



Welcome to the  
2014/2015

**Savola Group  
Sustainability  
Report.**

*This report is in accordance with Global Reporting Initiative (GRI) 4th Generation (G4) guidelines-CORE option and was submitted to GRI for the Materiality Disclosure service.*



مجموعة صافولا  
*The Savola Group*

[www.savola.com](http://www.savola.com)



*In the name of Allah  
the Most Gracious, the Most Merciful*

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CEO

# Abdullah Rehaimi

*I take pride in presenting this report on the achievements and accomplishments of the Savola operating companies within the reporting period 2014/2015. These milestones are not just remarkable events in Savola's journey but key phases in my journey since my appointment as CEO and Managing Director of the Savola group at the beginning of 2014.*



The essence of our sustainability approach is to add maximum value to the communities in which we operate, in addition to catering to our valuable stakeholder needs and to present our responsibility towards them through various channels.

Our stakeholders are not merely our customers. Our workforce is another stakeholder group, in addition to our business partners, suppliers and the community at large. For this reason, our activities are undergoing constant improvement in order to enhance their impact on people and the environment. We continue to allocate 1% of the group's annual net profits from core sectors for CSR activities and initiatives in support of our promise to lead and fulfill that responsibility with the highest ethical values.

That said, a few CSR programs were accomplished and initiated. One key highlight is the holistic food waste prevention and reduction program which aims to address excess food caused by households, HORECA, and at a national level, hence changing behaviour. This program is in cooperation with several partners including UNEP, WRAP and the Saudi Food Bank. Updates on this massive initiative and program will be provided

in our future reports. We continue to serve the community under the Savola bridges program. Achievements and accomplishments will be mentioned later on.

Becoming a responsible entity is a journey and along this journey are many challenges we must face and overcome in order to achieve our sustainability goals. Amidst the challenges faced by several organizations and companies within the period 2014/2015, we were successfully able to achieve the national goal of Saudization in addition to local talent empowerment.

**Our efforts are limitless towards that goal is especially given the difficulty to make the balance of quality and quantity.**

Other challenges were the availability of hard currency to purchase raw materials for Egypt operations. Additionally, the devaluation in currency exchange rates, the inflation that occurred in many

economies in the countries in which it operates, and the instability that some of these countries are experiencing were challenges. Overcoming these and achieving improvements on several levels and meeting shareholders and stakeholder needs requires determination and carefully developed steps and measures. Nelson Mandela once said "When people are determined, they can overcome anything".

I would like to thank my family at Savola who were able to make my transition and appointment as CEO and Managing Director a smooth learning phase in addition to my multi-faceted experience and background.

I hope you enjoy reading this report. I wish to thank our stakeholders for their valuable input and support of Savola endeavours.

Going forward, you can expect a deeper integration of impactful and sustainable initiatives in our business operations, providing an added value to our stakeholders and giving back to the community at large.



G4-3, G4-4, G4-5 & G4-7  
About The Savola Group

## About the Savola group:

**The Savola group was established as a joint stock company in 1979 with the objective of manufacturing and marketing edible oil and vegetable ghee in Saudi Arabia. It is now one of the most successful and fastest growing conglomerates in the MENAT (Middle East, North Africa and Turkey) region.**

The group has a broad portfolio of activities which includes food and retail. Main activities in the food sector are the production and marketing of edible oils, vegetable ghee, sugar and pasta. The retail sector operates a chain of hypermarkets, supermarkets and convenience stores. Savola also has significant investments in leading Saudi public companies such as Almarai and Herfy, in addition to real

estate development companies such as Knowledge Economic City and Kinan Real Estate as well as holdings in private equity funds.

**G4-5, G4-6, G4-8, G4-17 Savola group's main sectors, subsidiaries, activities and countries of incorporation:**

## Food Sector

Company name	Country of incorporation	Core activities	Country presence	Ownership direct % and indirect %	Capital Nominal Value
Savola Foods Company	KSA	Foods (edible oils, ghee, sugar and pasta)	Holding company manages the investment in food sector in KSA and overseas	100%	2.2 billion SAR
Afia international Company	KSA	Edible oils and ghee	KSA, Gulf, Egypt, Iran, Turkey, Jordan	95.19%	500 million SAR
United Sugar Company	KSA	Sugars and sweeteners	KSA, Egypt	74.48%	395 million SAR
Savola Foods Emerging Company	British Virgin islands	Holding Company	Algeria, Sudan, Morocco	95.43%	130 million SAR



### Investment sector not managed by the group



### Retail Sector







### Scale of Savola group:

This report covers achievements, performance measures and activities of Savola's Operating Companies within the Kingdom including Panda, United Sugar Company or USC, Afia and finally the group's Headquarters - HQ. The sale of the Plastics sector is due to the Savola group management's strategic decision to focus on the food and retail sector. This is the same reason as the choice of operating companies (within the Kingdom) to be covered within the group's GRI reports.

2015	Total workforce	2014	Total workforce
Retail Sector (Panda)	25,247	Retail Sector (Panda)	21,349
Food Sector (Afia and USC)	1,133	Food Sector (Afia and USC)	1,124
Headquarters	68	Headquarters	73

### Total number of employees:

The table below is a snapshot of the Savola group workforce during the reporting period. A figure for employees per operating company and at headquarters is provided.

## Gender categorization

	2015	2014
Food Sector (Afia and USC)	Males: 1,133	Males: 1,124
Panda	Females: 735 Males: 24,512	Females: 569 Males: 20,780
HQ	Females: 10 Males: 58	Females: 12 Males: 61

## Employment Category

2015	Afia	Panda	USC	HQ
Management	127	1,852	104	51
Staff	591	23,395	311	17
Total	718	25,247	415	68

2014	Afia	Panda	USC	HQ
Management	104	1,610	98	54
Staff	588	19,739	334	19
Total	692	21,349	432	73

## Contract type

2015	Afia	Panda	USC	HQ
Savola Employees	718	24,772	415	68
Contractors	0	475	0	0
Total	718	25,247	415	68

2014	Afia	Panda	USC	HQ
Savola Employees	692	21,008	432	73
Contractors	0	341	0	0
Total	692	21,349	432	73

## G4-13, G4-23 Significant changes

The following are the major organizational changes that have taken place in Savola during the reporting period:

1. Engineer Abdullah Rehaimi's appointment as group MD and CEO, replacing Dr. Abdulraouf Mannaa.
2. Savola is no longer investing in the plastics sector as from the first quarter of 2015.

3. The Savola group moved the Group's Headquarters to the Savola tower: In November 2015, Savola moved its HQ and subsidiaries' headquarters in Jeddah from the Saudi Business Center to the Savola Tower at Headquarters Business Park. Surplus space in the tower will be an investment for the Group through leasing to other parties.

4. The Savola EGM approved the appointment of Mr. Omar Al Faris as Savola Group Board Member at its meeting held on 19 April 2016.

## G4-24, G4-25, G4-26, G4-27 Stakeholder groups, basis for selection of stakeholders, approaches to engagement, and key topics raised by stakeholders.

Our approach to stakeholder engagement is ongoing – we survey our employees and customers frequently and at least annually and aim to maintain a balance among all our stakeholder engagements. The basis for selection of stakeholders is the influence/ interest matrix

but is also driven by management judgment based on the overall business strategy and any recurring issues that need to be addressed as priority.

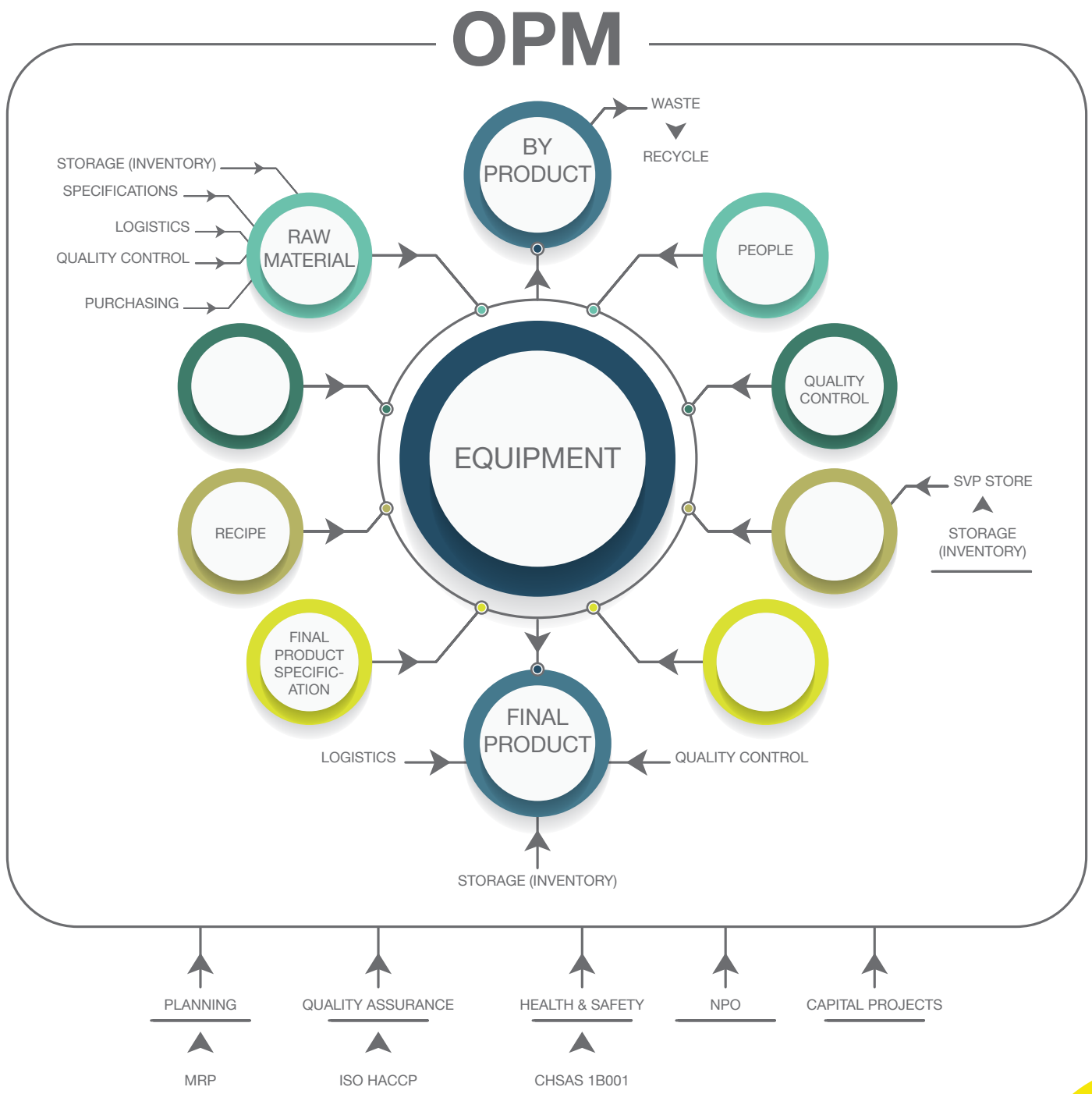
Stakeholder Group	Frequency of Engagement	Engaged as part of Reporting Process?	Concerns Raised	Addressed in this report?
Employees	Annually	Yes	Job security Fair compensation and benefits Opportunities to develop	Yes
Customers	Bi-annually	Yes	Fair Prices Ethical business conduct	Yes
Suppliers	Ongoing as part of operations	No	Transparent bidding process Smooth invoicing and payment process	No
OpCo Management	Quarterly	Yes	Clear CSR guidelines from the HQ CSR champions assigned across all functions	No. Tackled through a robust internal reporting mechanism
Local Non- Profits	2-3 times a year	No	Support of local causes	Yes
Regulators	Ongoing as part of operations	No	Compliance Local employment opportunities	Yes
Shareholders	Annually	No	Positive ROI Reputation management Risk management	Yes
BOD	Quarterly	Yes	Positive ROI Reputation management Risk management	Yes

