



# المراعي Almarai®



**Better  
every day**

Sustainability Report 2020

Executive Summary



Read our full 2020 Sustainability Report at:  
<https://www.almarai.com/en/corporate/sustainability/sustainabilityreport2020>

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# From Our Managing Director



## We believe that building a more resilient Almarai rests on our ability to create shared value, sustainably.

As the Middle East's largest food and beverage manufacturer and distributor, and the world's largest vertically integrated dairy company, we play an important role in shaping the market for the better.

Global challenges, from climate change to public health as a result of the ongoing Covid-19 pandemic, are shaping the way we do business. How we navigate these challenges will be critically important for the future of the Company. We have completed the first year of our 2025 sustainability strategy, Better every day, our ambitious plan to address the sustainability issues that matter most to our business and stakeholders. Driven by a set of 25 goals and targets, we have worked to implement initiatives and further embed a sustainability mindset within our business over this past year.

Towards our commitment to 'Caring for People,' we have adopted changes and managed the 'new normal' Covid-19 brings by being agile and quick to respond to the changing landscape. Being the first company globally to be awarded the 'Pandemic Prepared Certification' through AIB International validates our efforts to protect our employees. To support consumer choice and health, we revised our nutritional policy and developed a nutrient profiling system, which will help us give our consumers diverse product choices that support a balanced diet.

Towards our commitment to 'Protecting the Planet,' we have generated 48.0 GWh of solar powered electricity to date. On average, sites fitted with solar panels are drawing 30% of their energy demand from this clean energy source. Additional solar capacity is currently being installed to contribute to achieving our 2025 clean energy target. We have continued to deliver packaging improvements and avoided the use of a further 924 annualized metric tons of plastic and paper packaging from entering the consumer waste stream. Water and waste management improvements have helped to reduce our dependency on groundwater and divert additional quantities of waste from landfill in some of our divisions.

Towards our commitment to 'Producing Responsible Products,' we have taken steps to achieve third-party certification on six of our dairy farms and one of our poultry hatcheries to validate our animal welfare practices. We have also taken steps to enhance our supplier due diligence by conducting a supplier risk assessment on environmental, social and governance criteria. We have plans to further engage suppliers during the coming year to work with them to improve governance over sustainability issues.

I invite you to read through this year's sustainability report to learn more about our initiatives and progress on our Better every day strategy.

I would also like to thank all our employees for their support as we work towards achieving our sustainability goals and targets, and more importantly, for their steadfast dedication as we continue to navigate this 'new normal.' Your commitment has helped contribute to our ongoing success and efforts to become a more sustainable Almarai.

**Bader Abdullah Al Issa**  
Managing Director

# Our Covid-19 Response



Protecting our employees



Providing safe, quality products



Maintaining production and food security



Creating effective communication channels



Managing exposure risks

With the ever-changing challenges facing Almarai, especially those brought on by the current Covid-19 pandemic, as a company we adapt and modify our approach to further develop our positive health and safety culture.

Almarai employs more than 41,000 people worldwide, with over 27,000 residing in company accommodation either on-site or nearby. We immediately recognized that, to continue production and maintain our commitment to producing the highest quality products, full physical distancing measures would prove incredibly difficult while maintaining contact with the outside world. Our management teams responded rapidly and made the decision to lock down our manufacturing facilities to protect sites from exposure to the pandemic. This allowed our employees to continue working as normal while we implemented additional sanitization initiatives, on top of our already comprehensive food safety protocols, to protect consumers. Hygiene materials and disposable products were made available across our manufacturing and distribution facilities. Our management teams were also effective in moving quickly to institute remote working where possible by establishing effective communication systems to unite disparate workers.

During this time, protecting the health and wellbeing of our employees, while continuing to provide safe, high-quality products, remains paramount. Being the first company globally

to be awarded the 'Pandemic Prepared Certification' through AIB International validates our efforts, demonstrating that we are doing the right thing, and making Almarai a leading business in putting its employee's safety first. The multifaceted assessment rigorously examined our management systems including crisis protocols, supply chain, operations, and health crisis mitigation.

In addition to the preventative measures we have put in place, we have leveraged our highly integrated business model and end-to-end control of our supply chain to meet consumer demand. As a result, we did not experience a single instance of supply chain shortages, which enabled us to provide uninterrupted consumer access to our products.

