

COMMUNICATION ON PROGRESS

Al Naghi Company

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(COP)

From: August 14, 2018 To: August 14, 2019

Statement of Continuous Support from the President of Al Naghi Company

(As Attached)



Alnaghi Co.

**Communication On Progress
(COP)**

From August 14, 2018 To: August 14, 2019

Statement of Continuous Support from the President of Al Naghi Company


September 19, 2019

To Our Stakeholders:

I am pleased to confirm that Al Naghi Company reaffirms its support to the Ten Principles of the United Nations global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

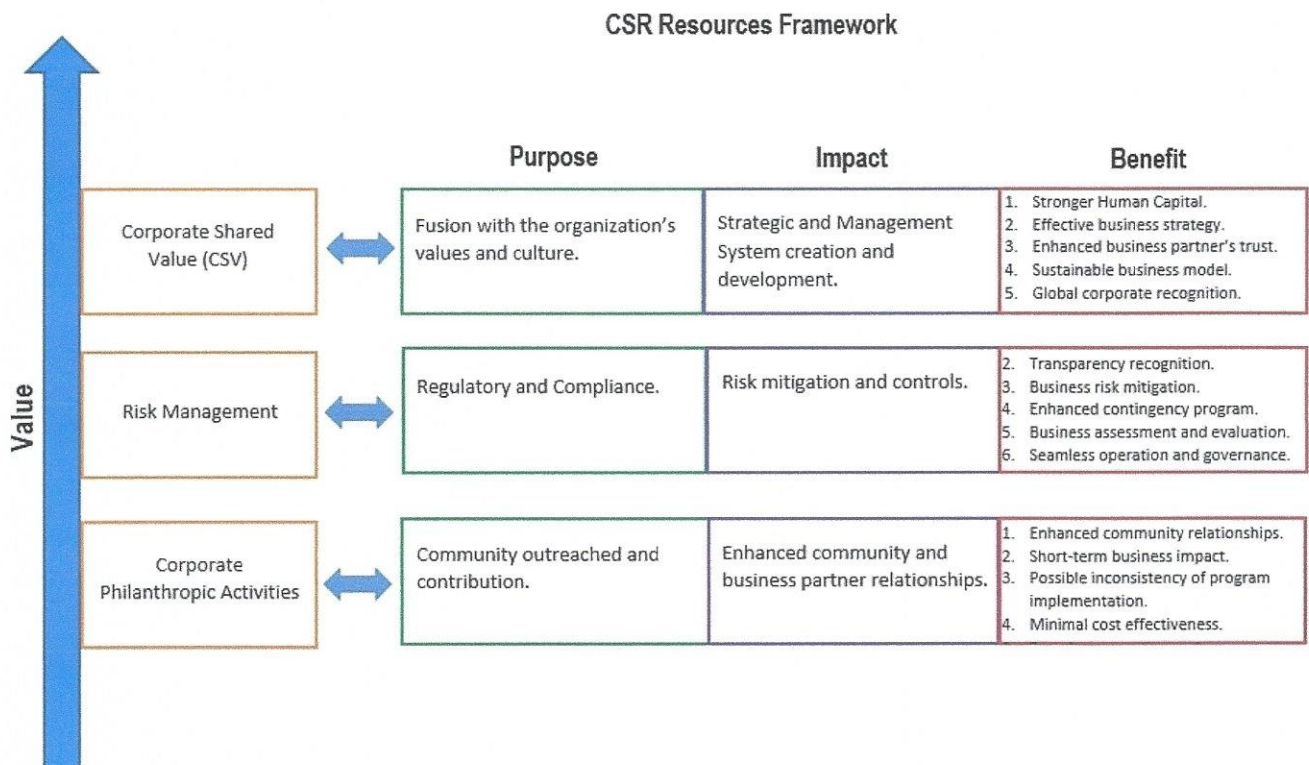

Mohammed A. Naghi
President



Introduction

The evolution of the company's (Al Naghi Company) Corporate Social Responsibility provided us the impression of our performance since our adaptation to the United Nations Global Compact's sustainability principles in 2018. Presented in this **Communication On Progress (COP)** report are the initiatives which highlighted the management's effort to secure our commitments towards sustainability not limited to the business but the world in general. We perceived our effort as part of the world's effort in promoting active cooperation and care for the generations to come.

The figure below is our guiding framework of Corporate Social Responsibility and may change as we continuously strengthen our opportunities particular to UNGCs sustainability principles.



