

United Nations Global Compact

Communication On Progress (COP) – 2021
Corporate Social Responsibility

Al Naghi Company, Saudi Arabia

Introduction:

The world's got hit unprecedentedly by COVID-19 since 2019 and everybody is still working their way to thrive and survive from its catastrophic effects. Few large corporations have suffered at their worst, many businesses went collapsed, the majority of which were from small to medium enterprises. The whole cost of the situation made us think of the relevance of the UNGCs 17 SDGs (Sustainable Developmental Goals) which provides us benchmarks of controls and contingencies as we navigate our way out from this pandemic. We joined our efforts with the rest of the businesses around the world to heed the call of UNGC's SDGs. We renew our commitments to UNGC's 17 SDGs and are hopeful to attract more businesses and leaders across the continents to participate and adopt the same principles of business responsibility and investment. Of the many pressing issues the world is facing; Covid-19 pandemic, climate change, civil, food security, education, hunger, among others, we hope to respond by at least defining our stand in becoming a part of a long-term solution together with the business communities who share the same principles and advocacy in sustainability. We share the same sentiments from the 17 SDGs and are currently developing platforms focusing on SDGs 3, 13, and 16 for the organization's business activities. The organization believed that there is still more work to be done to encourage participation and commitment from the business communities to make each SDG a realization.

This **Communication On Progress (COP)** is made possible to communicate the efforts of the organization in the development and fulfillment of its sustainability platform.



Nonetheless, the enforced policies and working management systems of the organization are making most of the work in providing the business operation with controls and dynamics, in aid of its development and sustainability framework.

Al Naghi as a Company

Al Naghi Company has been an important name in the trading business since its establishment. Its strategic **17 locations** across the Kingdom of Saudi Arabia have an optimum impact on distribution, most especially during this pandemic.



Whilst we commit uncompromised quality in distributing the products being entrusted to us, we also make sure that our people are secured and assured of their protection from the breakout.

Our local presence is sustained and is constantly innovating to adapt to the change in business plethora and dynamics. Some of the notable innovations in the organization are; **1. Establishment of**

management systems following ISO standards, 2. Strengthening Information Security and development of JAVA (in-house) sales and after-sales application, 3. Enhanced physical facility security and contingency framework, 4. Stringent Anti-Bribery and Anti-Corruption platform including Conflict of Interest and Gifts policies, among others. These innovations were made known because we encourage an employee engagement culture which we believed to have contributed to a seamless business operation across the organization.

The current pandemic situation tested the resiliency of the organization in its strategic approach to meet the demands of the community's uncompromising governmental health protocols while sustaining delivery efficiency. **It was our timely opportunity to be part of the Interim Working Group (IWG) of UNGC – Local Network in Saudi Arabia** which was recently launched. The UNGCs sustainable development goals (SDG) sets the organization's strategic focus from the 17 defined pressing global issues aligned to the activities of the business. We started committing to UNGC in 2018 and have been diligent in re-assuring the initiative of our full support and active participation in its sustainability drive. More so, the opportunity has helped the organization in developing business solutions and/or preventive actions following its risk-based approach of its management systems – Quality, Occupational Health and Safety, IT, Product Security, and Corporate Social Responsibility, among others -

Al Naghi Company has identified its commitment to upholding the pillars of Corporate Social Responsibility and establishing the focus of the SDGs, aligned to its business activities providing huge impact in the surrounding communities while traversing its sustainable development goal with the rest of the participating business alliances across the

continents. Climate Change (SDG 13) has been the talk of many initiatives and is the highlight of the recently concluded SDG Business Forum of the UNGC. Al Naghi Company is open to the possibility of adopting a clean and renewable energy source and reduction of carbon footprint in its business operations. Environmental aspects may not be dominant in the organization's business activities, however, our policies and standards are designed to include environmental benchmarks since we are developing an integrated management system of Quality, Health and Safety, and the Environment. The current circumstance helps the organization understand the importance of tidying up our sustainability goals and determine the fulfillment of these goals through either globally approved sustainability metrics or evaluation by an external party for transparent assessment.

