

Doing better every day

Sustainability Report 2023

Sustainability Management At Almarai®
Protecting the planet

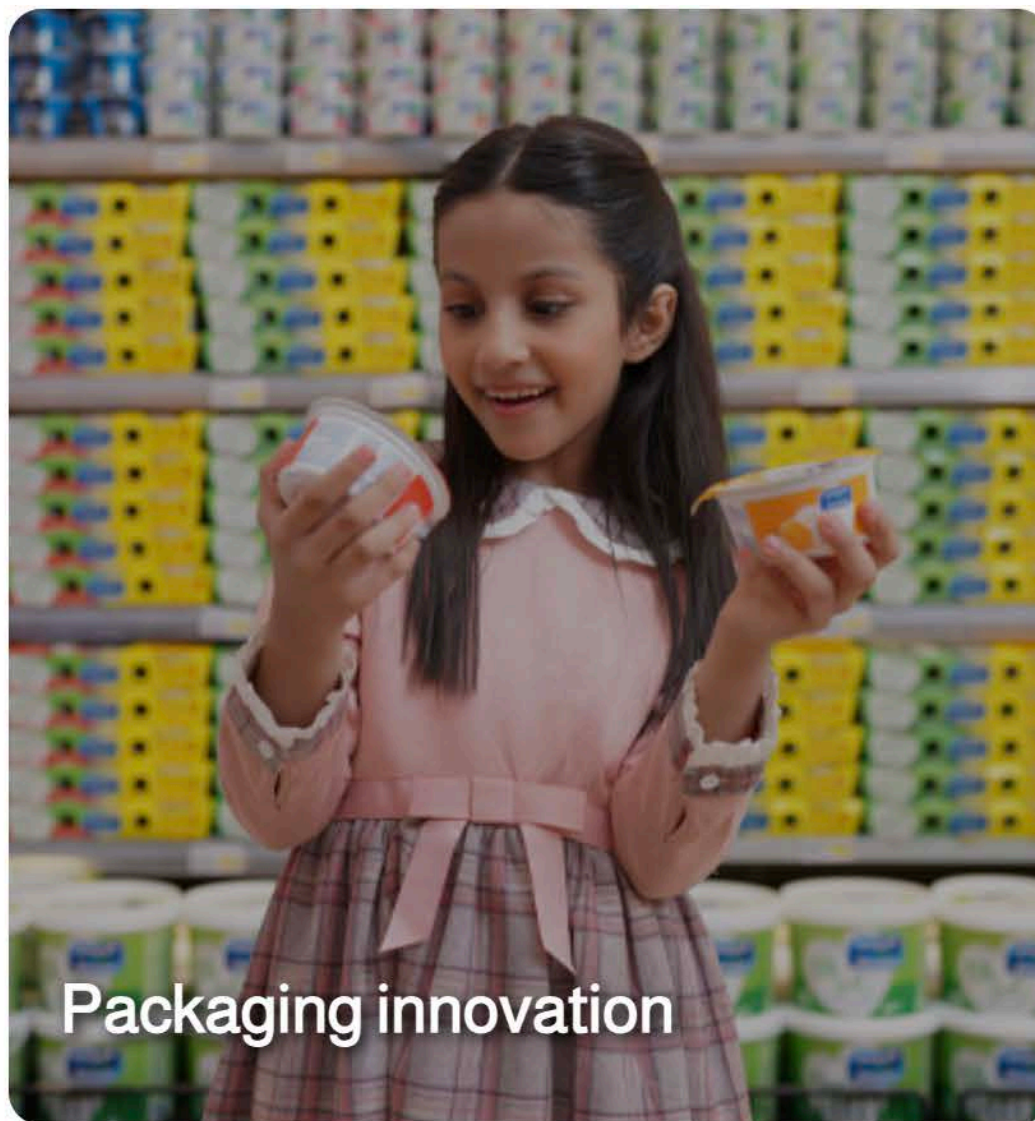


Protecting the planet

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



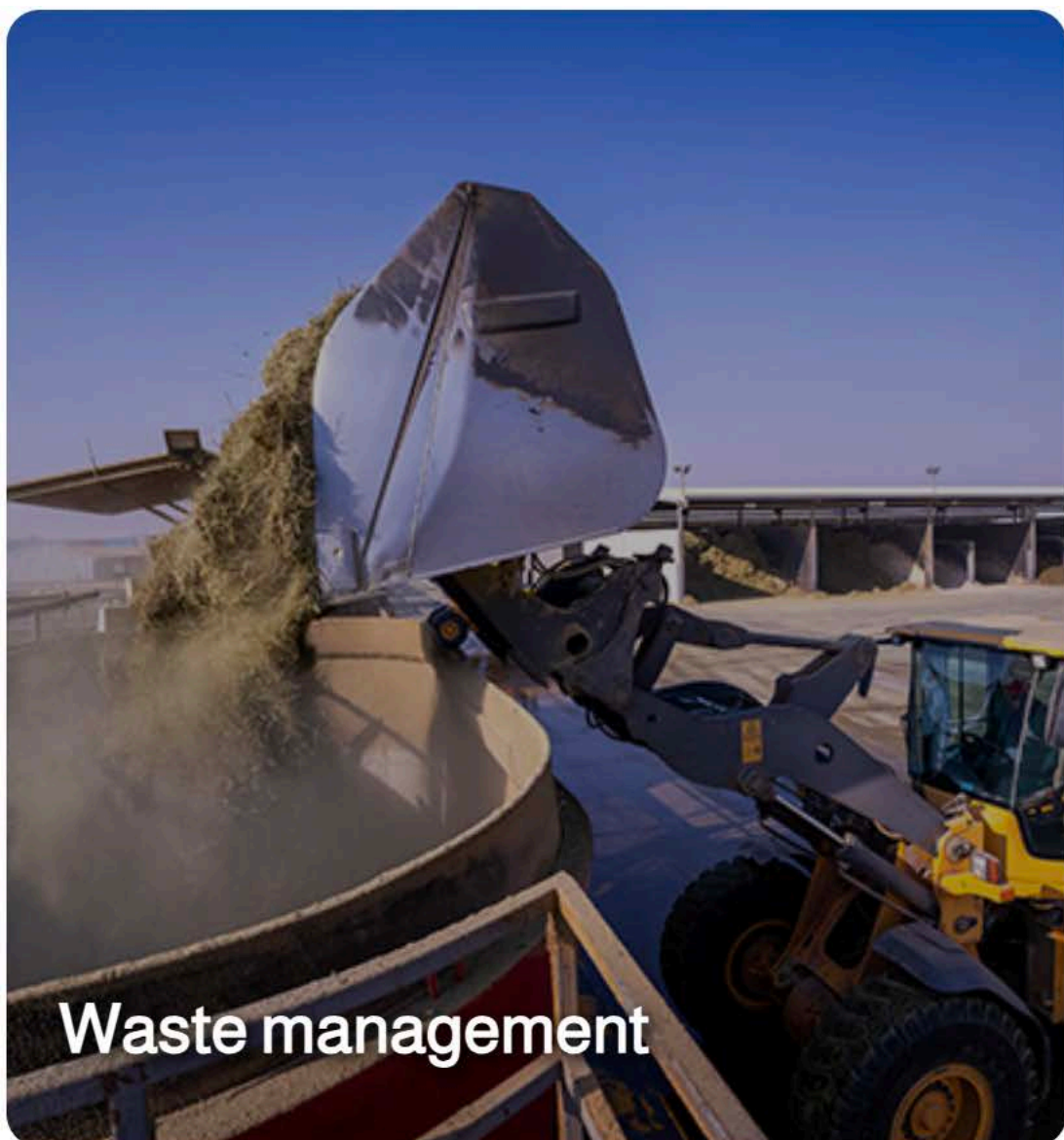
Water management



Packaging innovation



Climate change



Waste management



Sustainable agriculture



Protecting the Planet

Water Management

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

Through integrating innovative technologies, embracing nature-based solutions, and fostering a collective commitment to responsible water management, we have turned our wastewater treatments into an ally in our efforts of protecting the planet.