## G4-12 Supply chain:

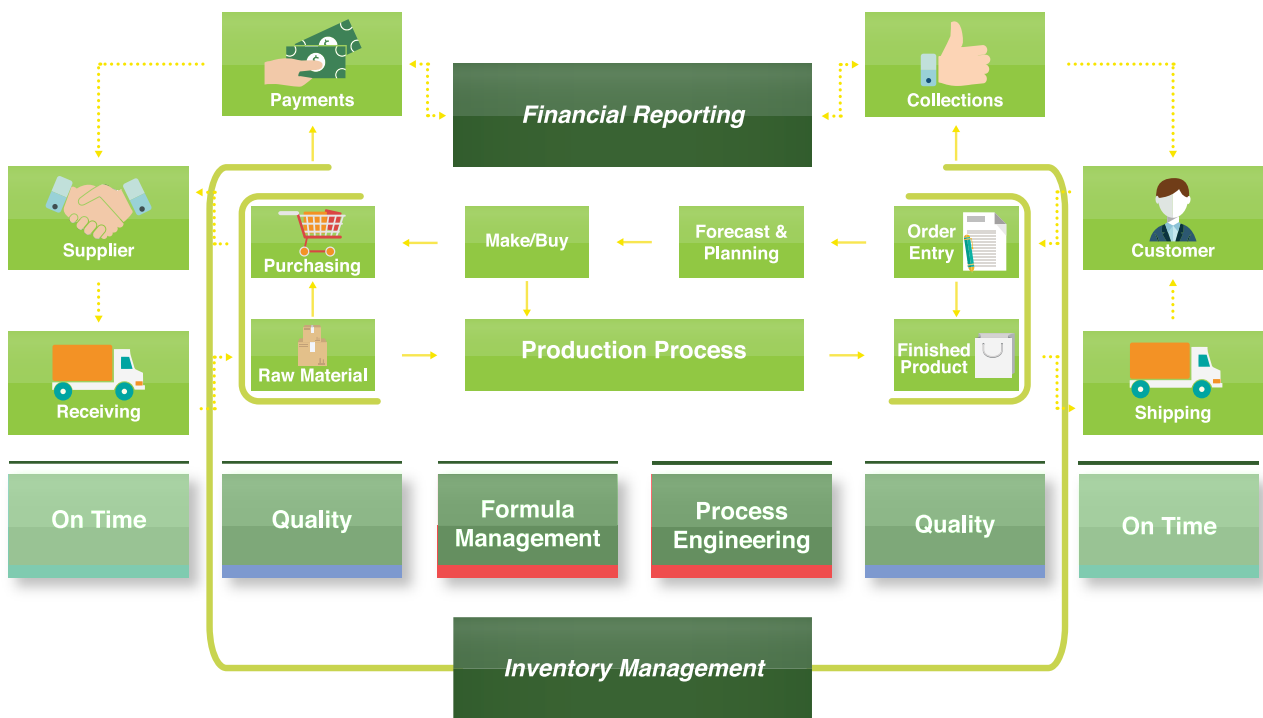
Our entire supply chain is designed to ensure that our customers receive the right products in the right quantity, of the right quality and at the right time. Our supplies are mostly local purchases from within Saudi Arabia, with some retail supplies imported from countries all over the world. Suppliers go through rigorous screening criteria before achieving Savola supplier status.

Below is a list of selection criteria:

- 1) Financial standing (evaluating balance sheet / P&L statements)
- 2) Quality (testing samples of the product)
- 3) Background of the company (how many years in business, trade references, size of their business, assets, number of employees, etc.)
- 4) Lead time (how soon the supplier can supply the goods).
- 5) Price
- 6) Commercial terms (like payment terms).



## Financial Reporting:





# Investments & Investors

## Financial performance:

In 2014, the group delivered a record net profit of 2.07 billion SAR, which is 21.7% higher than in 2013. Gross profit amounted to 4.86 billion SAR, an increase of 1.9% compared to the previous year. Net income (before capital gain and exceptional items) reached 1.93 billion SAR, 23% higher than in 2013 and 7.2% higher than the forecast published on the Saudi stock exchange (Tadawul) website in January 2014.

In 2015, net income amounted to 1.79 billion SAR, a drop of 13.5% compared to in 2014.

**Gross profit reached 5.1 billion SAR which increased by 5% compared to the previous year.**

Net income before capital gains and exceptional items amounted to 1.5 billion SAR, 22% lower than in 2014 and 8% lower than the revised forecast of 1.63 billion SAR announced by the company on the Saudi Stock Exchange (Tadawul). The decrease in the 2015 group profit is mainly due to a lower share of profit from one of the associate companies and the sale of the plastic sector in the first quarter of 2015. This is despite recording the insurance claim settlement for the fire in the raw sugar warehouse in 2013,

gain on sale of land, no impairment in non-core investment, lower financial charges, zakat and income tax and minority share income.

The company's expansion strategy in 2015 included continuous growth in sales volume by increasing the number of outlets and enhancing its leadership in the retail sector. The company is also pursuing achieving savings from economies of scale to enhance profit margins and provide better value for customers.

## Dividend Policy:

Based on Article 43 of the Savola Group's Articles of Association, the dividend distribution policy is characterized as follows:

1. Allocating 10% of net profits to establish statutory reserves. The General Assembly is authorized to maintain this allocation until the reserve is equal to half the Group's capital.
2. Of the remaining net profits, a first payment at 5.0% of paid-up capital is distributed to shareholders.
3. 7.5% of the balance is allocated as remuneration for members of the Board of Directors.
4. The balance could then be distributed to shareholders as additional dividends.

In line with this policy and based on the Board of Directors' recommendations, the Group distributes quarterly cash dividends

in the range of 50% to 60% of net profit achieved during each financial year. However this may be affected by the potential reduction in consumer spending in 2016.

## Dividend distribution of the reporting period:

The Savola group continued its declared policy of distributing quarterly cash dividends. The Board of Directors recommends the declaration and payment of quarterly dividends for 2015 being ratified by the shareholders' 2015 general assembly.

## 2015

Period	Total (million SAR)	Dividends per share (SAR)	Notes
1st quarter 2015	266.99	0.5	Already distributed
2nd quarter 2015	266.99	0.5	Already distributed
3rd quarter 2015	266.99	0.5	Already distributed
4th quarter 2015	266.99	0.5	Already distributed
Total	1067.96	2.00	

## 2014

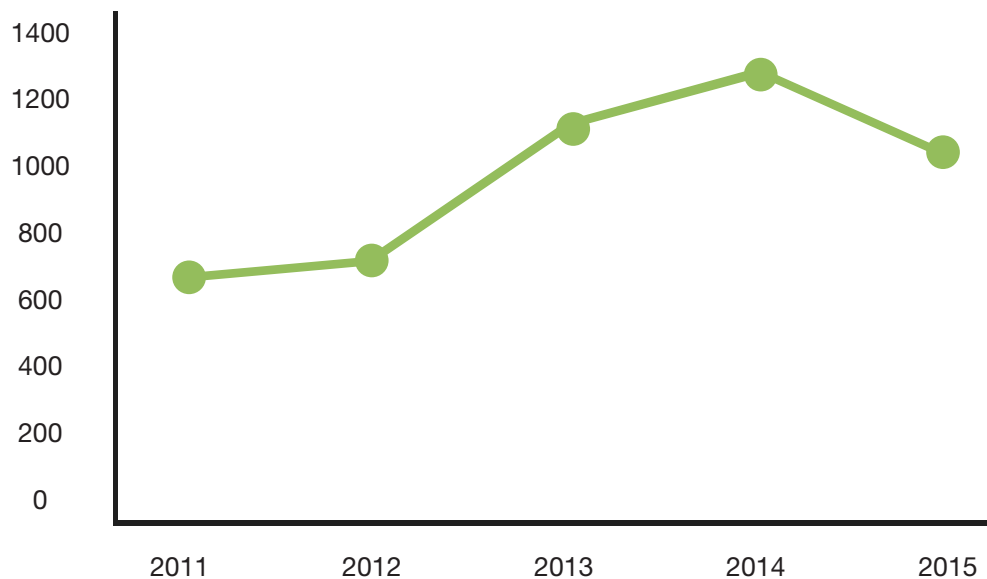
Period	Total (million SAR)	Dividends per share (SAR)	Notes
1st quarter 2014	266.99	0.5	Already distributed
2nd quarter 2014	266.99	0.5	Already distributed
3rd quarter 2014	400.48	0.75*	Already distributed
4th quarter 2014	266.99	0.5	Already distributed
Total	1,201.45	2.25	

### \*Note:

Group CEO and Managing Director announced that the Savola Group Board of Directors, has approved on 23/10/2014, the distribution of SAR 400.48 Million, (i.e. SAR 0.75 per share) as dividends for the 3rd quarter of 2014, which represents 7.5% of the company's nominal share value, out of which SAR 266.99 million as quarterly dividends (SAR 0.50 per share) and SAR 133.49 million as exceptional dividends (SAR 0.25 per share) for the same quarter, this is due to the outstanding performance and the capital gain achieved during this quarter. Therefore, the dividends distributed to shareholders during the 1st, & 2nd quarters and the proposed dividend to be distributed for the 3rd quarter of the fiscal year of 2014 will reach SAR 934.46 million (i.e. SAR 1.75 per share), which represents 17.5 % of the company's nominal share value.