The organization believed in the importance of employee engagement and that every voice must have an equal opportunity to be heard and be given attention. Its speak-up mechanism works together with its Non-Retaliation to assure the speaker of protection against reprisal making it an effective tool to suppress abusively and unethical business practices in the organization. This mechanism is also in response to the Vision 2030 of the kingdom's initiative of the Anti-Bribery and Anti-Corruption. We make it possible and stringent by ensuring continuous sessions of awareness at least annually across the 17 locations of the organization's business reach apart from the business partner's compliance requirements.

Al Naghi Company; Business Code of Conduct

The Company's culture and values are reflections of the management's commitment to a sustainable business and corporate governance. Despite being diverse in its business portfolio, the transparent characteristic of the organization has opened several potentials of

development whilst being adaptive to the cultures of its business partners. Considering the aggressive market dynamics globally, Al Naghi Company nevertheless emerges as an organization with well-founded attributes of the reputation such as; **equality and inclusivity, custodian of human rights, environmentally nurturing, pacifist, business fairness, and transparency, among others.** The evolving concept of sustainability in business became one of the organization's strategic approaches in catalyzing a holistic business model. The company's active engagement in either regulatory or legislative requirements are manifested through continual commitments such as;

1. commitment to take care of its men and women whose efforts are unprecedented by providing the people with assured security, equal opportunity, fair compensation and benefits, dignified working conditions, and a clean and risk-free environment. The business philosophy of the company is to provide its employee with competent pro-people management, opportunities for career development, and an atmosphere to speak up without any fear of retaliation. Moreover, it shall not deny any help it could give to its people in sustaining their responsibilities as individuals or to their families.
2. commitment to take care of the environment and the community from where it has established its presence by reminding its employees to respect the citizens in the community, understand the culture and practices of the business, and compliance with the country's legal duties and responsibilities including fair taxation. Al Naghi Company shall continually participate in activities protecting the environment and natural resources despite the passion for progress and development.
3. commitment to protect the interest of the company and the stakeholders it has sought business dealings with by protecting our

stakeholders trading secrets and other business' information, innovation in business platforms as a necessity, and delivering the quality promise to its stakeholders starting from the receipt of goods and up to distribution, i.e. to ensure that the storage facilities are equipped with standard types of machinery and tools, enough room for storage and most importantly is following approved procedures enforcing works within an acceptable limit to zero deviations in quality.

4. commitment to continual improvement and development of the organization's policies and procedures through audit compliances but not limited to; internal audit, external audit, client-initiated audits, and/or certification audit, e.g. ISO, SAI, UKAS, etc.

This Business Code of Conduct, however, may not cover all occurrences but shall serve the purpose of presenting the organization's business platform as reference or as a gauge to all applicable measurement there is to verify in terms of performance and/or regulatory compliance, and is, therefore, may change at any time as the business requires.

The responsibilities termed for "employees" refer to all active employees of Al Naghi Company regardless of position and tenure. This Business Code of Conduct shall remind all employees of Al Naghi Company of their significance and participation in the establishment of the organization's commitment and reputational investment and are highly encouraged to act;

1. transparent and legally conscious;
2. consensus to the company's policies and procedures;
3. in priority of the company's interest rather than the individual.

The President's Statement



Al Naghi Co.

November 28th, 2021

Communication On Progress
(COP)

From: November 28, 2021 – November 28, 2022

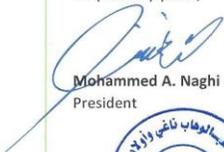
Statement of Continuous Support from the President of Al Naghi Company

To Our Stakeholders;

I am pleased to confirm that Al Naghi Company reaffirms its support to the Ten (10) Principles of the United Nations Global Compact in the dimensions 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 with our stakeholders using our primary channels of communication.

Respectfully yours,


Mohammed A. Naghi
President



United Nations Global Compact; SDGs



Of the 17 SDGs, **3**, **13**, and **16** are the organizations' focus. What impact do these SDGs are in business operation?