Our approach

As a company heavily reliant on agriculture for sourcing raw materials, we recognize the importance of effectively managing and conserving water and watersheds throughout our operations and supply chain. This commitment to water preservation also aligns with safeguarding the fundamental human right to water and contributes to the long-term sustainability of our business. Water conservation is an important component of Saudi Arabia's Vision 2030, which advocates the imperative of addressing and mitigating the impending water crisis while promoting water conservation and stewardship. Consequently, water management forms an important part of our environmental objectives, ensuring alignment with the latest industry best practices for companies to establish freshwater conservation targets.

In 2019, we formed a water steering group as part of our sustainability strategy development process which has been instrumental in setting our water management targets and action plan for improving water efficiency across our operations. Serving as a collaborative platform for knowledge exchange, the group remains integral in driving initiatives aimed at nurturing our water conservation efforts both presently and in the future.



In 2018, Almarai joined the Alliance for Water Stewardship (AWS), a move that has significantly increased our efforts in water conservation and stewardship within the communities where we operate. AWS is dedicated to fostering a water-secure world that supports the upliftment of people, cultures, businesses, and nature, both presently and in the future. Through this partnership, our network has gained insights into and implemented best practices in our business operations, aiming to reduce our environmental impact and conserve water resources wherever possible. We have integrated enhanced efficiencies into our arable and pasture farming practices, resulting in increased yields with reduced water consumption. In line with our commitment to innovation, we have introduced water management systems such as water metering, monitoring, and risk assessments to gain a comprehensive understanding of our water usage and identify areas for improvement.



2023 performance and initiatives

In 2022, we published our Water Position Statement, outlining our commitment to greater water stewardship. This statement sets out a longer-term strategy in line with our wider sustainability goals and will act as a system of governance for years to come, engaging our workers and business units in best practice thinking and culture. We have also been actively promoting awareness regarding the significance of water conservation across our operations. Our assessments of water culture have proven effective in changing employees' attitudes toward water stewardship, guiding our strategic approaches and responses. This tool for employee engagement empowers our workforce and fosters a culture of responsibility and best practices, resulting in increased individual awareness and concern for water conservation. Cultivating a positive workplace culture is crucial for achieving our sustainability objectives, and technology plays a pivotal role in this initiative. We have deployed comprehensive monitoring systems across our facilities to pinpoint areas of inefficiency and have upgraded our supervisory control and data acquisition systems along with metering systems to gain deeper insights into our water usage, disposal methods, and leak risks. This technological infrastructure enables us to rapidly address any issues, leading to significant reductions in both water and energy consumption. We remain committed to leveraging technology to enhance our sustainability efforts and minimize our environmental footprint.

Progress on our strategic goals and targets

| 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

Packaging holds a crucial role in our daily lives, offering convenience while minimizing food waste and product damages. In alignment with our Doing better every day strategy, Almarai is dedicated to mitigating the environmental impact of packaging to meet our customers' demands. Innovation is at the forefront of our approach, recognizing that much of the packaging we utilize is vital for safeguarding and preserving products throughout the supply chain. Our focus is on striking a balance between finding sustainable packaging solutions without compromising the freshness and taste of our products. Through inventive designs, materials, and technologies, we aim to not only reduce the volume of materials entering waste streams but also enhance supply chain efficiency. We have set an ambitious target to prevent 9,000 metric tons of plastic waste from entering waste streams by 2025. To achieve this, we are investing in research and development to discover new ways of reducing packaging while maintaining a safe and enjoyable experience for our customers. Additionally, we are exploring opportunities to incorporate recycled and biodegradable materials in our packaging to further minimize our environmental impact. Committed to reducing our carbon footprint and advancing sustainability, we strive to uphold the highest quality in our products and services for our customers.

In 2022, we published our position statement on Environmental Impact of Packaging to transparently communicate our approach. We emphasized our hierarchy of strategic approach of prioritizing removing and reducing followed by reusing, recycling, and reimagining.

