



Albaad's 2021 ESG Report
Environmental, Social and Governance





Table Of Contents

Letter from the CEO	3
A glance at 2021	4
About Albaad	5
Our values and vision	8
Our environmental strategy	13
A responsible supply chain	15
Sustainable innovation	18
Sustainable production	20
Water and wastewater	20
Climate change	22
Waste management	26
Our employees	28
Corporate governance	35
Product quality and safety	36
Local and international standards and regulations	37
About our report	39
GRI content index	40
ESG data table	43





Letter from the CEO

Dear Stakeholders,

I am pleased to share with you Albaad's 2021 ESG report.



The previous year has been challenging for Albaad. While industry conditions have changed, we continued to navigate the impact of the COVID-19 pandemic on our business, our supply chain and our employees. Throughout this time, we have continued to meet our customers' demands, all while driving a change towards sustainability in our products and operations.

As part of our commitment to effectively manage environmental, social and governance (ESG) aspects, this year we conducted our first materiality assessment, to better understand what we can do to keep creating real added value for our stakeholders, establish priorities and provide core input for our future strategic plans.

The acquisition of Optimal Care S.A. and our decision to invest over €50 Million in a new plastic-free nonwovens production line sourcing plant-based components, are yet another representation of our company's commitment towards sustainability. We constantly invest in promoting the safety, health and well-being of our people, who are our most important asset and our greatest strength. We maintain a rigorous focus on ethics and integrity at every level of our operations, a practice on which our success depends.

Driving sustainability is a shared responsibility we must act on. At Albaad, we're more committed than ever to do our part, while driving value for our stakeholders and the environment.

Our ESG report gives us an opportunity to reflect on what we have accomplished during the previous year, and also spotlights the work we have left to do. I look forward to updating you on our continued efforts.

Sincerely,
Jacob Heen
CEO & President, Albaad





A Glance at 2021

Our Environment

5%

Decrease* in water consumption intensity (m³/tons of product)

22%

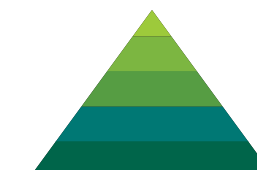
Decrease* in wastewater production intensity (m³/tons of product)

59%

Decrease* in water pollutants (m³/tons of product)

100%

Green electricity consumption in Albaad Germany



Installation of solar panels in Albaad sites

Our Employees

*Compared to a 2017 base year

1,773

Employees

44%

Of the workforce are women

5,174

Hours of training provided to employees in 2021

98%

Training attendance rate due to new e-learning platform

80%

Employee performance and development reviews in 2021

Our Sales (€)

344M

Wipes

4M

Nonwovens

41M

Feminine Hygiene Products



About Albaad

Background

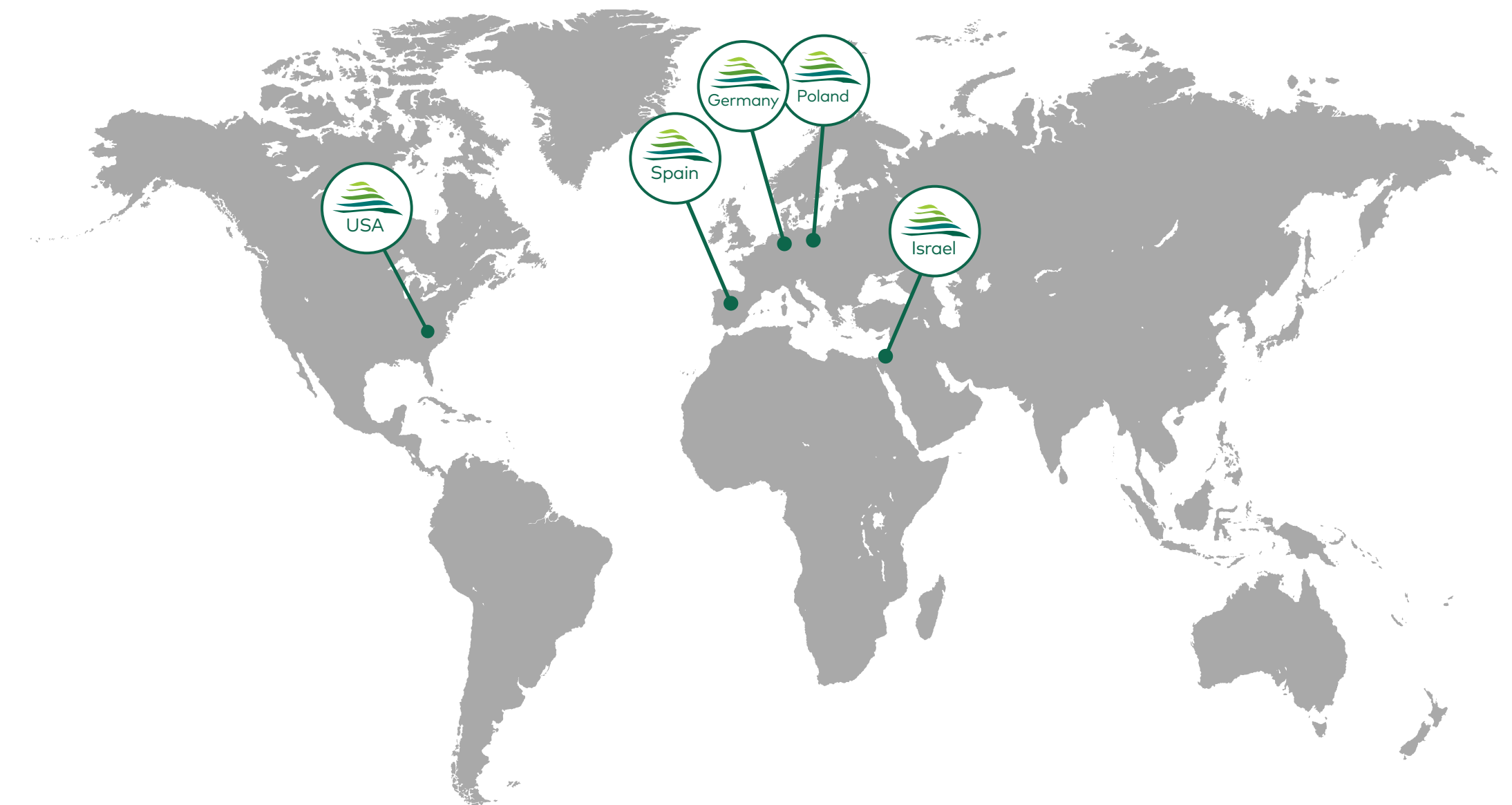
Established in 1985, Albaad is one of the first companies worldwide to produce wet wipes for international brands and private label companies, and is recognized as the only wet wipes manufacturer with vertical integration capabilities, including the production of nonwovens raw materials as well as end-products.

In the last three decades, we have expanded our operations to include manufacturing of feminine hygiene products, and developed a global footprint with the establishment of manufacturing sites in Israel, Europe and USA.

Today, with a global presence in over 30 countries and manufacturing sites located in three continents, we have managed to establish the infrastructure necessary to provide on-time service to our customers across the globe, while maintaining our commitment to integrity, excellence, exceptional service and high-quality products, through professional and ethical conduct as well as continuous innovative improvements.

We strive to hold our position as one of the world's leading wipes manufacturers for both private labels and leading brands, by maintaining long-standing strategic partnerships with our stakeholders, pursuing innovation and sustainability and providing the highest quality products for the sake of consumer's health and protection.

Customers
in
over **30**
countries



Albaad is a member of the following associations:

INDA

The Association of the
Nonwoven Fabrics
Industry in USA



EDANA

The European Disposables
and Nonwovens
Association



A.I.S.E.

The International Association
for Soaps, Detergents and
Maintenance Products



**Responsible
Flushing Alliance**
USA



MAI

Manufacturers Association
of Israel



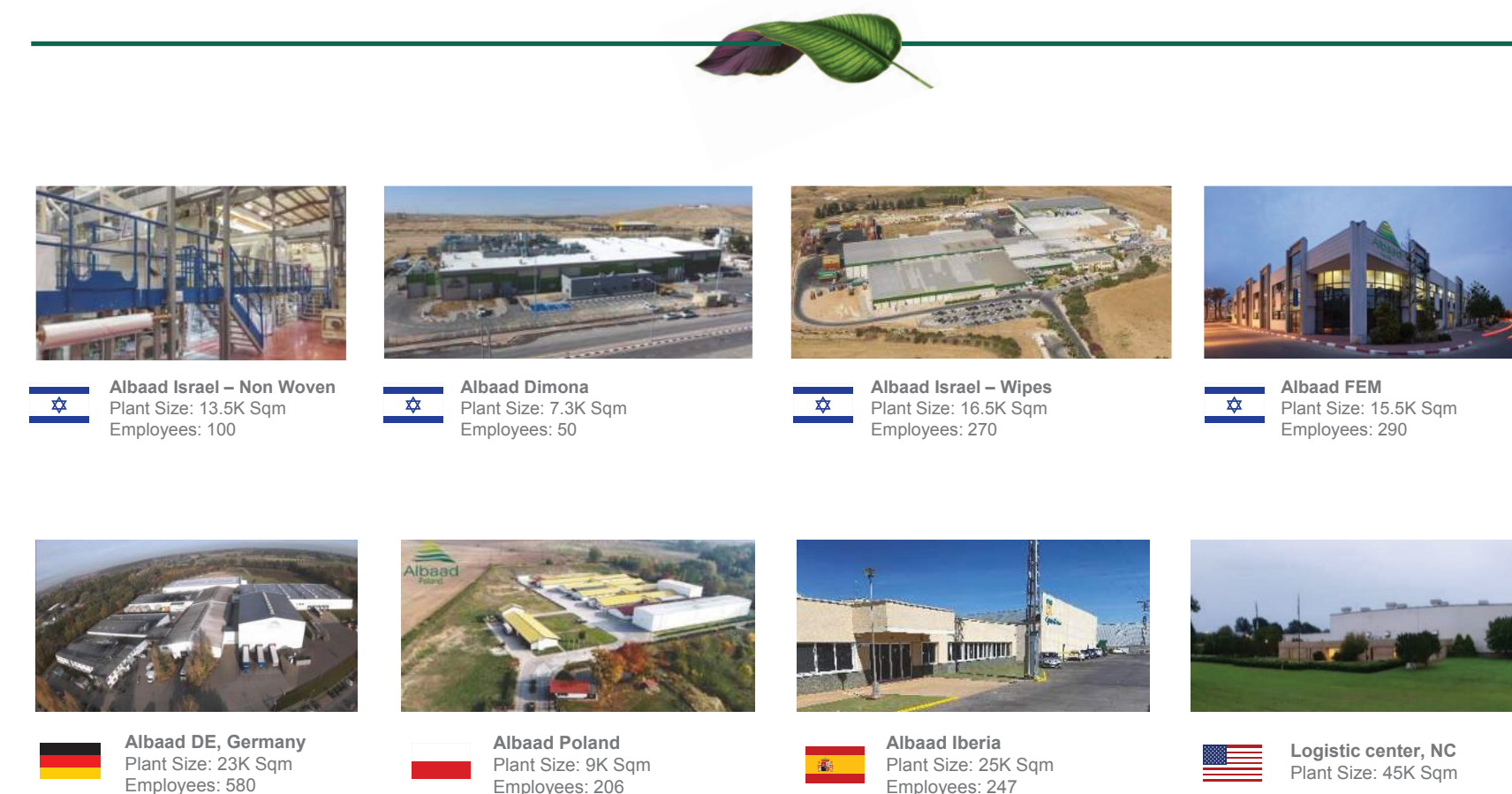


Our Operations

Our world-leading production facilities are equipped with the most advanced technologies that enable us to make a variety of our products available to as many customers as possible, all around the world.

Our wet wipes products are manufactured in Albaad's converting sites in Israel, Germany, Poland and in USA, feminine hygiene products are produced in our site in Israel, and our nonwovens production sites are located in Israel and provide raw materials used primarily in our wet wipes converting facilities.

