المراعي®
Almarai

Doing better every day

Almarai Sustainability Report 2021

Protecting the Planet

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

Protecting the Planet

Water Management

> We are working to make sure we are effectively using water resources every day

Our approach

As a company highly reliant on agriculture to produce the ingredients and materials we need, we recognize that the proper stewardship of watersheds where we operate is critical to ensure long-term sustainability of our business. Water forms a key part of the Saudi Arabia Vision 2030, which outlines the importance of managing and mitigating the water challenges and the need for water stewardship. Due to these needs, water is at the forefront of our environmental goals to stay aligned with the emerging best practices for companies to set goals on freshwater.

In 2019, we formed a water steering group as part of our sustainability strategy development process. The group was instrumental in setting our water management targets and action plan for improving water efficiency across our operations over the coming years. The group continues to serve as a collaborative knowledge sharing platform and plays an important role driving initiatives to enhance our water culture now and in the coming years.

To help govern our water stewardship efforts, Almarai has been a member of the Alliance for Water Stewardship (AWS) since 2018. AWS focuses on the need to create a water-secure world that enables people, cultures, business, and nature to prosper, now and in the future. This partnership has allowed us to understand and implement best practices into our business, ensuring that we can reduce our impact and conserve water where possible. We have implemented greater efficiencies into our arable and pasture farming allowing for higher yields with lower water. As a company that strives for innovation, we will continue to learn within our supply chain and drive performance whilst reducing our overall water use.

6 CLEAN WATER AND SANITATION

17 PARTNERSHIPS FOR THE GOALS

National Transformation Program 2020

2021 performance and initiatives

7% reduction in overall water consumption compared to the previous year.

Active internal engagement on AWS to develop water stewardship implementation plan.

An assessment of major water uses within dairy and juice manufacturing operations to identify conservation opportunities

In 2021, we worked to draft our water position statement that will outline our commitment to greater water stewardship emphasizing efficient use of water sources, greater recycling, and reductions of withdrawal and use in our operations. The statement will set out longer term strategy in line with our wider sustainability goals and will act as a system of governance for years to come by engaging our workers and business units in best practice thinking and culture.

Our water position statement will be one of many ways to engage our employees to drive a culture of sustainable behavior change across Almarai. We have promoted a sustained effort to encourage greater awareness about the importance of water conservation throughout our operations.

Promoting a positive culture was further benefitted through the use of technology to improve efficiencies, reduce leaks, and increase recycling. We have been using comprehensive monitoring systems across our sites for a few years to highlight where our systems are inefficient. Upgrades to our supervisory control and data acquisition systems along with new metering systems have allowed us to have a greater understanding of our water usage, disposal, and risks of leaks. By using this technology our teams can quickly respond to leaks and inefficiencies providing faster responses. In 2021, we finished our second clean-in-place optimization project at a second site. As cleaning operations represent a significant portion of our water consumption, these projects are an important part of our overall strategy to reduce water, and energy, consumption across our operations.

Progress on our strategic goals and targets

Achieved ● On-track ◐ Some progress ◔ Limited progress ○

Goal/Target	Progress
Increase water efficiency across our Manufacturing, Sales, Distribution and Logistics Divisions by 15% by 2025 (against a 2018 intensity baseline)	◔
Initiate and support collaborative efforts with stakeholders to address water risk and enhance conservation by 2025	◐

Protecting the Planet

Packaging Innovation

> “We are working to make sure we reduce the impact of our packaging on the environment every day”

Our approach

To reduce our impact on the environment and ensure that we are providing the services that our customers deserve, Almarai is committed to reduce the impact of our packaging as part of our doing Better Every Day strategy. We are focusing on innovation as the key method for reducing potential packaging waste using only the essential material needed to protect and preserves our products. We are aiming to strike a balance between finding packaging solutions that reduce our impact without compromising on the freshness, taste, and quality of our products. By using innovative designs, materials, and technologies, we can not only reduce the number of materials entering the waste stream but also contribute to greater supply chain efficiency. We are actively seeking to reduce our overall packaging with particular focus placed on paper and plastic packaging. We have set the ambitious goal of preventing 9000 metric tons of plastic waste entering the waste streams by 2025. This goal will be achieved through the replacement, upgrading and innovation of new techniques.