2023 performance and initiatives

Our company has continued to innovate our plastic and paper packaging to ensure that the quality of our products remain while reducing the impact we have on the environment. Regarding our target of preventing 9,000 metric tons of waste by 2025, we have achieved a total of 7,247 metric tons to date. In 2023, we removed 164 metric tons of plastics and 628 annualized metric tons of paper weight. Our waste reduction initiatives have helped us reduce 4,719 metric tons of plastic packaging, 2,528 metric tons of paper used in packaging since 2018. In 2023, 67% of cardboard packaging work was done from recycled materials. As part of our packaging design process, we now make a conscious decision in the initial phases to address whether packaging is necessary. We are also seeking to use recycled materials in our products to encourage circular economy thinking into our packaging designs. Through investment at our manufacturing sites, we will be able to deliver reductions in the amount of corrugated board consumed through redesigning our outer boxes to be more resource efficient. A program is also underway to optimize pack sizes to drive efficiency improvements through the supply chain.



We officially registered one of our initiatives in the MWAN platform to solidify our commitment to protecting the planet pillar and engagement with local and national sustainability authorities.

Our highlight stories

Zabadi cups packaging optimization

In December 2022, Almarai conducted a commercial trial for utilizing 10% post-consumer recycled PET plastics for Zabadi cups, which ran successfully paving way for official launch in 2023. This effort is one of many ways that Almarai intends to drive demand for post-consumer recycled material to help evolve waste recycling ecosystem in the kingdom.

HPET for Zabadi cups and poultry trays

In late 2022, we completed trials on using HPET for our Zabadi cups and poultry trays. Beginning in 2023, this initiative is expected to reduce our packaging usage in these formats by up to 25%, without affecting the quality, strength, and sturdiness expected for the packaging. This initiative will also have secondary benefits, as it will reduce our transportation carbon footprint due to reduced weight.

Almarai donates plastic covers to the world's largest green mural

We donated 200,000 plastic covers from dairy containers to the Municipality of Jeddah Governorate, which supervised the implementation of the largest mural in the world in Jeddah under the name (Jeddah Green Mural). Almarai's participation in the Jeddah Green Mural, which took 8 months of work under the auspices of the Mayor of Jeddah Governorate, Saleh bin Ali Al-Turki, with an area of 383 square meters, came as part of the company's corporate social responsibility program, which aims to improve the urban landscape and treat visual distortion.

Actively supporting packaging economy in Saudi Arabia

Almarai has been working with packaging suppliers, recyclers, plastics manufacturer, National Center for Waste Management (MWAN), and Saudi Investment Recycling Company (SIRC) to reduce waste at source and divert most waste away from landfill. In addition, Almarai has been working with other businesses from FMCG, plastics manufacturing and recycling sectors at KSA Packaging Working Group under the Federation of Saudi Chambers to engage with MWAN and SIRC to divert more waste from landfills and evolve the circular packaging economy.

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 | ◐ |

-  **7,247 metric tons** of packaging reduction since 2018.
-  **4,719 metric tons** in total of plastic packaging reduction since 2018.
-  **2,528 metric tons** of paper packaging since 2018.
-  **67% of carboard packaging** from recycled materials in FY 2023.



Protecting the Planet

Climate Change

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

Almarai received the award for ‘Best Practices: GHG Emission Reduction in Poultry’ at the InFlavour Food Production Expo.

Our approach

Almarai acknowledges the potential risks posed by climate change to both food production and the environment. We are committed to minimizing our environmental footprint and promoting long-term sustainability. In 2020, we created an “Energy Roadmap” to reduce our environmental impacts and resource use. This roadmap is connected to our energy strategy, which focuses on reducing energy use, monitoring energy and switching to renewable energy. To ensure that every member of the organization comprehends their role in lowering energy consumption, Almarai has implemented training programs, awareness campaigns, and energy-saving competitions. In 2022, we released our Energy Policy and Climate Change Position Statement to enhance transparency regarding our approach to energy stewardship and the reduction of emissions.

Energy awareness is an important part of our energy management strategy and ability to capitalize on technological solutions. Our goal is to establish an energy center of excellence to serve as a platform for sharing knowledge and driving initiatives towards our strategic goals. Our energy culture focuses on three key elements: awareness, regular equipment maintenance and optimization, and continual process improvement. We make this culture accessible to our staff through training sessions, governance structures, and the implementation of best practices.