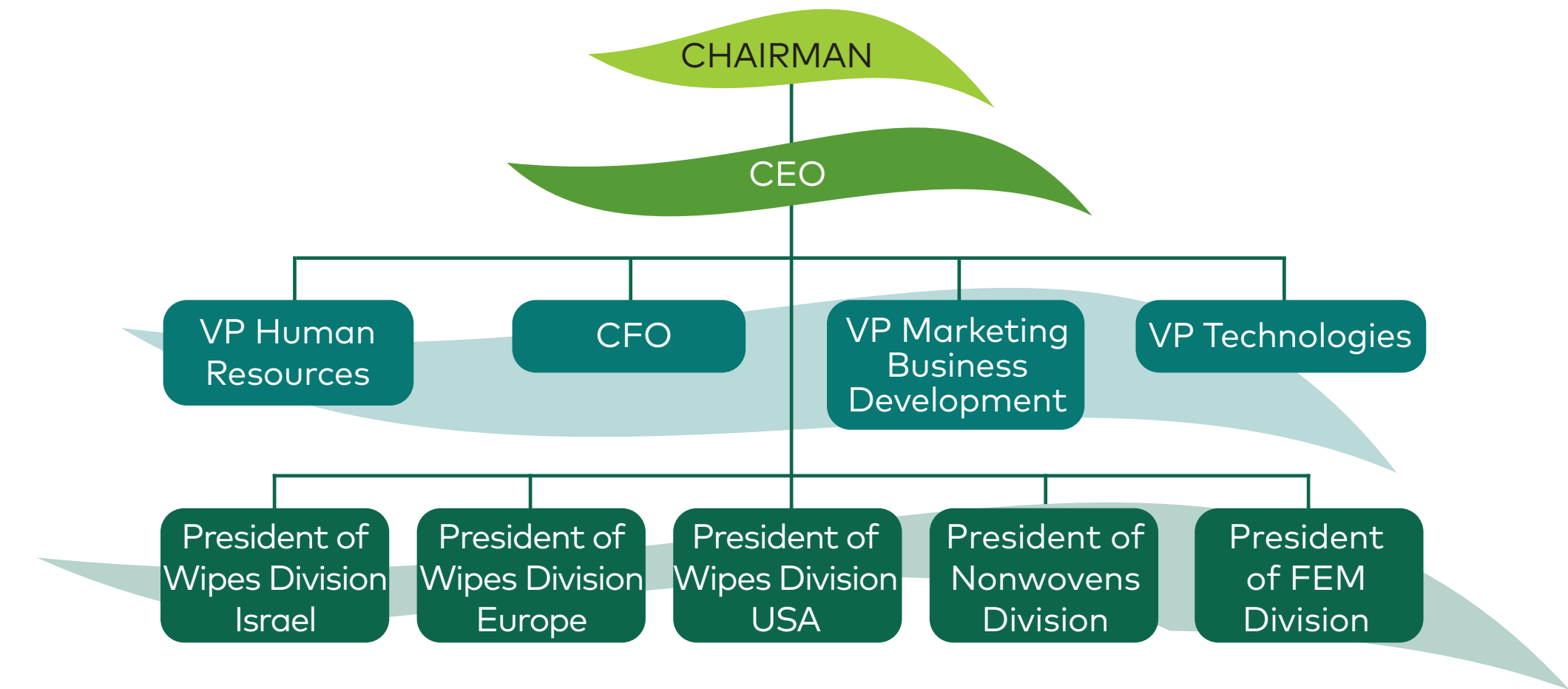
In May 2021, we announced the acquisition of the Spanish wet wipes producer Optimal Care. The company became the "Albaad Iberia" division, and was integrated into Albaad's European subsidiary in Germany. Expanding the European coverage enables Albaad to react faster to market needs, deliver products with lower transportation costs, ensure optimized production capacity, offer more localized customer support and reduce our environmental footprint by moving closer to the market.



Organizational Structure

Albaad is a publicly traded company on Tel Aviv Stock Exchange (TASE) since 1994. All holdings of Albaad are in 100% of the investee companies, excluding 51% holding in Polyol Biotech, and Albaad Poland that is held 99% by Albaad Netherlands and 1% by Albaad Germany. Corporate headquarters are located at the company offices in Israel¹.

In January 2021, Albaad has made a strategic decision to change its organizational structure based on five divisions: three geographically divided wipes divisions, one nonwoven division and one FEM division. As part of the organizational change, the company's executive management includes the five division presidents and four vice presidents, as displayed in the following chart:





Markets

Our international company culture enables us to meet various market needs by providing solutions, advisement and product development services to comply with regional and market requirements, including local regulations compliance, trends and preferences.

Our Products

We are proud of our responsible value chain, which includes close attention to integrating sustainability throughout all phases: research and development of new products, responsible procurement of raw materials, manufacturing of our products, packaging and distribution, and finally product use and disposal by consumers.

As part of our product offering, which is sold globally by our customers, we have developed exclusive and innovative products especially designed to meet our customers' needs and requirements and cover a wide range of product lines, from discount store products to luxury brands.

Customers

The customers we serve benefit from the uncompromising quality of our products and our innovative technologies, a premium customers service, a wide variety of products in the company's activity categories (bundling) and our international positioning, for a faster and more cost-efficient order-to-delivery cycle based on our proximity to local markets.

Our customer portfolio is best divided by areas of activity:

- **Retail Chains:** In retail, the majority of our sales are to leading chains in Europe and in the United States.
- **Contract Manufacturing:** Leading multi-national companies for whom we produce their brand products.
- **Institutional:** Companies that deliver hygiene products to hospitals and healthcare centers.

Our Primary Products



Hygiene Wipes

Moist Toilet Paper
Consumer Healthcare
Adult Care / Incontinence
Hand and Face Antibacterial



Cosmetics Wipes

Makeup Remover
Hydrating
Exfoliating (abrasive)
Anti-Aging
Acne



Fem Care

Tampons:
• Applicators
• Digital
• pH (patent)
Intimate wipes



Baby Care Wipes

Aqua base
Gel based
Rich lotion
Diaper rash cream
Bathing wipes



Home Care Wipes

Disinfecting
All purpose cleaning
Windows
Floors
Furnitures
Automotive



Our Values and Vision

Albaad's ESG values and vision are displayed in the following channels and to our stakeholders:

Environment

- Reduce carbon emissions
- Encourage sustainable innovation
- Maintain sustainable sourcing of raw materials
- Complete environmental certifications beyond compliance

Social

- Care for occupational health & safety
- Uphold product quality & safety
- Provide employee training & development
- Support local communities

Governance

- Comply with regulations on the local level
- Adhere to international & local standards
- Formulate and update the company code of ethics

Customers: To be among the leading wet wipes manufacturers and flushable wipes manufacturers for both private labels and leading brands, all while maintaining product quality and safety.

Consumers: To provide high quality products while maintaining maximum environmental responsibility and consumer health protection.

Suppliers: To maintain and develop long-standing strategic partnerships with fair and sustainable raw material suppliers, while treating suppliers with fairness and good faith, avoiding receipt of gifts and benefits, as well as any conflict of interests.

Employees: To maintain a safe working environment, provide equal opportunity, invest in the professional development of every employee, foster a diverse atmosphere, and prevent any form of discrimination, harassment and violence.



Albaad's commitment to the SDGs



The United Nations Sustainability Development Goals (UN SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to tackle social issues and environmental issues, while also targeting economic growth, reduced inequalities, and innovation. At Albaad, we believe that sustainability is a crucial driver to business growth that provides long-term value and see commitment to sustainability as an integral part of our company's vision and values. As one of the leading companies in our field, we contribute to the SDGs, understand our impact and wish to make a positive one.



Ensure healthy lives and promote well-being for all at all ages

We manufacture products that support public health and well-being and offer true value to our customers and end users with new innovative solutions to their changing needs. The COVID-19 pandemic best demonstrated the need for hygiene products, as our disinfecting wipes were proven to kill the coronavirus and therefore decrease the chance of becoming ill with the disease.²



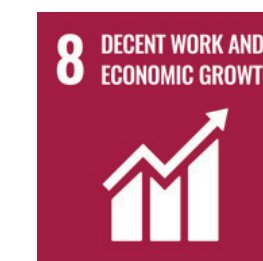
Ensure sustainable consumption and production patterns

As a large manufacturing company, we have a significant impact on the environment in terms of material sourcing. As a result, our procurement policies prioritize environmental and social aware businesses that can easily adapt to customer requests. Environmental considerations are integrated in our production process, as we aim to reduce plastic use in our products, switch to single-component packaging that can be recycled or packaging containing recycled materials, and make biodegradable products that can be sustainably disposed.



Take urgent action to combat climate change and its impacts

Climate change is mankind's greatest challenge and needs to be seriously addressed, both by mitigating the effects of global warming and adapting to the new reality. Albaad is committed to tackling climate change, and continues to improve energy efficiency thereby decreasing its energy consumption and greenhouse gas emissions. In 2022, we will set near-term science-based targets (SBT) and form an environmental strategy and action plans to support these targets. We intend to meet this goal by increasing our energy efficiency, transitioning to low carbon fuels in our production facilities and switching to electric and hybrid vehicles. We are glad to announce that 100% of the electricity in our manufacturing facility in Germany comes from green energy sources, and that solar panels are installed on the roof of our Israeli facility in Massuot Yizhak.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Our employees are the engine of our operations. We strive to ensure a safe, fulfilling and rewarding environment rife with opportunity for all employees to grow and develop their skills. To protect the rights of our employees, we have developed and implemented an ethical code of conduct. Employee feedback surveys are performed regularly to ensure fair working conditions and that every worker has purpose and is treated with mutual respect.

²For more information, please see <https://www.albaad.com/epa-approves-albaad-cleanitize-innovation-to-kill-the-virus-that-causes-covid-19-sars-cov-2/>



Albaad's stakeholder engagement

As a company that started its way more than three decades ago and grew together with the support and collaboration of the local community, we realize the importance of a maintaining good relationships with our stakeholders and giving back to the surrounding community. We believe that community is more than just a gathering of people sharing the same space and strive to protect and support our surrounding communities.

We encourage open and effective communication with each group of our stakeholders to maintain continuous, long-lasting, relationship.³

Stakeholders

Customers



Suppliers



Employees



Consumers



Local communities



Shareholders



Dialogue Channels

- Direct dialogue
- Satisfaction surveys
- Periodic meetings

- Longstanding strategic partnerships
- Quarterly meetings
- Satisfaction surveys
- Assessment of suppliers
- Annual quality audits

- Annual employee evaluations
- Satisfaction surveys
- Internal communication mechanisms
- Internal newsletters
- Open door policy
- Roundtable events

- Customer service hotline
- Albaad website contact

- Community contributions and volunteering
- Website contact
- ESG report

- Quarterly and annual financial reports
- ESG report

³GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44



Material topics

We value environmental, social and corporate governance (ESG) topics that are material to our business and stakeholders, and strive to improve our impact and performance in these domains.

As part of the reporting process, the material topics of this report were defined with the support of ESG specialists. A materiality analysis was conducted to identify important ESG topics that reflect Albaad's character. Initially, a benchmark was performed to create a spectrum of probable topics. The benchmark included comparisons with companies who characteristically resemble Albaad, topics of various ESG rating agencies and global reporting standards. The selected topics were then discussed with the executive management and with the Board of Directors, where the material topics were finalized.

This analysis was conducted in accordance with the GRI Sustainability Reporting Standards.

We have decided that internal work is necessary for our first report before initiating direct stakeholder engagement, and consider most stakeholders' opinions to be reflected in the selected topics.

Our material topics defined for the report and for focusing our ESG strategy are:⁴

1	Product Quality & Safety	Compliance and beyond compliance actions that ensure high quality products which are also certifiably safe for consumer use.
2	Occupational Health & Safety	Working to create a healthy, safe, and secure working environment for employees.
3	Business Ethics	Organizational ethical code, working according to values and applying the code of ethics throughout management and the value chain, implementing mechanisms that prevent corruption and money laundering, regulatory compliance (local and international) and transparency in business conduct.
4	Sustainable Innovation	Focusing on creating products to generate long-term social and environmental benefits while contributing to company profits.
5	Carbon Emissions Reduction	Assessing climate-related risks and opportunities, examining the impact climate change has on our operations as well as our impact on climate change. Tracking and reducing the company's carbon footprint by advancing energy efficient operations and taking part in offsetting projects and climate change initiatives (CDP, SBTi).
6	Waste Management	Responsible management of waste generation in the production facilities and business offices; sorting, treatment and disposing of waste; policies and procedures that ensure efficient consumption (reusing products and/or consuming recycled products); continuous monitoring of production lines to reduce defects and improve efficiency.
7	Local Regulatory Compliance	Regulatory compliance while maintaining an ongoing and transparent dialogue with the relevant authorities in the various countries in which the company operates.
8	Employee Development	Employee training (technical, leadership, soft skills, etc.); Employee retention; Providing an employment horizon and a career path for talented employees and using incentives such as bonuses and attractive employment conditions.
9	Production and Packaging Lifecycle	Identifying, quantifying and assessing the environmental impact throughout our products' life cycle; decreasing the environmental impact of the product and its packaging by examining all activities involved with the making, using and disposing of products.

⁴GRI 102-40, GRI 102-42, GRI 102-46, GRI 102-47

The image features a dense, close-up view of green leaves, likely from a plant like basil, filling the entire frame. The leaves are vibrant green with visible veins and serrated edges. A white rectangular frame is superimposed over the center of the image, creating a focal point for the text.

Environment



Our environmental strategy

Climate change, water scarcity and marine plastic pollution are major environmental concerns that create a demand for sustainable products. At Albaad, these challenges are viewed as opportunities that drive us to reduce the environmental impacts of our operations and develop innovative alternative products solutions with a reduced environmental impact.

We live in a demanding environment where time is a scarce resource. In such an environment, the products we manufacture allow a higher quality of life while saving time. Consumers have come to expect certain key attributes, such as sustainability, from nonwoven-based products. Globally, consumers of wipes and feminine hygiene products demand environmentally aware products, which include the sustainable use of materials (raw, recycled and recyclable) while reducing harmful chemical use and GHG emissions.