SDG 3: Good Health and Well-being

The good health and well-being of the employees in an organization are critical criteria of a sound and working business practice. It is important to understand that in an organization, “people” are considered to be the most important resource and its welfare must not be overlooked. We have showcased in our previous COP the organization’s initiative to invite mobile health diagnostics from a health care insurance at least once a year to accommodate the basic health tests of our employees. This initiative fulfills one of the four (4) commitments identified in the organization’s **Business Code of Conduct of the Corporate Social Responsibility Governance** is to take care of its men and women by providing assured security (employment and physical workplace), equal opportunity, fair compensation and benefits, a dignified working environment (free from any bullying and harassment), and a clean and risk-free environment. Assurance of a safe and secure working environment has to have standards and must be carried out through an external evaluator although monitoring and continual improvement is a drive that is performed internal to the organization.

How did Al Naghi Company respond to Covid-19?

The world has last conquered pandemic in 1918; dubbed as Spanish Flu caused by A(H1N1) virus which killed approximately 20-50 million lives, *WHO*. In today’s battle of a more aggressive Covid-19 influenza virus, has surprised the world with 4.55 million deaths with active 219 million cases as of today’s statistics. The role of Al Naghi Company in the community is vital in distributing pharmaceutical and consumer goods nationwide so that an efficient contingency effort in securing the welfare of its people is necessary. The organization has to take care of its pharmaceuticals and consumer goods deliverables serving the 17

strategic locations across the Kingdom of Saudi Arabia most safely and securely possible. Pre-vaccine condition is quite the challenge of the business operation, that is because, apart from the stringent health compliance enforced kingdom-wide, the skeletal workforce is one of the control measures of the organization as a preventive action in suppressing the spread of the virus.

We recognized the impact of the disease in business operations before it was declared a pandemic. Since its classification as a pandemic, we escalated precautionary measures across the business establishment of the organization providing the basic health PPE (face mask, sanitizers, gloves, etc.) and conduct awareness from the rolled literature of the virus authorized by the Ministry of Health of Saudi Arabia while everybody is navigating the characteristics of the virus and its means of transmission. We secure our warehouse locations and designated company accommodations by providing fumigations with approved H1N1 efficacy. We have identified an isolation room from each designated company accommodation, should an employee be seen with prevalent symptoms of contagion before escalating the case to the Ministry of Health. We have been cautious and diligent enough to observe and follow the Medical Outbreak Procedure of the Occupational Health and Safety Management System and advise to record Covid-19 circumstances including mortality and recovery. In case of an increased number of contagions and an isolation room is no longer feasible, the organization will secure a Ministry of Health-approved hotel isolation. We believe that apart from medical intervention to curb the severity and mortality rate, mental health plays a great role in boosting immunity and therefore survival.

The Occupational Health and Safety Management System – ISO 45001:2018 Certified – of the organization has enforced contingency measures that prioritize employee’s welfare circumventing obstacles without undermining business dynamics and its critical role in the community. We constantly monitor the status quo of our employees making sure that everyone is getting the right health information and guidelines from the government and the Ministry of Health, and to aid mental health more importantly.

The Occupational Health and Safety Management System of the organization had confirmed its 2nd surveillance compliant of the ISO 45001:2018 standards recently. Its unwavering commitment to secure the welfare and healthy working conditions of its employees, across its optimum reach within the Kingdom; physical, mental, and emotional state, remains stable.



CSR and Human Rights

AL NAGHI COMPANY believes in the importance of “equal opportunity”. We consider equality as part of our daily “mantra” i.e. without regard to an individual’s social status, age, disability, sex, culture, ethnic orientation, among others, **Business Ethics and Code of Conduct**. It has become one of the company’s driving cultures to success and forms part of the company’s CSR initiative.

A sound public policy is tantamount to a working environment that favors the security of its people as a priority. We take serious manifestations of inhumane practice like discrimination, bullying, and harassment, and under no circumstances do we delay actions and resolutions on classified complaints we received. Our human rights approach is at par with the principles of the International Human Rights framework set by the United Nations underpinning recognized moral values and reinforcing legal obligations in the realization that people should live with human dignity and can freely participate and contribute to civil, political, economic, social and cultural life there is.

We conformed and comply with the International Human Rights standards by imposing obligations of;

- Fair and non-discriminatory working environment
- Consultative, participatory, and empowering business affairs and conduct
- Transparent and accountable in our activities which may or may not contribute to the social, economic, or environmental adversary.
- Healthy and safe working environment with due observance and enforcement of approved occupational health and safety standards.