Our commitment to sustainability is also demonstrated in our approach to refrigerant gases. We understand that CFCs have a much larger impact on climate change than other emissions, and as such, we have initiated a proactive program aimed at restricting, reducing, and replacing these gases whenever feasible. This includes making our cold chain distribution system more efficient to reduce use and replacing CFCs with alternatives such as HCFCs and HFCs, which are more effective and reduce global warming emissions. We also have a rigorous maintenance and monitoring program in place to ensure that any potential leaks are identified and addressed quickly.

The Group has developed a sustainability strategy, outlining how it will improve its energy performance through efficient energy consumption and generation from sustainable sources. The strategy focuses on solar power generation, water and energy efficiency, sustainable arable farming



practices, landfill waste reduction, commitment to 100% chlorofluorocarbon-free cold storage at its sales depot, and fuel efficiency measures including trailing alternative fuel vehicles.

2023 performance and initiatives

We are committed to promoting a culture of best practice amongst our colleagues and instilling an energy culture throughout the business. In 2023, we continued to develop our energy management systems. We have created an ISO roadmap which focuses on setting energy goals, ensuring commitment, energy planning, preparing to meet ISO 50001 requirements, and monitoring and measuring progress against our energy goals. We have made significant progress in the head office and dairy and juice manufacturing sites, and we are aiming for all of our Administration, Manufacturing, Sales, Distribution, and Logistics Divisions to be certified by 2025.

Our commitment to sustainability is demonstrated by the implementation of the Almarai Energy Monitoring Systems (AEMS) across the GCC (KSA, Oman, UAE, Bahrain & Kuwait). A total of 75 locations have been connected to AEMS, allowing us to better understand our energy usage and trends. Furthermore, to enhance our decision-making capabilities, we have initiated a steam efficiency project and implemented a pilot project involving combined evaporative cooling systems in our dairy and juice operations. Both projects have demonstrated significant energy savings. These endeavors are integral to our continuous commitment to diminish our environmental footprint and secure a sustainable future.

As part of our commitment to sustainability, we have set a target to increase the proportion of clean energy utilized across our Administration, Manufacturing, Sales, Distribution, and Logistics Divisions to 20% by 2025. To achieve this, we are collaborating with global power producers to establish renewable energy facilities at our locations and boost our reliance on renewable energy from the grid. For instance, since 2018, we have been implementing solar energy generation capacities at various sites. Moving into 2023, we will persist in procuring additional renewable energy while also investigating innovative applications of solar power, including its use in hot water production. Notably, we are extending our solar power initiatives not only in Hail but also in Al Kharj. Additionally, we operate several biofuel-integrated vehicles for product deliveries across the UAE, and although we initially planned to expand our biofuel sales fleet, challenges in finding a suitable biofuel supply in other regions have arisen. The introduction of biofuel vehicles largely depends on the availability of biofuel in the market. Despite these challenges, we remain dedicated to our sustainability objectives and will continue exploring alternative fuel options for our sales fleet.

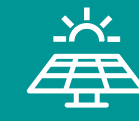
Our highlight stories

Since 2022, we have been testing alternatives to standard refrigerants, such as R290, a non-toxic refrigerant with zero ozone depletion potential and a low global warming potential. In 2023, we continued to standardize our operations to use this replacement gas to help reduce our emissions and have a positive impact on climate change. We have also been working to increase the fuel efficiency of our sales, distribution, and logistics vehicles despite accomplishing our goal 2025 goal. We have maintained our energy awareness program, 'Go Green', in our Jeddah (KSA) since 2021, and Al Kharj and Hail (KSA) sites since 2017. The program aims to educate and bring a mindset change among employees towards energy conservation, target specific significant energy uses to reduce consumption through process improvement and alternative solutions, and engage employees in energy saving activities.

We are actively working towards achieving our 2025 goal to explore and trial alternative fuel vehicles for our sales fleet. Since the later part of 2021, we have been progressively incorporating biofuel into a growing portion of our fleet vehicles for product deliveries in the UAE. Additionally, we are in discussions with biofuel suppliers in Saudi Arabia to initiate trials and potentially adopt biofuels within the kingdom.