As a user of raw materials and energy, and a manufacturer of consumer products, Albaad is an important player, striving for a more sustainable pathway of growth. We have identified the main activities where we impact the environment and do our utmost to prevent environmental damage and manage these activities in a manner that would lead to a gradual improvement in our environmental performance.

Environmental considerations are taken into account at the various stages throughout the product's entire lifecycle, from raw material sourcing and processing, through the manufacturing and global shipping of our products, consumer usage, to the product's end of life. Each step in the product's life cycle represents opportunities for us to measure and improve the sustainability of our products and manufacturing processes. We constantly and consistently work to improve our performance through activities such as developing environmentally friendly products, adopting environmentally advanced technologies, initiating projects aimed to reduce energy consumption and water usage, executing wastewater treatment solutions, implementing recycling solutions (for nonwovens, products, packaging materials), reuse, source reduction of materials and safe disposal of waste.

We conduct our business worldwide in accordance with all applicable legal requirements and several of our manufacturing sites also meet the requirements of the ISO 14001, an internationally agreed standard that sets out the requirements for an environmental management system and aims to improve environmental performance through more efficient use of resources and reduction of waste.





Our environmental goals

As part of the process of collecting and processing of environmental performance data of recent years, and reexamination of our targets that were set for 2017 targets, in 2018, we have defined new medium-term environmental goals which reflect the company's main areas of environmental impact.

For each aspect of environmental impact, a target (where relevant) was set to be met by the end of 2023.



Wipes

2023 target

3% reduction in water consumption vs 2017 baseline

10% reduction in energy consumption vs 2017 baseline

10% reduction in GHG emissions vs 2017 baseline

75% recycling and reuse rate

10% reduction in waste production vs 2017 baseline

2021 update

7% decrease in water consumption intensity (m³/million units)

10% decrease in energy consumption intensity (GJ/million units)

39% decrease in GHG emissions intensity (CO₂e/million units)

69% rate

13% decrease in waste production intensity (tons waste/million units)



Nonwovens

2023 target

2% reduction in water consumption vs 2018 baseline

5% reduction in energy consumption vs 2017 baseline

5% reduction in GHG emissions vs 2017 baseline

85% recycling and reuse rate

5% reduction in waste production vs 2017 baseline

2021 update

41% decrease in water consumption intensity (m³/million units)

No change in energy consumption intensity (GJ/million units)

2% decrease in GHG emissions intensity (CO₂e/million units)

66% rate

3% decrease in waste production intensity (tons waste/million units)



FEM

2023 target

5% reduction in energy consumption vs 2017 baseline

5% reduction in GHG emissions vs 2017 baseline

15% recycling and reuse rate

5% reduction in waste production vs 2017 baseline

2021 update

11% decrease in energy consumption intensity (GJ/million units)

7% decrease in GHG emissions intensity (CO₂e/million units)

Albaad is improving the waste data collection process in FEM sites. Progress in achieving the target will be provided in future reports.

Albaad is improving the waste data collection process in FEM sites. Progress in achieving the target will be provided in future reports.

*Albaad's Dimona nonwoven site began full operations in 2018. Therefore, the year 2018 is used as a baseline for all nonwovens goals.

*A water target does not apply to our FEM sites which are considered "dry" sites, since water consumption is used for sanitary use and not for production.



A responsible supply chain

At Albaad, we are committed to promote responsible and sustainable procurement, hold our suppliers to the highest quality standards and foster a culture of open communication and excellence. We expect our suppliers and partners to conduct their relationship with us on a fair and ethical basis and in compliance with our core principles of sustainability.

Corporate social responsibility, ethical conducts and environmental performance criteria are integrated into our suppliers' selection process and procurement decisions, and we rely on the cooperation of supply chain partners, in pursuit of sustainable and ethical procurement.

As part of our effort to maintain sustainable procurement across our supply chain, we expect and encourage our suppliers to share with us information on sustainability efforts. Feedback from our partners also helps us identify which suppliers to work with to advance key sustainability considerations so that we can be assured our suppliers' values are in alignment with our sustainability policy.

Through our procurement activities, we aim to contribute to advance human rights and promote compliance with labor, environment and anti-corruption requirements, as well as with other social responsibility related expectations.

Our Procurement Policy

We strive to reduce negative impacts of each of our products throughout the value chain. As part of our procurement practices, we always look for raw material that were obtained in ways not harmful to society and the environment and that are safe to produce and use.

Proper procedures are put in place throughout the entire procurement process, according to which every purchasing order is carried out:

- Selecting the supplier
- Approving the supplier
- Placing purchase orders
- Auditing suppliers

In addition to choosing suppliers that adhere to conventional parameters such as quality, service, price level, production and logistic capabilities, we prioritize suppliers who proactively promote sustainable development as well as environmental and social progress, through the following actions:

- Hold ISO 9001, BRC, ISO 22716 and HACCP quality management systems.
- Acquire R&D and valuable innovation capabilities.
- Prove financial stability.
- Hold environmental quality certifications, e.g. ISO 14001, and who exhibit environmental awareness.
- Hold social responsibility standards, such as SEDEX, that ensure ethical behavior and employee rights as with aspects of human rights, ethics, community and society.
- Maintain product liability, including shipment and delivery.

We focus on long-lasting relationships with our suppliers, while setting clear objectives for addressing social and environmental issues. In each partnership, we take a long-term view, evaluate technological and manufacturing expertise to streamline and shorten procurement processes, all while committing to a shared vision of making the world a better place through our business. We expect our partners to apply best practices in all aspects of sustainability- corporate governance, quality control, labor management, worker safety and environmental issues.

We work closely with our suppliers, often by conducting visits to better understand their processes and ensure satisfactory deliveries. This contributes to a more efficient supply chain and higher quality of raw materials, resulting in a better manufactured product. In addition, we promote innovation among our suppliers and support them through the innovation process, to achieve the best development and launch of innovative products and services. Moreover, leading suppliers have signed Albaad's Code of Ethics and external contractors go through safety training sessions on an ongoing basis, when deemed relevant.



Purchasing of sustainable materials

Albaad observes the environmental impact throughout the entire value chain, starting from the use of a range of raw materials of different types and from different sources, including naturally derived and synthetic fibers, pulp, nonwovens, plastics, chemicals and packaging materials.

Due to the nature of our activity, our products are manufactured according to specifications determined by our customers. Nevertheless, Albaad offers a wide range of products and materials and focuses on the most environmentally friendly alternatives for our customers.

Fibers & Pulp



Used for nonwovens and tampons manufacturing

Nonwovens



Produced by various technologies

Auxiliary Materials



Tampons applicators, adhesives, chemicals, additives and fragrances

Packaging Materials



Flexible packaging (laminates), cartons, bags

As part of our purchasing procedures, we consider the environmental impact of the raw materials we use and choose our suppliers and local partners based on sustainability guiding principles to the extent possible. As well as protecting and guiding the organization, it positively affects suppliers and local communities connected to Albaad and has a positive impact within the company, the communities and the industry.

Sourcing of Natural Fibers from Responsibly Managed Forests



The mark of responsible forestry

One of the main raw materials we use in our nonwovens and tampon products are viscose fibers, which are considered an environmentally preferable alternative compared to synthetic fibers. To assure responsible forestry practices in naturally derived raw materials, all of our sites hold FSC™ certifications.

Thanks to our responsible forest management certification, we contribute to the conservation of tropical forests in South America and Africa and to halting their overexploitation. In this way, we guarantee that the forests are managed according to strict environmental and social criteria.

In 2021, 88% of all natural fibers purchased by Albaad was sourced from FSC™ certified forests.

Sourcing of Sustainable Palm Oil



Palm oil is a commonly used material in a wide range of industries, and in the past years the detrimental effect of palm oil production on surrounding communities and the environment has become painfully evident. Because it is in such high demand, many agricultural lands were converted to palm oil plantations, resulting in heavy deforestation and damage to ecosystems. To minimize this negative impact and the risk of further global deforestation, Albaad has voluntarily joined as an ordinary member in the Roundtable on Sustainable Palm Oil (RSPO™), a global, multi-stakeholder initiative that supports the use of sustainable palm oil.

Since 2015, Albaad has been committed to the values and principles endorsed by the Roundtable on Sustainable Palm Oil, which sets out detailed requirements, focusing on critical social, environmental, economic and animal welfare challenges that can affect supply, livelihoods and sustainability in our sourcing activities.



Packaging Materials

To reduce raw material consumption, we constantly look for the most environmentally friendly packaging solutions in the market that will enable us to reduce our impact on the environment, such solutions include materials with reduced virgin plastic content, with reduced packaging weight or recyclable packaging.

By working hand in hand with our packaging suppliers we have managed to develop a recyclable laminate film for our wet wipes and today also have the capability to offer packaging materials made with post-consumer recycled content, while optimization of our product design and moving to soft packs instead of canisters helped us to reduce the content of plastic in the products we offer.

Responsible Procurement and packaging – Caesarea Fem Facility

Our Fem site in Caesarea produces tampons marketed to the United States, and is a model for responsible raw material sourcing and sustainable packaging striving for circular economy.

Of all natural fibers purchased in 2021, all viscose fibers are FSC™ certified, and all cotton fibers are Organic Content Standard (OCS) certified, ensuring that purchased cotton is at least 95% organic. Once products are approved for release, 90% are packaged in material that is 96% recyclable, and cartons that are made of 100% recycled material. We intend to continue this trend and further improve our recycling abilities by implementing this model in our facilities around the world.





Sustainable innovation

We constantly adapt to the changing market environment. Sustainability has become an intrinsic part of our end products and is ingrained in every step of the manufacturing process, and contributing to sustainable development is a core element of Albaad's corporate strategy and of our basic values. Albaad is built on a strong foundation of talented people with a real commitment to innovation, which demonstrate the company's mindset.

As a strategic objective, we combine insights from customers, consumers and market trends with our desire to create value. In this manner, we embed sustainability into our innovation processes, thus creating eco-friendly products that reduce our ecological footprint.

Our journey to deliver innovation starts with the assessment and identification of unmet market needs through our local market insight to ensure that we stay at the forefront of innovation. Our customers play a significant role through their understanding of the marketplace and work with us exclusively on the development of new products and technologies. These valuable insights, together with our in-depth market research, R&D capabilities and manufacturing expertise ensure we capture and quantify all opportunities for innovation.

Throughout 2021-2023, we plan to invest over €50 million to expand and optimize our environmentally friendly nonwovens product line. The new line will make sustainable nonwovens made entirely of natural fibers that are biodegradable and plastic-free. We expect to bring these products to market in 2023 in line with the consistent continuation of the company's sustainability strategy.

Providing sustainable products with true flushability

Non-flushable wipes that are flushed down the toilets block water systems and treatment plants, thus causing costly and time-consuming repairs to these systems. Therefore, meeting the stringent flushability standards is crucial to refrain from such issues.

Hydrofine® by Albaad, is a rapidly dispersible nonwoven which consists of 100% FSC™ certified cellulose pulp and fibers. The Hydrofine® portfolio includes products that comply with recognized flushability assessment guidelines as well as meet known biodegradability and compostability standards. We are proud to say that in 2020, we became the first manufacturer to pass the strict flushability specifications of the International Water Services Flushability Group (IWSFG). The products also passed the UK Water Industry Specification (WIS) 4-02-06 standard that approved Hydrofine as "Fine to Flush" in addition to EDANA/INDA's flushability assessment guidelines (GD4).

Furthermore, Hydrofine® flushable nonwoven substrate was tested by an independent laboratory and found biodegradable in public sewer systems conditions per OECD 301B and OECD 311, as well as compostable in industrial processes per EN13432, allowing it to be collected and composted thus promote a sustainable economy.

Innovations such as Hydrofine® enable us to bring to the market convenient products, while effectively reducing its ecological footprint.





Promoting consumer awareness on flushability

One of the most important issues when using disposable wipes is their disposal after use. When consumers purchase our products, we strive to ensure proper disposal practices by clear labeling and promoting consumer awareness in any way we find suitable. Albaad is a member of EDANA and INDA, industry associations representing the suppliers of nonwoven materials and products in the market across Europe, Middle East, Asia and North America, that developed the Code of Practice for communicating appropriate disposal pathways for nonwoven wipes to protect wastewater systems.

According to the Code of Practice, the packaging of all finished products that have high potential to be discarded via the toilet should clearly inform consumers whether the products are appropriate for disposal via the wastewater system. Packaging of non-flushable products that have the potential to be flushed should clearly indicate that the product should not be disposed of via the toilet by displaying the 'Do Not Flush' (DNF) symbol.



Albaad product with DNF symbol

We promote EDANA and INDA Code of Practice and encourage our customers who are not members of the industry associations to assure that wipe is not intended for flushing are clearly labelled. Clear communication on packaging will help to educate consumers on the proper disposal route for products and prevent costly problems at the and at wastewater treatment facilities.

Albaad is also a member of the Responsible Flushing Alliance, an independent, nonprofit trade association committed to educating consumers about responsible and smart flushing habits to help reduce damage to local sewage systems. The organization's mission is to contribute to real solutions from problems caused by inappropriately flushed products by working collaboratively with the wipes supply chain and the wastewater scientific, engineering and operating entities to better understand and evaluate the scope, contents and impacts of flushed items on wastewater infrastructure.