Covid-19's impact worldwide will undoubtedly continue to affect businesses and has created a 'new normal.' Across our business, we have adopted changes and managed this 'new normal' by being agile and quick to respond to the changing landscape to address Covid-19 exposure risks. Frequent and up-to-date communication of Covid-19 related advice, guidance and procedures, effective risk communication to both management and our employees has helped to provide confidence and assurance to all of our stakeholders during this challenging period.

# Our Sustainability Strategy



Our belief that the world can be a better place if we are all committed to doing better every day is at the heart of what sustainability means to Almarai. Our sustainability strategy, Better every day, is founded on this belief and is built upon three interconnected pillars and 12 material issues that are essential in supporting our contribution to building a more sustainable future.

## Progress on our strategic goals and targets

As part of our sustainability strategy, we have set 25 goals and targets to achieve by 2025.

**Progress:** ● Achieved ● On-track ● Some progress ○ Limited progress

	Goal/Target	Progress	
Caring for People	<b>Nutrition and wellbeing</b>	Develop and implement a holistic plan to further enhance our nutrition and wellbeing offering by 2025	●
	<b>Health and safety</b>	Achieve ISO 45001 compliance for all our divisions by 2025	●
		Institute an occupational health and wellbeing program accessible to all employees by 2025	●
	<b>Employee talent and diversity</b>	Increase the number of female employees in our workforce year-on-year	○
		Reduce voluntary employee turnover to achieve an average of 12% over the period 2020-2024	●
		90% of managers engage in at least 40 hours of professional development per year by 2025	●
	<b>Community investment</b>	Donate 2.5 million healthy servings by 2025	●
		Educate 250,000 people through our site visit program by 2025	●
		Improve the employability of at least 1,400 young people through the Dairy and Food Polytechnic (DFP) program by 2025	●

# Doing better every day is at the heart of what sustainability means to Almarai.

	Goal/Target	Progress	
Protecting the Planet	Water management	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	●
	Packaging innovation	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	🔄
	Climate change		
	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)	●
	Energy	100% of our sales depot cold stores will be CFC free by 2025	●
		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	●
Waste management	Achieve ISO 50001 certification for our Administration, Manufacturing, Sales, Distribution and Logistics Divisions by 2025	●	
	Reduce waste going to landfill across all our divisions by 50% by 2025 (against a 2018 baseline)	●	
Sustainable agriculture	Enhance sustainable practices on our arable farms by 2025	●	
Producing Responsible Products	Quality and food safety	All manufacturing sites will have Global Food Safety Initiative (GFSI) recognized certification by 2025	●
		All high-risk ingredient suppliers will have Global Food Safety Initiative (GFSI) recognized certification by 2025	●
	Animal welfare	Achieve global animal welfare certification for our dairy and poultry farming operations by 2025	●
	Ethical sourcing	Put an ethical sourcing process and audit plan in place by 2025	●

## Aligning to national and international development frameworks

We have identified where our initiatives work towards contributing to targets of the National Transformation Program and the Sustainable Development Goals. This is represented by the appropriate icons preceding those correlating sections throughout the report.



# Caring for People

## Nutrition and wellbeing

We are working to make sure that our products and communications support healthy living every day.

In 2020, we have updated our nutritional policy and developed a nutritional framework to support us in enhancing our nutrition and wellbeing offering. To support its implementation, we have developed a set of visionary internal targets within our policy to guide each business unit and respective division.

At the core of our Nutrition Policy is our nutrient profiling system, which has been designed to systematize the classification of our products and to continuously support nutritional improvements across our product lines. It is being used to review the nutritional content of our products against a set of qualifying criteria for new product development and innovations. All products are now evaluated and then classified internally as either healthy choice, nutritious, or indulgent. In addition, to support consumers make well informed and empowered decisions, we have also published all nutritional labels on our website.



### Key actions and nutrition and wellbeing highlights in 2020

 <p>Updated our nutritional policy</p>	 <p>Set internal targets to take responsible actions towards sugar, salt and fat reductions</p>	 <p>ZERO incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications</p>	 <p>Giving consumers the information they need to make informed choices</p>
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Our promise to improve the lives of those that are integral to our business success every day.

## Health and safety

We are working to make sure we foster a health and safety culture among our people every day.