## Dividends Paid:



### G4-14 Precautionary approach:

The Savola group as a whole, and especially the manufacturing facilities, adopt the precautionary approach in all decisions. We take a proactive approach to risk management with regard to climate change and environmental impact and perform regular reviews of risks in our operations and supply chain.

### G4-15 External charters:

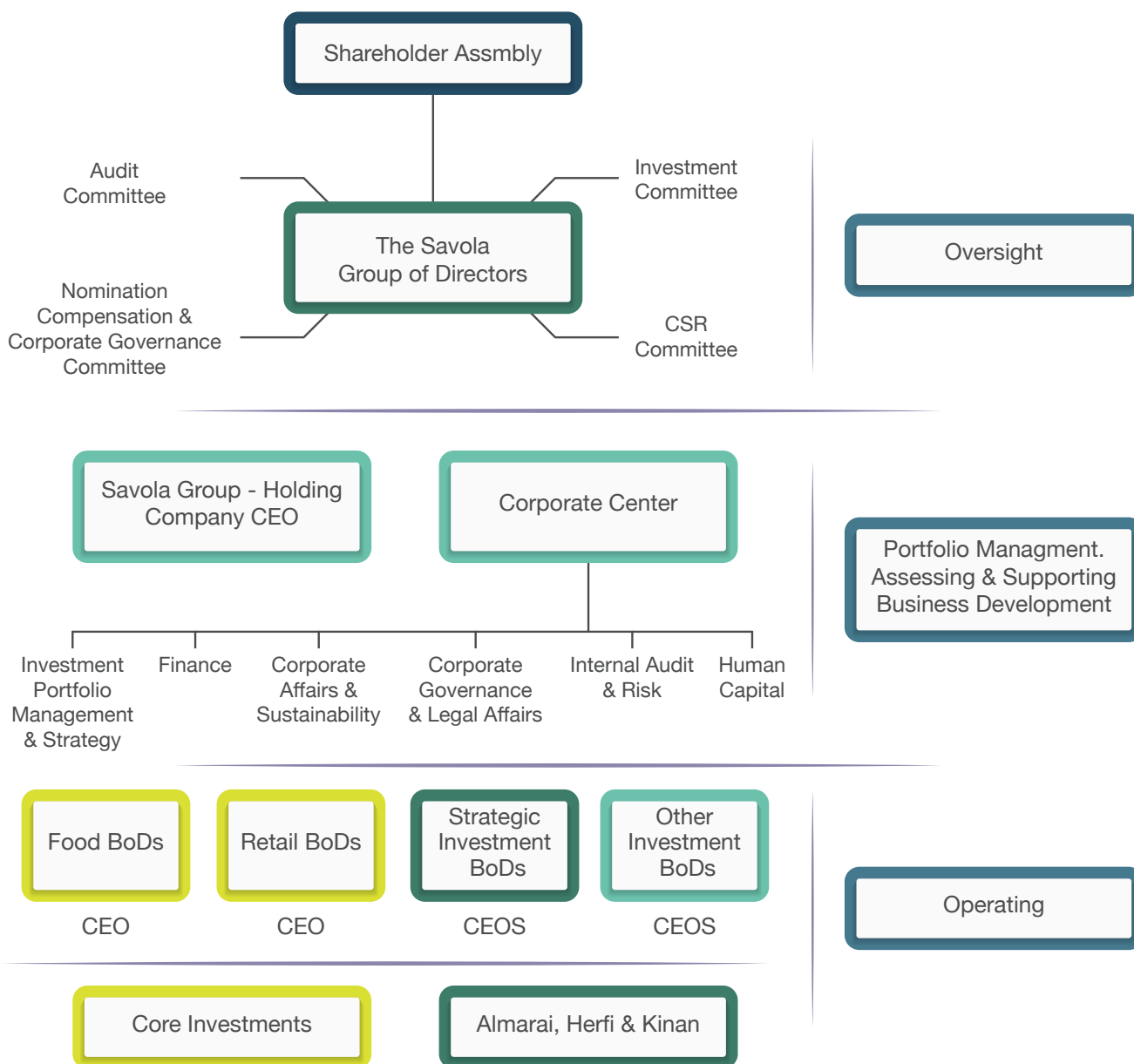
External charters to which the organization endorses include:

1. The Global Reporting Initiative (GRI) framework for Sustainability Reporting.
2. Ministry of Labour: labour law charters and principles.
3. The Saudi Standards, Metrology and Quality Organization (SASO)
4. Panda was selected from the retail sector to work with the Advisory Council on the development of the Human Resources Development Fund.
5. The Savola group has been working intensively since the decision to convert current statutory financial statements from the Generally Accepted Accounting Principles in Saudi Arabia (Saudi GAAP) to International Financial Reporting Standards (IFRS). Hence the group will be ready to publish its financial statements quarterly and annually according to IFRS as of January 2017.

### G4-16 Membership of Associations:

1. Business disability network (Qaderoon)
2. Saudi Standards, Metrology and Quality Organization (SASO)
3. Arab Center for Nutrition (ACNU)
4. American Oil Chemists Society (AOCS)
5. Chamber of Commerce
6. Gulf Petrochemical and Chemical Association (GPCA)

## G4-34 Governance structure



Being a Saudi company, and with the national direction to enhance Saudization in the work force, it is not practically possible to have a diversified governance structure. Therefore all members of the governance bodies are males and Saudis. We do have a direction to include more women in our governance structure and the CSR committee has one female member. Savola's strategic direction is to grant more autonomy to the Group's operating companies in order to run and manage their own businesses. The CEOs and boards of subsidiaries are given the independence to

manage and take decisions for their company. Each operating company reports directly to its operating company chairman. Each company is able to define and execute its strategy within the financial budget stipulated by the group. On the other hand, this gives the Group the opportunity to focus more on the overall strategy for the group and eventually meet stakeholders' needs and their expectations. The Savola Group Board of Directors manages the operations of the group. The group's Articles of Association state that the Board

of Directors should consist of 11 members. All board members are non-executive except for the Group's Managing Director and CEO Eng. Abdullah Rehami. Board members have various specialties that maintain shareholders' rights, ensure transparency and bear responsibility. Specialization/ qualifications include industry-related expertise, administrative tasks, strategic planning, accounting, legal, marketing, corporate governance, human resources, risk management, and finally experience in mergers and acquisitions.

#### **G4-11 Collective bargaining:**

None of the employees is covered by collective bargaining agreements because Saudi Arabia as a whole does not recognize ILO conventions 135 ,98 ,87, and 154.

We do, however, ensure that our employment contracts do not compel employees to stay with us against their will.

#### **Appointment of the Board of Directors considerations:**

1. Member achievements in light of responsibilities and duties.
2. An awareness and understanding of the goals, plans, operating and financial policies of Savola, etc.
3. An understanding of Savola and its businesses status in comparison with its competitors.
4. A thorough understanding of Savola's policies, at the same time adhering to maintaining the confidentiality of information to protect shareholders' interests and Savola.

#### **Selection criteria for Board members:**

Generally, a board member should be a knowledgeable, experienced professional with a pool of general and specific skills related to the organization's main activities. Members of the board should be committed to board principles including honesty and loyalty. At the same time, he or should put the company's interests first in order to achieve principles of sound

#### **Financial assistance received from the government (Human Resource Development –HRDF fund):**

Afia: 450,000 SR

USC: 300,000 SR

Panda: 20,130,666 SR

Financial assistance received from the government for Panda was 20,130,666 SR, while for the other operating companies it did not exceed 500 thousand SR for the year 2015. This is due to the huge amount of recruitment in Panda compared to other business units which is the nature of the retail sector.

#### **Qualifications required for the position of a nominated board member:**

Nominee qualifications for Savola group membership include:

1. Should not have been convicted of a crime prejudicial to honour and honesty.
2. Should be a shareholder in the group, owning not less than 1000 shares.
3. Should not be a board member in more than 5 publically-listed joint stock companies at one time including the Savola group.
4. Should have sufficient time for effective participation and contribution to board responsibilities and tasks.

governance.

In addition to that mentioned above, the following are other qualifications or characteristics of a board member candidate:

1. Taking sensible resolutions in line with Savola's values and ethics.
2. Having a generally good reputation as mentioned above.
3. Allocating time and effort as required for Savola's interests and

5. Should disclose all information related to his/her participation in all companies and corporate holdings. This is specifically essential for companies which carry out similar or competing activities.
6. Should submit applications for nomination to the BOD, CV, qualifications and diplomas or documents, along with a sheet highlighting Board meetings in any joint stock companies in which membership is still ongoing. This is in adherence with Ministry of Commerce requirements for membership.

demands.

4. Having appropriate experience relevant to the responsibilities of a board member.
5. Willing to accept an extended term of office if required.



## Savola CSR highlights

## Savola CSR highlights:

### Recruitment of people with disabilities:

The initiative, Makeen, was established to employ people with disabilities in appropriate jobs, whether in the group's operating companies or in the private sector and then provide them with On-the-Job Training (OJT).

In 2014, a total of 145 PWDs were employed and trained within the group and other entities within the private sector. In 2015, a total of 200 PWDs were employed and trained, bringing the total number of people trained and employed since inception to 790.

### Mentor and buddy program:

A new batch of Savola employees from various business units was sent abroad on October 2014 for Mentor and Buddy training. The training was conducted by international specialists for the purpose of qualifying them to become certified trainers. A total of 10 employees were provided with the Mentor and Buddy Program training in 2014. The program has undergone a review and updates; hence employees will undergo an updated training program in 2016.

The training course is dedicated to offering information, tips, techniques, and practical exercises on dealing with people with disabilities.

The roles of mentor and buddy were clearly identified and key accountabilities were precisely introduced.

In 2014, the Savola group represented by the Afia International Company received top rank in the first phase of the evaluation (Disability Confidence Index Application) conducted by the business and disability network (Qaderoon). In 2015 Afia and Panda

were evaluated and certified. USC has taken the induction program and currently it is under evaluation.

The Savola group won the Global Leadership Award in CSR during the World CSR Day International Conference held in February 2014 in Mumbai, India. Companies from more than 456 countries participated in this event.

### Integrity and Transparency award:

Among the achievements of the group in the fields of corporate governance and transparency was receipt of the "Integrity and Transparency Award" from the Integrity and Transparency Foundation (announced in early February 2016). In this competition, 31 Saudi establishments were nominated for the award's 2015 cycle. Savola was ranked first equal in Saudi Arabia alongside another listed company.

### Saudi Injaz entrepreneurs program:

Injaz is the world's largest non-profit organization dedicated to educating students and preparing them for the workplace.

Injaz Saudi Arabia is a member nation of Junior Achievements Worldwide. It runs hands-on programs in entrepreneurship, financial literacy and workforce readiness. These programs aim to prepare elementary, intermediate, high school and university students to deal with business demands by developing their personal and practical skills through a series of workshops conducted by professional and qualified trainers.