Our recognition of the importance of the rule of law in all of our business investments, emphasizes the importance of a transparent and well-

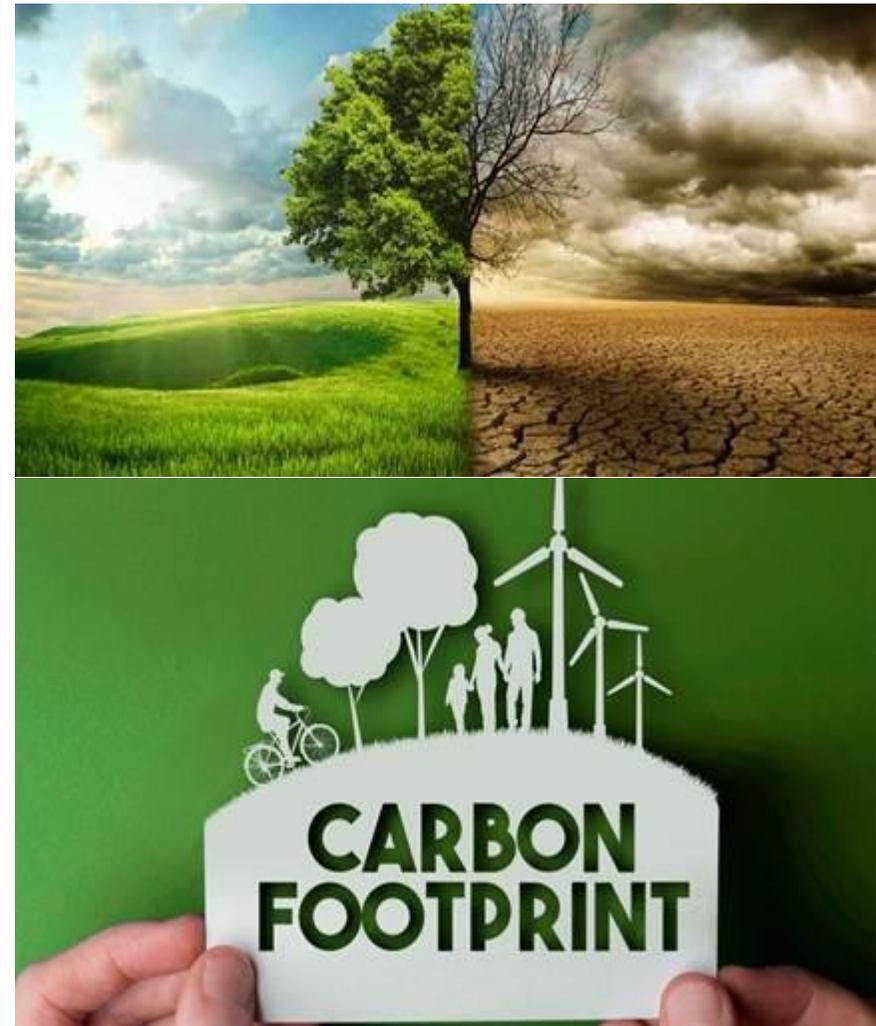
functioning business strategy implementation anchored in respect to human rights. We constantly evaluate our parameters in observing diligently demeanors that suggest human rights violations and impose corrective actions either disciplinary or additional awareness campaigns as preventive measures.

SDG 13: Climate Change

Although the business communities have understood the principle behind the maximization of clean and renewable energy, its effort to respond and to heed the call in utilizing the potential of these energy sources seemed debatable until now. Several researchers funded by organizations around the world have been discussing the effects of greenhouse gases and their relationship with global warming. These gases commonly come from manufacturing industries, burning coal, and other natural gases to produce heat and electricity, vehicle gas emissions, household aerosols, among others, and are producing billion tons of concentrations that are trapping the heat in the atmosphere and eventually warming the planet. Deforestation has been the activity of humans that speeds up this global warming phenomenon. Known dense forests are rapidly being toppled down to accommodate the concept of urbanization and development, undermining the silent contribution of the trees in providing a balanced ecosystem.

Al Naghi Company although not as manufacturing in nature, recognizes environmental aspects and acknowledges our role in the reduction of waste and gas emissions. This is manifested through **environmental policies and controls** across the business activities of the organization in the Kingdom of Saudi Arabia. Talks about carbon footprint reduction are one of the core strategies the management about environmental

aspects and affirming the commitment we have with the United Nations Global Compact.