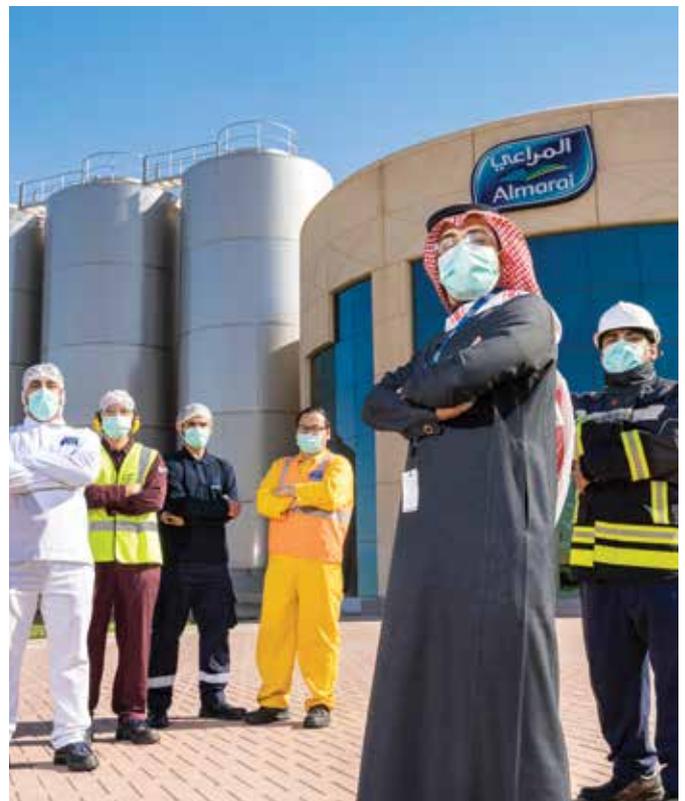
In 2020, our Sales, Distribution and Logistics Division has achieved compliance for 100% of its sites and all regional depots are now ISO 45001 certified, contributing to our target to achieve ISO 45001 compliance across all our divisions by 2025. To date, two of our four divisions are now ISO 45001 compliant.

In our efforts to enhance our ability to create pre-emptive solutions to our health and safety challenges, we are implementing digitalization projects on an ongoing basis. We have developed a performance dashboard for managers and are migrating our incident reporting system to the cloud, to identify areas for improvement and improve accessibility.

As a result of the Covid-19 pandemic, protecting the immediate health and wellbeing of our employees while continuing to provide safe, high quality products remains paramount. We deployed our occupational mobile health unit on-site at our main manufacturing site to screen employees, contractors, and visitors.



National Transformation Program 2020



### Key actions and health and safety highlights in 2020



First company in the world to be awarded the 'Pandemic Prepared Certification'



**ZERO** contractor lost-time injuries



Awarded 'Best Employee Health Initiative' at the Saudi Arabian WAI'AI Awards, organized by the Ministry of Health



**26%** lost-time injury rate decrease from 2019

## Employee talent and diversity



National Transformation Program 2020

We are working to make sure that our people are developed, valued and included every day.

In 2020, we focused our efforts on transforming all our face-to-face learning and development programs and moving them online, which required changing the curriculum as well as design to improve the e-learning experience, maintain quality, and keep users engaged.

To further enable our employees address the ongoing challenges brought on by the Covid-19 pandemic, we have identified additional competencies. As a result, we have adjusted our core competencies map, by adding 'being resilient' and 'resourcefulness.' To support our teams' capabilities in these areas, we have added 'ambiguity management' to most of our programs and modules.

To signify and strengthen our internal culture, we instituted the 'WE@Almarai' initiative based on the following pillars derived from our values: WE Evolve, WE Care, WE Empower, and WE Celebrate. In total, more than 3,500 activities were conducted as part of this initiative.



### Key actions and employee talent and diversity highlights in 2020



Our workforce is represented by **61 nationalities** in the GCC



**100%** of employees received regular performance and career development reviews



**61,000+** hours of digital learning completed



Instituted the **'WE@Almarai'** initiative

# Community investment

We are working to make sure that we are leveraging our resources to create a positive impact every day.

In 2020, we have developed a strategic community investment framework to serve as a guide for how we intend to manage community investment going forward. As part of this work, we conducted an initial analysis of our community investment activities to better understand their impact potential and to structure an approach for assessment in the future.