We strongly believe that responsible consumer behavior is a key aspect in preventing non-flushable products from entering wastewater systems. We therefore strive to increase public awareness about smart flushing habits for real and lasting results.





Sustainable production

Albaad works together with external technology and equipment providers to further push the envelope of innovation by testing and integrating new technological capabilities that improve and optimize production processes. Environmental efficiency is assessed in reducing water and energy consumption, as well as waste production and GHG emissions.

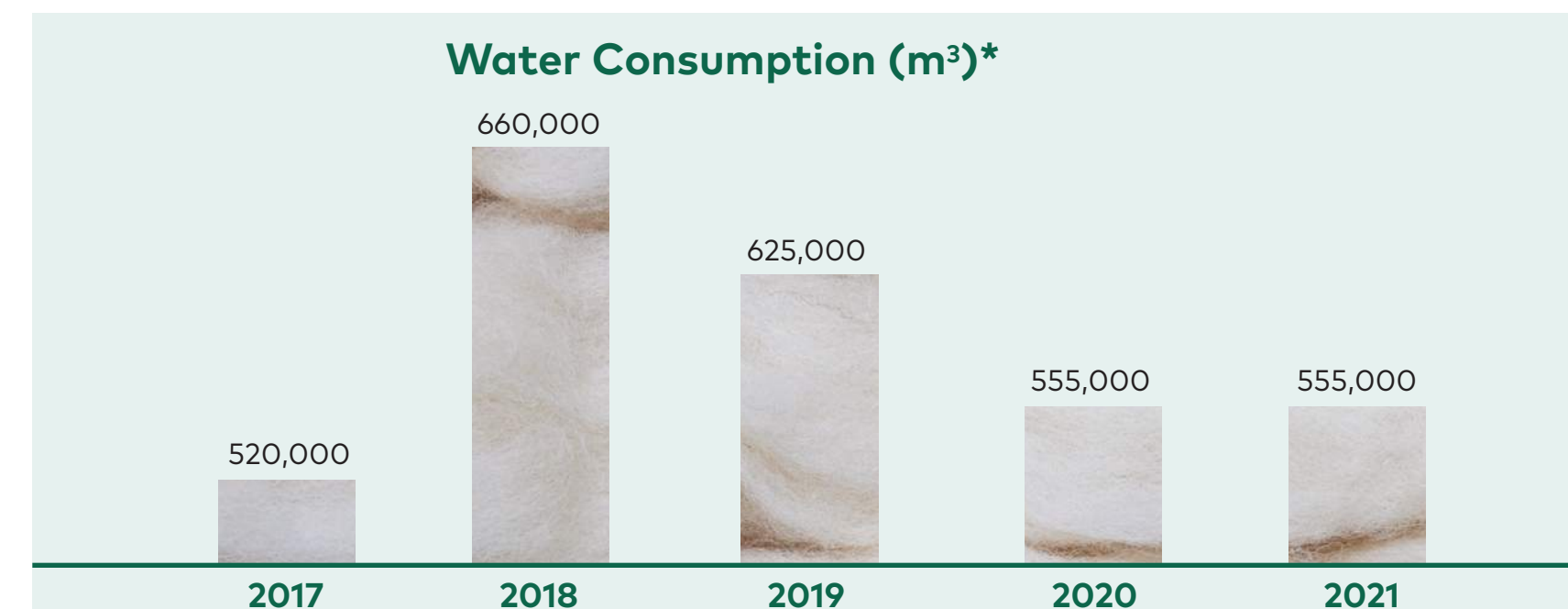
Water and wastewater

Water

5% Decrease in water intensity
vs. 2017
(m³/million tons of product)

In recent years, water scarcity has become one of the most significant environmental issues alongside greenhouse gas emissions. While water is one of the world's most valuable resources, access to clean water remains under threat due to the effects of climate change, increase in population growth, and possible contamination. Water management is a priority in Albaad as some of our sites are located in areas with water scarcity.

Water is a crucial resource in many of Albaad's operations, mainly nonwovens and wet wipes, thus reducing water consumption is one of the most complex, challenging issues we struggle with.



*The significant increase in 2018 occurred due to the introduction of the new nonwoven site in Dimona.

Our manufacturing operations are responsible for improving water management processes, in order to reduce consumption and comply with current regulations on water use and wastewater quality.

As our different manufacturing processes vary in their water requirements, we do our utmost to decrease water consumption and have set 2023 targets for reducing water consumption per production unit by 2% at our nonwovens sites and 3% at our wipe sites until 2023 (compared to 2017 baseline). Our Fem site does not have a target for water reduction as these facilities use 'dry' production processes.

During 2021, we consumed a total of 561,033 m³ of water, a small increase of 0.3% versus last year's water consumption. While many new water efficiency projects were implemented, the increase in water was partially due to an unexpected underground leak in the Caesarea site where 10 thousand m³ of water leaked underground. The leak was fixed and, as a result of the incident investigation, a monitoring system was installed to prevent similar occurrences in the future.

Dimona Facility – an example of smart water consumption

Our efforts to reduce water consumption during the last years were especially successful at our Dimona site. An improvement team, led by the processes engineer, mapped out the challenging areas that had higher water consumption and created a dedicated action plan to address each problem separately. In total, **a 60% decrease in water intensity** (m³/tons of product) was marked since the site started operating in 2018 and a 7% decrease relative to 2020.



Wastewater

22%

**Decrease in wastewater
production intensity vs. 2017**
(m³/tons of product)

89%

**All discharged wastewater is
treated and neutralized on site**

59%

Decrease in water pollutants vs. 2017
(m³/tons of product)

The treatment of industrial wastewater is important to prevent environmental degradation of the planet.

In 2021, a total of 266,847 m³ of industrial wastewater were discharged by Albaad production facilities and either treated onsite, or transferred to an industrial wastewater plant where the water was neutralized, and continued on to the municipal sanitary sewer system. This marks a 22% decrease in the wastewater production intensity (m³ wastewater/tons of product) compared to 2017.

As part of the production processes at the various sites, we use chemicals that comply with the relevant local environmental regulations in Israel, Europe and the United States. We prefer to make use of chemicals that have a reduced impact on the environment to the extent possible. In addition, we also conduct wastewater quality tests to ensure there are no deviations in effluents quality. A 59% decrease of the company's total water pollutants was marked in 2021 versus 2017.



Massuot Yitzhak Facility – an example for excellent wastewater treatment

In 2021, our wipes and nonwovens manufacturing plant in Massuot Yitzhak Israel has officially begun operating its on-site wastewater treatment facility. This facility includes a biological treatment system which treats all industrial wastewater discharged from the facility. Albaad aims to reintroduce a significant portion of the wastewater is circulated back to the production process in the nonwovens plant. In the past year, a total of 107,583 m³ of wastewater was treated in Massuot Yitzhak, decreasing its water pollutant content by 90% between 2020 and 2021.



Climate change

30,519

tCO_{2e} Albaad's total GHG emissions in 2021

9.5%

Reduction in total GHG emissions vs. 2020

345,813

GJ Albaad's total energy consumption in 2021

7%

Decrease in total energy consumption vs. 2020

4%

Decrease in electricity consumption vs. 2020

81%

Decrease in residual fuel oil consumption vs. 2020

46%

Decrease in LPG consumption vs. 2020

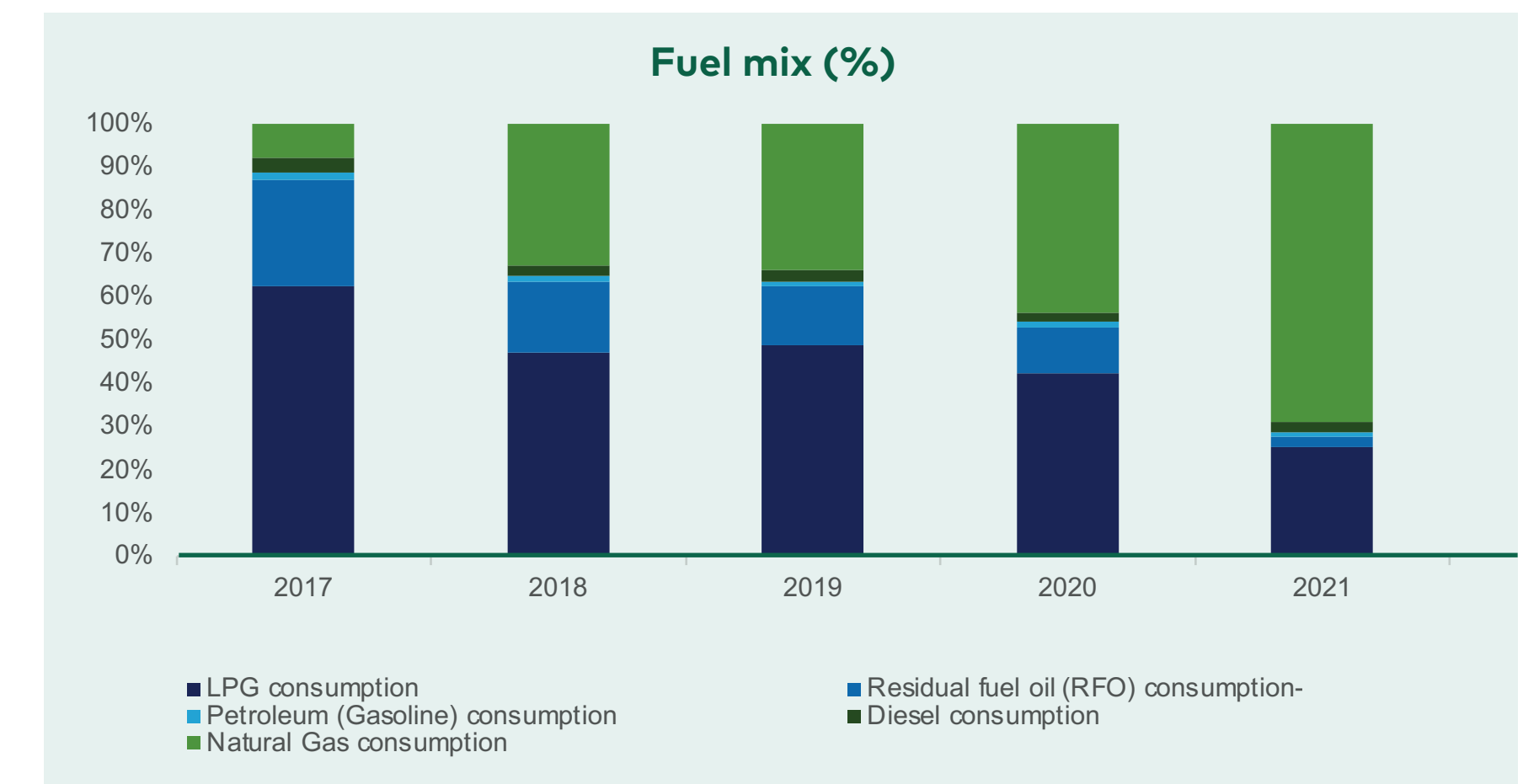
It has been made scientifically clear that climate change is anthropologically-related, as that the increase average global temperature is directly connected to the increase in greenhouse gases (GHG) emissions to the atmosphere. Effects of rising temperatures include more extreme weather conditions affecting supply chain risks, manufacturing conditions and our living environment. Extensive efforts are necessary to reduce greenhouse gas emissions.

At Albaad, our endeavors to reduce greenhouse gas emissions include promoting energy efficiency programs as well as switching to low or zero carbon energy sources. We believe that sustainable energy consumption represents both an economic and environmental opportunity, as well as advancing the company's sustainable growth.

In 2021, we worked hard to optimize our energy consumption by the following actions:

Shifting to low carbon energy sources

Liquefied petroleum gas (LPG) and residual fuel oil (RFO) are both carbon intensive fuels. When burning these fuels for energy, large amounts of GHGs are emitted, contributing to climate change. While fuel consumption is currently imperative for our production practices, we are in the midst of converting our production facility systems from the high-carbon intensive fuels to less-carbon intensive fuels, namely natural gas. Natural gas is a more energy efficient fuel source, and produces less GHGs and other air pollutants than all other fossil fuels. Between 2017-2021, Albaad's fuel mix dramatically changed as natural gas has become the dominant form of fuel consumption (62%), while other fuel sources substantially decreased.





Replacing old systems with new and more efficient ones onto production lines

At Albaad, we strive to improve our manufacturing systems so that we retain our reputation as innovative leaders in our field. We therefore constantly examine new systems that may increase productivity, performance and efficiency. In 2021, a new vacuum system was put in place at Albaad's Caesarea site, aimed to improve the feminine production line all while reducing energy consumption by 40% relative to the previous system. The system is expected to save over 140,000 kWh per year, 3% of Caesarea's current energy consumption. We expect to continue investing in better technology that has a positive impact on our production processes as well as the environment.