CSR and the Environment

AL NAGHI COMPANY understands its accountability and responsibility to the environment. Although our projection of progress and development is unprecedented, the Company remains steadfast and focus on its environmental advocacy. We conform and implement environmentally approved standards and ensure a strong culture of environmental initiatives amongst our employees and business partners.

Our Environmental Policy along with Energy and Waste Management policies have landscaped our Corporate Social Responsibility (CSR) framework without compromising our promise of quality service to our People, Stakeholders, Suppliers, Business Partners. It evolves in a premise where environmental disclosure, environmental impact, and environmental performance weigh equal importance and contribution. The market dynamics have shifted its growth initiative incorporating environmental CSR framework to; **(1) time investment, (2) efficient product or process design, (3) energy efficiency, and (4) waste reduction.** These initiatives discussed opportunities particularly in;

- Building defined working relationships with the Community at the environmental level.
- Envision products and operational processes that are energy-efficient.
- Make use of marketing advertisement in promoting environmental awareness.
- Innovate progress without undermining commitment to protect and secure the environment for sustainable growth.
- Search and develop technologies that will aid waste management adversaries.

- Make use of an alternative clean and renewable energy to supplement processes.

Like most businesses in Saudi Arabia, we conform and comply with environmental laws. But above and beyond, CSR contemplates more than pure legal obligations set by laws and any environmental governing institution. It is more of a holistic commitment in doing business in the light of addressing risks that depletes the environmental resources and digresses from the common “business as usual” predicament. The initiative of integrating CSR in our business core will resonate with global awareness of the current environmental challenges that threaten sustainability.

A sustainable relationship has always been considered a key factor of success. A CSR-friendly image creates consumer impact and long-term loyalty from our stakeholders. Moreover, this will bring the market competition into a useful climate innovation and total strive for efficiency gains furthering strong sustainability of a business.

SDG 16: Peace, Justice and Strong Institutions



Equal opportunity and inclusivity. These are among the distinct established culture of the organization. We believed in the idea that employee consultations provide the avenue to manifest their voices in form of suggestions and/or opinions not limited to the policies and procedures of the organization only. The active management systems of the organization have adopted the ISO standards involving the participation and consultation of the employees in measuring the efficiency of the enforced programs, policies, and procedures. This is perceived as welcoming development in its aspiration to involve everyone in the process.

Its continual commitment to its corporate shared value defined the importance of its Corporate Social Responsibility framework. One of the observable characteristics of the organization's framework is

its conformance and compliance with the **International Human Rights** standards by imposing obligations of;

- Fair and non-discriminatory working environment
- Consultative, participatory, and empowering business affairs and conduct
- Transparent and accountable in our activities which may or may not contribute to the social, economic, or environmental adversary.
- Healthy and safe working environment with due observance and enforcement of approved occupational health and safety standards.

A strong institution can be described as an institution with no reputational and financial exposure. The literature on the number of bankruptcy being reported can be accounted for the abusive corruption practices manifested internally and/or externally in an organization. Its cancer-driven characteristics impede development and create a divisive culture amongst the employees in the organization.

One of the **Vision 2030** programs of the Kingdom is to eliminate practices of bribery and corruption. Aligned to our commitment to United Nations Global Compact's aspirations to combat bribery and corruption, we heed the call through stringent enforcement of policies and controls on bribery and corruption. The CSR compliance enables policies and programs like Conflict of Interest Policy, Speak-Up and Non-Retaliation Policy, training and awareness sessions across its branches (as scheduled), annual audits (internal/external) among others. At times, clients request to navigate the Anti-Bribery and Anti-Corruption framework of the organization through external audits, and feedback is communicated to address areas of opportunities aligned to its commitment for continual improvement and compliance to regulations and related standards.

Respect to Inclusivity

The diversity of culture and people working in AL NAGHI COMPANY is never an impediment to its success. It, on the other hand, has opened limitless potentials which provide an overwhelming synergistic effect in its business framework and to its business dynamics. One of the core values of the company is to provide our people with equal opportunity to speak and be heard. As a result, ideas and perspectives from our employees became our tool in identifying the gaps in the business and have allowed us to innovate our strategies bringing us into the market competition. Inclusion and collaboration are defined as essential values too of AL NAGHI COMPANY which promote growth and development.