Although we had to temporarily suspend some of our community investment initiatives, we were able to safely continue others for part of the year despite the limitations. We provided over 250 schools with more than 156,000 nutritious snacks for children. Our employee driven food basket donation program was also successful, and we reached over 1,100 lower income families. In total, we provided over 212,000 product donations, with over 55,000 of the product donations going to 63 charities to support the less fortunate during this difficult time. As part of our work in providing educational opportunities, we welcomed more than 23,000 visitors, had a total of 425 DFP participants, and distributed 71 educational awards. In total, funding to support learning, technical and vocational education and training, and educational awards amounted to SAR 34.75 million.



## Key actions and community investment highlights in 2020



Developed a strategic community investment framework



**1.8%** CSR spending as a percentage of net profit



**212,000+** product donations to 250+ schools and 60+ charities



**6%** increase in DFP funding from 2019



# Protecting the Planet

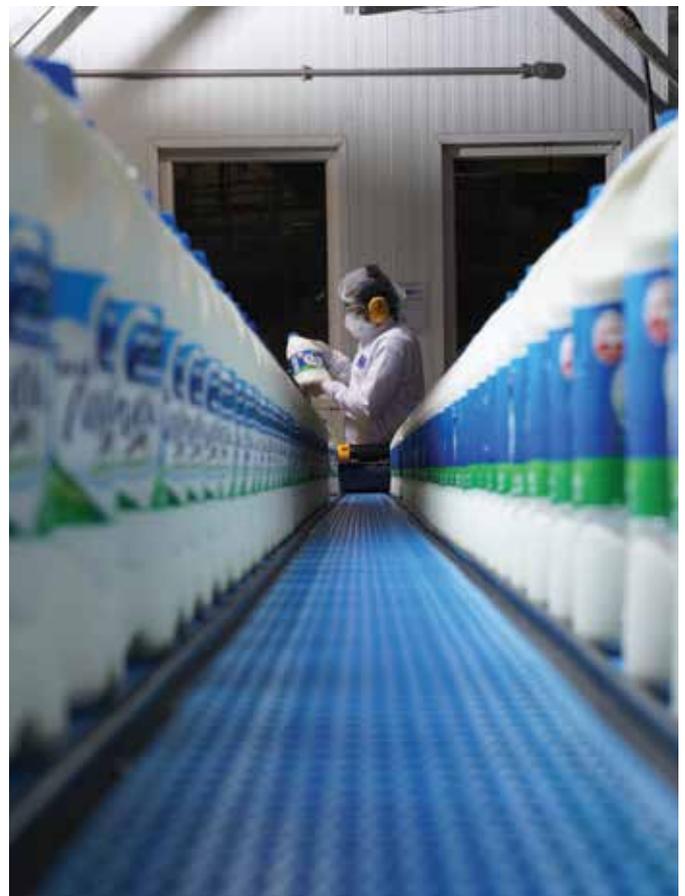
## Packaging innovation



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

In 2020, we have continued to make progress in achieving further weight reductions in our packaging. 440 annualized metric tons of plastics and 484 annualized metric tons of paper weight reductions have been delivered. Several projects focused on packaging redesign and transit packaging and packing equipment optimization supported these achievements. In addition, a conscious decision is now made in the initial phases of our packaging design process to address whether packaging is necessary.

As we seek to actively support the transformation of the packaging economy in KSA by 2025, we have continued to explore opportunities with private and public sector entities. Although we have faced some challenges, discussions are moving forward in a direction which we strongly believe will deliver favorable results to the circular economy. Overall, we believe that the building momentum surrounding this topic within KSA will only support an expansion of opportunities for collaboration and partnership.



### Key actions and packaging innovation highlights in 2020



Redesigning containers and using foaming agents to **reduce plastic consumption**

**924 annualized metric tons of packaging reduction:**

**440** metric tons of plastic packaging

**484** metric tons of paper packaging

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

## Climate change

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

In 2020, we commenced a steam efficiency project and a pilot project on combined evaporate cooling systems in our dairy and juice operations. As part of our fuel efficiency initiatives, we implemented a route optimization system and additional vehicle modifications, which contributed to a 4% reduction in fuel consumption in Sales, Distribution and Logistics Division.