2021 performance and initiatives

We have continued to optimize our plastic and paper packaging to ensure that the quality of our products remain highest whilst reducing the impact on the environment. Regarding our target to prevent our goal of 9,000 metric tons of waste by 2025, we achieved a total of 5,667 metric tons to date. In 2021, we removed 173.75 metric tons of plastics and 312.2 annualized metric tons of paper weight. Key projects that contributed to these reductions includes:

- **Downgauging of packaging**
- **Specification cases**
- **Optimization of packaging, providing a bespoke solution for Foodservice customers**
- **Taking advantage of latest technologies and packaging equipment, which allowed us to optimize the use of packaging materials**

5,667 metric tons of packaging reduction since 2018

3,842 metric tons in total of plastic packaging reduction since 2018

1,826 metric tons of paper packaging since 2018

67% of carboard packaging from recycled materials.

Progress has also been made in the removal of hard to recycle packaging materials , and a glue optimization project

Where possible we are incorporating recycled paper into our transit packaging. Across our GCC operations, 67% of cardboard packaging came from recycled materials. Through investments at our manufacturing sites, we were able to deliver reductions in the amount of board consumed through redesigning our outer boxes to be more resource efficient as well. In addition, the palletization of finished products from Premier Foods was reviewed and modified, thus increasing pallet efficiency and reducing the number of pallet movements throughout the supply chain.

In 2021, we worked to draft Environmental Impact of Packaging Position Statement.

Progress on our strategic goals and targets

Achieved ● On-track ◐ Some progress ◔ Limited progress ○

Goal/Target	Progress
Avoid the use of 9,000 metric tons of plastics from entering the consumer waste stream by 2025 (against a 2015 baseline)	◐
Actively support the transformation of the packaging economy in KSA by 2025	◔

Protecting the Planet

Climate Change

> “We are working to make sure we implement more sustainable solutions to reduce our emissions every day”

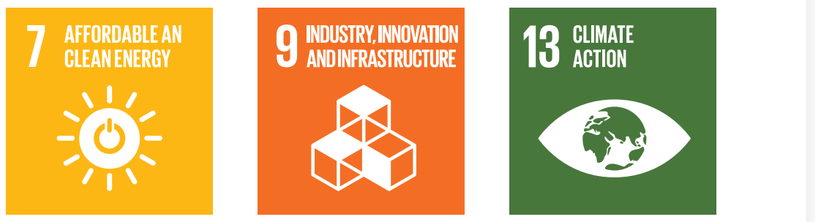
Our approach

Almarai understands the climate change related challenges and our greenhouse gas emissions associated with various aspects of operations. We are conscious of the inherent risks of climate change on food production, so we continually work to reduce the environmental impact of our business for long term sustainability. Climate change can challenge agricultural production through drought, pest, and diseases and threaten maintaining and increasing production levels over the long term. We therefore look to adjust our practices to enable us to meet our production needs now and in the future.

In 2020, Almarai’s energy team developed an ‘Energy Roadmap,’ outlining how Almarai will improve its energy performance through efficient energy consumption and generation from sustainable sources. This had the aim of reducing our impacts on climate change whilst reducing operational costs. The energy roadmap was linked to our energy strategy, which focuses on reducing our overall energy use through greater energy monitoring, reduced consumption, operational efficiencies, and reducing reliance on fossil fuels. This strategy and roadmap require an energy culture that is embedded in every employee.

Developing energy culture is a foundational element of our overall energy management strategy and ability to capitalize on technological solutions. We are striving to establish an energy center of excellence to serve as a collaborative knowledge sharing platform and to play an important role in driving initiatives as we work towards our strategic goals. Our energy culture focuses on three core elements: awareness, regular equipment maintenance and optimization, and continual process improvement. This culture is made accessible to our staff and is promoted through training sessions, governance structures, and the implementation of best practices.