Injaz Saudi Arabia's mission is to prepare and inspire Saudi youth to

succeed in a global, knowledge-based economy, with a vision of delivering pioneering programs to 250,000 male and female students kingdom-wide by the year 2018. This is of course in partnership with the business community, ministries, educators and volunteers. The Savola group is one of the founding board members of the Saudi Injaz program and one of the largest supporters of its programs. A number of Savolans volunteered in Injaz's 5th campaigns in 2014, spending an average of 160 volunteer hours on training 336 students, while in 2015 no activity took place in this field because the Injaz program is under new strategy and development.

### Previous CSR reports:

Savola group issued its first GRI report following G4 guidelines last year. The report covered the periods 2012 and 2013. This was a great achievement locally and internationally, as it was the first food and retail company in the World to issue a G4 report accredited and checked by GRI for its materiality disclosures.

### Panda community activities:

Panda organized many community events on different occasions all over the Kingdom. Some of the events organized included:

1. Eid Al Fitr and Eid Al Hajj celebration with underprivileged families and orphans.
2. National and global awareness campaigns including civil defence world day, traffic week, tree week, the corona virus awareness campaign and an anti-drugs campaign.

In 2014, a total of 69 events were organized Kingdom wise. In addition to that, 19 school field trips were conducted in different Panda retail stores. While in 2015, a total of 87 events were organized Kingdom wise. In addition to that, 28 school trips were conducted in different Panda retail stores.

### Friend of the environment:

This is an initiative by Panda that caters for a specific cause each year. In 2014, the cause was conserving water resources. Panda signed a strategic partnership with the National Water Company to install water-conserving materials in Panda stores. So far this has been completed in 79 stores 32- stores in Riyadh and 47 stores in Jeddah. In 2015, monitoring and maintaining the process was conducted. Further environmental efforts by Panda in 2014 included consulting

some developed countries and taking advantage of their international expertise in preserving the environment and transferring this knowledge to Saudi Arabia. This will enhance environmental awareness and help reduce pollution, conserve natural resources and protect human health.

Furthermore, Panda implemented IT software that monitors printing procedures at the head office, aiming to control the amount of printed paper and hence reducing environmental impact.

Savola received the Golden Peacock award for excellence in corporate governance from the UK's institute of Directors. The award was presented at the 14th London global convention by Mrs. Theresa May, the then British Home Secretary.

### Leave the Change:

This program encourages Panda customers to donate the change remaining from their purchases at Panda stores. The initiative started in 2006 and by 2014 donations had exceeded 45 million SR. In 2014, donations amounted to 11.3 million SR, an increase of 11 per cent compared to 2013. In 2015, donations amounted to SR 10.7 million.

Funds are distributed to the Disabled Children's Association and the TRAHOM Association which cares for prisoners and their families.

### Panda Charity Caravan:

For the 14th year, Panda caravan assisted hundreds of families during Ramadan. Donations by Panda employees, stakeholders and suppliers amounted to 447,000 SR which were distributed in coordination with several charitable organizations. Panda Charity Caravan donations amounted to SR 545,000 in 2015.

### Be Healthy:

This campaign was launched in 2013 to raise awareness of better eating habits and a healthy lifestyle.

In 2014, Panda conducted a series of awareness campaigns tackling 133 healthy habits/tips using the campaign character Sahsooh. The tips were presented using several channels including social media networks, television and newspapers. Additionally, 40 healthy recipes were published on the Sahsooh website.

Within the same program, Panda launched the first phase of the Health Ambassadors Initiative. Awareness and educational sessions were conducted within a period of 4 weeks for more than 100 students from Dar Al-Thikr Boys' School and al Hamra Girls' School in Jeddah.

In 2015, Panda ran a series of campaigns targeting all society segments and family members, presenting 300 healthy tips on social media through a character called Sahsooh. An in-store program called 'Make Your Food Healthy' included live shows on how to cook healthy food, which took place in Jeddah, Riyadh, and Dammam over three weeks. Many Panda customers participated in the activities that included giveaways of books on healthy cooking and preparing of traditional meals as well as gifts.

Further health awareness initiatives are planned for 2016.

In continuation of its social responsibility towards the community, Panda stopped selling energy drinks in all of its retail stores in Saudi Arabia with the aim of raising awareness on their negative side effects.

## Summary of the healthy cooking show activity:

Location	Jeddah		
Date	27 - 28 Feb 2015		
Reach	Est. Reach	Plates Served	Booklets
Day 1	935	620	862
Day2	1330	650	1113
Total	2265	1270	1975

Location	Riyadh		
Date	5 - 6 Feb 2015		
Reach	Est. Reach	Plates Served	Booklets
Day 1	890	544	610
Day2	1057	589	440
Total	1947	1133	1050

Location	Dammam		
Date	12 - 13 Feb 2015		
Reach	Est. Reach	Plates Served	Booklets
Day 1	660	505	800
Day2	800	560	775
Total	1460	1065	1575

<b>Grand Total</b>	<b>5672</b>	<b>3468</b>	<b>4600</b>
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# Savola group committees



## Savola group committees:

The Savola Group Board has four sub-committees, with membership comprising Board Members, external independent experts and Savola senior executives. These committees have special charters, approved by the Group's Board, to govern their scope of work and related procedures. The committees are:



### 1- Audit & Risk Management Committee

The Group's Audit & Risk Management Committee consists of five non-executive members, most of whom are specialists in finance, accounting, auditing, and risk management. The Committee held five meetings during 2014 and five meetings during 2015 in order to enhance its role in assisting the Board of Directors to fulfill its oversight and responsibilities relating to monitoring the Group's external and internal audit activities to obtain reasonable assurance regarding the effectiveness of internal control procedures, the reliability of financial reports, and the soundness of risk management systems and other activities assigned to the Committee as included in the Committee charter. The Committees' main duties and responsibilities include the overview of the integrity of the Group's financial statements,

the appointment, remuneration, qualifications, independence and performance of the External Auditors and the integrity of the audit process as a whole, and to approve any activity beyond the scope of the audit work assigned to them during the performance of their duties.

The effectiveness of the systems of internal control and the adequacy of the risk management system, and the performance and leadership of the internal audit and risk management and audit function, investigates grievance and claims raised by stakeholders with the Group. This is in addition to identifying risks and managing them effectively by continuously formulating policies and plans to ensure their implementation as per best practice.

### 2- Compensation, Nominations & Committee (CNCG)

The committee consists of four non-executive members with significant experience in the Committee work field. The Committee held three meetings in 2014 and six meetings in year 2015. During these meetings the Committee carried out its responsibilities in the field of compensation, nominations, and corporate governance.

### 3- Investment Committee

The Investment Committee consists of five members, all non-executive except for the CEO and MD. The Committee held three meetings during 2014 and four meetings during 2015 to develop criteria, standards, and plans for the Group's investment activities and to define, study, and evaluate investment opportunities within the Group and core sectors in Saudi Arabia and overseas in line with the Group's defined strategy and then to recommend findings to the Group's Board of Directors.

### 4- Corporate Social Responsibility Committee

The CSR Committee consists of five members, each with relevant experience and most being non-executive. In fulfilling its roles and responsibilities, the Committee held two meetings in 2014 and three meetings during 2015 to review the Group's CSR programs and activate the Group's role in CSR through the adoption of CSR initiatives and programs, setting criteria and developing plans to serve the community.

### G28-4, G29-4, G30-4, G31-4, G33-4 About the report:

This is the third sustainability report for the Savola group, covering the period between January 1st 2014 and December 31st 2015. The previous report was launched in the first quarter of 2014 and covered a period of 24 months between January 1st 2012 and December 31st 2013.

In developing this report, we have considered input from our stakeholders gathered throughout the year in a wide range of interactions. This report has been prepared in accordance with the Global Reporting Initiative (GRI)

G4 guidelines core option, which we believe represents the most advanced sustainability reporting framework available today. The Global Reporting Initiative is a not-for-profit multi-stakeholder organization which acts to increase the level of business transparency through sustainability reporting among companies throughout the world.

As part of the Audit & Risk Management Committee's main roles and responsibilities, it recommended to the Board of Directors the reappointment of Price Waterhouse Cooper (PwC) as the Group's external auditors for the fiscal year 2015 for a fee of SAR 325,000 to review the quarterly accounts and audit the annual accounts of the Savola Group.

With the external auditors, the Committee reviews the Group's annual and quarterly financial statements, clarification notes, and the external auditors' independent report, to ensure that the accounting policies applied by the Group in the preparation of its financial statements are in accordance with the standards issued by the Saudi Organization for Certified Public Accountants.

This report has not been externally assured, as we feel we are still in the early stages of reporting. However, in developing information for this report, CSR consultants were involved in order to gain their professional insight. They reviewed our data, conducted workshops and provided several face-to-face interviews.

This report was submitted to the Global Reporting Initiative (GRI) Report Services for the GRI Materiality Disclosures service. This service verifies that the general standard disclosures G17-4 to G-4

27 were correctly located in both the GRI content index and the final text of the report.

## **G4-18 Process for defining materiality:**

Savola understands that every aspect of business has a social dimension. CSR means open and transparent business practices that are based on ethical values and respect for employees, communities and the environment. It aims to deliver sustainable value to society at large, as well as to shareholders. The overall aim for CSR is to add maximum value to the communities where it functions and to cater fully to the needs of its different stakeholders.

We followed a five-step approach to defining the material aspects relevant to the Savola Group. This approach was based on the GRI reporting principles of Materiality (the issues which have the greatest impact on our long-term business growth and which are of most importance to stakeholders), stakeholder inclusiveness (responding to stakeholder expectations and interests), sustainability context (presenting our performance in the wider context of sustainability issues) and completeness (inclusion of all the information which reflects significant economic impacts in order to enable stakeholders to assess our performance).

**Step One:** Understanding the material issues within the business through analysis of company documentation, and including corporate strategy. Moreover, quantitative and qualitative research was undertaken to understand the different expectations of Savola stakeholders, and in-depth interviews and surveys with government representatives, thought leaders, employees, community members and consumers.

**Step Two:** Scanning the external environment of Savola to understand the needs and issues that are material. This was achieved by conducting a Social SWOT analysis to identify the relevant strengths, weaknesses, opportunities and threats that impact Savola CSR. This was done taking into account the group's vision, mission and values. In addition, the group's focus strategy and the group's annual report were analyzed to ensure that the process is aligned with the business strategy. National development priorities were examined via the UNDP goals list and Ninth Development Plan. Regional social needs were understood through a Nielsen Survey.