We produced more than 31.3 GWh of clean energy, a 119% increase from the previous year. As a result, 4.4% of electricity within our sustainability strategy and 2.5% of total electricity consumption is solar.

Technological advancements are only part of the solution. Across our divisions, awareness about energy conservation is starting to play a more visible role in our strategy to reduce energy consumption and use it more efficiently. We have developed an ISO 50001 roadmap to support us on this journey.

We also continued to search for refrigerant alternatives that are Chlorofluorocarbon free and with lower environmental impacts. As such, we have commenced a trial using R290 for in-store refrigerators during the past year.



### Key actions and climate change highlights in 2020



**119%** increase in solar energy usage from 2019



**Additional 7 MWp of solar energy** capacity under installation



**4%** decrease in vehicle fuel consumption across sales, distribution and logistics from 2019



Developed an **ISO 50001 roadmap**

# Water management



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

In 2020, we saw water consumption increase, largely in part to increased hygiene and sanitization requirements as a result of the Covid-19 pandemic. Despite this overall increase, the system for water reuse in our dairy and juice operations has contributed to reducing our demand on groundwater and improving water recycling in those operations. In total, one of the ten planned water recycling systems in our Sales, Distribution and Logistics Division is now operational and systems at three more depots are under construction.

We are also working to improve our culture to drive behavioral change across Almarai. To support employee engagement and identify areas for improvement, we conducted a water culture assessment where we surveyed managers and non-managers from across Almarai to gather employee perspectives.

As part of goal to initiate and support collaborative efforts with stakeholders to address water risk and enhance conservation, we have commenced work on certification against the Alliance for Water Stewardship standard.



## Key actions and water management highlights in 2020



**600m<sup>3</sup>** per day, on average, reduction in groundwater withdrawal in our dairy and juice operations



**77,400m<sup>3</sup>** of water per month, on average, recycled at Riyadh East sales depot



Implemented **two water efficiency projects** in our infant nutrition operations



**56%** increase in recycled water volume from 2019

## Waste management

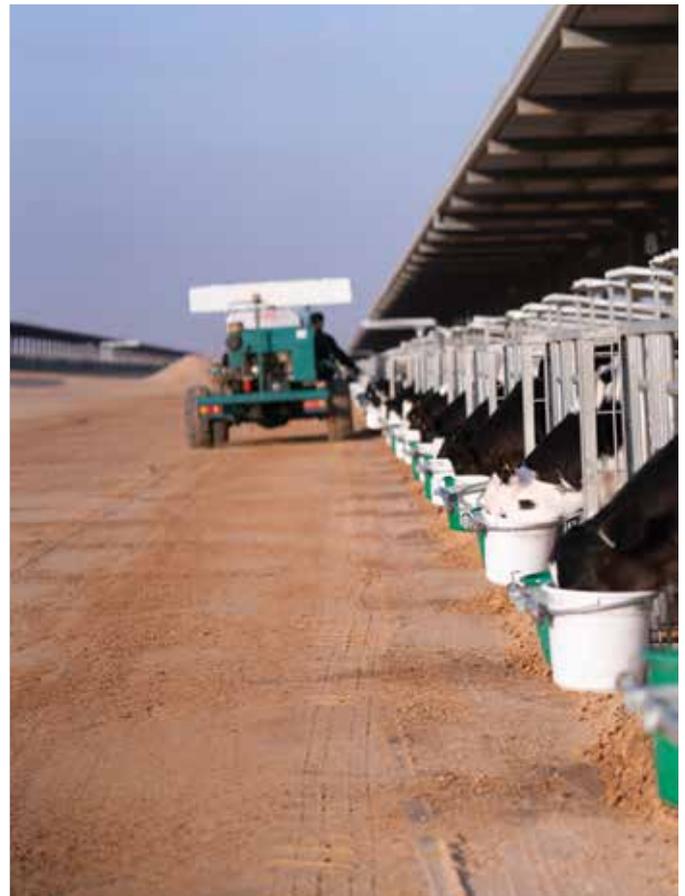


National  
Transformation  
Program 2020

We are working to make sure that we are moving towards zero to landfill every day.

In 2020, we have identified several new solutions to support our efforts to reduce waste going to landfill across all our divisions by 50% by 2025. For example, in our infant nutrition operations, we have identified recycling partners for Tetra Pak and Ready-to-Feed bottles, enabling us to divert this packaging waste from landfill, and we are rediverting excess sucrose to our dairy farming operations.

