

The background of the entire page is a photograph of Mount Fuji, a large snow-capped mountain, rising from a calm lake under a sky with soft, golden clouds. A semi-transparent white circle is centered over the lower half of the image, containing the report title.

2020 Corporate Sustainability Report

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LETTER FROM THE CEO



Our 2020 Sustainability Report stands in the shadow of the COVID-19 pandemic and the changes that it has brought upon our world. For Albaad, the last year was also a time to harness our innovative capabilities to promote and support public health and wellness, while maintaining the health and safety of our employees and dealing with supply chain challenges.

At Albaad we believe that by early and long-term planning we can create sustainable business growth and prosperity. To do so, we take many steps to reduce our environmental impact and increase our positive social impact. Our annual Sustainability Report enables us to share with you our journey to becoming a responsible partner for our stakeholders - customers, employees, consumers and shareholders.

We have come a long way since we started this journey, we are proud of the progress we have made since we set our first targets in the field and work vigorously towards minimizing our impact through various global initiatives and certifications.

This report describes our environmental, social and governance performance during 2020. We are mainly focused on our environmental impact and to that end we have been constantly working to improve energy and water efficiency and to decrease greenhouse gas emissions from our operations. Our sustainability objectives are measured separately for the nonwovens, wipes and feminine hygiene sites, thus different trends are discernible within each goal. We are continuing to work on data collection so that we can further expand our observation and examination of the effects in this context.

As a global market leader in our field, we are on a growth trajectory and plan to execute our expansion strategy for existing and new markets. We made substantial investments to build a new plant that will spearhead the manufacturing process of new ecologically friendly products based on our patented technology. We believe that the future of our industry lies in the creating products that are built around the principles of sustainability and we are actively pursuing this goal.

Through partnership with our customers, and with the support of all our stakeholders, we are confident that we can overcome any challenges in realizing our plans for sustainable leadership and continuous improvement.

We wish you a pleasant reading of our 2020 Sustainability Report.

Warm regards,

A handwritten signature in blue ink, appearing to read 'Dan Mesika'.

Dan Mesika

CEO and President

ABOUT US

Albaad is one of the first companies to produce wet wipes and feminine hygiene products for global brands and private label companies worldwide. Since the company was established in 1985, we have managed to develop a global footprint through the establishment of manufacturing plants located in Israel, Europe and in the United States, and have expanded our operations into the feminine hygiene products market.

Today Albaad is internationally recognized as a unique company in our field, thanks to our vertical integration capabilities, including the production of nonwovens raw materials as well as end-products (wet wipes).

With a global presence and more than 1,800 employees in our operations worldwide, we maintain our commitment to integrity, excellence, personal service and superior production, through professional conduct and continuous investments in innovation.

We strive to retain 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 our consumer's health protection.



OUR OPERATIONS AND PRODUCTS

OUR PRODUCTS

Our large and diverse portfolio of proprietary products and technologies provides us with the unique advantage to customize our formulations and products and to address the performance requirements of our customers, and we are committed to continually improve our ability to tailor our products based on our clients' specific needs. Today, in addition to our generic product offering, which is sold globally by our customers, we are also capable to develop 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.