**Step Three:** GRI, UNGC and ISO 26000 were referenced as a way to identify material issues relevant to Savola.

**Step Four:** Scanning sector-specific issues. We conducted a scan of possible CSR and sustainability issues relevant to companies in our sector. This was done by benchmarking against five regional, local and international companies within our sector.

**Step Five:** Prioritizing material issues. The above steps yielded a list of over 20 issues, which reflect the scope of CSR impacts on Savola and its stakeholders. These issues were then examined in the light of CSR drivers, stakeholder interests and business strategy with the support of the CSR committee. This resulted in a list of eight high priorities/ high impact issues that we consider most material to us. The material issues were divided into 4 quadrants and mapped in the light of G4 guidelines as below:

## **G19-4 A list of identified material issues:**

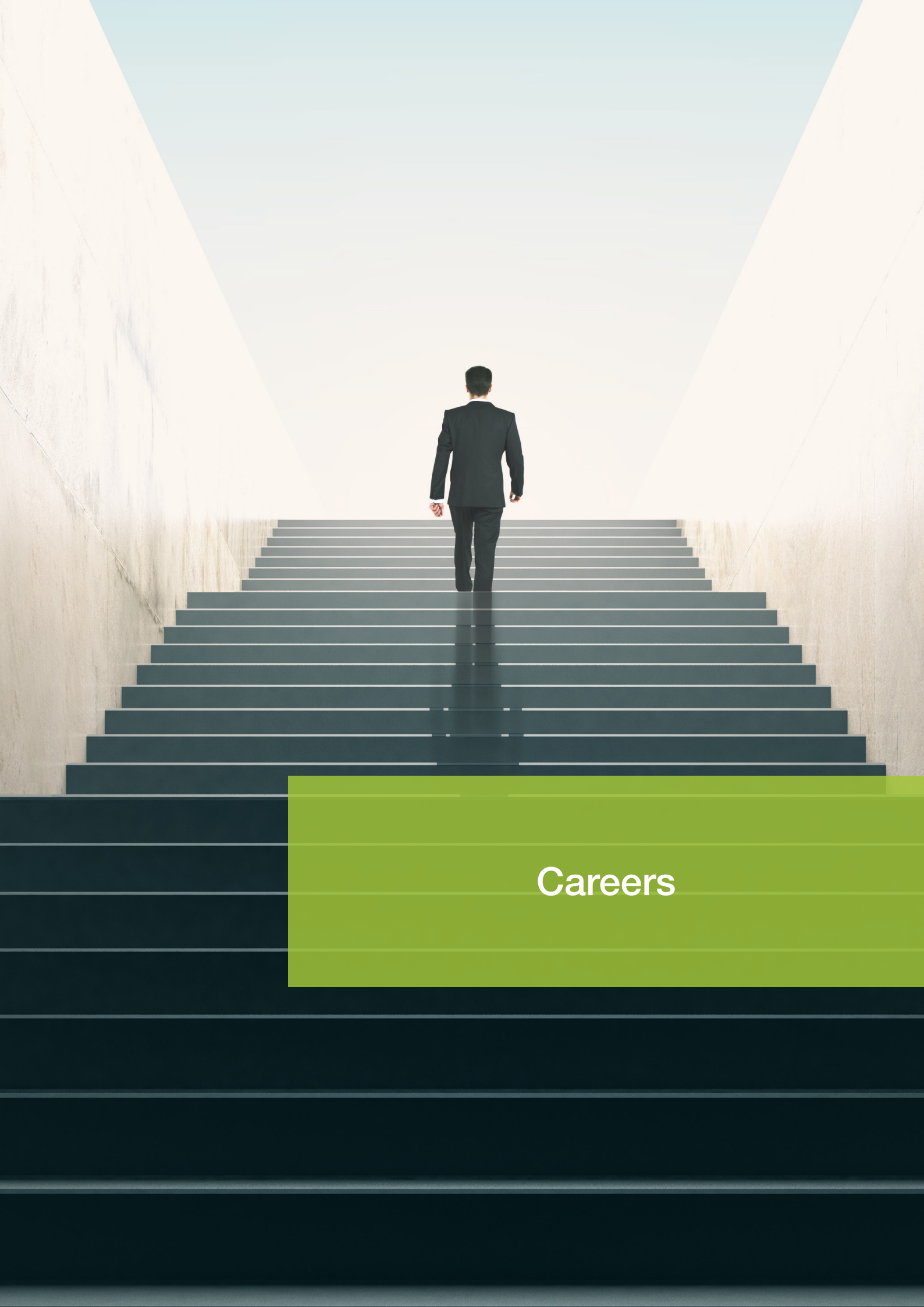
- Being the employer of choice
- Equal opportunity employer
- Maximizing talent potential
- Employment, training and education
- Diversity and equal opportunity
- Local economic empowerment
- Giving back to our community
- Market presence
- Procurement practices
- Local communities
- Compliance
- Anti-corruption
- Direct resource management
- Materials, energy, water
- Effluents & waste
- Fair & ethical business policies
- Customer first
- Customer health & safety
- Product & service labelling, compliance.

## G20-4, G21-4 Aspect boundaries internal and external

Savola Material Issue	G4 Category	G4 Material Aspect	Internally Material	Externally Material	Relevant outside Savola
Being the Employer of Choice	Social/Labour practices and decent work	Employment	✓		
Equal Opportunity Employer	Social/Labour practices and decent work	Diversity and Equal Opportunity	✓		
Maximizing Talent Potential	Social/Labour practices and decent work	Training and Education	✓		
Local Economic Empowerment	Economic Social /Society	Market Presence Procurement Practices Local communities	✓	✓	
Giving back to our community	Social/ Society	Local communities Compliance	✓	✓	This aspect impacts all Saudis. aiming to empower local communities through support and knowledge
Equal Opportunity Employer	Social/Labour practices and decent work	Diversity and Equal Opportunity	✓		This aspect impacts all Saudis. aiming to empower local communities through support and knowledge
Fair & ethical Business Policies	Social / Product Responsibility	Product & Services Labelling Compliance	✓	✓	This aspect impacts all customers. so that they can understand their choices better and get good value for money.
Customer First	Social/ Product Responsibility	Customer Health & Safety	✓	✓	This aspect impacts all customers. so that they continue to trust our product.

## G22-4 Restatements:

No information has been restated.



Careers

## **G56-4 Our ethics and values: Conscientiousness (Taqwa):**

Savola takes a structured approach in crafting its statement on ethics. Specifically, we recognize that as an organization and as individuals we engage in two types of interaction: one with external parties and one with ourselves. In all of these types of interaction lies a potential for differing value judgment and conflicting interests. A comprehensive statement on business ethics therefore needs to address these dimensions and prescribe the appropriate guide reaction for each. All our relationships and interactions are governed through the four ethics of Honesty (Amanah), Conscientiousness (Taqwa), Caring Justice (Birr), and Personal Control (Mujahadah).

### **Honesty (Amanah):**

Amanah is concerned with our responsibility towards those individuals or groups of individuals who have entrusted us with their investments. These are our shareholders, investors, joint venture partners and “Murabaha” bankers. Amanah stipulates that we always honour the trust others have placed in us. To achieve this, we adopt four basic behaviours:

- Always tell the truth no matter what situation we might find ourselves in or how beneficial, in the short-term, lying might seem to be. This way we will have nothing to hide, and transparency will become a natural byproduct of this behaviour.
- Always fulfill our promises and obligations.
- Always honour our pledges to others.
- Always commit to resolving conflicts with respect and objectivity.

The second ethic is Taqwa (Conscientiousness) - our responsibility to external parties, such as customers, suppliers, and the community at large. Taqwa represents the idea of being a good citizen in society, behaving fairly and honestly and with respect. It provides a moral ‘constraint’ on our activities.

Taqwa addresses issues of a more ambiguous nature by stipulating that when faced with a decision the legality, morality, lawfulness, or correctness of which is not clear, an individual must submit any decision according to the following criteria:

- **Legality:** Is the decision legal and have we in fact checked its legality with the proper reference; e.g. our legal department.
- **Public opinion:** Even if the decision is legal, will I be able to publicly admit to it and stand by it? In other words, if the decision is revealed, will I be proud of it in front of others?
- **Personal opinion:** Do I feel comfortable with the decision? Do I feel that what I am doing is fair and not merely legal?

### **Caring Justice (Birr):**

The third ethic is Birr (caring justice) - our responsibility toward our colleagues, the employees of the company. When considering our employees and colleagues, Birr means that everyone is entitled to treatment with basic human dignity and decency in a way that is sensitive to the individual’s material needs, family needs and the need for self-fulfillment. It is about treating our colleagues in a manner in which we ourselves would like to be treated. Applying Birr is a responsibility of all employees whenever a decision is going to affect other employees in some way (which of course is almost always).

A clear demonstration of Birr would entail:

- Providing our managers, subordinates and colleagues with clear and accurate feedback.
- Acknowledging the accomplishments and achievements of others, both financially and non-financially.
- Ensuring that those for whom we are responsible for are developed in accordance to their needs and the needs of the organization.
- Helping the progress of others especially if they are deserving of this progress.

### **Personal Control (Mujahadah)**

The fourth ethic is Mujahadah (Personal Control) - our aspiration is to realize our full potential and a life of balanced and satisfying achievements. Mujahadah is the drive within us towards self-improvement and towards progressively increasing self-discipline. It is our constant struggle within us to achieve our ideals and to achieve the highest moral balance between the previous three ethical values.

## Responsibility in the workplace

Local hiring and percentage of Saudization in each operating company within the Savola group during the reporting period 15/2014

Operating company	Total workforce for 2014	Percentage of Saudization	Total workforce for 2015	Percentage of Saudization
Afia	672	42.7%	718	36%
USC	443	49.4%	381	40%*
Panda	21,349	31%	25,247	23%
Headquarters	73	60%	68	56%
Total workforce for Savola group	22,537	32%	26,448	24%

### Note:

total workforce for 2014 was higher since plastic sector employees were included. For improved data analysis and evaluation within the reporting period, plastics sector data items and related performance indicators were removed from this report.

### Note:

percentage of Saudization for the group as a whole was calculated as such:

Total Saudi employees/total workforce for the group x 100

### \*Note:

percentage for Saudization for USC in 2015 dropped because the right sizing exercise was conducted

In line with the National Development Plan of the Kingdom of Saudi Arabia, it is one of the (most essential) national priorities to enable local talent and to hire local talent or in other words to employ Saudis with a specific quota for Saudization based on the field of operation or sector to which each company/organization belongs.

Having said that, the percentage between the years 2014 and 2015 has dropped first due to the sale of the plastics sector as mentioned above. Secondly, it is important to find a pool of skilled local talent to occupy or fill specific vacancies within the group in general. Hence the search is a matter of quality versus quantity; especially if a required quota has already been met. Hiring local talent is a priority; however finding qualified talent remains a challenge.