Activities across our manufacturing sites and sales depots on source reduction and segregation of general waste have continued, with corresponding activities to identify opportunities for recycling. Our food waste diversion to animal feed programs have also continued and expanded across some of our manufacturing operations. Total waste generated decreased by 15%, waste recycled increased by 13%, and food waste diverted from landfill increased by 3% compared to 2019. As a result of these improvements, the percentage of total waste going to landfill was 59% in 2020, an improvement against our 2018 baseline of 70%.



### Key actions and waste management highlights in 2020



**15%** reduction in total waste generated from 2019



Reduced percentage of waste going to landfill to 59% (from 70% in 2018)



**25%** reduction of waste sent to landfill from 2019 (26% within sustainability strategy boundary)



**13%** increase in waste recycled from 2019

# Sustainable agriculture

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

In 2020, as part of our effort to enhance sustainable practices on our arable farms by 2025, we conducted an initial internal assessment in Argentina against the Farm Sustainability Assessment (FSA) by the Sustainable Agriculture Initiative (SAI) Platform. We intend to use the FSA as a tool to identify actionable areas for improvement and to demonstrate that our sustainable farming practices in line with international best practices and standards. Progress on the roll-out of a repeat assessment in Argentina and an initial assessment of our arable farms in the United States has slowed as a result of the Covid-19 pandemic.

In 2021, we are planning to continue with our assessment plans as the Covid-19 situation permits and to increase our efforts to further leverage regenerative and carbon sequestration farming practices across our arable farming operations.



## Key actions and sustainable agriculture highlights in 2020

 <p><b>26,500+</b> hectares of arable farming land under production</p>	 <p><b>15%</b> of the land lays fallow at any given time to support soil regeneration in California</p>	 <p><b>ZERO</b> incidents of non-compliance with environmental laws and regulations</p>	 <p>Commenced work on assessing our arable farming practices against the FSA</p>
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# Producing Responsible Products

## Quality and food safety

We are working to make sure our products are safe and satisfy consumers' needs every day.

In 2020, we have remained faithful to our commitment to the highest quality and food safety in the face of the Covid-19 pandemic. Our passion for continuous improvement meant that we adapted to new ways of working so that we were able to stay connected with key stakeholders and enhance our brand protection. We have developed an online remote auditing protocol that has allowed us to continue assessing new ingredient risks, products and suppliers to enable efficient, alternative sourcing to meet our changing business needs.

We have also reviewed our end-to-end supply chain to assess risk at all parts of the process which will enhance our traceability and enable us to monitor and control quality and food safety in a more proactive manner. This work consisted of conducting a current state assessment on all new and existing ingredient suppliers against GFSI recognized certification criteria.



National Transformation Program 2020



### Key actions and quality and food safety highlights in 2020



**ZERO** incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services



**100%** of production volume manufactured in sites certified by an independent third party according to internationally recognized food safety management system standard



**100%** of significant product categories covered by and assessed for compliance with product information and labeling procedures



**ZERO recalls**

Our promise to deliver “Quality you can trust” and enhance supply chain sustainability every day.