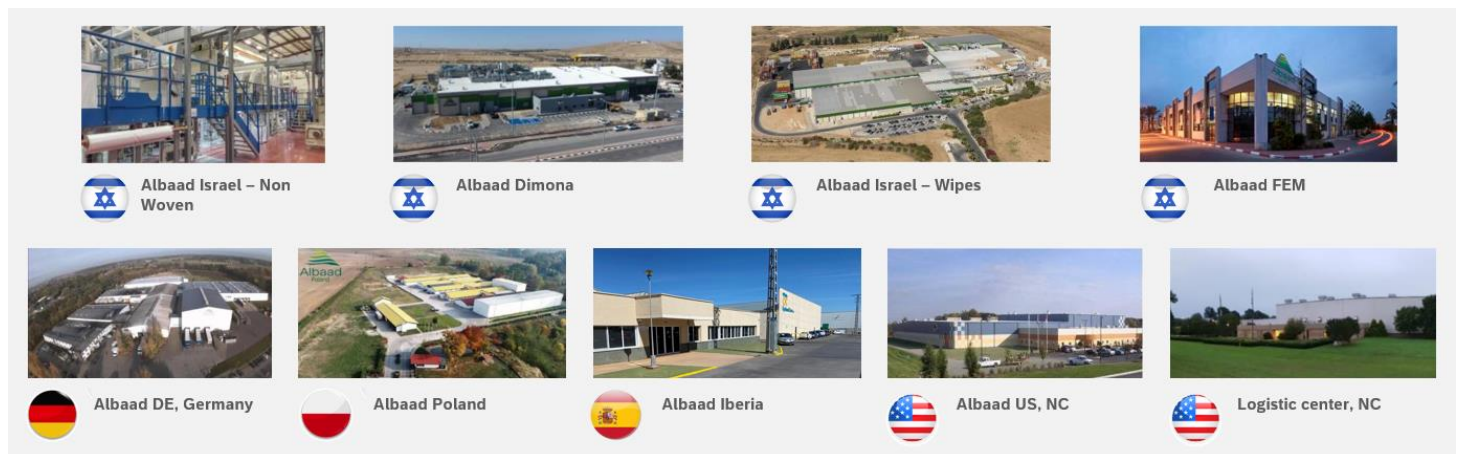
| | | | | |
|---|--|--|---|--|
|  |  |  |  |  |
| Hygiene Wipes | Baby Care Wipes | Fem Care Tampons, Wipes | Cosmetics Wipes | Home Care Wipes |
| Moist Toilet Paper | Aqua Base | Tampons: | Makeup Remover | Disinfecting |
| Consumer Healthcare | Gel Base | Applicators | Hydrating | All Purpose Cleaning |
| Adult Care / Incontinence | Rich Lotion | Digital pH (patent) | Exfoliating (abrasive) | Windows |
| Hand and Face Anti bacterial | Diaper Rash Cream | Intimate Wipes | Anti-aging | Floors |
| | Bathing Wipes | | Acne | Furniture |
| | | | | Automotive |

OUR OPERATIONS

Our world-leading production facilities, that are located on three continents and equipped with the most advanced technologies, allow us to make our variety of 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 will become the "Albaad Iberia" division, which will be integrated into Albaad's European subsidiary in Germany. Expanding the European coverage will enable Albaad to provide better service to our customers, reduce our environmental footprint by moving closer to the market and react faster to market needs and changing regulations. Furthermore, the company will be able to deliver products with lower transportation costs, ensure optimized production capacity and offer more localized customer support.



MARKETS

With global presence and manufacturing sites located in Asia, Europe and America, we have managed to establish the infrastructure necessary to provide on-time service to our customers across the globe. Equally important, our international company culture enables us to meet additional 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.

To date, the products manufactured by Albaad are present in Australia, Austria, Belgium, Bolivia, Brazil, Canada, Central & East Europe, Chile, the Czech Republic, France, Germany, Greece, Israel, Italy, Mexico, Netherlands, New Zealand, Peru, Poland, Portugal, South Africa, Spain, Switzerland, Turkey, United Kingdom, USA, Venezuela and more.

We continuously invest substantial resources to expand our operations. This includes capacity expansion at existing production plants or the establishment of new plants in existing and new regions, to support global customer demand and our development of new and innovative product lines.

CUSTOMERS

Our customer portfolio can be 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.

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.

While we have grown in size, we have and will always do everything we can to give the best quality and value to our customers. We will always strive to exceed our customers' expectation by providing the best customer experience.



OUR APPROACH TO SUSTAINABILITY

At Albaad we believe that sustainability is a crucial driver to business growth that provides long-term value and see commitment to sustainability is an integral part of our company's vision and values. As one of the leading companies in our field, we recognize that we need to contribute to address systemic social and environmental challenges.