1. DESCRIPTION OF ACTIONS

Human Rights

The Company's Corporate Governance through its Corporate Social Responsibility (CSR) Core is making sure that its commitment to human rights protection will remain constant and is being practice in the organization. The tangible speak-up mechanism of the organization is an effective tool in its advocacy to combat bullying, discrimination and harassment and has therefore provided a conducive and healthy working environment for its employees and stakeholders in general.

The organization is renewing its commitment to uphold the protection of each employee's rights for a risk-free and healthy working environment. It has facilitated several programs that secures the well-being of its employees. Examples are; wellness activity with BUPA (Company's Official Insurance provider), Athletic activities (Basketball and Billiard Tournament), an initiative of the CSR's Sports Committee, etc.




The organization gears up for a Health and Occupational Safety certification based on ISO 45001:2018 standards – Certified ISO 45001:2018, August 2019 -. It has make sure that all employees do not only receive mental and emotional support but simultaneously receiving all the necessary physical protection through an intensive Health and Occupational Safety Management based on a known standards of ISO 45001:2018. The standard shall provide support to the organization's policies and procedures, measurable strategies in risk reduction including fire and other known hazards possible. The management system is making sure that its controls and risk mitigation measures are enforced and monitored. It is also making sure that all the necessary training related to health and occupational safety is given to all employees of Al Naghi Company.



The organization has made most of its activities (if not all) automated through NIS (Naghi Information System). This will ensure that all policies and procedures gets to every employee of Al Naghi Company. Knowledge re-enforcement may sometimes be necessary especially during procedural update and is carried out through mandatory training which may involve assessment to evaluate competency and understanding from its employees.

Below are the manifestations of the organization's commitment to secure the rights of every employee for a risk-free and healthy working environment:

1. Speak-Up Policy – POL/08-010
2. Non-Retaliation Policy - POL/08-007
3. Non-Smoking Policy – POL/08-012
4. Labor and Ethics policy – POL/08-004

		CSR & OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT ANNUAL TRAINING CALENDAR FOR 2020							
SN	Branch Location	Training Topic	Training Code	Month	Actual Date	Target Audience	Training Strategy		
							Internal	External	
1	Tall Consumer	1. Anti-Bribery and Anti-Corruption	CSRTRN-03	February	17	1. Critical Role	✓		
2		2. CSR & Employee Onboarding Orientation	CSRTRN-01			2. Rank-in File	✓		
3		3. Anti-Terrorism, Smuggling & Counterfeit	CSRTRN-04		18	3. Drivers	✓		
4		4. Occupational Health & Safety/Risk	CSRTRN-05			4. Third-Party (if any)	✓		
1	Head Office	1. Anti-Bribery and Anti-Corruption	CSRTRN-03	February	24	1. Critical Role	✓		
2		2. CSR & Employee Onboarding Orientation	CSRTRN-01			2. Rank-in File	✓		
3		3. Anti-Terrorism, Smuggling & Counterfeit	CSRTRN-04		25	3. Drivers	✓		
4		4. Occupational Health & Safety/Risk	CSRTRN-05			4. Third-Party (if any)	✓		
1	Hafar Al Batin	1. Anti-Bribery and Anti-Corruption	CSRTRN-03	February	26	1. Critical Role	✓		
2		2. CSR & Employee Onboarding Orientation	CSRTRN-01			2. Rank-in File	✓		
3		3. Anti-Terrorism, Smuggling & Counterfeit	CSRTRN-04		27	3. Drivers	✓		
4		4. Occupational Health & Safety/Risk	CSRTRN-05			4. Third-Party (if any)	✓		
1	Dammam Pharma	1. Anti-Bribery and Anti-Corruption	CSRTRN-03	March	9	1. Critical Role	✓		
2		2. CSR & Employee Onboarding Orientation	CSRTRN-01			2. Rank-in File	✓		
3		3. Anti-Terrorism, Smuggling & Counterfeit	CSRTRN-04			10	3. Drivers	✓	
4		4. Occupational Health & Safety/Risk	CSRTRN-05				4. Third-Party (if any)	✓	
1	Dammam Consumer	1. Anti-Bribery and Anti-Corruption	CSRTRN-03	March	11	1. Critical Role	✓		
2		2. CSR & Employee Onboarding Orientation	CSRTRN-01			2. Rank-in File	✓		
3		3. Anti-Terrorism, Smuggling & Counterfeit	CSRTRN-04		23	3. Drivers	✓		
4		4. Occupational Health & Safety/Risk	CSRTRN-05			4. Third-Party (if any)	✓		
1	Tabouk Consumer	1. Anti-Bribery and Anti-Corruption	CSRTRN-03	March	23	1. Critical Role	✓		
2		2. CSR & Employee Onboarding Orientation	CSRTRN-01			2. Rank-in File	✓		
3		3. Anti-Terrorism, Smuggling & Counterfeit	CSRTRN-04		24	3. Drivers	✓		
4		4. Occupational Health & Safety/Risk	CSRTRN-05			4. Third-Party (if any)	✓		
1	Skaka Consumer	1. Anti-Bribery and Anti-Corruption	CSRTRN-03	April	5	1. Critical Role	✓		
2		2. CSR & Employee Onboarding Orientation	CSRTRN-01			2. Rank-in File	✓		
3		3. Anti-Terrorism, Smuggling & Counterfeit	CSRTRN-04		6	3. Drivers	✓		
4		4. Occupational Health & Safety/Risk	CSRTRN-05			4. Third-Party (if any)	✓		