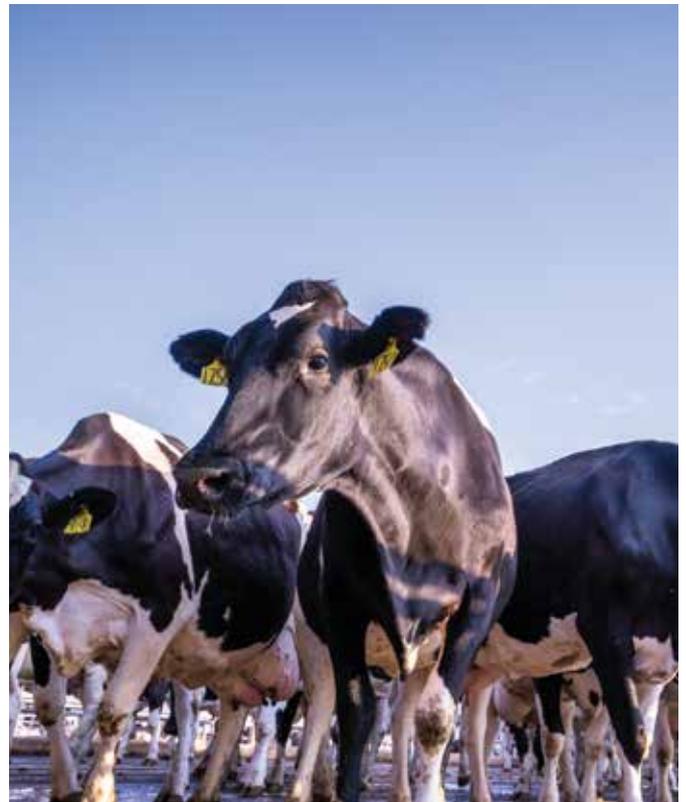
## Animal welfare



We are working to make sure that our animals are treated and handled humanely throughout their lifecycle every day.

In 2020, to demonstrate the robustness of our animal welfare practices, we have decided to pursue certification against the NSF Global Animal Wellness Standards. In preparation, we have updated our standard operating procedures to align to the standards, conducted training for site employees, and identified an Animal Welfare team. We are currently in the process of aligning our record-keeping practices to the standards and preparing for internal audit and on-site assessment.

In 2021, we are planning to certify six of our dairy farms against the NSF Global Animal Wellness Standard (Dairy Cattle Production) and one of our poultry hatcheries sites against the NSF Global Animal Wellness Standard (Poultry Hatchery). As the Covid-19 situation remains fluid, our intended plans for certification may be impacted adversely as a result.



### Key actions and animal welfare highlights in 2020



**171,983** cows  
in our herd in Saudi  
Arabia and 195+ million  
chickens raised



**ZERO** incidents of  
non-compliance with laws and  
regulations, and adherence  
with voluntary standards  
related to transportation,  
handling, and slaughter  
practices



Preparing for  
**NSF Global  
Animal Wellness  
Standard**  
certification



**100%** of cows in  
enclosed housing with  
resting areas and 100% of  
chickens in enclosed cage  
free housing

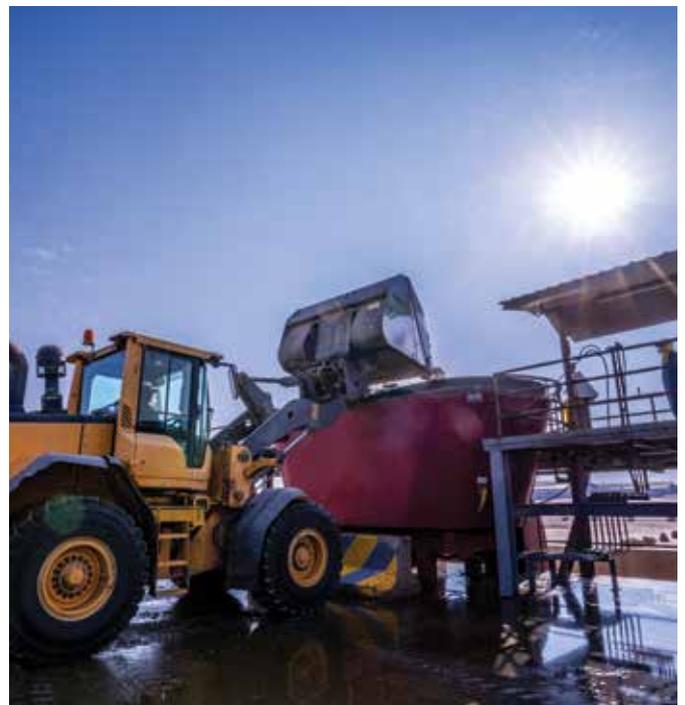
# Ethical sourcing



We are working to make sure we take a collaborative approach to elevate sustainability in our supply chain every day.

In 2020, we have commenced with an initiative to improve our supplier due diligence process. As part of this initiative, we have conducted a supplier risk assessment of our active Tier 1 suppliers to gain a better understanding of potential risks across a set of human and workplace rights, business ethics and environmental topics. As part of this initiative, we developed a questionnaire for engaging our suppliers to support them improve their governance over sustainability issues. This is important to ensure that we are able to uphold our commitments on ethical sourcing.

We are also in the process of updating our Supplier Code of Conduct, which reflects an expansion of our expectations for supplier compliance on environmental, social and governance issues.