Although diverse, we remain focused, flexible, and constantly adapting to changes in market dynamics. We consider our market as multicultural and diverse too. Hence, we continue to attract the right talents matching our requirements without regard to color, race, sexual orientation, religion, and cultural preference. Moreover, it will enhance the company's reputation as a business organization with a strong community engaging attribute. We continue to evolve as a responsible business organization to satisfy the market needs and to be part of everyone's success including the community from where our presence is visible.

CSR and Anti-Bribery and Anti-Corruption Measures

AL NAGHI COMPANY continuously establishes measures in monitoring the effectiveness of its campaign in identifying and preventing (first line resolution) bribery and corruption instances in all of its business activities. Its CSR mechanism enables the company to

establish standards advancing the interest to intensify awareness on bribery and corruption.

Bribery and Corruption issues can be extensive and could increase the vulnerability of the company's commitment of reputation and trust to its business partners. It challenges the company's measures on transparency which guarantees a certain degree of business fairness and parity. It may have been noted that several industries suffered severe consequences in violating internationally acknowledged bribery and corruption laws. Reputational risks and a hefty amount of penalty were amongst the hurtful consequences these industries have burdened.

Al Naghi Company understands the serious business implication in committing crimes of bribery and corruption. The company's recognition of the UN Global Compact in its "Fair Business Practice" principle against bribery and corruption has pinned the promise to secure our business relationships globally. The CSR mechanism of the company made sure that its presence is recognized across its business premises. It's periodic (at least annually) awareness sessions addressing the pillars of CSR including Anti-Bribery and Anti-Corruption as one of the many measures we take seriously into account, so that, our people (new and old) is in the loop of the latest corporate update in business and enforceable standards and procedures there is to adhere to. Each employee of Al Naghi Company has a definite responsibility to keep. Since the company believes in its culture and advocacies working to deliver welfare to its people and to the community where its presence is made known, it is expected that all enforceable policies and procedures are followed and practiced religiously.

Corporate Ethical Practice

In raising a complaint, it is important that our employee understands the definition between personal issues and ethical breaches. As much as we practiced zero-tolerance on Retaliation, we do not welcome the misunderstood idea of ethical versus unethical manner as it may be abused resulting in conflict. Hence, a successful information campaign of the company's Business Ethics and Code of Conduct is necessary. We seriously and discreetly resolve ethics complaints regardless of the gravity of the submitted complaint. We adhere to the principle of confidentiality to the fullest possible extent we could, to address each of the involved party's justifications.

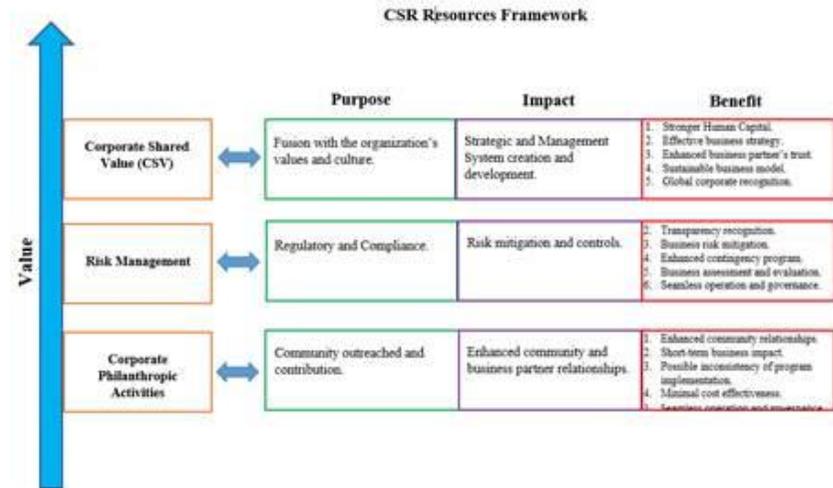
Test Kit in Pre-Validating your Complaint

- Is it personal or legal?
- Do we have policies to back the complaint?
- Does it affect our values and culture?
- Does it protect the interest of our client's/business partners?
- Will it present a negative impact on the business and the community?
- Is it hurting the business philosophy of the company?