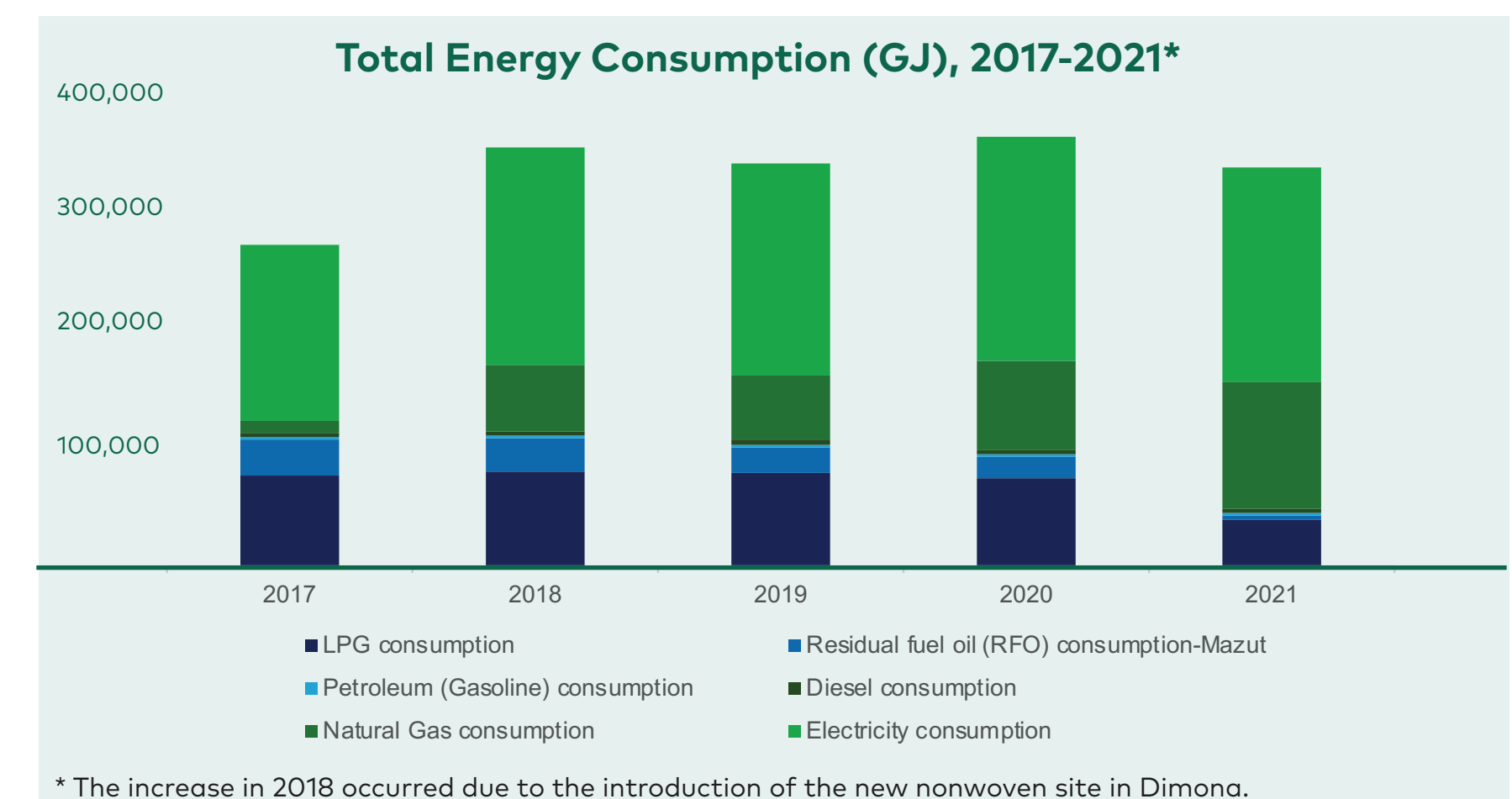
Using renewable energy sources and installing solar panels at our sites

Of the electricity we do use, we believe that it should originate as much as possible from renewable energy sources rather than fossil fuels. As of 2021, both Albaad Massuot Yitzhak and Albaad Germany consume electricity from renewable or green energy sources. Germany's electricity consumption is of 100% green energy while Massuot Yitzhak solar energy consumption accounts for 6% of its total electricity consumption, with plans to increase this percentage. In addition, during the reporting year, Albaad Dimona began installing solar photo-voltaic (PV) systems with 300 kW capacity and an annual production potential of 500 MWh. Poland is also in the process of installing a PV system with the capacity of 100 kW. Both systems will begin to produce renewable electricity in 2022.

Electrifying our vehicle fleet

In 2021, Albaad decided to prioritize replacement of existing vehicles with electric or hybrid vehicles. Albaad currently has several electric vehicles and has installed charging stations at sites (for both guest and employee parking spots). In addition, Albaad Germany has offered its employees bicycles at a discount price to further encourage sustainable transportation to and from work.

As a result of all these actions, during 2021, our energy consumption totaled to 345,813 GJ, a 7% reduction relative to the previous year. While a decrease in energy consumption per production was clearly demonstrated in our wipes manufacturing facilities and FEM site, we also detected an increase in energy consumption in our nonwoven production sites. Multiple actions were taken to achieve a decrease in energy consumption per production unit in all of our production sites and we expect to see the outcome of these measures in the next years.



Our Science Based Targets (SBTs)

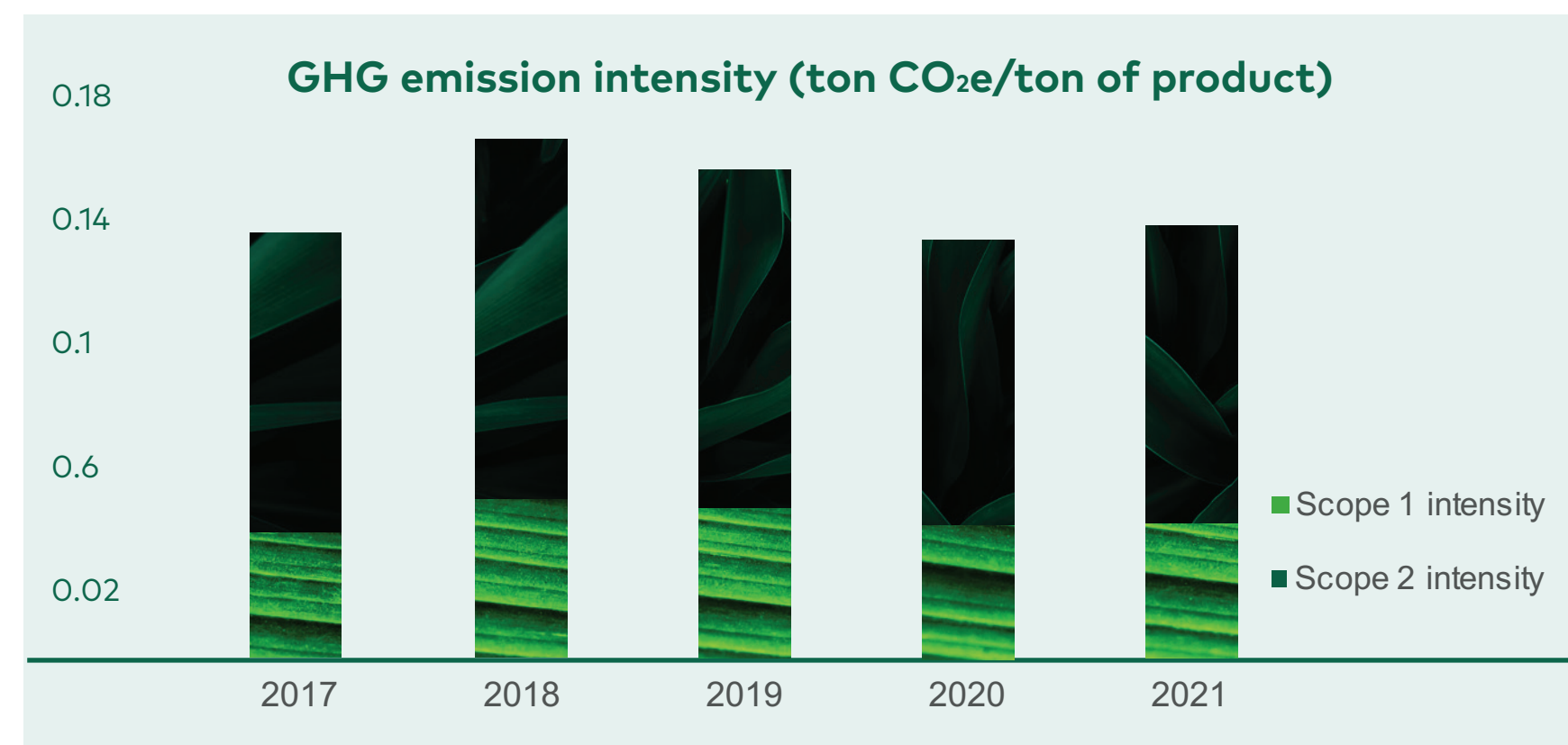
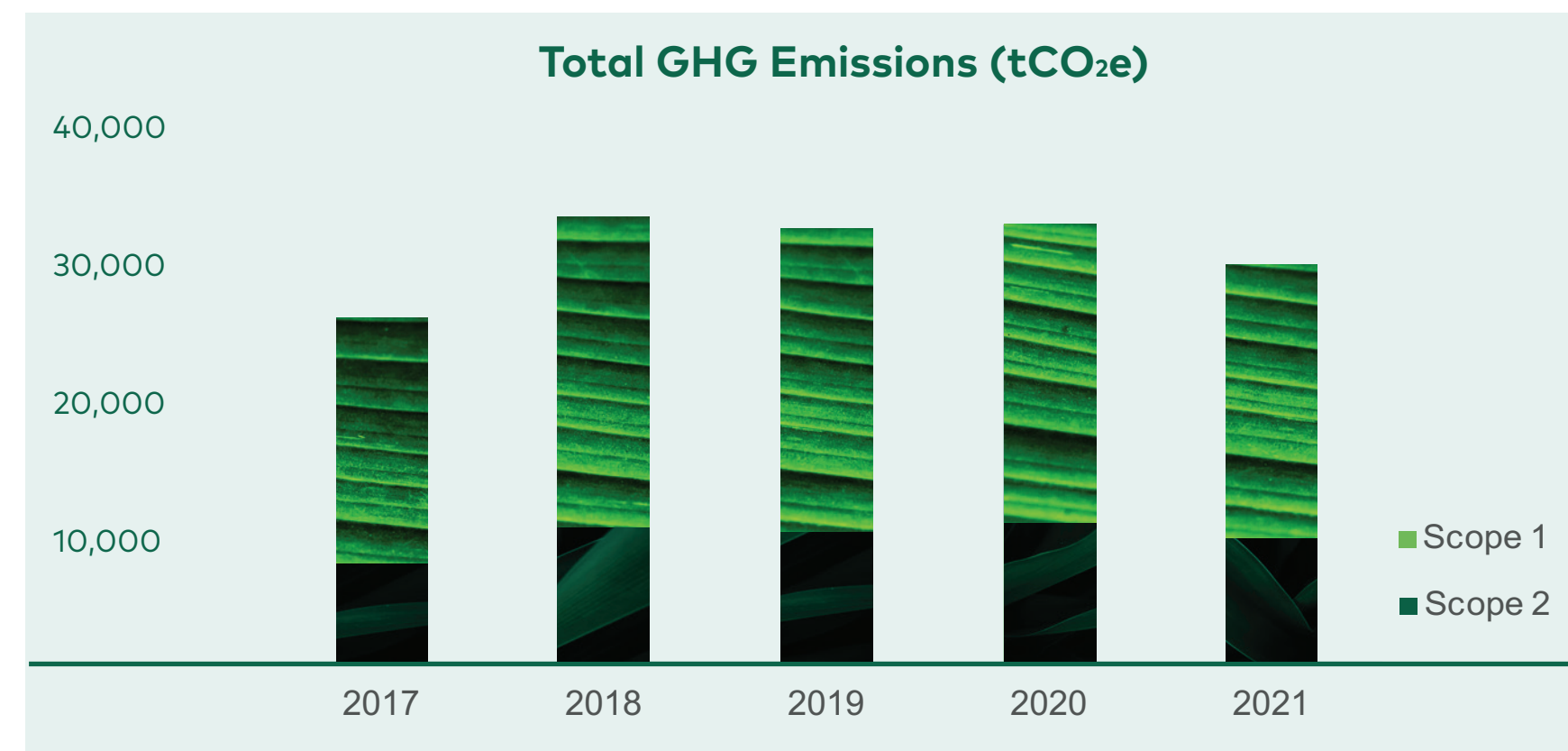
In 2021, we decided to join the Science Based Target initiative (SBTi) to publicly and officially set goals to cut our emission across all scopes. By 2022, we intend to set near-term 2030 absolute emission targets with a 2020 baseline, and form an environmental strategy and action plans to support these targets. Once set, we will annually report the targets' progress, with aim to reduce our scope 1, 2 and 3 emissions and limit global warming to well-below 2°C (compared to pre-industrial temperatures).



