activities or the compliance, reporting or strategic objectives of the Company'. Risks are evaluated via a combination of the consequences of an event and the likelihood of its occurrence.

### Almarai's approach to risk

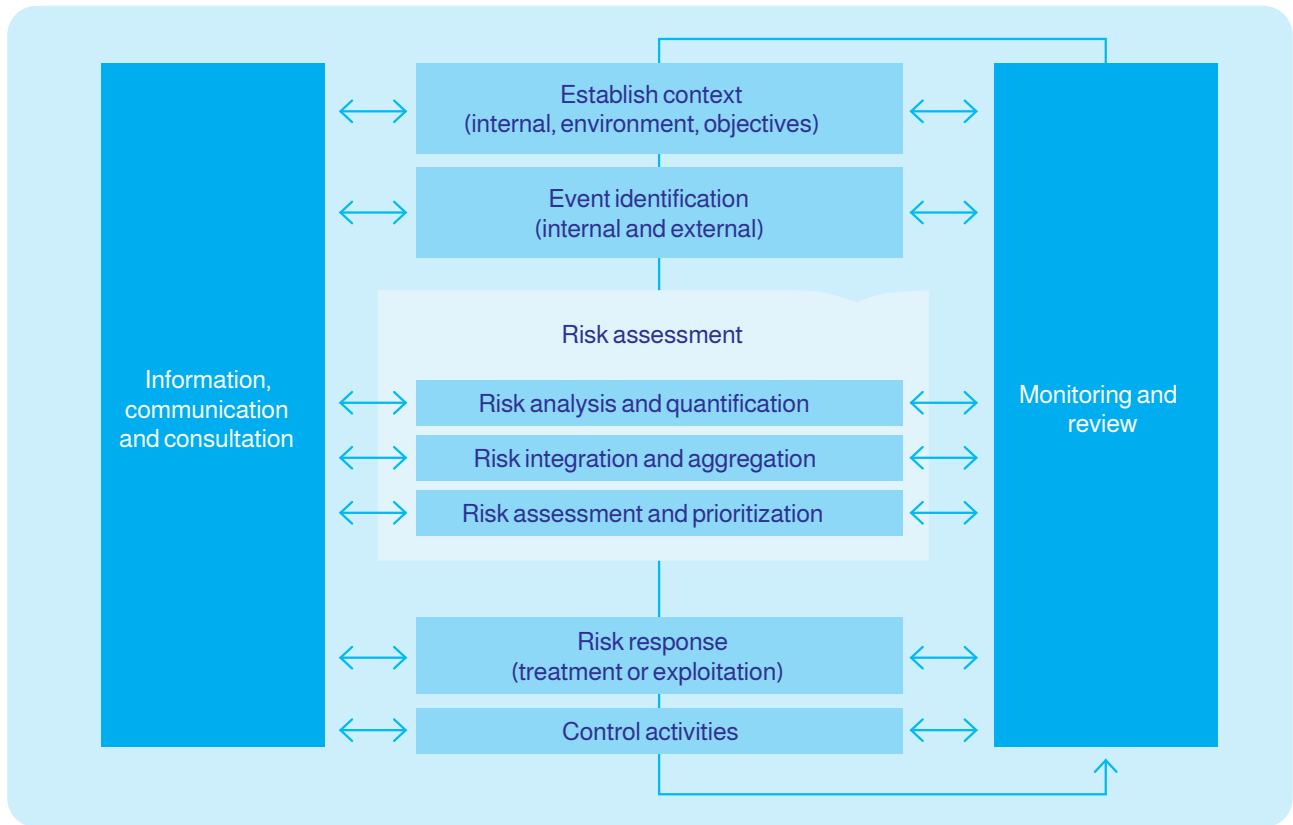
Almarai has developed a methodology to manage potential business risks. This is aligned with recognized industry standards and best practices, based on: the COSO Enterprise Risk Model – Integrated Framework; and ISO 31000:2018, Risk Management – Principles and Guidelines.

The methodology is reviewed regularly and, where necessary, adapted to ensure it evolves with the Company's business needs, thereby allowing Almarai to manage risks effectively and efficiently, supporting the achievement of short and long term objectives.