One of the greatest impacts food production, manufacture, processing, and transportation can have on climate change comes through the use of refrigerant gases such as Chlorofluorocarbons (CFCs) that have a much larger impact on climate change than other emissions. Our cold chain distribution system relies upon refrigeration at all stages, from farm to shelf. We feel it is our duty to actively manage our use of refrigerants and have put in place an active program to limit, reduce, and replace harmful refrigerants, wherever possible. As part of this active program, we are seeking to replace the



harmful CFCs refrigerants with alternatives such as HCFCs and HFCs, which not only perform better, but also reduce atmospheric emissions that contribute to global warming. Our refrigeration systems undergo continuous maintenance and monitoring to actively prevent leaks and improve response times should leakages occur.

2021 performance and initiatives

In 2021, we continued the development of our energy management systems as part of our desire to achieve the ISO 50001 certification. We have been working on developing an ISO roadmap and conducted an audit by an external vendor to identify gaps. The identified gaps are used to develop a roadmap to set energy goals and commitment to comply with ISO 50001 requirements. Progress has been made in the head office and dairy and juice manufacturing sites, and we aim to certify all sites including Administration, Manufacturing, Sales, Distribution, and Logistics Divisions by 2025.

We have developed and implemented Almarai Energy Monitoring Systems (AEMS) across the GCC. In total, we have connected 75 locations to AEMS. Phase 1 of AEMS is helping us to record and monitor energy consumption across sales distribution centers, manufacturing facilities, and head office buildings. The systems give us a better understanding of our electrical energy use and trends, thus, enabling a more efficient decision-making. These systems work in conjunction with other energy efficiency projects including a steam efficiency project and a pilot project on combined evaporative cooling systems commenced in our dairy and juice operations

As part of our roadmap towards using cleaner energy, we have committed to not only reduce our direct emissions, but also to lower the indirect emissions from the electricity we use ('scope 2' emissions). We have been steadily upgrading our lighting systems to LED across two phases. Phase I of the LED upgrade program has been implemented with reductions on our lighting load at nearly 70%. Phase II of the program is at a planning phase. Once completed, we will have replaced more than 70,000 lights across our facilities.

We strive to accomplish our 2025 target to explore and trial alternative fuel vehicles for our sales fleet. In 2021, we used biofuel in over 400 vehicles to deliver our products across the UAE. Initially, we had planned to increase the size of our biofuel sales fleet within this market; however, we have faced challenges in securing a biofuel supply to meet our requirements. The introduction of biofuel vehicles remains dependent in large part on market biofuel supply as a result. In addition, we have set a target of increasing the share of electricity from clean energy sources across our Administration, Manufacturing, Sales, Distribution and Logistics Divisions to 20% by 2025. To reach this objective, we are exploring opportunities to install renewable energy facilities across our sites and increase our share of renewable energy from the grid. For example, since 2018 we have installed solar energy generation capacities at a number of sites, including 12 MVp solar project at our manufacturing site in Hail (KSA). As we approach 2022, we will continue to invest in our solar electricity network whilst also exploring new ways to utilize solar power to produce hot water.

30% increase in solar energy usage from 2020

70% decrease in lighting load from LED installations

3.70% clean energy as a percentage of total electricity consumption

Achieved **ISO14001 Certification** for our farming, poultry, sales, distribution, and logistics sites.

Our highlight stories

Reducing refrigeration impacts

In 2021, we continued to upgrade our sales depot cold store sites to be CFCs free and achieved our target of 100% CFCs free sales depots cold stores by 2025. Reducing CFC's has a direct benefit on our overall emissions and helps to reduce the harmful effects on climate change. Our trials of alternatives to standard refrigerants have continued with the introduction of R290, a non-toxic refrigerant with zero ozone depletion potential and a low global warming potential. We plan to standardize our operations in 2022 to use this replacement gas if it is found to be effective. This will significantly reduce our impact.

Investing in sustainable logistics

In 2017, we started using biodiesel in a few sales vans in selected depots of our UAE operations. Just over a year later, in 2018, we expanded the project to cover all sales vans. Today, all of UAE sales routes, 406 vans to be exact, use biodiesel with a 5% blend into the regular filling, reaching 339,051 per year. In addition to use of biodiesel, we installed SDL trucks routing system, which enables us to optimize the distance travelled and save fuel. This initiative contributed to our reaching the target to increase the fuel efficiency of our sales, distribution, and logistics vehicles by 10% by 2025.