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Labour


The Saudi Labor Law is one the company's references in labor related interactions and management. The Company is guided by the following Saudi Labor Standards;

1. Freely Chosen Employment
2. Young Workers
3. Working Hours
4. Wages and Benefits
5. Humane Treatment
6. Non-Discrimination

Ethical Standards;

1. Business Integrity
2. No Improper Advantage
3. Intellectual Property
4. Protection of Identity and Non-Retaliation
5. Privacy

It is the mandate of the organization to introduce a boarding orientation to all new-hired employees not just to showcase its prestige and culture but more importantly to be able to address the employee's rights and privileges as stipulated in the Saudi Labor Law. It is also imperative that company is compliant to the minimum requirement in the Saudi Labor Law.

	Employee Handbook		
	Human Resources Department		
	Control No.	MAN/05-001	Version
Effective Date	January 20, 2020	Review Date	January 20, 2025

Acknowledgement of Receipt of AL NAGHI COMPANY Employee Handbook

I acknowledge that I furnished a copy of the AL NAGHI COMPANY Employee Handbook ("Handbook"). I am taking the accountability to read, understand and comply all policies and procedures written in this Handbook, as well as all other policies and procedures of the Company.

I am aware that this Handbook serves as a boarding guidebook of the Company's policies and procedures, and is not a contract of employment. Nothing in this Handbook provides any entitlement to me or to any Company employee, nor is it intended to create contractual obligations of any kind. I understand that the Company has the right to change any provision of this Handbook as necessary at any time and that I am bound to comply any such changes.

Signature

Date

Full Name (please print in blue pen)

Please sign and date one copy of this acknowledgement and return it to Human Resources. Retain a second copy for your reference.

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The company aside from its boarding procedure made sure that it has established its Code of Conduct to strengthen its commitment of conducive and safe working environment. The Ethics and Compliance department of the organization is making sure that the introduced training plans are followed accordingly. At least once annually, topics related to Corporate Social Responsibility, Occupational Health and Safety Management, Emergency Drills and Exercises, Employee Relation and Code of Conduct, among others, must be enforced.

Manifestations of the Labor interactions and management of Al Naghi Company are as follows;

1. Labor and Ethics policy – POL/08-004
2. Business Code of Conduct – MAN/08-002
3. Employee Handbook – MAN/05-001
4. Speak-Up Policy – POL/08-010
5. Non-Retaliation Policy - POL/08-007
6. Violations and Disciplinary Action – POL/05-001
7. Termination Policy – POL/05-005
8. Human Resources Recruitment Policy – POL/05-002

Human Resources department works along with the CSR Governance team to ensure that all procedures are equally address following recognition of Saudi Labor Law and International Labor Organization.

Environment

It is a known fact that progress and development contributed much of environmental adversaries. Several organizations have sworn commitment to uphold life and biodiversity albeit consideration of progress and development. Al Naghi Company made a clear stand and heed to the call of the global initiative to protect the environment in order to maintain an ecological balance. Although the activities (distribution) of the organization have minimal environmental concern, it did not change the views of the management to actively participate in any environmental movement which will benefit everyone in the company as well as its surrounding community. The management of Al Naghi Company after being awarded with the ISO 45001:2018 certification, is excited to embark a new phase of relevance and impact through an Integrated Management System covering ISO portfolios such 14001 (Environmental Management System), 90001 (Quality Management System), 50001 (Energy Management System), 45001 (Occupational Health and Management System), etc.