The Almarai Risk Management framework is aligned to the COSO model components and the process defined in ISO 31000:2018. This cyclical process is supported by Almarai's Enterprise Risk Management Function through the provision of education, training and monitoring, review and assessment through guidance to business management teams and the use of an ancillary toolset for recording, analyzing and reporting on risks.

**ISO** process defined  
**31000:2018**

### Almarai Risk management process



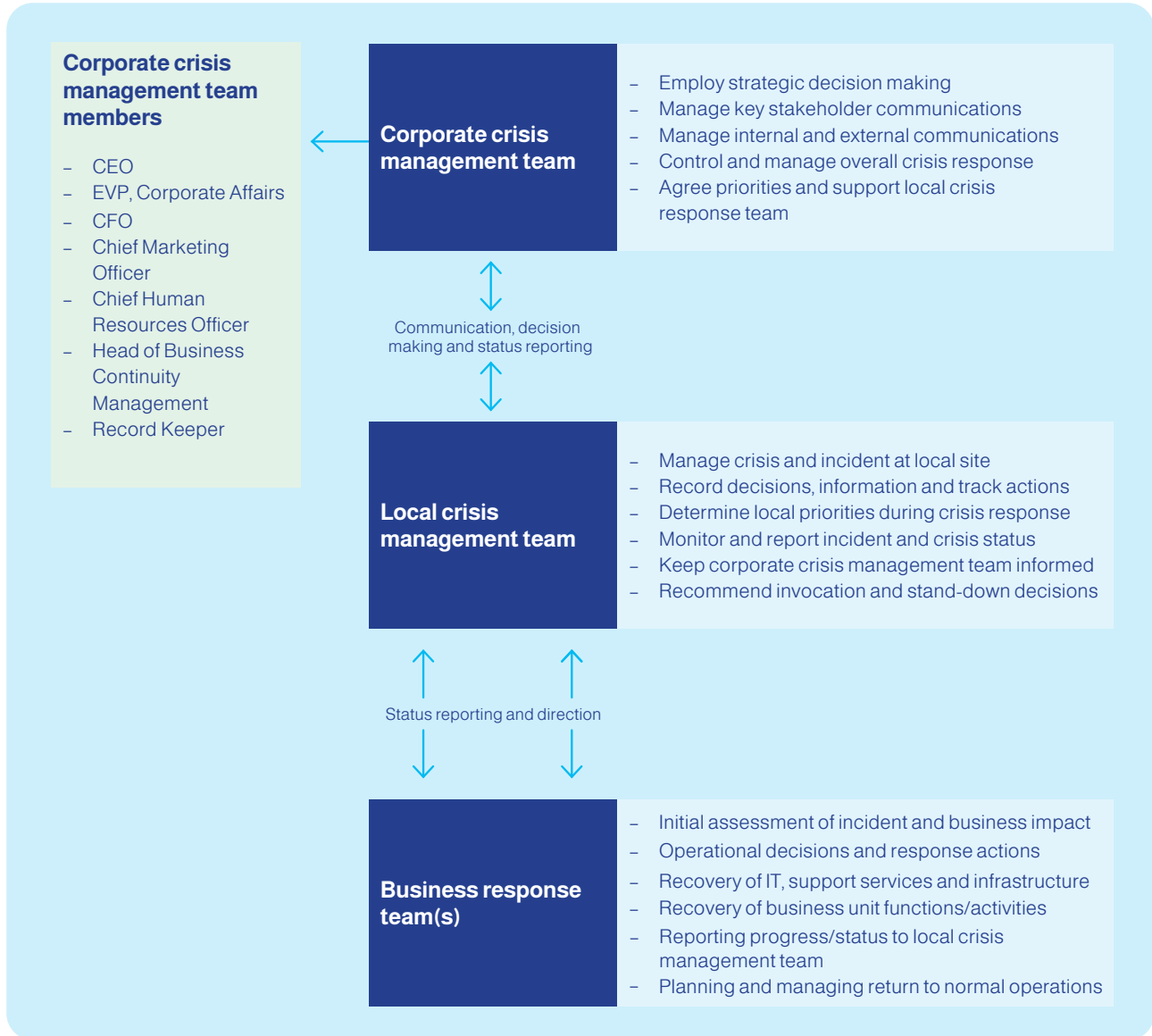
### Risk Governance model

Aligned with industry recognized and adopted best practice, Almarai operates a three lines of defense model to ensure accountability across the Company for governance, management and reporting of risks and the control environment.