Albaad's carbon footprint

The greenhouse gases (GHG) emissions data in this report are collected from our manufacturing facilities and offices, and comprised of the following:

- **Scope 1 emissions** – Our direct emissions, derived from both our manufacturing operations and our vehicle fleet. Sources include the combustion of fuels such as natural gas, residual fuel oil, gasoline, diesel and LPG.
- **Scope 2 emissions** – Our indirect emissions, or the electricity that we purchase for manufacturing and administrative operations.



During the last few years we saw the results of our hard work to reduce our carbon footprint. While there was a minor increase in scope 1 emission intensity, total emissions decreased with a total of 30,519 tons CO₂e (scope 1+2) that were emitted in the course of our activities in all of our sites.

Minimizing our environmental footprint through logistics operations

The transportation of raw materials from our suppliers to our plants and of finished goods from our plants to our consumers has considerable environmental effects, mostly – but not exclusively – due to the emission of air pollutants and GHG gases due to fuel consumption. As logistics are a significant source of environmental stress, we aim to better plan upstream procurement and downstream distribution to improve our transportation efficiency while reducing our GHG emissions in the long run.

We do our utmost to minimize travel distances for each part of the value chain, whether by prioritizing local suppliers or by creating proximity between production sites and target markets. We work closely with our logistics partners and our customers to make sure the products are shipped in the most efficient manner possible by taking into consideration the distance between the distribution center and the customer.





Carbon Neutral – Albaad Germany

While we do our best to reduce GHG emissions, some are unavoidable. Albaad Germany sets an example by offsetting its carbon emissions by supporting, for the second year in a row, a forest protection project in Peru to compensate for unavoidable CO₂ emissions.

The project helps 400 local families protect 300,000 hectares of significant land in the Amazon region. By helping the families receive land use rights over the forest to cultivate, market and sell brazil nuts, illegal logging becomes unattractive. Thus, the habitat for countless species also remains a carbon reservoir for 1.5 million tCO₂ emissions every year. Albaad Germany is the first wet wipes manufacturer in Germany to be certified as climate neutral by Climate Partner, offsetting over 3,500 tCO₂ thus far.

To read more on Albaad Germany's carbon neutral certification, click here:
<https://fpm.climatepartner.com/tracking/details/14333-2005-1001/en>

In addition, as part of its efforts to become more environmentally friendly, Albaad Germany uses 100% green electricity, LED lighting, e-mobility, and climate-friendly heating solutions. As a result of its hard work, the site has, once again, been awarded the title of "Ökoprofit company" by the district of Steinfurt, Germany.





Waste management

0%

Waste sent to landfill
at European facilities

57%

Recycling and reuse rate

3%

Increase in recycling versus 2020

12%

Reduction in waste versus 2020

Due to rising disposal and environmental costs, existing and pending regulatory pressures and changing consumer preferences, companies in the manufacturing and industrial sector are always seeking ways to minimize their waste streams. Our goal is to minimize our total waste, and we try to find as many solutions as we can to reuse or recycle our waste instead of sending it to landfill as well as tuning our production lines for maximum material use efficiency. All our sites are looking into solutions suited for their particular needs, technological capabilities, and waste management procedures. We constantly search for ways to improve our waste management policies and for environmentally friendly waste management solutions.

The main types of waste generated on our sites are dry and wet nonwovens, wood, carton, plastics and organic waste. During 2021, our sites generated a total of 14,427 tons of municipal solid waste, a 12% reduction in comparison to our 2020 waste production. 57% of all waste was sent to either recycling, controlled incineration or to be reused by those who found our waste useful in a circular economy model, including nonwovens waste used in building materials.



Waste separation project – Dimona site

Plastic waste is among one of the largest environmental problems in need of solving for future generations. Installed in 2020 and fully operating by 2021, Our Dimona site began a waste separation project which included the installation of a plastic extrusion machine which melts plastic waste, transforming it to raw material which can then be reused.





Social



Our employees

44%

of the workforce are women

99%

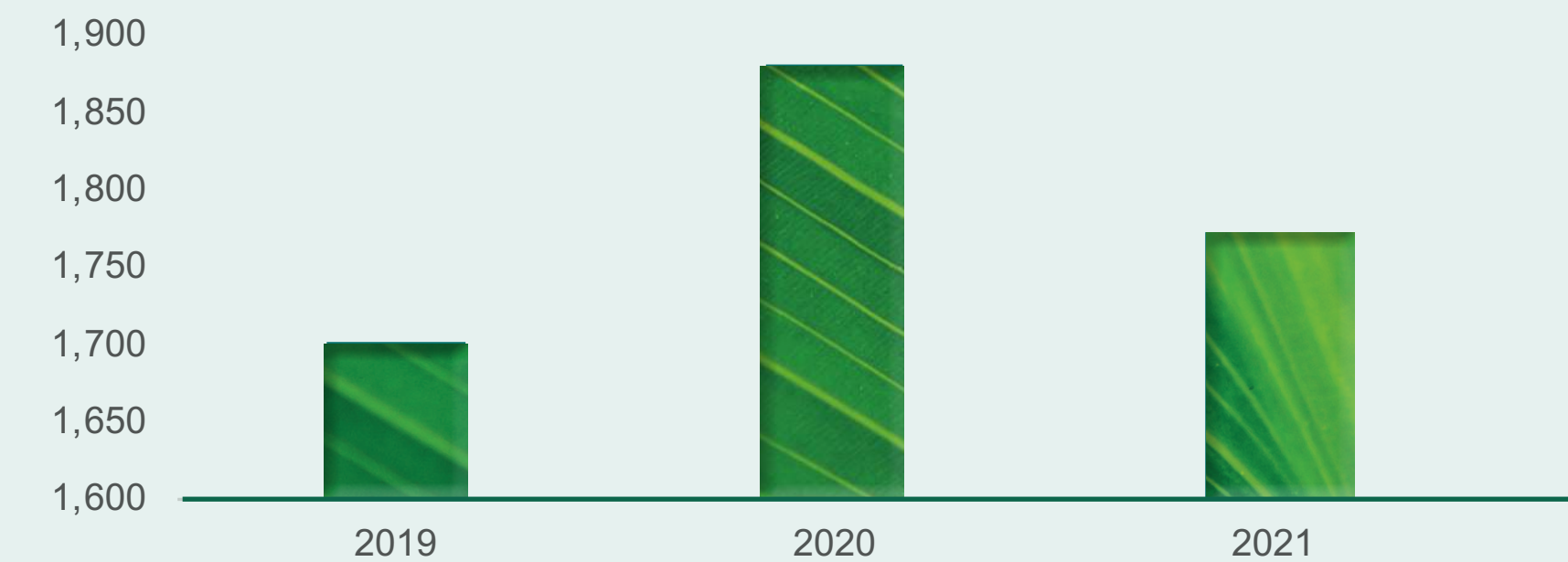
of our employees are in full time position

Building and retaining a talented and competent team is a key factor in the success of Albaad's strategy and we are committed to creating an environment in which every employee can learn, grow, connect, and collaborate as well as live a safe and healthy life.

We strive for continuous improvement through professional conduct and achievement of our business objectives at all levels, and believe that our success is only made possible through our most valuable asset - our employees. We are dedicated to empowering our people and providing all our employees with a safe and healthy work environment, with opportunities to grow and excel professionally, while providing a work environment where employees are encouraged to share ideas, develop, grow and thrive.

Albaad respects all labor laws and believes in an equal employment opportunity workplace. The company does not discriminate employment decisions based on race, religion, gender, sexual preference, age, nationality, disability, seniority, employment status or any other status according to law.

Number of employees in Albaad



Employees by gender





Training and development

5,174

hours of training provided to employees in 2021

98%

attendance rate due to new e-learning platform

80%

employee performance and development reviews in 2021

*Relevant to sites in Israel, Germany and Poland, making up 92% of all employees

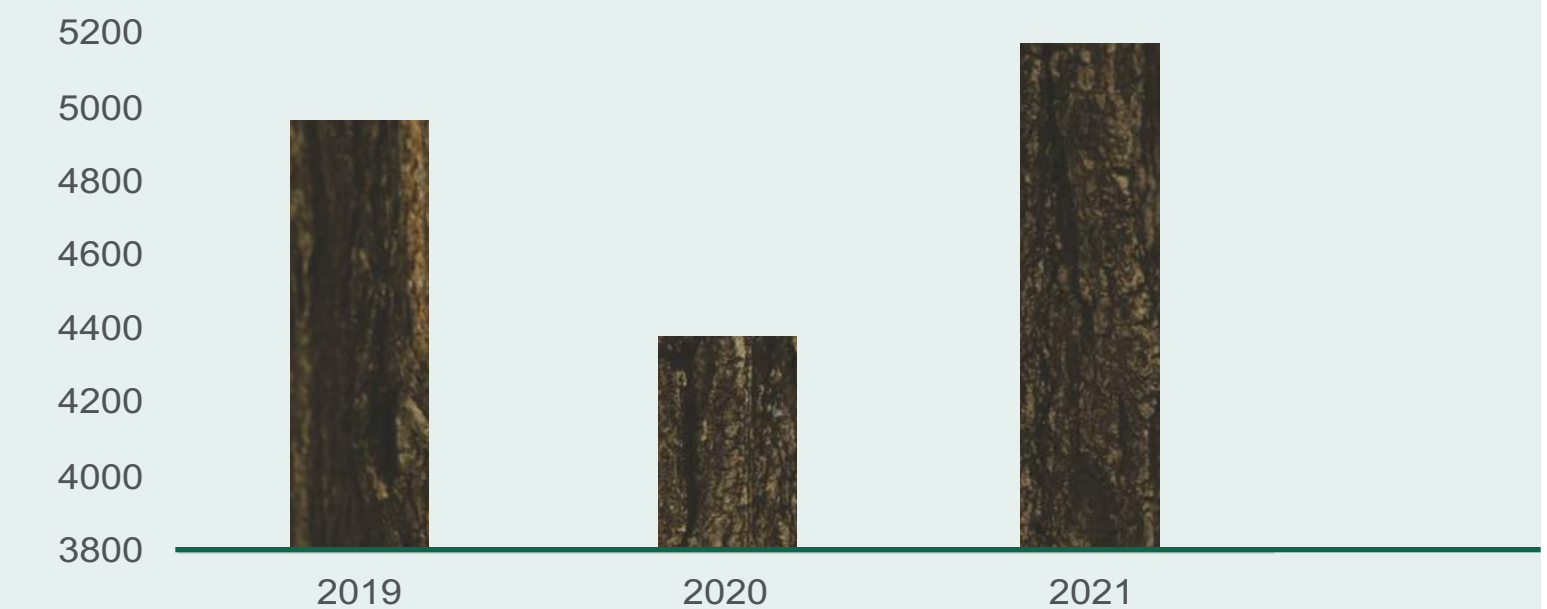
Employee training and development contribute to higher engagement resulting in higher quality service to our customers. At Albaad, we view the training program in three interconnected circles that work together to form a positive learning process for all employees.

First, important and mandatory training such as safety training is of utmost importance as they include lifesaving skills in a manufacturing environment.

Second, professional trainings are held twice annually for every employee to strengthen professional skills and our human capital.

Third, managerial development training that provide skills to management level to become good role models for our employees. All training programs are directed by our training coordinator in which the VP of human resources is in charge.

Number of training hours provided to employees



Training hours do not include the US site due to limited data.





Innovative e-learning environment

Quality employee training is crucial, especially when it comes to occupational health and safety. As a manufacturing company, our employees need to stay vigilant to potential hazards. We invest many resources in developing safety training, surpassing local and international regulation.

To efficiently provide safety training on a regular basis, Albaad has decided to cultivate a positive learning culture and invest in e-learning platforms. As of 2021, sixteen e-learning modules were officially launched, and include the ethical code of conduct, sexual harassment prevention and numerous safety instruction classes. The modules were customized for Albaad's specific operations, and are all professionally narrated including relevant videos and pictures of the factories. Quizzes at the end of every chapter ensure that the information was fully understood. Learning stations were installed in all four Israeli sites where employees can take time off their shift, sit in a quiet environment, put on headphones and gain new skills.

Attendance substantially increased due to the e-learning stations, as we marked a 98% attendance rate in quality and safety training in 2021.

As a result, the company intends to expand e-learning platforms to Europe and US sites in upcoming years.



Professional training

We find that employees best thrive when they are provided with professional skills that empower and inspire them. Albaad believes in investing in human capital and sets a respectable annual budget for this matter. Ideas for professional training sessions are requested as part of the annual employee development review, as every manager is required to define at least two learning topics his employees will learn for the following year.

In 2021, an extensive training program for the sales division was developed, and is set to take place in 2022.

Management development training



In 2021, a wide operation of training the middle management level was implemented. All managers and team leaders underwent high quality trainings instructed by external organizational consultants. Following the courses feedback, mid-level management and team leaders meet up with the organizational consultants every quarter to maintain and further develop their managerial skills.

Preserving Albaad's collective knowledge

In 2021, an onsite e-learning program was launched to teach technicians how to operate the specific machinery and help them with frequent issues that may arise throughout their shift. The program was developed with the help of an experienced technician and will help our current and future employees in a simple and efficient manner for years to come. Albaad strives to create specialized learning programs for when purchasing new machinery.