Included in the training matrix being maintained by the Corporate Social Responsibility and Compliance Team of the Company are the Environmental Modules. It is circulated quarterly which provides basic awareness related to the ecosystem, current environmental aspects and impact, and the risks and controls there is to consider.

Provisions in the environmental policy of the company are as follows;

1. establishing an operating program and policies which highlights our Environmental Policy;
2. complying with local laws and securing necessary environmental permits;
3. cooperating with governments in analyzing whether new or existing environmental issues;
4. constantly assessing our environmental technology and programs along with our progress monitoring towards our environmental goals;
5. ensuring that our distribution operations are safe for our people, consumers, the community and the environment;
6. proper disposal of wastes through certified and environmentally-approved waste disposal company;
7. reducing the consumption of paper, water and energy;
8. reusing and recycling, as applicable;
9. providing training and awareness programs to our employees, and;
10. keeping our employees environmentally responsible and accountable.

The Environmental Operating plans of the Company are divided into five (5) key areas, namely:

1. Water Management
2. Waste Management
3. Energy Management
4. Air Pollution Management
5. Transport Activity

These five (5) key areas define the controls of the company in mitigating its adverse contribution to the environment. The environmental training modules are designed to cover these elements to address global environmental concerns such climate change, pollution, loss of biodiversity, resource depletion, etc.

The recent ISO 45001:2018 certification has strengthened the company's commitment of a holistic corporate governance which is attentive to human, community and the environment. Part of the occupational health and safety indices is the risk assessment procedure which ensures control over the identified health and safety risks including risks that are associated to the environment. The controls are monitored to measure the efficiency of the program and to acknowledge possible residual risks.

Below are the actions of the organization to address issues related to the environment:

1. Environmental Policy – POL/08-002
2. Waste Management Policy – POL/08-006
3. Energy Management Policy – POL/08-011
4. Non-Smoking Policy – POL/08-012
5. Occupational Health and Safety Management Policy – POL/09-001
6. Environmental Safety Committee – SOP/08-002
7. Hazard Identification, Risk and Control Procedure – SOP/09-002
8. Emergency Preparedness and Response Procedure – SOP/09-005
9. Occupational Health and Safety Inspection Procedure – SOP/09-010
10. Personal Protective Equipment (PPE) Procedure – SOP/09-011

The Company has no activity related to storing of chemicals and/or dangerous goods.

Anti-Corruption

Al Naghi Company has been in the business operation for a period of time and is able to keep its business relationships with the most sought names in pharmaceutical and consumer goods across the globe because of its sustained culture of reputation and trustworthiness. It shares the same doctrines with its stakeholders and has a welcoming character of innovations and uncompromising sustainability goals. The company's Code of Conduct securely identifies its commitments to equality, fair business, dignified working condition, and a clean risk-free environment. The business philosophy of these codes built the foundation of the company's reputation and trust. One of the many regulatory adherences the organization is focused on is the anti-bribery and anti-corruption regulatory compliance. A violation of the requirement may pose severe implication to a company's reputation to deliver a clean and fair business in the market. The training modules, policy documents, standard operating procedures, etc. are incorporated in an in-house database system which allows all employees to refer to and/or direct information related to bribery and corruption. Aside from the Anti-Bribery and Anti-Corruption Policy, the company has separately designed a manual for an in-depth information to combat bribery and corruption in the workplace. The corporate governance of the organization along with its compliance team is reinforcing an annual awareness session for anti-bribery and anti-corruption for all employees. It is also made available through Alnaghi.com website as public information. Most of the company's business engagements include regulatory compliance as part of its Key Performance Indicators (KPI). Al Naghi Company has a welcoming culture to comply all applicable regulatory requirements made known to improve and/or strengthen the relationships further.

The provision of the anti-bribery and anti-corruption policy pertaining to payment or anything of value to, for the benefit of, or at the request of a third party:

1. May only be made for a bona fide and legitimate business purpose;
2. May not be made with an intent to influence the third party inappropriately;
3. May not be in exchange for the award of business or other unfair / improper advantage;
4. Must not be extravagant;
5. Must be provided openly and transparently;
6. Must be properly recorded and adequately documented.

Violations of this Policy may subject Al Naghi Company employee to disciplinary action including up to termination of contract of employment, however, in due process subject to the outcome of the investigation to protect and respect the right of anyone to be heard. Every person to whom the Policy applies to is responsible

for the success of the Policy and should ensure that he/she should use it to disclose any suspected activity or wrong-doing.