## Key actions and ethical sourcing highlights in 2020



Revising our **Supplier Code of Conduct**



**100%** of purchased volume which is verified as being in accordance with credible, internationally recognized responsible production standards

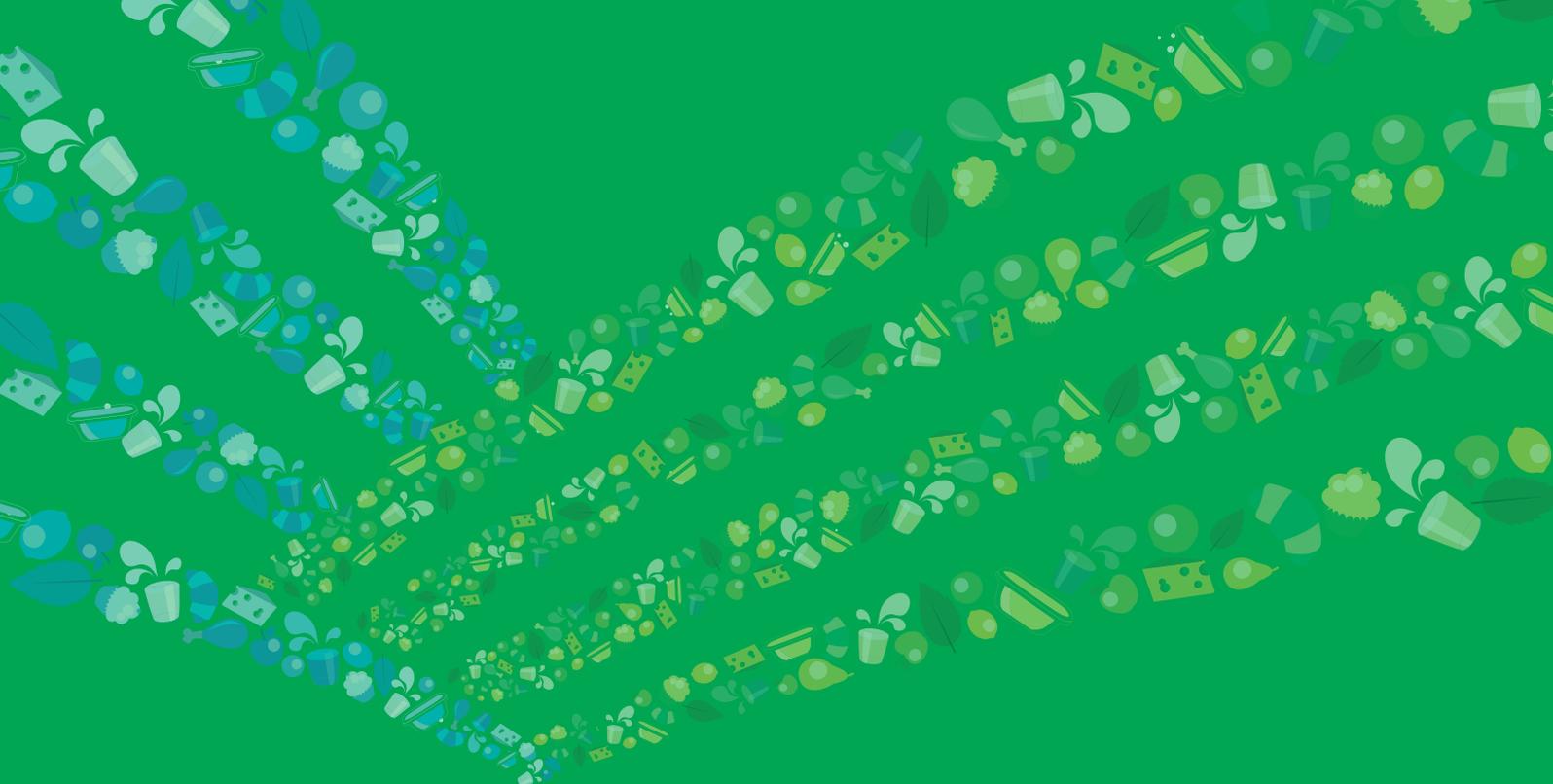


**100%** of purchased volume from suppliers compliant with company's sourcing policy



Conducted a supplier risk assessment on key sustainability topics





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