Our main pillars are aligned with the United Nations Sustainable Development Goals (SDGs):

ADVANCING HEALTH AND WELLBEING



Our hygiene products support public health and well-being and offer true

value to our customers and end users with new innovative solutions to their changing needs.

GOVERNANCE ACCOUNTABILITY



Albaad is committed to high ethical standards, unyielding

integrity and transparent business conduct based on our ethical values. Albaad stands for lawful and ethical business practices and zero tolerance for unethical or illegal conduct.

REDUCING OUR ENVIRONMENTAL IMPACT



We are committed to environmentally responsible conduct and we

are taking steps to reduce our environmental impact.

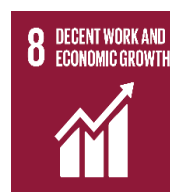
One of these steps is demonstrated in the nature of our innovative products.

We seek to improve our ecological footprint, which begins with integration of environmental considerations into our business decisions, product development cycle and production process.

Monitoring and management tools are a fundamental key in minimizing the environmental impact of our activities and ensuring compliance with local and international regulations.

With every new product we develop, we examine the waste impact and the implications on waste treatment. This drives our innovation for solutions that contribute to a more sustainable environment.

TAKING CARE OF OUR EMPLOYEES AND SURROUNDING COMMUNITIES



We promote sustainable economic growth, as well as productive employment and decent work for all and strive to provide our employees with a proper and safe workplace. We strive to protect labor rights and promote safe and secure working environments for all workers.

We are obligated to recruit to fair compensation and a proper working environment, to providing opportunity for personal development and to make sure we praise and have mutual respect.

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 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.

Some of the channels we use in our dialogue with our stakeholders are:



Customers

We conduct customer satisfaction surveys among our customers and have periodic meetings with them.



Consumers

We are available for communication from consumers through our website and via our customer service hotline.



Suppliers

As part of our vision we aim to maintain and develop long-standing strategic partnerships with our raw material suppliers. We hold quarterly meetings with our suppliers, conduct satisfaction surveys, perform an annual assessment of suppliers and share the results with them. Furthermore, we conduct quality audits once a year.



Surrounding Communities

We are open to receive any request or complaint from our surrounding communities. We have no issues in dispute with the communities surrounding our plants and we focus on contributing to the community through various initiatives: the employment of students, construction of technological knowledge among young students, various partnerships for the empowerment of disadvantaged populations and for the creation of employment opportunities for disabled people.



Employees

We conduct an annual employee evaluation, satisfaction surveys, make use of internal communication mechanism, distribute a periodic internal newsletter to all employees and have an "open door" policy. We conduct several events of round tables every year in each of our sites, in which employees are given the opportunity to speak freely about any issue they wish and offer suggestions for changes.



Shareholders

We publish quarterly and annual financial reports and reveal any information as necessary in accordance with the law and with full transparency.



Our Environmental Impact

OUR ENVIRONMENTAL STRATEGY

As a producer of nonwovens, wet wipes and feminine hygiene products, with manufacturing process that utilize energy and water, as well as generate solid waste and emissions, we are aware of the fact that the products we produce have an effect on the environment and do everything we can to reduce this effect. We have identified the activities in which we have environmental impact 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.

Climate change, water availability, pollution, waste generation and disposal are among the leading challenges we deal with. As a user of raw materials and energy, and a source of pollutants and waste, Albaad is an important player, striving for a more sustainable pathway of growth.