	First Line of defense	Second Line of defense	Third Line of defense
		<b>Almarai Board</b>	
Board Level			<div style="border: 1px solid black; padding: 2px; text-align: center;">Risk Committee</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">Audit Committee</div>
Executive Level		<div style="border: 1px solid black; padding: 2px; text-align: center;">Compliance and Ethics Committee</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">Executive Risk Committee</div>	<div style="border: 1px solid black; padding: 2px; text-align: center;">Head of Internal Audit</div>
Management Level	<div style="border: 1px solid black; padding: 2px; text-align: center;">Management Teams</div>	<div style="border: 1px solid black; padding: 2px; text-align: center;">Enterprise Risk Management</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">Quality Regulatory Safety</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">Compliance Ethics Management</div>	<div style="border: 1px solid black; padding: 2px; text-align: center;">Head of Internal Audit</div>

## Almarai Crisis Management Structure (CMT)

Almarai has developed a major incident and crisis management protocol, that can be activated if an abnormal or unstable event threatens the Company’s strategic objectives, reputation, or ongoing viability. The approach to these types of incidents is based on industry standards and best practice. It incorporates a three-tiered response system to ensure rapid decisionmaking and action:





## Risk monitoring

Almarai's business risk register is reviewed quarterly by the risk champions and respective Executive Vice Presidents of each business area. It is then consolidated and challenged by the Enterprise Risk Management (ERM) Department at Almarai's corporate head office. The Enterprise Risk Management Department presents the most significant risks that Almarai faces to the Company's CEO, CFO, and all other Executives. A map of Almarai's major risks and risk mitigation plans is reviewed and assessed and this work serves as the basis for the presentations made to Almarai's Audit Committee and Risk Committee.

## Other elements of risk identification and analysis

Procedures such as competitive monitoring, training, risk prevention and protection, along with the initiatives of specialized departments such as the Quality, Regulatory, Health, Safety and Security Department and Information Security, all contribute to the identification, analysis, and management of risks.

The Quality, Regulatory, Health, Safety and Security Department also helps to identify threats against Almarai's employees and assets. Almarai's Business Continuity function uses information in risk maps to identify potential crises and to prepare appropriate responses in all cases.

## Control activities

Control activities are intended to ensure the application of the standards, procedures and recommendations that contribute to the implementation of financial policies. All business areas use a quarterly self-assessment process and send the results to the Internal Control Department, which analyzes them and sends summaries to relevant stakeholders. Appropriate action plans are put in place by the entities under the supervision of the Internal Control Department with the aim of facilitating continuous improvement. Internal reviews are subsequently carried out to validate that corrective measures have been taken. In addition, the performances, and results of each operating unit in the area of internal control are regularly and systematically monitored by the management committee of the relevant entity.

## Transmission of information

Appropriate information is identified, collected, quantified, and disseminated in a manner and within a time frame that enables each person to discharge their responsibilities. To this end, Almarai relies upon:

- Its organization and information system, which facilitates the communication of information needed for decision-making
- Training sessions for the network of internal controllers, including workshops and information-sharing seminars

Almarai also uses an intranet site and various documentation database systems that enable information to be shared within the Company. This information includes not only financial information but also non-financial information that meets the needs of the various operating and administrative departments. Since 2011, Almarai has used social media to help transmit information and develop communication and experience sharing.

## Continuous monitoring

The internal control system's performance is ensured by the Internal Control Department, which reviews, updates, and reports regularly on the operation and effectiveness of the established control structure. In addition, corporate and business finance Managers at a corporate level obtain reasonable assurance through various layers of review and monitoring.