**The table below categorizes employees by employment contract:**

2015	Afia	Panda	USC	HQ
Savola Employees	718	24,772	415	68
Contractors	0	475	0	0
Total	718	25,247	415	68

2014	Afia	Panda	USC	HQ
Savola Employees	692	21,008	432	73
Contractors	0	341	0	0
Total	692	21,349	432	73

**Note:**

the distinction between Savolans or Savola employees vs contractors is whether or not they are listed on Savola’s payroll.

**Benefits provided to full-time Savola employees:**

**Benefits provided to full-time employees:**

<p>Basic salary</p> <p>Housing allowance</p> <p>Transportation allowance</p> <p>Medical insurance</p> <p>Yearly performance bonus</p> <p>Children’s school education allowance</p>	<p>An annual performance bonus benefit is provided to our Savolans. Savola management conducts a yearly bi-annual performance and career development review for %100 of the workforce. This was true for both years 2014 and 2015.</p>	<p>motivating employees to identify work-related hazards. Worker representatives are usually familiar with health and safety standards, along with work-specific risks relevant to business nature and activities. Worker representatives speak on behalf of the whole workforce in each operating company and resolve or review related matters.</p>
<p>In Panda: same as above except employees receive additional variant benefits including overtime, work location, irregular working hours, temporary assignments, nature of job, special needs</p>	<p>The ratio of the basic salary of men to that of women in the same employment category is equal (1:1); this is only relevant in operating companies where females are employed; if not, this performance indicator is irrelevant. Additionally, Savola group offers all its employees a minimum entry wage between 3000 and 3500 Saudi Riyals (SR) compared to local minimum wage in Saudi Arabia.</p>	<p>The responsibilities of a joint H &amp; S committee is identifying work-specific hazards, secondly evaluating the extent of those hazards, and thirdly recommending or providing corrective measures to eliminate those hazards provided their H and S aspects are reflected in the workforce.</p>
<p>Retention and loyalty of employees are two elements by which we aspire to build on the situation of employees, hence Savola management offers our valuable workforce the above benefits while compensating their extra efforts through overtime pay and other work/life balance perks.</p>	<p>A joint management/worker Health and Safety (H&amp;S) committee holds the responsibility of involving and</p>	



Each of Savola's operating companies has an H & S committee dedicated to the above-mentioned responsibilities and duties.

Employees constitute between %5 to %20 on average of the committees who represent the rest of the workforce in each operating company. Due to its nature of activities and the low risk of H & S concerns, the HQ does not have a health and safety committee.

In 2015, a total of 8 members constituted the H & S committee in Panda, and a total of 35 members in Afia.

### Savola group employees gathered for Ramadan Iftar:

Every year, Savola management holds its annual Iftar social gathering during the month of Ramadan, to foster social ties and enhance team spirit.

### Savola holds Eid al Fitr reception for its employees:

During the reporting period, Savola held a social gathering for its staff at Savola headquarters. Organizing such an event falls under the Birr principle, which represents the caring justice and responsibility towards other colleagues to foster communication and social ties among employees. The Eid reception was attended by the CEO and Managing Director of the Savola group, senior executives and staff of the headquarters and operating companies.

## Training and development of employees for our valued workforce throughout the reporting period 15/2014

Operating Company	Training program name	Training program explanation
Panda	(CWS) Certificate in Workplace Skills CWS	This program aims to provide employees with interpersonal skills, in addition to understanding the Panda culture and working environment and helps them become proactive, result-driven and customer service-oriented.
	(MDP) Manager Development Program	This program targets front-line managers and supervisors and aims to build foundation knowledge about people management.
	(MMDP) Middle Manager Development Program	By attending this program middle managers develop certain skills and competencies that allow them to manage challenging situations, deal with changes effectively and ensure the readiness of the team members to deliver results that are linked to the organization objectives and are on the right track.
	(ILM4) Institute of Leadership and Management Level 4	This program allows senior managers to focus on more strategic objectives through developing their skills on how to successfully delegate tasks to others, develop negotiation skills, and enhance knowledge of risk management.

Operating Company	Training program name	Training program explanation
Afia	Management Trainee Program	A 12-18 month training program for fresh graduates, focusing on managerial and functional competencies, who will eventually join the organization's management
	Continuous Development Program	To ensure continued employability and hence updating managerial skills and qualifications. Usually considered an OJT or on-the-job training course.
	Succession planning development	A structured training and development program specifically for 'top performers' in management based on individual development plan (IDP).
USC	Management Trainee Program JAMAT for director level JAMAT for managerial level	These programs focus on building competencies for employees who have the potential to grow and be promoted.
	HQ	Management Trainee Program
	E-learning portal	To select different courses for employees.

### Total training hours for the reporting period:

	2015	2014
Panda	16,635	1,7483
Afia	1,247	820
USC	159	71



*Savolans welcoming fresh graduates at the Engineering Day - fair at King Abdulaziz University – Jeddah*

## Anti-corruption

The Group's management focuses on ensuring anti-corruption by having a proper ethical framework and a sound corporate culture in place; in addition the Group has an audit and risk management committee and internal audit and risk management departments across the Group, together with corporate governance and compliance functions at Group level. They work in cooperation to limit risk by properly managing them and ensuring correct internal controls are conducted. In addition, financial statements for the Group in KSA and overseas operation are audited by one of the large four auditor firms Price Waterhouse Cooper (PWC). Moreover, the Group board and AGM are review and approve finances, remuneration, related party transactions and the Group performance annually. For this report, business units are not analyzed for risks related to corruption.

## Programs for Savola group employees:

### 1. Employee home loan scheme:

- Introduced in 1992.
- zero interest loan of 50 basic salaries, at a minimum of SAR 500,000 and maximum of SAR 2.5 million, is provided by the Group to be paid back within 120 months (10 years)

### 2. Employee co-operative/Takaful program for death and permanent or partial disability:

- In cooperation with a local bank
- Savola compensates an equivalent of 24 basic salaries.

### 3. Employee Takaful fund:

- Fund for junior staff (non-managers) to deal with financial emergencies that they or their families might encounter and need financial assistance.
- Voluntary monthly contributions by different grades of staff. Funds support all cases that fulfill the criteria.

The Savola group and its OpCos implement a non-discriminating policy and hence no cases or incidents of discrimination have been reported throughout the reporting period.

## Grievance Committees for Employees and Shareholders:

In its belief in justice and protection of Savola Group shareholders' rights and those of the businesses owners, the Board developed a grievance policy and formed the following committees to settle any grievances by business owners and employees forwarded to The Group.

### 1. Employee Grievance Committee:

In 2008 the Board of Directors formed the Employee Grievance Committee, which includes independent members. This Committee is mainly concerned with the grievances and complaints that come to it from executives and employees of the Group and its various sectors brought against

any other employee or entity within the Group or its subsidiaries. The key role of this Committee is to review and consider any complaint or grievance in accordance with its approved internal policy in such a way as to fairly guarantee the rights of the aggrieved party.

### 2. Stakeholders Grievance Committee:

Also during the year 2008, the Board formed a Stakeholders Grievances Committee comprised of the same members of the Audit Committee (non-executive and independent members). The Committee is concerned with the review and settlement of any grievances and complaints by any company stakeholders including shareholders, clients and others. This will help guarantee the protection of their rights and interests that are secured by contracts, laws, and regulations.

### Health and safety:

Injuries, diseases and absenteeism are common in every workplace. However, at the Savola group we aim to keep these incidents to a minimum by monitoring safety measures. The H & S committee is continuously looking for ways to improve those measures for the ultimate purpose of keeping our valuable workforce in a safe hazard-free environment.

### The following have been reported in 2015:

1. USC: accidents: 3, lost days: 73 days, rate of injury: %0.103, work-related none, rate of severity: none
2. Panda: 500) %2) work injuries, no fatalities reported.
3. Afia had zero reported injuries, diseases, accidents and lost days.



Savola Responsibility



Participation in and sponsorship of the recruitment fair held at King AbdulAziz University in Jeddah.

## Responsibility in the marketplace

Our relationship with our customers is key and the Savola management is keen on establishing a sustainable one. This is built through communicating with our customers and consumers, listening to their feedback on our products and services, tackling their concerns and responding with actions to meet their needs. Eventually, we aim to create value for our customers by offering quality products and services and ensuring that all our OpCos 'speak the same language' in terms of presenting Savola and also in terms of abiding by Savola's values, mission and vision.

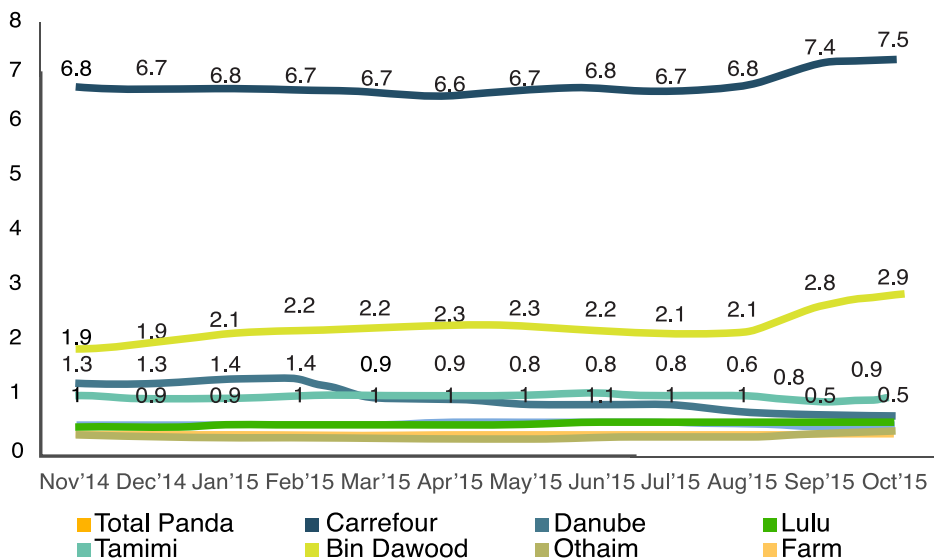
### The practices below are conducted by USC/Afia for the ultimate goal of customer satisfaction:

- Conducting a satisfaction survey to know areas of strengths and potential areas of improvements.
- Technical visits
- Technical support
- Measuring quality demerit index on shelf
- Respond and solve customer complaint
- As a provider: ease of ordering and delivery, punctuality of delivery
- Financials: terms and conditions, flexibility, credit terms
- Product: quality, current range, consistency
- Relationship: trustworthiness, transparency, response rate

- Satisfaction index = %78
- Clients have an above-average satisfaction with USC
- USC is the foremost company followed by Al khaleej , Halwani and AlMuhaidab

### Panda maintains customer satisfaction through the following channels:

1. Operations: dealing with customer inquiries/complaints on the spot through the operation team at store level to guarantee the highest possible level of satisfaction (respond back to inquiries, solve issues, compensate if needed).
2. Call centre: listen to customers and gauge the market, in terms of service/product satisfaction, involving all Panda departments Dealing with all types of customer inquiries, suggestions, and complaints as well as conducting out-bound calls to customers, and satisfaction call-backs to make sure customers are satisfied
3. Website: Panda treats inquiries and complaints received through the Panda website in the same way as we treat call centre calls, by using the same process and ticket\* classifications  
\*tickets are customer complaints and sometime requests as they want to sponsor their project or had new idea.
4. Social media: Panda treats inquiries and complaints received through social media in the same way as we treat call centre calls, using the same process and tickets classifications.