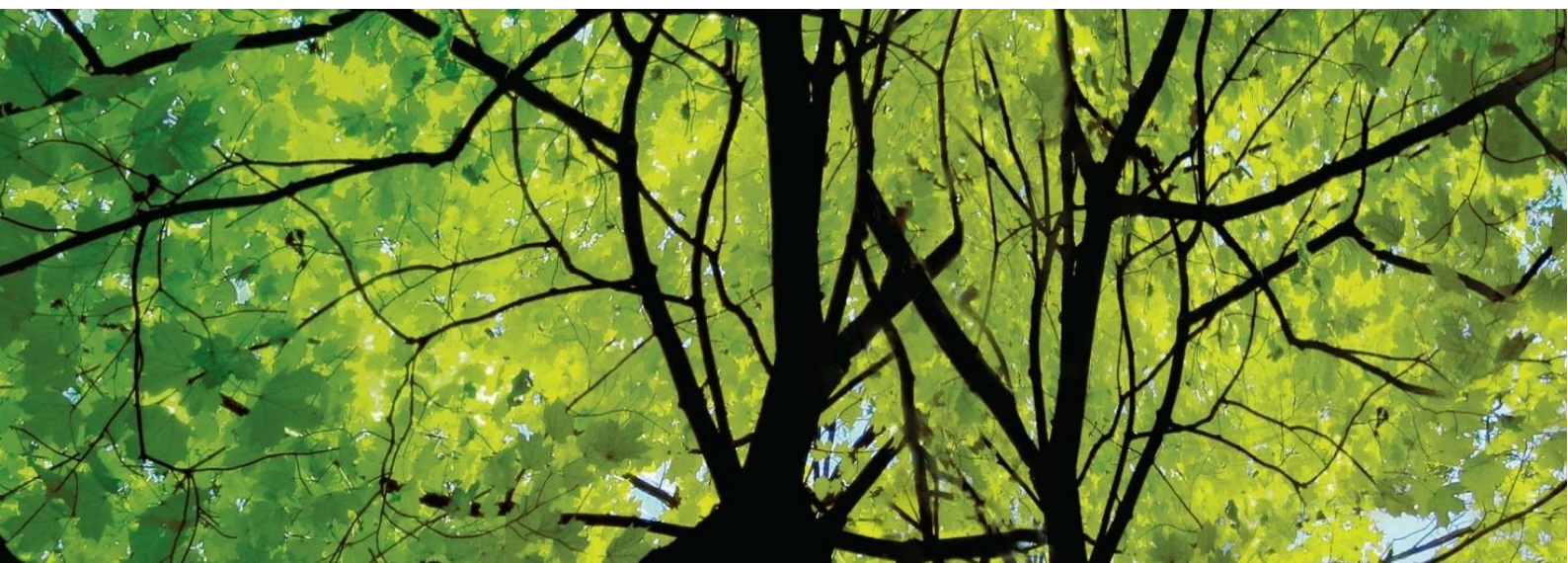
We live in a demanding environment where time is a scarce resource. In such an environment, the products we produce are allowing a higher quality of life while saving time. Consumers have come to expect certain key attributes such as sustainability from nonwoven-based products. Globally, wipe and feminine hygiene consumers are desiring environmentally-preferable products, which include

the sustainable use of raw materials and reduction of chemicals and GHG emissions.

We take into account our environmental impacts in the various stages, starting at raw materials extraction 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 try to minimize our environmental impact and improve our performance wherever possible.

We are working to constantly improve our performance through activities such as the development of "greener", environmentally friendlier products, the adoption of environmentally advanced technologies, the adoption of 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, processing and environmental performance data of recent years, and reexamination of our targets that were set for 2017 targets, on 2018 we defined new mid-term environmental goals which reflect the company's main areas of environmental impact.

For each aspect of environmental impact, a target (where relevant¹) was set to be met by the end of 2023.

These goals use 2017 data as a baseline.

WIPES

3% reduction in water consumption at our sites per production

10% reduction in energy consumption at our sites per production

10% reduction in GHG emissions at our sites per production

Preserving the percentage of waste transferred to recycling at 75%

5% reduction of waste at our sites per production

NONWOVENS

2% reduction in water consumption at our sites per production

5% reduction in energy consumption at our sites per production

5% reduction in GHG emissions at our sites per production

Preserving the percentage of waste transferred to recycling at 85%

5% reduction of waste at our sites per production

FEM

5% reduction in energy consumption at our sites per production

5% reduction in GHG emissions at our sites per production

Increasing the percentage of waste transferred to recycling to 15%

5% reduction of waste per production

¹ A water target does not apply to our FEM sites which are considered "dry" sites due to the fact that water consumption is used for sanitary use and not for production.