Almarai's sponsorship of the Environmental Excellence Award

HRH Prince Abdulaziz bin Saad bin Abdulaziz, Governor of Hail, honored Almarai Company for its diamond sponsorship of the Environmental Excellence Award in its first edition, organized by the branch of the Ministry of Environment, Water and Agriculture in the Hail region. Almarai's sponsorship of the Environmental Excellence Award as a diamond sponsor comes within the company's corporate social responsibility plans and programs with the aim of encouraging environmental work and spreading awareness towards securing the future of the country's people and preserving its natural resources.



28% increase in solar energy usage from 2022.



Our sales, distribution, and logistics vehicles over 3% less fuel vs. 2021, which is about 8.4 million liters less fuel used.



| Management commitment | Operational improvements | Engineering improvements | New technologies |
|---|--|--|---|
| <ul style="list-style-type: none"> Establishing an effective communication system and allocating appropriate resources to support the effective management and implementation of the program | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> Leveraging collaboration to Identify all energy sources utilized at the sites and developing engineering controls to reduce energy consumption | <ul style="list-style-type: none"> Identifying and implementing new technologies to optimize existing equipment and enhance energy utilization |

Progress on our strategic goals and targets

| | 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

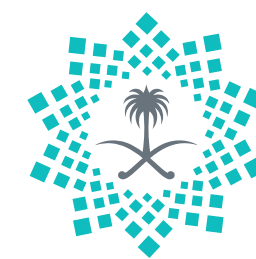
Almarai is dedicated to environmental and natural resources protection and reducing our ecological footprint. We are actively working to decrease our direct waste and packaging while enhancing our recycling initiatives. Additionally, we are exploring alternative materials and delivery methods to traditional packaging. We are committed to informing our suppliers, farmers, and consumers to enable them to make more sustainable choices. Through collaborative efforts, we believe we can build a more sustainable future for all.

We are committed towards waste reduction and optimum use of our resources. We aim to be more efficient in our operations and emphasize on waste diversion from landfills. In our efforts to minimize food waste, we consistently enhance our demand forecasting for precision and cost reduction. Moreover, we aim to maximize recycling of packaging and process waste generated from our manufacturing and distribution sites. Furthermore, we collaborate with waste management firms to recycle challenging materials like shrink wrap, diverting them from landfills by reusing them into alternative materials.

We are dedicated towards reducing our waste generation and ensuring responsible disposal practices. To achieve this, we have formed a waste steering group to facilitate information exchange and create strategies aimed at reducing landfill waste. Our goal is to reduce the amount of waste sent to landfills by 2025 by 50%, compared to levels recorded in 2018. We prioritize waste prevention, reuse, recycling, and maximizing the utilization of food surplus. Through these efforts, we align our waste management practices with the waste grading principles.

2023 performance and initiatives

In 2023, our waste recycling initiatives continue to thrive as we were able to recycle 50% more the amount of waste as compared to 2022. We also increased our food waste sold to animal feed by 45% which is a testament of our commitment towards waste reduction. We have also significantly reduced our waste going to landfill as we have come down to 55% as compared to 70% in 2018. We have also continued to expand our partnerships with third-party providers to divert food and dairy waste to animal feed programs. We have also initiated a new partnership with a third-party provider in Dubai, who recycles the packaging and removes water for reuse through reverse osmosis. Additionally, we have continued to expand our procurement efforts for additional partnerships with public and private sector entities, currently being explored.



National Transformation Program



Recycled nearly 50% more the amount of waste vs. 2022.



Food waste resold to Animal feed increased by 45% compared to 2022.



55% of waste going to landfill, compared to 70% for the 2018 baseline.

Our highlight stories

Producing organic fertilizer

Almarai's poultry litter charring operations in Hail continues to produce organic fertilizer. The EcoChar Gasification plant located in the facilities is running in HADCO, producing a carbon-rich product obtained when biomass is heated in a closed container in either an oxygen-starved or oxygen free environment. This product consists 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 the premium version of biochar, can increase crop yields, boost agriculture, and has a variety of other uses, including animal feed supplements, bedding, and use as a water filtration medium.