Corporate Shared Value; Al Naghi Company's Corporate Social Responsibility Mantra

The business portfolio of the company demands working principles with distinct qualities which set the company ahead of the competition. What is the company's business philosophy to begin with? Oftentimes, a business philosophy is referred to as the company's vision and/or

mission statement. A good business philosophy outlines the overall purpose of the business, synergic to its goals and mission statement. For instance, below are **AL NAGHI COMPANY's** Vision, Mission, and Value Statement which upholds the corporate shared values of integrity, respect, equality, and inclusivity;



Vision Statement

1. **AL NAGHI COMPANY** aims to be the preferred distributor of multi-national companies in the Kingdom of Saudi Arabia by providing best-in-class quality and customer services.
2. **AL NAGHI COMPANY** aims to continue innovating services at-par-with if not exceeding the market's demands without undermining its best practices, culture, and community involvement.

Mission Statement

1. **AL NAGHI COMPANY** secures to business partners all the required resources without overlapping other business partners;
2. **AL NAGHI COMPANY** operates in full autonomy;
3. **AL NAGHI COMPANY** upholds the promise for effective and efficient service delivery;
4. **AL NAGHI COMPANY** operates with no Financial Exposure from Business Partners;
5. **AL NAGHI COMPANY** continuously operates a Healthy and Risk-Free business relationship with its business partners.
6. **AL NAGHI COMPANY** continually adopts the culture of a risk-free working environment.

Value Statement

1. **AL NAGHI COMPANY** secures its long-term business relationships and loyalty to its partners.
2. **AL NAGHI COMPANY** sustains its flexibility to market dynamics and business commitments.
3. **AL NAGHI COMPANY** continuously provides First and Best-in-Class services and facilities.
4. **AL NAGHI COMPANY** secures its uncompromising commitments to Ethical Business Practices attuned to its culture and that of its business partners.
5. **AL NAGHI COMPANY** continuously is in search of innovation; Adaptation to Market Dynamics; and, Readiness for future investments.

The idea of having a concrete business philosophy establishes the organization's development roadmap consistent and seamless. The business philosophy of the organization supports the improvement of its business models, strategies, methodologies, policies, and swaying the company from the idea of "blind-spot into factual thinking. The influence of CSR in the business philosophy of the organization amplified a long-term partnership with the most favored multinational businesses across the globe.

AL NAGHI COMPANY's CSR Statement

Corporate Social Responsibility (CSR) is **AL NAGHI COMPANY's** way of integrating Economic, Environmental, and Social objectives as well as to merit and address Stakeholders' prevalent expectations and/or aspirations not just in matters of development only but also sustainability and enhance Shareholder's value.

In a more detailed perspective, it means that **AL NAGHI COMPANY;**

1. Does not limit its business horizon to Quality and Reliability only but also extends it to value recognition for our customers and to the community where its business presence is recognized.
2. Is a company that operates and adheres to ethical business practices and delivers the same expectations to its Suppliers and Business Partners,
3. Embraces its advocacy of a green environment by seriously addressing environmental adversaries within all its business premises including the results of its activities.
4. Has a heart for the community and is willing to share by providing equal opportunity and labor compliant practices, abides by existing Saudi government laws concerning duties and taxes while actively supporting philanthropic missions and community involvement, and;

5. Does not practice selective opportunity amongst its employees. Respect and equal treatment are part of its cultural embodiment and resonate with the people in the community.

There is no “one-size-fits-all” method in pursuing a corporate social responsibility (CSR) system. Each organization has unique attributes and circumstances that will result in different impacts and appropriate management in its operational context (policies and procedures) and its definition for each responsibility. The company has considerably valued CSR proceedings through systematic implementation – in harmony with the company’s business philosophy (Vision and Mission Statement), and its sensitivity towards social and environmental issues.

The adoption of an appropriate assessment method is a bold commitment to a logical approach and implementation of the CSR principles. It will identify main risks and opportunities and culminate in a thorough gap analysis: where are the organization’s strong and weak points relative to internal goals and best practices? And how is the company addressing these gaps? The extracted essential information will determine priorities and selling points within and outside of the company’s premises.