MATERIALS AND SUSTAINABLE PURCHASING

MATERIALS

The first stage in which we have an effect on the environment is during the selection of raw materials for the manufacturing of our products. We use 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.



Fibers and Pulp

Used for nonwovens and tampons manufacturing



Nonwovens

Produced by various technologies



Auxiliary Materials

Tampons applicators, adhesives, chemicals, additives and fragrances



Packaging Materials

Due to the nature of our activity, our products are manufactured according to specifications determined by our customers, making it impossible for us to fully control the nature of the final product and its components. Nonetheless, Albaad offers a wide range of products and materials and focuses on the most environmentally friendly alternatives.



SUSTAINABLE PURCHASING

We consider sustainable procurement as a top priority and opportunity and strive to conduct responsible business, not only in the global supply chain but also within our own procurement processes. We focus on long-lasting relationships with our external suppliers and working with them collaboratively and transparently, while setting clear objectives for addressing social and environmental issues. In each partnership, we take a long-term view, evaluate technological and manufacturing expertise while committing to a shared vision of making the world a better place through our business. We expect our partners and their factories to apply best practices in quality control, labor management, worker safety and environmental impact reduction.

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 where possible. As well as protecting and guiding the organization, it positively affects suppliers and local communities connected to Albaad and have a positive impact within the company, the communities and the industry.

Fibers from Sustainable Forests

One of the main raw materials we use in our nonwovens and tampons production are viscose fibers, which are considered an environmentally preferable alternative compared to synthetic fibers. To assure responsible forestry practices in naturally-derived raw materials, our nonwovens site and FEM site in Israel and our wipes sites in USA, Germany, Poland and Israel hold Sustainable Forestry Management certifications.

Thanks to our sustainable certified forest management, 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 2020, 100% of the pulp purchased by Albaad was sourced from sustainably managed forests.



Packaging Materials

We constantly look for the most environmentally-friendly packaging solutions in the market and moving towards more sustainable packaging alternatives is a key priority in our purchasing and product design process.

Working hand in hand together with our packaging suppliers we have managed to develop a recyclable laminate film for our wet wipes and offer packaging materials made with 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.



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 society 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, a global, multi-stakeholder initiative that supports the use of sustainable palm oil.

Albaad is 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.

SUSTAINABLE INNOVATION

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 mind-set of the company. Every Albaad employee, regardless of their role or responsibility, is focused on delivering the innovation that drives company growth. Responding to the unmet needs of our customers, through innovation or acquisition of technologies, is an important driver for our growth.

Our strategic objective is to combine insights into customer requirements, consumer preferences and market trends, along with our value creation ideology

to bring sustainability through innovation of eco-friendly products and by reducing 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 to maintain our market. 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.



HYDROFINE® ALBAAD'S PATENTED FLUSHABLE PRODUCT TECHNOLOGY



The core competence of Albaad Group is the development and manufacturing of innovative products made to the highest quality levels while at the same time maintaining environmental responsibility and providing safe products for the consumer.

As one of the largest producers of wet wipes in the world, we constantly invest substantial resources in the innovation of environmentally preferred products and technologies. One such technology is Hydrofine®, a rapidly dispersible nonwoven, consists of cellulose pulp and fibers, and free of synthetic fibers, which is used as a substrate for producing flushable moist toilet paper products.

Hydrofine® portfolio includes several products that comply with various recognized flushability assessment standards and guidelines. In 2020 we became the first manufacturer to pass the strict flushability specifications of the International Water Services Flushability Group (IWSFG).

Innovations such as Hydrofine® enable us to effectively reduce our ecological footprint as a company, for the brands that we serve, and for all the consumers using our products every day.



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.

Earlier this year we announced our plan to invest €50 million to expand and optimize its environmentally friendly nonwovens product line. The new line will make sustainable nonwovens made entirely of natural fibers that are biodegradable, flushable and plastic-free. Albaad expects to bring these products to market in 2023 representing the consistent continuation of the company's sustainability strategy.