Going green in our Bakery operations

We implemented our energy awareness program, 'Go Green' at our site in Jeddah (KSA) in 2021. The same program has been operational at our manufacturing sites in Al Kharj and Hail (KSA). The key objectives of this program are to raise employee awareness for energy conservation, identify high energy use areas, conduct process improvements, and engage employees in energy conservation.

Our approach is built upon four pillars:

Management commitment	Operational improvements	Engineering improvements	New technologies
• Establishing an effective communication system and allocating appropriate resources to support the effective management and implementation of the program	• Building awareness with a supporting employee reward and recognition scheme for generating the best energy saving ideas • Reviewing standard operating procedures and operational practices to improve energy efficiency • Implementing all feasible employee energy saving ideas • Conducting energy audits to build an energy culture	• Leveraging collaboration to Identify all energy sources utilized at the sites and developing • Engineering controls to reduce energy consumption	• Identifying and implementing new technologies to optimize existing equipment and enhance energy utilization

Progress on our strategic goals and targets

Achieved ● On-track ◐ Some progress ◔ Limited progress ○

	Goal/Target	Progress
Transport and refrigeration	Explore and trial alternative fuel vehicles for our sales transport fleet on an ongoing basis	◔
	Increase the fuel efficiency of our sales, distribution and logistics vehicles by 10% by 2025 (against a 2018 baseline)	●
	100% of our sales depot cold stores will be CFC free by 2025	●
Energy	Reduce energy consumption across our Manufacturing, Sales, Distribution and Logistics Divisions by 15% from efficiency measures by 2025 (against a 2018 intensity baseline)	◔
	Increase the share of electricity from clean energy sources across our Administration, Manufacturing, Sales, Distribution and Logistics Divisions to 20% by 2025	◐
	Achieve ISO 50001 certification for our Administration, Manufacturing, Sales, Distribution and Logistics Divisions by 2025	◐

Protecting the Planet

Waste Management

> “We are working to make sure that we are moving towards zero to landfill every day”

Our approach

Everything, from people to plants, relies on a thriving environment for survival. However, resources are getting increasingly scarce and preserving natural capital and biodiversity is critical.

We are increasingly minimizing our waste and visioning waste as a valuable resource. Through process efficiencies in our operations, we are encouraging waste recycling and diverting waste away from landfill. One of the most effective ways of reducing food waste is prevention. To this end, we are working hard to ensure that our demand forecasting is highly accurate to avoid food waste generation and unnecessary cost to the business and the environment. Where possible, we also seek to recycle as much packaging and process waste as we can from both our manufacturing and distribution facilities. We have maintained partnerships with waste management companies that specialize in the recycling of challenging materials, such as shrink wrap, into various other materials, diverting them from landfill.

We have been conscious of understanding where our waste goes and reviewing this against the waste hierarchy. In the GCC, we have been working on several initiatives that look to, where possible, keep waste in the more favored prevention category on the waste hierarchy, treating it as food surplus and avoiding disposal to landfill. Our waste steering group serves as a collaborative knowledge sharing platform and plays an important role in driving initiatives as we work towards our strategic goal, to reduce waste going to landfill across all our divisions by 50% by 2025 (against a 2018 baseline).

2021 performance and initiatives

In 2021, our waste efforts continued with improvements across our various waste reduction targets. In 2021, total waste generated decreased by 6.92%, waste recycled increased by 6.82%, and 33% food waste diverted from landfill compared to 2020. As a result of these improvements, we accomplished 40% reduction in waste going to landfill across all our divisions by 2021 (against a 2018 baseline).

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

National Transformation Program 2020

7% decrease in total waste generated compared to 2020.

7% increase in recycling rate compared to 2020.

33% increase in food waste diverted from landfill since 2020.

40% reduction in waste going to landfill across all our divisions (against a 2018 baseline).