المراعي  
Almarai

اليوم  
ALYOUM

شركة حائل للتطوير  
Hail Development Co.

# People and Culture

**Almarai's ability to deliver outstanding products, efficient operations and strong financial results is a clear reflection of the outstanding talent we have at every level of the organization. During this year, we maintained focus on supporting and engaging all our dedicated employees to reinforce our culture while empowering them to excel and perform to their potential.**

WE@Almarai is a market-leading employee value proposition that sets Almarai apart and positions the Company as an employer of choice for our industry in the Kingdom. Sitting at the heart of our corporate culture, it

establishes our quality makers and aligns them to form a single path to greatness, by recognizing the importance of engaging our employees and keeping them satisfied in order to support operational excellence and strategic progress.

Our ongoing commitment to our quality makers remained the core of our support for the progress and skill development of our employees in 2022. We continued to foster a vibrant and innovative workplace that unlocks progressive value for quality makers and the business.

## WE Pillars

WE@Almarai has four pillars derived from the Almarai brand values. They serve to attract talent, strengthen culture and engage our people across the organization.

### WE Evolve

Focuses on any new personal innovations, initiatives, talents including art, music, and technology.



### WE Care

Involves all employees centered approaches and activations, including promoting, wellbeing and a healthy lifestyle.

### WE Empower

Support our quality makers in their career path and achievements.



### WE Celebrate

Includes celebrating any official days on a national and international level, and internal festivities.



WE are proud to share these success stories which are divided into four main pillars:

WE  
Care  
**+1,400**

WE  
Evolve  
**+170**

We  
Empower  
**+100**

WE  
Celebrate  
**+706**

Our year in numbers:

**43,104\***  
Almarai quality  
makers

**8,762**  
Saudi  
nationals

**6,195**  
new hires in  
2022

**3,240**  
No. of  
learners

**76,855**  
No. of  
learning hours

\*Total HC that covers KSA, GCC, IDJ, and Fondomonte entities of Almarai Company.

## Ensuring Diversity and Inclusiveness

As a certified Gold Member of the Mowaamah programme, Almarai recognizes the highest standards and practices in establishing a working environment that is welcoming and accessible to people with disabilities.

We are also a certified Gold and Founder member of the Qadeeron network, which also advances inclusivity in the workplace for people with disabilities.



We maintained our commitment to supporting the national talent development goals of the Kingdom in 2022 through a range of ongoing initiatives. We hired around 1,000 new Saudi staff this year, including 234 trainees joining the FIP Institute. We also maintained our Nitaqat status in all categories in platinum and high green, while achieving the targets for Nitaqat professions. Furthermore, we continued to provide all national development programmes, with 71 Saudis enrolled in our Tamheer programme and 44 in our Cooperative Training (Coop) programme this year. We also hired over 100 new female staff this year, with a particular focus on enhancing inclusiveness in Executive and management positions.

## Training and Developing our People

Our development programmes, processes and opportunities enable everybody to thrive, whether they are fresh hires, mid careers or experienced professionals. Our “build-from-within” approach to talent development is about

fostering learning spirit and realizing potential, not only in our work context but also within ourselves. We believe in giving every employee access to a range of continuous personal and professional development opportunities to meet their career aspirations.

Our learning and development strategy is aligned with Almarai’s 2025 Vision and drives progress towards making Almarai a sustainable, successful organization. It is also aligned with the broader Human Capability programme envisaged by Saudi Vision 2030, to ensure that Saudi citizens have the required capabilities, skills and competencies to enhance the Kingdom’s current and future global competitiveness.



## Almarai Academy

Our flagship Almarai Academy is an established industry benchmark in offering general leadership programmes, topic-focused trainings, customized behavioral interventions and cross-divisional learning programmes. The Academy provides a comprehensive suite of outstanding courses led by first-class professionals in a wide range of well researched, competitive and future-oriented specialty areas,

such as Growth through Innovation, Strategic Thinking and Planning, Resilience and Agility, Change and Crisis Management, Digital Transformation and Finance Acumen for Non-Finance Professionals.