A 'Confidentiality Information Commitment Policy' is in place and the management treats this as top priority, ensuring that customer information is treated in a confidential manner. Information includes operations information, accounting systems, research data, project execution data, production data, marketing data, current and future financial projections and customer data. During the reporting period, none of the OpCos or its relevant sectors has witnessed non-compliance cases with relation to breach or loss of customer data.

# We at the Savola group ensure that

all of our products adhere to the highest international quality standards, and specifically the health and safety aspects stipulated for products/services provided.

Below are some quality standards implemented by our OpCos:

- ISO 2008-9001, ISO 22000:2005, ISO 14001:2004
- BRC systems. In addition to these international standards, the Saudi Arabia Standards Organization's standards and guidelines are also precisely implemented.

Savola's strategic direction is to achieve business sustainability through portfolio diversification. This is attained through listening to our customers and, based on their feedback, evolving our products and offerings to match their needs, to maintain and improve quality and safety.

## Afia International has a customer-focused training with the following objectives:

1. Understanding and applying a customer-focused approach
2. Improving internal customer services and processes
3. Resolving complaints from practical and emotional perspectives
4. Creating additional buying opportunities that add value to the customer
5. Managing expectations and follow through to exceed them

The total number of trainees for the reporting period was 20 employees. Future plans are to train more

employees in such a field. Training employees on such a topic was not conducted in 2015; however, the objectives mentioned were included as part of a more comprehensive training course referred to as 'Dealing with Others'. In 2014 a total of 14 employees were offered the training program, while in 42 2015 employees received this training.

## Training topics for Dealing with Others training program:

- People at all levels in organizations need to understand and cope with the stress in their work environment.
- Describe the physiological effects of stress and the consequent impact on the behavior of individuals.
- Examine individual dispositions of stress.
- Explain some of the coping mechanisms for dealing with others internally & externally.
- Explain some strategies for coping with and managing stress in negotiation with external & internal customers.

On that note, none of our Operating Companies and their relevant sectors witnessed non-compliance cases or fines related to product and service information and labelling, or regulations concerning marketing communications, and the provision and use of products and services. Non-compliance cases with regulations and voluntary codes concerning the health and safety of products and services have been reported in 2015 for Panda only: 52 complaints were received related to product quality/expired items, etc. Panda stores has a 'Product Expiry Check' Policy in place. The policy is for Panda to ensure that there are no expired products in the stores' selling area for customers. All products that are near to expiry should be identified, monitored and tracked

and adequate actions are taken to liquidate or return them to vendor on a timely manner. The main objective of this activity is to preserve Panda's commitment towards selling quality products. The scope of implementing this policy is within the jurisdiction of the Operations Division, under the direct supervision of Store Managers, Commercial Category Managers, Operation Support Manager, VP-Operations and CEO.

**The following criteria must be applied on both returnable and non-returnable items:**

#	Standard shelf life	Removal Criteria	Monitoring Criteria	Promo Criteria
1	More than 6 months	All items should be removed from the selling area TWO weeks before expiry.	SIX weeks before expiry	SIX weeks before expiry
2	3 - 6 months	All items should be removed from the selling area ONE week before expiry.	THREE weeks before expiry	THREE weeks before expiry
3	1 – 3 months	All items should be removed from the selling area THREE days before expiry.	FIVE days before expiry	FIVE days before expiry
4	5 – 30 days	All items should be removed from the selling area ONE day before expiry.	TWO days before expiry	TWO days before expiry

**Regarding general laws and regulations,  
Panda has reported related fines during the reporting period:**

2015	2014
3,249,503 SR	4,720,774 SR

There were no incidents reported for legal action regarding competition, monopoly or related outcomes. During 2014 the Capital Market Authority (CMA) imposed a penalty on the Savola Group amounting to SAR 10,000, due to its violation of clause (B) of Article (40) of the

Listing Rules as the company was late in informing the public about its 2013 third-quarter dividends. The company announced it less than two hours before the market opened on 24th October 2013. In this respect the Group Board discussed the subject of the penalty, and the

necessary measures have now been taken to prevent this from happening again in the future. CMA has been informed about the measures taken by the Group in this regard. None were reported for 2015.



*Prince Sultan Bin Salman receiving the cheque for 'Leave the Change for Them' for the Disabled Children Association*

## **Savola support of social organizations**

Empowering local communities, enabling them with skills, and providing employment opportunities are key at Savola group. Makeen was established with its main

objective of training and employing individuals with special needs which will eventually position Savola as an equal opportunity employer. Employment opportunities are provided within Savola or by other companies and institutions.

Currently there are no programs that assess the impact of Savola's or any of its OpCos activities or operations on communities. The impact of Savola's activities is generally very minimal or not applicable.

Panda implemented several programs to assess the impact of its operations. The mystery shopper program is one of these

The program has several advantages, specifically the assessment of

several aspects including employee performance, customer purchasing trends and perception of Panda's products/services; it builds on strengths and improvement in specific areas.

Evaluation of service levels and operational ambiance are essential to identify areas of improvement which will eventually feed into the business plans/roadmap and strategy.

All of these findings can generally assist an organization in assessing its positioning within the market for improved brand image, customer loyalty, employee retention and enhanced brand performance.



Name of organization	Description of engagement	Monetary contribution
Injaz Saudi Arabia	Supporters of its programs and a number of Savolans volunteered in Injaz 5th campaigns in 2014 In 2015 no activity was conducted because the program is under new strategy and development.	Financial funding: 3,060,000 SR Spending an average of 160 volunteer hours to train 336 students
Qaderoon Business and Disability Network	Savola is one of the founding members of Qaderoon. 2014: Savola group represented by Afia International Company received top rank in the first phase of the evaluation (Disability Confidence Index Application) conducted by business and disability network (Qaderoon). 2015: 3 companies Afia, USC and Panda were evaluated and certified.	Membership fees: 300,000 SR for 2014 200,000 SR for 2015
Saudi Arabian cultural bureau in London	Sponsorship charges for career fair of Saudi Arabian cultural bureau in London held in March 2014.	141,000 SR
Council of Saudi chambers	Sponsorship charges for corporate sustainability conference held in April 2014	150,000 SR
Charity organizations	2014: A total of 21 charitable organizations received in kind or donations from Savola during the holy month of Ramadan. In 2014, 1000 cartons of edible oils and 2000 sugar were provided by Savola  2015: A total of 23 charitable and specialized rehab centers in 11 cities around the Kingdom received in kind donations from Savola. The same number of edible oils and bags of sugar were distributed during holy month of Ramadan.	2014: Donation cost is 120,000 SR  2015: Donation cost is 120,000 SR
King AbdulAziz University Research and Consulting Institute	Sponsorship charges for career fair of King AbdulAziz University	100,000 SR
Girl Guides of Saudi Arabia	Sponsorship and participation in Girl Guides day in Saudi Arabia under the slogan Education Opens Doors. Event took place in March 2014	200,000 SR
Saudi Industrial Development Fund	The Saudi Industrial Development Forum for Promising Regions	500,000 SR
Riyadh Chamber of Commerce & Industry	Youth Businessmen Meeting 2015	100,000 SR

Name of organization	Description of engagement	Monetary contribution
The National Home Health Care Foundation	Contribution from Savola to The National Home Health Care Foundation	150,000 SR
Art Board Trading Co.	Contribution for “Watani Beoni” initiative	150,000 SR
Savola Foods Egypt	Contribution for CSR activities in Egypt : 1- Children’s Cancer Hospital Foundation 2-Bahiea Foundation for early detection and treatment of breast cancer 3- Supporting low income Saudi families staying in Egypt	500,000 SR
Al Faisalía Charity Organization	Education cost for 10 Autistic Children	150,000 SR

### The Savola Center for empowering people with disabilities (Makeen):

Makeen was established to train and employ people with disabilities and assist them in securing appropriate jobs whether within the Group or in other companies. In 2014, a total of 145 PWDs were trained and employed. While in 2015, a total of 200 PWDs were employed and trained. This makes total of beneficiaries since program inception to be 790 individuals. Another initiative is the Mentor & Buddy Program. A training/orientation program aimed at spreading awareness on dealing with individuals with special needs and providing an environment that makes them feel comfortable and give them a sense of belonging with other colleagues in the workforce. At the same time facilitating their accessibility within the premises.

The distribution of individuals employed according to categories of disabilities is the following:

1. Physical 40%
2. Visual 15%
3. Mental 25%
4. Auditive 20%

### Saudi Injaz Entrepreneurs Project:

Injaz is the world’s largest non-profit organization dedicated in educating students and preparing them for the workplace. Injaz Saudi Arabia is a national member of Junior Achievements Worldwide. It runs hands on programs in:

Entrepreneurship, financial literacy, and workforce readiness, These are aimed to prepare students at all levels to deal with business demands through developing their personal, business and practical skills. Workshops for these students are conducted by private sector volunteers.

Injaz Saudi Arabia aims to inspire and prepare 250,000 male and female students by year 2018 for a knowledge based economy and provide them with pioneering, hands-on programs.

Savola is one of the founding members of Saudi Injaz Program. In 2014 (its 5th campaign) a total of 160 volunteer hours by ‘Savolans’ were provided to train a total of 336 students. In 2015, volunteering hours were not provided because the Injaz program was undergoing development and strategic planning.

### Empowering local suppliers:

In line with the national priority of promoting local goods and products, Savola and its OpCos have policies in place to spend more on local as opposed to non-local suppliers. All of their suppliers undergo screening criteria for the ultimate purpose of ensuring their values and ethical standards are in line with those of the Savola group as a whole.

Percentage of spending on local suppliers:

- Afia: 12%
- Panda: 96%
- USC: 70%
- HQ: 94%

## Responsibility towards the environment

Savola's management is keen to continuously improve its environmental footprint and hence strives to provide products and services with the minimum of environmental hazards.