Below are the actions of the organization to address issues related to bribery and corruption:

1. Anti-Bribery and Anti-Corruption Policy – POL/08-008
2. Anti-Bribery and Anti-Corruption Manual – MAN/08-004
3. Speak-Up Policy – POL/08-010
4. Speak-Up Escalation Procedure – SOP/08-004
5. Non-Retaliation Policy – POL/08-007
6. Business Code of Conduct – MAN/08-002

2. CSR and Crisis Management – Business Contingency

Sustainability in business is the core objective of CSR. Figure 1.0 – CSR Resources Framework explains the strategic division of the organization's CSR resources and its corresponding value of importance in the business operation. Like most businesses, risk management is the fundamental approach to de-escalate stress and business hazard implications. The establishment of CSR in the organization further enhance the importance of risk management across all division in the crisis management. Few of the risks involve are as follows;

1. Reputation risk, and;
2. Operational risk.

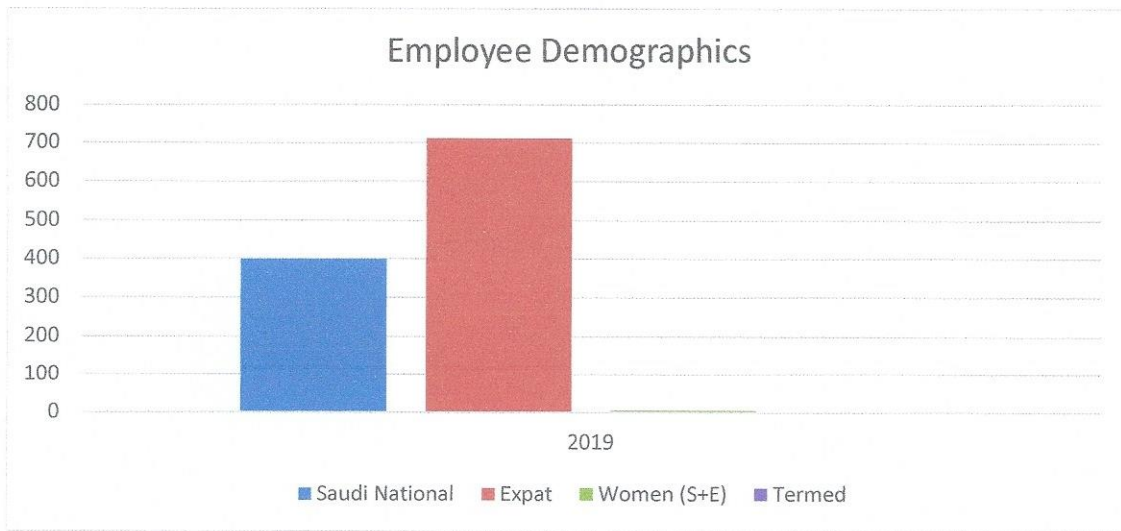
Operational risk overlaps with reputational risk. Most of the business risks are from the operational division of the organization. When these risks are uncontrolled, they become visible assets of reputational risk. Reputation transcends the loyalty of the customers and the brand name ahead in the market competition. In other words, businesses are very much reliant on reputation. In many studies, reputation may improve the local and global continuity of an organization. A corporation or an organization invests in communities and people across the supply chain, hence an uncontrolled and unmitigated risk is crucial to the business.

The strategic risk management of the company will keep the organization abreast from any occurrences of disaster and the associated contingency for de-escalation of threat and other business hazard implications. When Al Naghi Company decided to intensify the focus of its risk management, it identified all boundaries and capabilities of the organization. These boundaries provided the company several opportunities to nimble measures in order not to be severely impacted in case a crisis might erupt. When a crisis emerges, relationships are affected; thus, a business should strive to ensure that all policies underpinning its systems and operations are fairly, correctly and effectively implemented in order to avoid severe business disruption. It is also important to consider the integrity of its managers, board, shareholders and all the stakeholders in carrying crisis management.

3. MEASUREMENT OF OUTCOMES

Like any other management system, the measure of efficiency of the programs is define according to the statistics of its monitoring activities. Below statistics benchmark the performances of the Corporate Governance in Labor and Occupational Health and Safety.

Table 1.0 Employee Demographics 2019



Attrition rate is at 7% turnover for 2019 (to date).

Saudization Rate is at 36% from the required 30%.

Table 2.0 Incident Rate: (Total Number of Injuries/Illnesses X 200,000 / No. of Hrs. All Employees)

Incident Rate	Year		
	2019	2020	2021
Saudi	0		
Expat	0		
Women	0		



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