Waste reduction collaborations

Almarai has been working with packaging suppliers, recyclers, plastics manufacturer, National Center for Waste Management (MWAN), and Saudi Investment Recycling Company (SIRC) to reduce waste at source and divert most waste away from landfill. In addition, Almarai has been working with other businesses from FMCG, plastics manufacturing and recycling sectors at KSA Packaging Working Group under the Federation of Saudi Chambers to engage with MWAN and SIRC to divert more waste from landfills.

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's dedication to sustainability is noticeable through our operations at Fondomonte, our arable farms situated in Argentina and the United States. We prioritize the production of top-quality feed for our dairy herds in Saudi Arabia while upholding sustainable agricultural practices. We implement optimal land-use practices to enhance land productivity on our arable farms and actively pursue regenerative farming practices wherever feasible. These practices contribute to the long-term sustainability of our arable farms by enhancing soil health and vitality, increasing carbon sequestration, and fostering ecological biodiversity. In California, we have implemented a land conservation program, where 15% of the land is left fallow at any given time to support soil regeneration. In Argentina, we conduct regular environmental impact assessments on our alfalfa farms and closely monitor the application of fertilizers and pesticides in compliance with local regulations. Furthermore, we maintain ongoing communication with local environmental regulatory bodies in both countries

Our commitment to sustainable farming practices is evidenced by our investments in irrigation infrastructure. In the United States, we have implemented subsurface drip and pivot irrigation in arable farms in Arizona, while in California, we are lining irrigation canals with concrete to reduce water loss. We also ensure that all canals are gravity fed and require no energy for pumping. We are dedicated to monitoring water use in accordance with local regulations and engaging in ongoing dialogue with local water management authorities.

We have implemented strong bio-security procedures, livestock and poultry flock located on multiple sites to reduce risk, disease control and vaccination program are in place along with screening and quarantine of incoming animals. Professional vet group within the farming division ensure large scale losses do not occur. Our arable farms in the United States are dedicated to sustainability and reducing their carbon footprint.

Sustainability is evident in our operations at Fondomonte, our arable farms located in Argentina and the United States. We see to it that we produce the highest quality feed for our dairy herds in Saudi Arabia, while also adhering to sustainable agricultural practices, as evidenced by our investments in irrigation infrastructure and environmentally friendly practices such as transporting feed by train from our farms to port for shipping, sourcing from hydroelectrically generated power sources and using electric irrigation pumps, among others. Furthermore, we take pride in being SHARPs (Safety & Health Achievement Recognition Program) certified, an accreditation program by OSHA (Occupational Safety and Health Administration), which acknowledges small and medium business employers with exemplary safety and health programs that have utilized OSHA's On-Site Consultation program services.



2023 performance and initiatives

Supporting young farmers

We are proud of supporting 4-H (Young Farmers of America), a program initiated by the National Institute of Food and Agriculture within the United States Department of Agriculture. This program is structured to assist young individuals in acquiring expertise and abilities related to agriculture through hands-on projects and activities. Our support plays a vital role in guaranteeing that the upcoming generation of farmers and agricultural experts is well-prepared with the necessary skills and knowledge to thrive in their respective careers. By endorsing 4-H, we contribute to shaping a future filled with skilled and competent professionals in the field of agriculture. We are honored to be involved in this initiative and remain dedicated to ensuring that the succeeding generation of farmers and agricultural experts possesses the essential skills and knowledge for success in their chosen endeavors.

Almarai honored for Obtaining “Saudi G.A.P” Certificate

The Ministry of Environment, Water and Agriculture, honored Almarai Company for obtaining the Saudi Good Agricultural Practices certificate “Saudi G.A.P”. This came during a ceremony held by the National Committee of Poultry Producers of the Council of Saudi Chambers in the presence of His Excellency the Minister on 12 July 2023, to honor the companies that obtained “Saudi G.A.P” certification for applying several standards of good agricultural practices that will contribute to the sustainability of production and provide healthy and safe food to the consumer, as well as enhance consumer confidence in local poultry products.

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 | ◐ |



Zero incidents of non-compliance with environmental laws and regulations.



All of our US Sites (Vicksburg in Arizona, Blyth and Calipatria in California) are SHARPs certified for Health and Safety.