In the past year, 1,475 employees benefitted from 43,740 hours of immersive learning experience as part of their development journeys. Employees, at all levels and across all functions, also undergo on-the-job training with the aim to strengthen their capabilities in line with job dynamics and workflows, and broadly, the Company culture.

The Academy successfully employs digital technologies to offer high-quality virtual learning opportunities that broaden our learning reach through provision of accessible and flexible learning experiences for diverse learners across the organization. Virtual trainings replicate the fundamentals of face-to-face classroom trainings to an online experience, in real-time. Our eLearning platform helps to deliver active, engaging, and relevant content through the adoption of best practices for learning with technology. This virtual learning environment has enabled us to bring our employees closer to the ever-changing technology trends and industry best practices, while still providing the required learning transfer in a cost effective, engaging way for all learners, regardless of their location.

Our leadership programmes, in collaboration with world-class business schools and institutes, prepare our leaders for tomorrow to tackle real-world challenges. We offer transformative, human-centered leadership programmes for all our management and team leaders, tailored to the challenges faced and skills needed at each level. Keeping in line with the fast-paced world, all the leadership programmes have been delivered through a virtual platform, providing a real-time and engaging learning experience.



### Food Industries Polytechnic (FIP)

Almarai launched a national initiative in 2011, in partnership with the public sector, to enhance community development by developing high caliber Saudi youth for the Food Industry. Food Industries Polytechnic (FIP) is a premier institute providing a number of diversified programmes related to the food supply chain to train and equip young Saudi Nationals with essential knowledge and skills to build promising careers in the food industries.

FIP runs four major diploma programmes, namely: Farm Technologies, Food Technology, Maintenance

and Repair, and Technical Accounting. These diploma programmes include six months on the job training that allows participants to experience a variety of different roles, improving employee exposure to new opportunities and encouraging knowledge transfer between colleagues and teams. FIP also offers a number of short courses to upskill/reskill existing employees in partner industries.

FIP and all its training programmes are accredited by national and international accrediting bodies, such as the Education and Training Evaluation Commission (ETEC) and ISO 29993: 2017. FIP is an accredited center for the Health and Safety Training programme of the Ministry of Human Resource and Development (HRSD), and maintains an active partnership with the Ministry of Industries through Industrial Cluster.

FIP has institutional memberships with international food organizations, including the American Institute of Baking (AIB), International Association for Cereal Science and Technology (ICC), and ISEKI Food Association. Since 2011, FIP has delivered training to 1,934 Saudi employees at Almarai and has achieved an average course satisfaction rate of 92% since 2019.

### Succession Planning

Almarai uses a structured and systematic succession planning programme to identify and develop employees to fill critical business roles within the organization. The objective of succession planning is to ensure continuity in key positions and develop intellectual capital for the future. During periods of significant change or challenge, Almarai's succession planning has ensured that there is a strong talent pool of personnel available with the corporate values and behaviors needed to lead the Company into the future.

Succession Planning has been established for the top N-1 level (direct reports to CEO) and is ongoing. In 2022, the programme extended to business-critical positions two levels down from the CEO. We successfully completed the calibration of its entire talent pool of 1,450 managers covering all M grades across the Company. The insights gained from the talent review allow Almarai to make strategic talent decisions and more effectively plan for the Company's future.

### Building Digital Capabilities

During 2022, we continued to build capabilities and drive efficiencies through enhanced digital channels and engagement for our employees.

We introduced multiple enhancements in SuccessFactors to maximize efficiencies and ensure legal compliance, upgraded the SuccessFactors Recruiting module, and launched a new homepage in SuccessFactors for an enhanced user experience.

We also developed and implemented our new Performance Management Form, launched a new SAP Jam platform that helps to raise the engagement among our employees, and successfully recertified our Human Resources for ISO 9001:2015 certification.

## Engaging our People

To ensure a healthy, engaged and productive workforce, we carried out countless events and initiatives within our facilities and across our communities during the year. We aim to inspire and encourage our employees by engaging them in a range of campaigns, communications and activations, including:

Almarai Marathon – getting our employees moving in line with the goals of WE Care.