We commenced a new partnership with a third-party provider in Dubai, who recycles packaging and recovers water for reuse. This provider redirects a significant element of surplus products to ensure the plastic is recycled, the water recovered, fats are converted into biofuels, and proteins sent for animal feed. We have also continued to expand our procurement efforts for additional partnerships with public and private sector entities currently being explored

Producing organic fertilizer

Almarai's poultry litter charring operations in Hail has started producing organic fertilizer. The EcoChar Gasification plant located in the facilities, is running in line 6 Hadco, producing a carbon-rich product obtained when biomass is heated in a closed container in either an oxygen-starved or oxygen free environment. The product itself consist of high phosphorus, potassium, magnesium, and carbon values and can hold 2.5 times its volume in moisture. This product has superior nutrient -retention properties and is more valuable for improving stability in soil compared to biochar. EcoChar, considered as the premium version of biochar, can increase the crop yields, boost the agriculture, and has a variety of other uses, including animal feed supplements, bedding, and use as a water filtration medium.

Progress on our strategic goals and targets

Achieved ● On-track ◐ Some progress ◔ Limited progress ○

Goal/Target	Progress
Reduce waste going to landfill across all our divisions by 50% by 2025 (against a 2018 baseline)	◐

Protecting the Planet

Sustainable agriculture

> We are working to make sure that our agricultural practices are regenerative every day

Our approach

Almarai owns Fondomonte, who operate our arable farms located in primarily Argentina and the United States. Ensuring that we produce the highest quality feed for our dairy herds in Saudi Arabia is as important as our commitment to ensuring sustainable agricultural practices.

We utilize best land-use practices to ensure land productivity on our arable farms and continue to adopt regenerative farming practices where possible. Regenerative farming practices are important for the long-term sustainability of our arable farms through contributing to the health and vitality of the soil through microbial development and topsoil regeneration, while also supporting bio and carbon sequestration, soil structure, and overall ecological biodiversity. In California, we participate in a land conservation program, where around 15% of the land lays fallow at any given time to support soil regeneration. In Argentina, environmental impact assessments are conducted on a regular basis on alfalfa farms. We carefully monitor the application of fertilizer and pesticides in line with local regulations and maintain ongoing dialogue with local environmental regulatory bodies in both countries.

Our arable farming operations, based in the United States and Argentina, utilize irrigation methods most suitable for the environment. We have invested heavily in irrigation infrastructure since acquiring the farms in the United States. For example, our arable farms in Arizona use a combination of highly efficient subsurface drip and pivot irrigation. In California, where we rely on irrigation canals, we have ongoing work to line them with concrete to increase flow and reduce water loss from both evaporation and aquatic plant life. All canals are gravity fed and rely on no energy for pumping. In our United States and Argentina operations, we monitor water use in line with local regulations and maintain ongoing dialogue with local bodies governing water management.

Feed is transported from our arable farms in the United States to port for shipping by train. This mode of inland freight reduces the associated carbon footprint of our export operations. Most of electricity that powers our arable farming operations in the United States comes from renewable, hydroelectric, power sources. In addition, where irrigation pumping is required, such as in Arizona, all pumps are electric. This further contributes to a lower operational carbon footprint and the long-term sustainability of our operations.

All our operational Fondomonte USA sites are SHARPs (Safety & Health Achievement Recognition Program) certified, an OSHA (Occupational Safety and Health Administration) accreditation program. The SHARPs certification recognizes small and medium business employers who have used OSHA's On-Site Consultation program services and operate exemplary safety and health programs.

2021 performance and initiatives

Zero incidents of non-compliance with environmental laws and regulations

26,552 hectares under production.

All USA sites are **SHARPs certified for Health and Safety.**

Supporting young farmers

We provide ongoing support to several activities such as 4-H (Young Farmers of America), a program administered by the National Institute of Food and Agriculture of the United States Department of Agriculture. The program works to inspire youth to enter agricultural careers, providing them with awareness and skill building through applied projects.

Progress on our strategic goals and targets

Achieved ● On-track ◐ Some progress ◔ Limited progress ○

Goal/Target	Progress
Enhance sustainable practices on our arable farms by 2025	◐

Almarai Company

Exit 7, North Ring Road

Al Izdihar District

PO Box 8524

Riyadh, 11492

Saudi Arabia

sustainability@almarai.com

www.almarai.com