

Sustainable & Responsible Procurement

OVERVIEW

Our raw materials are procured locally from Ras Al Khaimah, and from Europe, India, Indonesia, Thailand & Malaysia. We focus on procuring raw materials of the highest standard that meet our sustainability criteria. Our Sustainable & Responsible Procurement efforts are focussed on 4 different streams. First, we ensure verification of all our new suppliers through self assessment questionnaires to ensure our requirements for quality, health & safety and labour practices are being met, such as zero child labour. Further, we conduct audits of all our strategic suppliers. Second, we work towards increasing the % of our local suppliers and local raw materials. Third, we are working towards producing our own options for raw materials to reduce imports. Fourth, we place a heavy focus on procuring packaging material that is recycled or recyclable.

1. SUPPLIER VERIFICATION & AUDITS

We place high importance on dealing with suppliers who conduct ethical business practices and our focus is ensuring that at a minimum our suppliers have adequate health and safety stands in place and do not partake in child labor. Prior to becoming a supplier for our Company, it is mandatory for all key suppliers to complete a Supplier Assessment Questionnaire, which outlines the minimum requirements for quality, environmental practices, health and safety and ethical standards. We will continue to work on our supply chain strategy, so it continues to meet the demands of the business and is in line with our stakeholder values.

Questions are related to availability of Health and Safety Policy, risk assessments, monitoring, MSDS, accident reporting and records, PPE, evacuation procedures, on-site machinery safeguards, first aid, fire & safety precautions, noise pollution control and worker training. We also conduct audits of all our strategic suppliers such as our high volume and high risk suppliers.

2. LOCAL PROCUREMENT

In 2022, we increased the total percentage of our local suppliers to 80% from 67% in 2021. We also reduced our freight emissions by 35,170 tons CO2e, by avoiding imports of 256,265 tons of raw materials per annum.

3. SUBSTITUTING IMPORTED RAW MATERIALS WITH OWN PRODUCED MATERIALS

In-house Glaze Compound Materials:

While we use imported compound glazes from various parts of the world, we have started creating compound

glazes in-house to fulfill production requirements. This supports reduction of emissions from transportation of such materials.

We are currently working on the Frit manufacturing plant, which will further reduce the consumption of frits from various suppliers and importing materials.

4. PACKAGING

In 2022, all 80% of all our packaging material is recycled and/or recyclable, and we are working towards increasing this figure. For example, in some of our product lines, we have innovations and guidelines as follows:

- Tiles: Eco-wrap reduces the carton usage to pack the final products.
- Tableware: Only recyclable, compostable or reusable packaging is used in Table Ware.

35,170.6 TONS

CO2e saved from avoiding imports of 256,265 tons of raw materials annually

16%

of our Tiles Body is made from local materials including in-house created glazes

80%

of all our packaging is recycled and/or recyclable

80%

of our suppliers are local.

Initiatives for 2023

We are currently working towards developing Supplier Guiding Principles to improve sustainability within our supply chains.

Technological Innovation in Production

DIGITAL TRANSFORMATION ROADMAP

During 2022, We continued to deliver strategic Information technology transformation roadmap based on the Industry 4.0 concept. Major themes for IT in 2022 were innovation, productivity / process enhancements, increased global footprint, cost optimisation, and restructuring of IT teams. MoIAT (UAE Ministry of Industry and Advance Technology) completed an Industry 4.0 assessment, and we received a high score that falls under the "best-in-class" category. Additionally, we received SAP's Best CX Leadership award for our work in CRM and customer experience. We obtained the ISO 27001:2013 certification, which is one of the most stringent standards for information security. This will help improve the Company's security posture against cyber security threats.

The global IT team has also been restructured with revised roles to ensure goal alignment, increased accountability, and a more collaborative approach for delivering and contributing to the planned roadmap. Multiple projects were delivered by the team, leveraging skills and synergies across the global IT function.

In line with our Cloud First/Multi Cloud policy, cloud migration of IT infrastructure continued across various geographies, which helped improve reliability and availability. In 2022, we started with multi-cloud deployments to reduce costs. In 2022, after the acquisition of KLU DI Group, the RAK HQ IT team moved in to take responsibility for IT for all the KLU DI entities based in Europe and the UAE. Two projects for the implementation of Metaverse for retail segment were initiated in 2022. Our strategic focus to consolidate existing ERPs to SAP S4 HANA included SAP rollout/ implementation projects in the UK, India and Bangladesh. We continued to transform IT organisation into a global structure in terms of architecture, team, Infrastructure, ERP, Network and processes.