Mental Health Awareness campaign – promoting a working environment that protects the mental health of all employees, in line with WE Care.

Celebrating employee occasions – engaging the quality makers with Almarai by celebrating the moments and milestones of our employees.

Celebrating National and International days – to strengthen the relationship between Almarai and the quality makers.



Wellbeing initiatives – 150 health activities across all quality makers to improve mental, physical and nutritional health.

## Looking towards 2023

Our commitment to ensuring that we have the right talent at every level of the organization and that every employee is supported and engaged will remain a top priority for Almarai in 2023. We continue to invest in our capabilities and build skills and strength to deliver our strategy, with a particular focus strengthening HR infrastructure and reinforcing our corporate culture.

We plan to continue the process of enhancing our HR policies by benchmarking and adopting HR best practices in Almarai's governing policies, including developing a holistic HR manual, employee handbooks, etc. We will also enhance and expand our job architecture framework to become broad-banded rather than specific to current roles and responsibilities, allowing for growth and development of our employees as they progress their careers with Almarai.

Finally, we will seek to enhance Almarai's performance-driven culture by instilling employee performance management. We have already kick started the appraisal phase of our new performance management programme for a segment of the Almarai population. In the year ahead, we will expand and deploy the full programme to deliver comprehensive performance management that is completely integrated with the performance outcomes of our other HR processes

# Sustainability

During 2022, sustainability principles continued to guide how Almarai thrives in the midst of evolving macro challenges. Our integrated management of environmental, social, and governance performance helped us evolve stronger from the pandemic and market conditions. We remain committed to the three pillars of our 2025 strategic sustainability plan and implementing industry-leading practices that protect both the wellbeing of our Consumers and employees, while delivering true value for the environment, the communities we serve, and our stakeholders. We continued to review and sharpen our sustainability strategy in 2022 to ensure it remains relevant and effective and helps to set a conducive path for our business to thrive in years to come. Further details on the progress we made in 2022 can be found in our 2022 Sustainability Report.

issues that are most relevant to the organization. During 2022, Almarai concluded a review of the identified and other relevant material issues to ensure their relevance, the results are presented below. We observed that ‘Nutrition and wellbeing’ has gained importance for our internal stakeholders, likely due to the ensuing pandemic that highlighted Almarai’s crucial role on food security for our communities. In addition, our external stakeholders placed more importance in employee health, safety, talent, and diversity, and on our community investment efforts. In 2022, Almarai continued to monitor the identified material issues, programmes, and progress to ensure we remain on-track to deliver on our committed goals.

## Materiality

Almarai conducted a formal materiality assessment in 2019 that engaged both internal and external stakeholders to identify material environmental, social, and governance



## Sustainability framework

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”

## Doing 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.



### Protecting the planet

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



### Producing responsible products

Our promise to deliver “Quality you can trust” and enhance supply chain sustainability 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.

#### Community investment

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

#### Sustainable agriculture

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

#### Ethical sourcing

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



## Selected activities in 2022

Below are examples of initiatives taken throughout the year that highlight our commitment to sustainability, grouped into our three priority areas as a key part of our existing five-year strategic plan.

### Caring for people:

#### Reduced employee voluntary turnover

At Almarai, we recognize that we are only as strong as our employees, and we are committed to attract, develop, and retain a motivated and diverse workforce. Our aim is to foster a positive working environment in which everyone is part of our growth, where life and work within is defined by the values of the Company. Almarai provides a wide range of activities that seek to create a flexible work culture to encourage a productive, healthy work/life balance, employee retention, and personal and professional growth opportunities. Our voluntary employee turnover reduced 12% from 2021.

#### Revised goal for gender equality

The Almarai 2021 Sustainability Report outlined the modification of one of our targets from increasing number of female employees to ensuring gender equality in our workforce, with focus on talent development, capabilities building, and opportunities. We are working aggressively in alignment with the Saudi Vision 2030 and the National Transformation Programme to promote gender equality in all of our businesses and functions.