Encouraging valuable dialogue with our employees

Our employees are an inseparable part of the company's success. It is important for us to know what they think and where, in their opinion, we need to improve. Besides our open-door policy, the following measures were put in place to enable an open dialogue to best understand our employees and advance a comfortable and professional work environment:

- **Roundtable meetings** – Managers and employees meet regularly to discuss professional subjects regarding company operations.
- **"A day in my life"** – The CEO meets up with production floor workers and to hear about Albaad's recent activity and better connect their work with decisions made with upper management.
- **Employee evaluations** – Managers and their employees meet annually for a performance evaluation, which also allows for a conversation regarding future development opportunities.
- **Organizational surveys** – We trust our employees and their opinions regarding the entire company's operations. To that end, we have held several organizational surveys to receive meaningful feedback that we can improve on, the latest in 2019 with an organizational reply rate of 65%. All improvement suggestions for each site have been examined and integrated into the site manager's annual plan to be followed up on a quarterly basis. We aim to conduct a new survey in 2022, to see if the goals that we have set and achieved have been perceived by employees and reflected in the survey results.
- **Complaint boxes** – Anonymous complaint boxes are available to all employees, as well as a designated email for ethical code violation complaints.
- **Technological systems** – The stream of communication through technological means improved and continued even after the large waves of the COVID-19 pandemic, as we regularly follow up on our employees, and convey messages through internal company message boards, as well as through email and text messages.

Welfare

We encourage our employees to maintain a healthy work-life balance. We do so by allowing flexible working hours, encouraging the use of vacation days and more, as well as providing:

- **Transportation to and from work**
- **Events to celebrate holidays and gifts before every holiday**
- **Gifts on personal occasions** (birthdays, weddings, newborns, children entering first grade, etc.)
- **Departmental and divisional activities outside of the site**
- **Family day activities**

Albaad does not have collective bargaining agreements however provides employees many benefits, including pensions, advanced study fund, and performance rewards, in accordance with employee contracts and company policy.¹²

Social accountability

Consumers and employees have high expectations for modern companies to drive social change through their culture and values. As our clients include major international retail marketers, we are expected by them, as we expect of ourselves, to meet the highest professional standards. Specifically, the act of holding institutions to a moral standard that protects people's rights and general welfare.

To guarantee that our company adheres to the strictest of requirements, above and beyond legal requirements, we have become members of Sedex, the Supplier Ethical Data Exchange. Sedex is a not-for-profit membership organization dedicated to driving responsible and ethical business practices in global supply chains. As a member, we are subject to inspections by outside auditors, who make sure that we meet the standards dictated by the organization.

In addition, our manufacturing plants in Israel, Germany and the US are regularly audited by our clients to ensure that our social accountability policies comply with each respective client's code of conduct.



Health and safety for all employees

Our employees and their knowledge are our most important resource in the company. We want to build long term occupations and have a safe and pleasant work environment.

As we hold health and safety as a top priority and an integral part of operations, and strive to provide a safe workplace for all our employees, the following actions have been implemented:

- **Risk and safety hazard surveys** - It is the responsibility of the on-site safety manager to regularly conduct risk surveys at the production workstations and update them as necessary or in the event of the introduction of new processes or new machines.
- **Safety management policies and plans** - We ensure the implementation of our environmental, health and safety (EHS) policy that accompanies clear goals and a structured implementation plan based on safety assessments and supportive initiatives to improve our conduct over time. We have detailed plans that monitor, record, investigate and take actions to reduce and prevent accidents and injuries.
- **Safety committees and forums** - The safety committee consists of an equal number of ten management representatives and ten employee representatives. In addition, a safety forum meets once a week in which each team leader presents safety hazards or near-miss incidents from which conclusions can be drawn regarding additional measures to improve onsite and general safety. In Germany, a health advisory board is instated, made up of eight members who raise key safety topics and concerns. As a result, many changes have taken place in 2021, e.g., implementation of safety barriers, purchasing of lifting carts that are height-adjusted to reduce unnecessary bending, purchasing of adjustable desks for office employees, etc.
- **Occupational safety training programs** - We believe in instating preventive measures; therefore, a mandatory training program for all employees and managers (including senior management) is laid out, in which our employees are regularly trained on health and safety matters. As needed, the company employs external consultants in the field of firefighting, protection from machinery, etc.
- **Routine internal and international audits and inspections** - Our manufacturing sites operate in full compliance with applicable

health and safety requirements, including regulatory requirements and international health and safety standards such as the ISO 45001.

A healthy and comfortable working environment throughout the pandemic

The adjustments to COVID-19 required considerable additional efforts. During the pandemic, many employment-related measures were newly implemented to protect the health, well-being, and economic situation of our employees. By closely monitoring the pandemic evolution, we succeeded in maintaining labor law compliance while also offering our employees options to help with their pandemic-induced personal situations and needs.

The COVID-19 outbreak came as a surprise, however, employees being our top priority, we quickly adapted and developed the following actions:

- A direct communication system was established to distribute personal messages to all employees through emails and text messages.
- Personal safety of all company employees was maintained by conducting epidemiological investigations and determining the necessary steps in accordance with the results.
- The company's transportation system was adjusted according to the state rules to preserve the health of the employees.
- Partitions were set up in all the dining rooms to keep employees safe.
- Every employee who got sick with the coronavirus received a "get well package".
- The company was equipped with COVID-19 tests to maintain the health of employees and the continuous operation of the factories.
- Remote working was made available for office employees to reduce risk of infection.
- Meetings were held through video conferencing systems.
- The company established a 24/7 hotline for questions and clarifications, including an available hotline
- Before vaccines were delivered in Israel, the company invited an epidemiologist to speak on the truth and myths of the COVID-19 vaccines. The lecture helped ease many worries that the employees had regarding vaccinations.



Safety goals for future years

To continuously improve occupational health and safety, each of our operational sites set the following goals:

- Reduce the amount of work accidents with casualties
- Reduce the number of days of absence due to work accidents
- Increase reporting of accidents and incidents
- Carry out safety training for new employees no later than the day they start work (before starting work)
- Conduct an examination and investigation of "root causes" for every accident with casualties
- Improve the activity of safety trustees - increase reporting compared to last year



Our community involvement

We enjoy an ongoing dialog with the communities surrounding our sites as well as giving back to the community by volunteering with various organizations donating monetary funds and products where needed.

During 2021, we donated a total of 373,000 NIS⁵ to non-profit organizations and to those in need. Monetary donations were mostly given to projects that encourage STEM (Science, Technology, Engineering and Mathematics) education, and to promote diversity in employment and health. In addition, we regularly execute products donations, namely baby wipes, disinfecting wipes, hygiene and personal care products, to organizations in need.

Our sites in Israel participate in activities conducted through Taasiyeda, a non-profit educational association, in which students create, initiate and invent technology tools and products to solve problems that occur in everyday life, while becoming familiar with the engineering design process.

Another new program that we are extremely proud of in Israel is a partnership with the "Hand for the Special Child" organization at the Shafir School in Givat Haim, which works to integrate children with disabilities into military service. As part of the project, in addition to funding, dozens of company employees volunteered to work with the children and prepare them for citizenship and integration into Israeli society.

In 2021, we have established a social involvement strategy, in which we define the core issues for social engagement, while focusing on volunteering and working with non-profit organizations.



⁵ 97,547€ according to the average exchange rate in the reporting period.

A wooden gavel with a dark handle and a light-colored head, resting on a stack of several thick, open books. The books have cream-colored pages and dark covers. The entire scene is set on a rustic, light-colored wooden surface. The word "Governance" is overlaid in white, bold, sans-serif font, centered horizontally and partially enclosed by a white rectangular frame.

Governance

Corporate governance

Albaad is a publicly traded company on Tel Aviv Stock Exchange (TASE) since 1994. All holdings of Albaad are in 100% of the investee companies, excluding 51% holding in Polyol Biotech, and Albaad Poland that is held 99% by Albaad Netherlands and 1% by Albaad Germany. Corporate headquarters are located at the company offices in Israel.

The company has not provided any political contributions in 2021.

Board composition

As of 2021, Albaad's board of directors is comprised of nine directors, two of whom are external directors and three that are independent directors. Of the nine directors, seven are men and two are female. The chairman is 40% employed by the company and is not a member of the executive management.

Board members are appointed at Albaad in accordance with Israel's 1999 Companies Law, when several candidates are examined in a dedicated nomination committee.

Nineteen board meetings were held in 2021, with a 92% attendance rate. Within the framework of the Board and according to the Israeli Securities Authority, three Committees are held: remuneration committee, audit committee and a financial reports committee.

The remuneration committee meets annually and handles wages and employment conditions, bonuses and options for senior executives. The remuneration policy, is approved once every three years by the company's general assembly, last approved in 2019. The remuneration policy refers to fixed and variable remuneration. **The audit committee** is in charge of appointing an internal auditor and of all other needs according to law, and meets four times a year in order to discuss the audit reports of the internal auditor and their findings or if any issue needed to discuss by the audit committee. **The financial reports committee** meets on a quarterly basis to discuss the financial results.

Our directors sign an affidavit in which they declare they do not act in conflict of interest. Whenever there is a potential conflict of interest, the relevant director does not participate in the discussion in that matter. Furthermore, all transactions are approved within the framework of the audit committee.

ESG in the board of directors

Once a year, as part of the annual plan, the board of directors examines, among other things, compliance with the company's strategic goals, as outlined in the most recent strategic plan. The company begins strategic processes as needed, usually for a five-year period. Promoting ESG topics has been included in the company's general strategy, with an emphasis on environmental responsibility.

The main stakeholder of the company is the controlling owner, Moshav Massuot Yitzhak. There are various relationships between the company and the controlling owner regarding increasing environmental responsibility. One such example is the completion of a wastewater treatment facility on the factory premises, which greatly helped to reduce environmental hazards related to wastewater.



Product quality and safety

Commitment to quality and safety as the basis for everything we do

Our customers rely on our products to be safe, effective and of the highest quality. We find consumer safety to be critical, which is why we insist on quality and safety at every stage of our products: development, manufacturing, supply chain and commercialization.

To uphold our reputation, Albaad has developed product quality policies that focus on the following objectives:

- To develop, manufacture and provide our customers with products that meet all regulatory requirements as well as expectations for quality, safety and performance.
- To enact purchasing controls throughout supplier selection, qualification, evaluation and procurement of raw materials which meet our quality standards.
- To oversee product quality by implementing a risk-based approach in every stage, from product development, to manufacturing and distribution.
- To establish management systems which promote continuous improvement of our processes and products.

Albaad's sites are audited regularly to verify company quality assurance as well as compliance with the appropriate standards and certifications, by the following measures:

Continuous inspections throughout the value chain:

- During the supplier selection process, raw materials are assessed and must qualify to strict quality requirements.
- Incoming raw materials are inspected and monitored for consistent quality before they are used in the production process.

- In-process controls are carried out at every stage of the production and packaging process, including physical properties specification tests, analytical tests, visual inspections and performance checks.
- To approve the release of every batch of products, finished products are tested for microbiological, physical and chemical properties to ensure safety and quality of each batch. The Quality Assurance team then reviews the testing results to approve the release of each batch.

Internal and external audits:

- Internal audits: Our sites follow an annual audit plan, which evaluates our compliance to regulatory and quality standards. Audits are conducted in all departments that may influence product quality and safety.
- Suppliers audits: We conduct audits for our suppliers to verify that they comply with applicable laws and regulations as well as meet Albaad requirements and specifications.
- External audits: Our sites undergo external audits conducted by third-party regulatory, standards and independent qualification bodies, as well as customers per request.

Quality Management review:

All sites conduct an annual quality management review meeting, in which our quality management systems are routinely evaluated to ensure proper performance and efficient production. It is the ongoing "due diligence" review that is done by the management to fill the gap between day-to-day work activities and periodic formal audits. Following each management review, an action plan is submitted to the board which includes a list of necessary resources for continuous improvement.



Local and international standards and regulations

As a company that operates in three continents, and globally manufactures and distributes products, Albaad must assure compliance with all local, regional and international standards and regulations. Regulatory compliance is managed and monitored on an ongoing basis by the manager of Corporate Regulatory Affairs together with the R&D teams in each of the company's facilities. The management representatives for this matter are VP of Quality and Regulatory Affairs and VP of R&D.

Regulatory compliance

We closely monitor new developments in major regions and markets, so that we can respond quickly and efficiently to the changing regulatory environment. New and emerging regulations are reviewed in management review board meetings in each site. Our review process assures that the products we manufacture comply with all applicable regulations in the regions where they are intended to be marketed.

The products manufactured in all Albaad sites comply with all applicable regulations and government restrictions according to their scope of activity, including, but not limited to, regulatory requirements in the following marketing territories:

Europe – products classified as cosmetic products comply with the European Cosmetics Regulation. Cleaning products that are sold to the European Union market also comply with the European Detergents Regulation, the CLP Regulation and the Biocidal Products Regulation requirements, if applicable. Products that contain plastic fibers are labeled according to the Single-Use Plastic Directive requirements.