Each operating company is unique for its environmental initiatives with the ultimate purpose of saving the environment and minimizing the use of resources or its by-products.

The table below highlights energy consumption by each operating company in kilowatt hours (KWH) for the reporting period.

OpCo	2014	2015
Afia	80,198,431	49,202,918
Panda	724,555,064	732,482,371
USC	5,0684,875	67,441,763
HQ	632,232	630,151

## Efforts to reduce GHG emissions and reductions achieved:

Afia	Panda	USC
<p>Itqan project: for cost saving and expense reductions. This was applied in the company about 12 years ago.</p> <p>Cost savings include:</p> <ul style="list-style-type: none"> <li>- Oil purchase vs quantity shipped from supplier</li> <li>- Oil loss control vs quantity requested</li> <li>- Chemical waste control</li> <li>- Packaging material prices and usage</li> <li>- Freight optimization</li> </ul>	<p>Carton recycling 20,000 per year</p> <p>Banana carton</p> <p>Tyre recycling 7,000 per year</p> <p>Oil recycling 200 ton per year</p> <p>Biodegradable bags: replacing plastic bags with biodegradable ones which cost more than 7 million SR. Installing water conservation tools in Panda offices and stores all over the kingdom.</p> <p>Monitoring and managing printing by selecting certain quantities as per employee needs.</p>	<p>Reduced LAC consumption from 78.9 KG LAC/MT RSO to 76.2 KG LAC/MT RSO (3.4% decrease).</p> <p>Reduced diesel consumption from 3.2 lit/MT RSO to 2.7 lit/MT RSO (15.6% decrease)</p> <p>Reduced power consumption from 80,198,431 KW to 67,441,763 KW (15.9%).</p> <p>Reduced total energy from 3,649 MJ/MT RSO to 3,507 MJ/MT RSO (3.9%).</p>

**Initiatives to mitigate impacts of products and services:**

Afia	Panda	USC	HQ
<p>Company drew up agreement with PME for disposal of production waste through a PME authorized contractor. Cost amount is as follows:                      Industrial waste: 3 million SR                      Other waste: 120,000 SR</p>	<p>Signed an agreement with NWC for long term strategic partnership</p> <p>Reduced leaflet printing by 70%</p> <p>Stopped door to door leaflet distribution 100%</p> <p>Biodegradable bags</p>	<p>Reduce the remlet* of the segregation product on filling lines by 60%.</p> <p>Reduce quantity of chemicals and consumables by 30%.</p> <p>Nothing other than the above related to the actual product.</p>	<p>Using HRMS:                      Below are features of the system.</p>

**HRMS Features:**

1. Save employee communication time with HR, as data will be readily available in system.
2. Save HR administration time by transferring data entry role to employee while submitting his SSHR request.
3. System evaluates employee SSHR requests before submitting them.
4. Attach scanned support documents and final review on a page before it is submitted.
5. Build approval cycle in SSHR requests base on type and level of employee request.
6. Automatic integration with employee payment system “Payroll System”
7. Automatic integration with finance system to create entry in finance records.
8. All the above will lead to eliminating paperwork.
9. All the above will be dependent on official data stored in HR system - “one source of data”.



Organizational Marks

An overview of reporting against the GRI G4 Sustainability Reporting Guidelines, 'in accordance' with the Core option of reporting.

## The index is presented to include the following sections:

1. General Standard Disclosures
2. Specific Standard Disclosures

GRI G4 General Standard Disclosures		Requirements	Link to section
Strategy and Analysis	G4-1	Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	Page 2
Organizational Profile	G4-3	Name of organization	Page 3
	G4-4	Primary brands, products, and services.	Page 4-5
	G4-5	Location of the organization's headquarters	Page 7
	G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	Page 5-6
	G4-7	Nature of ownership and legal form.	Page 5-6
	G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	Page 5-6
	G4-9	Scale of the organization	Page 5
	G4-10	Employee Makeup	Page 5-6
	G4-11	Percentage of total employees covered by collective bargaining agreements.	Page 15
	G4-12	Organization's supply chain.	Page 9
	G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	Page 7
	G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	Page 14

GRI G4 General Standard Disclosures		Requirements	Link to section
Organizational Profile	G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	Page 14
	G4-16	Memberships of associations (such as industry associations) and national or international advocacy Organizations.	Page 14
Identified Material Aspects and Boundaries	G4-17	Entities included in the organization's consolidated financial statements or equivalent documents.	Page 4-5
	G4-18	Process for defining the report content and the Aspect Boundaries	Page 23-24
	G4-19	Material Aspects identified in the process for defining report content	Page 24
	G4-20	Aspect Boundaries within the organization	Page 24-25
	G4-21	Aspect Boundaries outside the organization	Page 24-25
	G4-22	Effect of any restatements of information provided in previous reports, and the reasons	Page 25
	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries. The current report did witness changes within the scope/boundary of the reporting organization.	Page 7
Stakeholder Engagement	G4-24	List of stakeholder groups engaged by the organization.	Page 7-8
	G4-25	Basis for identification and selection of stakeholders with whom to engage.	Page 7-8
	G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Page 7-8
	G4-27	Key topics and concerns that have been raised through stakeholder engagement.	Page 7-8
Report Profile	G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Page 2
	G4-29	Date of most recent previous report (if any).	Page 18 Page 23
	G4-30	Reporting cycle (such as annual, biennial).	Page 23
	G4-31	Contact point for questions regarding the report or its contents.	Page 23
	G4-32	GRI Content Index	Page 41
	G4-33	Organization's policy and current practice with regard to seeking external assurance for the report.	Page 23

GRI G4 General Standard Disclosures		Requirements	Link to section
Governance	G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	Page 14
Ethics and Integrity	G4-56	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	Page 27
Disclosures on management approach	G4-DMA	Disclosures on management approach	Page 14

Savola Group Material Aspect and DMA	GRI G4 Specific Standard Disclosures	External Assurance (We have chosen not get the report external assured)
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CATEGORY: SOCIAL

SUB CATEGORY: LABOR PRACTICES AND DECENT WORK

Material aspect: Employment  
G4-DMA

The focus on local hiring is relentless and Savola prides itself on being one of the few companies with a high percentage of Saudis working at all levels, Savola HR policies are to ensure that Savola continues to position itself as the employer of choice through ethical employment policies and offerings.

Being the Employer of Choice	G4-LA1 G4-LA2 Employment	page 6, page 29	Not Assured
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Material aspect: Diversity and equal opportunity  
G4-DMA

Being a Saudi company and with a direction towards national goals to enhance Saudization in the workplace, it is not practically possible to have a diversified governance structure. Therefore all members of the governance bodies are males and Saudis. We do have a direction to include more women in the governance structure, knowing that CSR committee has one female aboard.

Equal Opportunity Employer	G4-LA12 Diversity and equal opportunity	page 38, page 6. page 28	Not Assured
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Material aspect: Training and education

G4-DMA

Maximizing youth potential is a CSR strategic direction for Savola and we believe that this can only be done through relentless training and development programs in place .HR has a full calendar of training throughout the year that exposes staff and management to various trainings.

Maximizing Talent Potential	G4-LA9 G4-LA10 G4-LA11 Training and education	page 30, page 31	Not Assured
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Material aspect: Equal Remuneration for women and men

G4-DMA

When it comes to remuneration levels, there is absolutely no discrimination between males and females the salaries are based on qualification and experience only.

Equal Remuneration for women and men	G4-LA13 Equal Remuneration for women and men	page 29, page24	Not Assured
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### CATEGORY: ECONOMIC

#### SUB CATEGORY: LABOR PRACTICES AND DECENT WORK

G4-DMA

Being one of the largest Saudi companies, Savola understand that it has the responsibility to uphold principles ethical conduct and fair practices at all times. The responsibility also includes empowering other members of local community by providing them with opportunities to make them economically independent.

Local Economic Empowerment	G4-EC5 G4-EC6 Market Presence	page 29-30	Not Assured
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Material aspect: Procurement practices

G4-DMA

There is a clear policy direction to hire from local suppliers whenever possible and to use local distributors in case of imported goods.

Purchasing from local suppliers	G4-EC9 Procurement practices	page 8, page 24	Not Assured
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CATEGORY: SOCIAL

SUB CATEGORY: SOCIETY

Material aspect: Local communities

G4-DMA

Savola has a few programs at group level that assess the impact of Savola's or any of its operating companies' activities or operations on communities. Most of our activities, the impact is minimal or not applicable. We aim to strengthen the impact measurement in the coming years.

Giving back to our community	G4-SO1 Local communities	page 24. page 37-38	Not Assured
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Material aspect: Compliance

G4-DMA

Complying with local laws and ethical principles is part our ethics and values.

Compliance	G4-SO8 G4-PR9 Compliance	psge 35, page 24	Not Assured
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Material aspect: Anti-corruption

G4-DMA

Ensuring anti-corruption by having a proper ethical framework and sound corporate culture. The group has an audit and risk management committee and an internal audit risk management departments across the group. Corporate governance and compliance functions at group level and they all work hand in hand to limit risks from occurring by proper management and ensuring internal controls are taking place.

Anti-corruption	G4-SO3 G4-SO4 Anti-corruption	page 24, page 31	Not Assured
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CATEGORY: ENVIRONMENTAL

Material aspect: Materials, Energy and Water

G4-DMA

There is a stringent EHS policy in place at all factory locations

Direct Resource Management	G4-EN1 Materials	page 40. page 24	Not Assured
	G4-EN3 Energy	page 40	
	G4-EN8 Water		

Material aspect: Effluents and waste

G4-DMA

All productions facilities have firm policies in place to minimize waste and effluents as much as possible. Stringent controls are in order to ensure that all waste leaving factory floors is properly disposed.

Waste management	G4-EN22 G4-EN23 G4-EN24 Effluents and waste	page 24, page 40	Not Assured
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CATEGORY: SOCIAL

SUBCATEGORY: PRODUCT RESPONSIBILITY

Material aspect: Customer health and safety  
G4-DMA

Savola management is keen on establishing a sustainable relationship with its customers. This is built through communication with our customers/consumers.

We listen to their feedback on our products and services provided. We tackle their concerns and respond back with actions to meet their needs. Eventually we aim to create value for our customers by offering quality products and services and ensuring that all our OpCos speak the same language in terms of [resenting Savola at the same in compliance with Savola’s values, mission and vision.

Customer First	G4-PR1 G4-PR2 Customer health and safety	page 35	Not Assured
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Material aspect: Product and service labeling  
G4-DMA

Product labeling for local products is governed by the local laws. As for imported products, we ensure that the labels are clear, readable and identifiable.

Fair & Ethical Business Policies	G4-PR3 G4-PR4 G4-PR5 Product and service labeling	page 35, page 24	Not Assured
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