#### Improved youth employability

Almarai has long supported education initiatives including the Technical and Vocational Training Corporation (TVET) which commenced in 2011. This project supports robust TVET programmes, such as the Dairy and Food Polytechnic to develop the skills of young Saudi Nationals, particularly in the dairy and food industry. As one of the major industries in Saudi Arabia, the project takes high school graduates and provides training to meet business demand for technically qualified people with dairy and food industry specific skills. Through this programme, we exceeded our 2025 goal of improving employability of at least 1,400 young people.

#### Occupational health and wellbeing

As a part of our occupational health and wellbeing programme, Almarai conducted anonymous surveys and health and wellbeing checks, and worked in collaboration with the Saudi National Center for Mental Health to raise awareness of health and wellbeing among employees.

#### Management of road risks

As a part of our occupational health and wellbeing programme for road safety, Almarai developed defensive driver training programmes, installed inward and outward facing cameras monitoring driver behaviors, and set-up driving simulators.

### Protecting the planet:

#### Zabadi cups packaging optimization

In December 2022, Almarai conducted a commercial trial for utilizing 10% post-consumer recycled PET plastics for Zabadi cups, which ran successfully paving way for the official launch in 2023. This effort is one of many ways that Almarai intends to drive demand for post-consumer recycled material to help evolve the waste recycling ecosystem in the Kingdom.

#### Actively supporting packaging economy in KSA

Almarai has been working with packaging suppliers, recyclers, plastics manufacturers, National Center for Waste Management (MWAN), and Saudi Investment Recycling Initiative (SIRC) to reduce waste at source and divert most waste away from landfill. In addition, Almarai has been working with other businesses from FMCG, plastics manufacturing, and recycling sectors at KSA Packaging Working Group under the Federation of Saudi Chambers to engage with MWAN and SIRC to divert more waste from landfill and evolve a circular packaging economy.

#### Explored and trialed alternate fuel vehicles in our sales fleet in the UAE

We strive to accomplish our 2025 target to explore and trial alternative fuel in the sales fleet vehicles. From late 2021, we began using biofuel in an increasing number of our fleet vehicles to deliver our products across the UAE and are engaged with biofuel suppliers in Saudi Arabia to trial them in the Kingdom.

### Producing responsible products:

#### World Quality Day 2022

Almarai's commitment to "Quality you can trust" is also a commitment to continuous improvement, which is envisioned in principles of our sustainability strategy, "Doing better every day." We celebrated the annual World Quality Day by reflecting on our achievements to ensure the best quality to our Consumers and our ambition to lead the way in every sector we participate in. The theme of "World Quality Day 2022" was 'Quality Conscience – Doing the right thing,' which we as a business subscribe to. Employees at all levels of the business participated in various activities to reinvigorate the quality mindset and culture and to celebrate our successes.

#### Always audit-ready mindset

In 2022, we continued to conduct some of our internal and external food safety audits as unannounced to demonstrate our "Quality you can trust" mindset. We believe this is a true reflection of our continually improving quality and food safety practices to deliver safe products of the highest quality to our Consumers.

## Engagement with stakeholders

We endeavor to maintain an active dialogue with stakeholders on a continual basis, whether Consumers, investors, employees, regulators, or civil organizations. In so doing, we use a range of communication channels that are most appropriate to their specific interests.

Historically, the most popular of our engagement programmes has been the access we provide to the public at manufacturing facilities in Saudi Arabia. During the pandemic we made the decision to lockdown all onsite facilities to ensure sustained production capabilities, restricting access for the public to visit our pioneering facilities. However, as our communities emerged to normality, we resumed our facilities visit programme in the later part of 2022.

In addition to the above engagements, we recently published sustainability policies and position statements covering our aspirations on animal welfare, climate change, community investment, energy, environmental impacts of packaging, ethical sourcing, environmental policy, human rights, responsible marketing, and water stewardship. This effort brings transparency for our stakeholders on everything we do. To enhance transparency and reliability for our stakeholders, Intertek Saudi Arabia Ltd, a third-party independent auditing firm, audited and assured our sustainability data and report as per ISAE 3000 standard.