Israel – cosmetic products marketed in Israel are approved and registered according to the cosmetics permits procedure – a permit for marketing cosmetics products in the State of Israel, and comply with the Control of Commodities and Services Ordinance. Cleaning products that are classified as hazardous materials, packaged and marked according to the requirements

specified in the Israeli Standard 2302. Products classified as medical devices are registered according to the Ministry of Health requirements.

United States – all marketed products fully comply with US law requirements, including FDA and EPA requirements where applicable. Our FEM site in Israel which produces tampons for the US market is a licensed FDA Medical Device Establishment and complies with FDA regulation 21 CFR 820. Our wipes manufacturing sites in North Carolina, Israel and Germany, which produces Over the Counter wipes products, are FDA-registered and operate in compliance with 21 CFR 210 and 21 CFR 211. Our wipes productions sites in Israel, North Carolina and Poland that manufacture pesticides for the US market are EPA-registered.

Ensuring raw material compliance from our suppliers

Albaad's dedication to regulatory compliance and quality also involves the raw materials we use, that meet strict manufacturing and quality standards and adhere to all the applicable laws and regulations. Raw materials used in European marketed products meet the EU REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation, which aims to improve the protection of human health and the environment from the risks that can be posed by chemicals. Active substances that are used in Biocidal Products marketed in the European Union comply with the EU Biocidal Products Regulation. Perfumes used as raw materials in our formulations are required to meet the International Fragrance Association (IFRA).

As a result of our serious adherence to local, regional and international laws and regulations, no legal or administrative proceedings occurred during 2021. In addition, Albaad was not imposed with significant fines during the reporting year.



Sites licenses and certifications

To manufacture and provide products of the highest quality, Albaad's sites hold multiple internationally recognized quality management, safety and environmental certifications:

Our production facilities worldwide comply with various quality standards including:

- ISO 9001 standard for quality management systems.
- ISO 13485 for the quality management system of medical devices design and manufacturing.
- OHSAS18001(ISO45001)for occupational health and safety management systems.
- ISO 14001 standard for environmental management systems.
- ISO 22716 for GMP of cosmetic products.
- ISO 16247 (Energy audits), the standard specifies the requirements, common methodology and deliverables for energy audits.
- Forest Stewardship Council (FSC™) for responsible forest management.
- The Roundtable on Sustainable Palm Oil for sustainable palm oil consumption.
- Natural and Organic Cosmetics certification (NATRUE) to authenticate our natural and sustainable raw ingredients.
- Organic Content Standard (OCS) to ensure that our tampons are made of at least 95% organic cotton.
- The metrics for genuine organic or natural cosmetics produced to the highest feasible sustainability practices.
- British Retail Consortium (BRC) Global Standard for Consumer Products.
- International Featured Standard for Household and Personal Care Products (IFS HPC) certification.
- The Charter for Sustainable Cleaning (AISE).

Code of ethics

Albaad's Code of Ethics formulates standards aimed at shaping and maintaining an ethical corporate culture and establishing a relationship of trust and integrity between Albaad and its shareholders, customers, suppliers and all other stakeholders.

The code describes in detail the guiding principles and values by which the company's managers and employees are expected to operate.

- Teamwork
- Integrity
- Persistence and perseverance
- Responsibility
- Customer and peer oriented

The code relates to conduct with customers and consumers, suppliers and competitors, to commitment and responsibility to the community and the environment, and to avoidance of illegal incentives and corruption, and more.

In the section of the code that is dealing with the environment, Albaad undertakes to comply with legal requirements and environmental regulations applicable to its operations, including the use of environmentally friendly materials, proper treatment of waste and wastewater, prevention or reduction of environmental hazards, and the reduction of polluting energy use to the extent possible.

The Code of Ethics is available in several languages and to ensure our behavior and communications are aligned with our values, we have developed clear compliance policies that are captured in our Code of Ethics which must be signed by all our employees before they start work at Albaad. Additionally, employees undergo training on the code of ethics as part of the annual training program and as needed.

We encourage employees to report in cases of violation using a dedicated hotline and maintain an ongoing dialogue with them, with our customers and suppliers for the purpose of continually improving our ethical conduct. Our Code of Ethics is also shared with our main suppliers who are required to sign it.



About our report

While this is Albaad's eighth annual Sustainability report, we are proud to present Albaad's first ESG report which is written in accordance with the Global Reporting Initiative (GRI) Standards, "core option". Moreover, the report is aligned with the United Nations Sustainable Development Goals (UN SDGs) which aim to promote a better world for future generations.

The information provided in this report overviews Albaad's ESG performance between January 1st through December 31st, 2021, and details its commitment to accountability, transparency and value-creation for all stakeholders.

Unless stated otherwise, the report includes the activity of seven sites located in the following countries: Israel, Germany, Poland and the United States. Information regarding the manufacturing facility in Spain was not included in this year's report since the facility was acquired in the middle of 2021. Complete quantitative and qualitative data regarding the Spain facility will be supplied in next year's report.

The report contains assumptions (always indicated), which, unless otherwise stated, are based on internal company data. In the event of a discrepancy between what is stated in this report and the financial reports, the wording of the financial statements is binding. The company's CO₂e emissions are individually calculated for each country.

For more information, inquiries, or suggestions regarding the report, please contact:

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The report was written with support of BDO Consulting's ESG Unit. The Unit has an extensive experience in GRI reporting.





GRI content index

This report references Standard Disclosures from the GRI⁶ Sustainability Reporting Standards (SRS). The index below lists the indicators from the guidelines that are met in the report:

	Disclosure number	Description	Page/ answer
General Disclosures			
GRI 102: General Disclosures 2016	Organizational Profile		
	102-1	Name of the organization	5
	102-2	Primary brands, products, and services	6
	102-3	Location of the organization's headquarters	6
	102-4	Number and names of countries where the organization operates	6
	102-5	Nature of ownership and legal form	6
	102-6	Markets served	7
	102-7	Scale of the organization	4
	102-8	Information on employees and other workers	28
	102-9	Supply chain	15-17
	102-10	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	6
	102-11	Precautionary Principles or approach	6
	102-12	List of externally developed environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	9
	102-13	Membership of associations	5

⁶ GRI - Global Reporting Initiative

	Disclosure number	Description	Page/ answer
	Strategy		
	102-14	CEO statement	3
	102-15	Description of key impacts, risks, and opportunities	16,22,32,37
	Ethics and integrity		
	102-16	Values, principles, standards and norms of behavior	8
	Governance		
	102-18	Governance structure of the organization, including committees of the highest governance body	35
	102-22	Composition of the highest governance body	6
	102-23	Whether the Chair of the highest governance body is also an executive officer	6
	Stakeholder Engagement		
	102-9	List of stakeholder groups engaged by the organization	10
	102-10	Collective bargaining agreements	31
	102-11	Basis for identification and selection of stakeholders with whom to engage	10
	102-12	Organization's approach to stakeholder engagement	10
	102-13	Key topics and concerns raised	10
	Report Practice		
	102-45	Entities included in the consolidated financial statements	6



	Disclosure number	Description	Page/ answer
	102-46	Process for defining the report content and the Aspect Boundaries	11
	102-47	List of the material topics	11
	102-48	Restatements of information	Not Relevant
	102-49	Changes in reporting	Not Relevant
	102-50	Reporting period	39
	102-51	Date of most recent previous report	39
	102-52	Reporting cycle	39
	102-53	Contact point for questions regarding the report or its contents	39
	102-54	Claims of reporting in accordance with the GRI Standards	39
	102-55	GRI Content Index	40
	102-56	External assurance	Not Relevant
Production and Packaging Lifecycle			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	17, 20
	103-2	The management approach and its components	17, 20
	103-3	Evaluation of the management approach	17, 20
GRI 303: Water 2018	303-1	Total water withdrawal	20, 44
Carbon Emission Reduction			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	22
	103-2	The management approach and its components	22-24

	Disclosure number	Description	Page/ answer
	103-3	Evaluation of the management approach	22-24
GRI 302: Energy 2016	302-1	Energy consumption within the organization	23, 43
	302-4	Reduction of energy consumption	22, 23
GRI 305 - Emissions	305-1	Direct GHG emissions (scope 1)	22, 43
	305-2	Indirect GHG emissions (scope 2)	24, 43
	305-5	Reduction of GHG emissions	22-25
Waste Management			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	26
	103-2	The management approach and its components	26
	103-3	Evaluation of the management approach	26
GRI 306: Waste 2016	306-1	Waste generation and significant waste-related impacts	26
	306-2	Management of significant waste-related impacts	26
	306-3	Waste generated	26, 44
	306-4	Waste diverted from disposal	26, 44
	306-5	Waste directed to disposal	26, 44
Local Regulatory Compliance			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	37
	103-2	The management approach and its components	37-38
	103-3	Evaluation of the management approach	38



	Disclosure number	Description	Page/ answer
GRI 307: Environmental Compliance 2016	307-1	Environmental significant fines and non-monetary sanctions	No significant fines and non-monetary sanctions during the reporting period
Occupational Health and Safety			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	32
	103-2	The management approach and its components	33
	103-3	Evaluation of the management approach	32
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	32
Employee Development			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	29
	103-2	The management approach and its components	29
	103-3	Evaluation of the management approach	30
GRI 404: Training and Education 2016	404-2	Programs for upgrading employee skills and transition	29
	404-3	Percentage of employees receiving regular performance and career development reviews	29, 44

	Disclosure number	Description	Page/ answer
Business Ethics			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	38
	103-2	The management approach and its components	38
	103-3	Evaluation of the management approach	38
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	15, 30, 38
Product Quality and Safety			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	36
	103-2	The management approach and its components	36
	103-3	Evaluation of the management approach	36, 38
GRI 416: Customer Health and Safety 2016	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	37
Sustainable Innovation			
GRI 103: Management Approach	103-1	Explanation of the material topics and their boundaries	18
	103-2	The management approach and its components	18, 19
	103-3	Evaluation of the management approach	18



ESG data table

Environment

	Topic	Unit	2017	2018	2019	2020	2021
Energy consumption	Total production	mt	202,287	214,946	220,770	260,527	229,287
	Electricity - Grid	MWh	42,411	52,495	51,087	50,614	47,527
	Electricity - Renewables	MWh	-	-	-	3,164	4,086
	Production - LPG	mt	1,710	1,789	1,753	1,649	884
	Production - Residual fuel oil (RFO)	mt	571	529	553	462	87
	Production - Diesel	m ³	0.5	1.2	1.4	0.7	1.4
	Production - Natural gas	m ³	274,620	1,589,907	1,537,632	2,157,135	3,060,185
	Transportation - Diesel	m ³	120	108	129	112	108
	Transportation - Petroleum (Gasoline)	m ³	67	65	50	59	50
	Transportation - LPG	mt	1.3	1.5	0.9	2.4	1.9
	Total energy consumption	GJ	278,763	363,325	348,746	371,990	345,813
	Total energy intensity	GJ/mt of production	1.4	1.7	1.6	1.4	1.5
Greenhouse gas emissions	Scope 1	CO ₂ e	7,826	10,539	10,190	10,745	9,542
	Scope 2	CO ₂ e	18,677	23,802	23,035	22,938	20,976
	Total scope 1 +2 emissions	CO ₂ e	26,503	34,341	33,225	33,683	30,519
	GHG intensity	CO ₂ e/mt of product	0.13	0.16	0.15	0.13	0.13



	Topic	Unit	2017	2018	2019	2020	2021
Waste Disposal	Total non-hazardous waste*	mt	14,491	16,012	14,116	16,348	14,427
	Waste production intensity	ton waste/mt of production	0.07	0.07	0.06	0.06	0.06
	Landfilled	%	0.37	0.41	0.41	0.45	0.43
	Reused/recycled	%	0.63	0.56	0.56	0.52	0.54
	Converted to energy	%	-	0.03	0.03	0.03	0.03
	Total hazardous waste	mt	18.2	16.8	5.0	9.2	10.4
Municipal water	Water consumption	m ³	518,326	659,272	616,486	559,511	561,034
	Water intensity	m ³ /mt of production	3	3	3	2	2
Industrial wastewater	Total wastewater production	m ³	303,574	385,516	381,328	250,956	266,847
	Treated on-site	%	38%	24%	30%	31%	89%
	Not treated on-site	%	62%	76%	70%	69%	11%
Industrial wastewater quality	Biological Oxygen Demand (BOD)	mt	706	954	595	433	363
	Chemical Oxygen Demand (COD)	mt	214	209	167	123	44
	Total Suspended Solids (TSS)	mt	101	67	172	54	12

*Waste data in the Caesarea site is currently estimated. Albaad is improving the waste data collection process, which will be provided in future reports.



Social

Topic	Unit	2019	2020	2021
Total employees	#	1,702	1,881	,1773
Women	%	43%	43%	44%
Men	%	57%	57%	56%
Full time	%	99%	99%	99%
Number of training hours provided to employees*	hr	4,968	4,380	5,174
Percentage of employees* receiving regular performance and career development reviews	%	82%	74%	80%
Community involvement	ILS	320,000	380,000	373,000

*Relevant to sites in Israel, Germany and Poland, making up 92% of all employees



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sustainability page at
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