In 2020 Albaad Germany was certified as a Climate Neutral company by contributing to a forest protection project in Peru to compensate for unavoidable CO2 emissions and is currently using 100% green energy sources.

PROMOTING CONSUMERS AWARENESS ON FLUSHABILITY

Albaad is a member of EDANA and INDA, the 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 or not the products are appropriate for disposal via the wastewater system. Packaging for 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.



We promote EDANA and INDA Code of Practice and encourage our customers and companies who are not members of the Associations to comply with it, to assure that wipes 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 our nation's 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 and that increasing public awareness about smart flushing habits will lead to real, lasting results.



WATER AND WASTEWATER

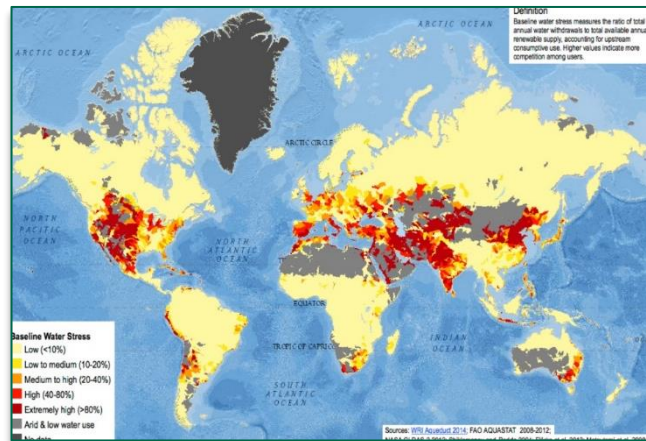
WATER

Water is one of the world's most valuable resources, yet it is under constant threat due to climate change and resulting drought, explosive population growth, and waste and in the recent years, water scarcity has become one of the most significant environmental issues alongside greenhouse gas emissions.

Humanity is facing a water crisis, due to unequal distribution (exacerbated by climate change) resulting in some very wet and some very dry geographic locations, plus a sharp rise in global freshwater demand in recent decades driven by industry. It is manifested by demand for water quantity or quality, disputes between users, irreversible depletion of groundwater, and negative impacts on the environment. Half a billion people in the world face severe water scarcity all year round and half of the world's largest cities experience water scarcity.

Reducing water consumption is one of the most complex, challenging issues we struggle with.

Some of our sites are located in water scarcity area as showed in the water scarcity map, so it is our goal and mission to try and minimize the use of water as much as we possibly can.



Water is a crucial resource in many of Albaad's operations, mainly nonwovens and wet wipes. 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 targets for reducing water consumption per production unit by 2% at our non-woven sites and 3% at our wipe sites until 2023 (compared to 2017 baseline). Our Fem sites do not have a target for water reduction as these facilities use 'dry' production processes .

During 2020, we consumed a total of 581,482 m³ of water.

12% decrease in
total water
consumption
compared to 2018

7% decrease
in amount of water
consumed per product
in our wet wipes sites
compared to 2017

Amount of water
consumed per product in
our
nonwoven sites has
decreased by 41%
compared to 2017

Our efforts to reduce water consumption during the last years have succeeded. At our Dimona site an improvement team, led by a processes engineer, mapped out the challenging areas that had higher water consumption and followed plans to address each problem separately. At our nonwovens manufacturing facility in Massuot Yitzhak, routinely daily checks on water consumption levels along with pipe leakage handling were put into place. Reuse of water in a closed loop cooling system also reduced the amount of water consumed. All these measures led to a significant decrease in water consumption during 2019-2020 and we plan to continue this improvement with additional initiatives in the future.

We continue to analyze the individual performance of each of our sites and are working to formulate plans for improvement.

WASTEWATER

An important part of the environmental degradation suffered by the planet is caused by the discharge of untreated or poorly treated wastewater.

In the last years our manufacturing plant in Massuot Yitzhak Israel has built an on-site wastewater treatment facility. After a successful pilot phase, we've implemented a biological treatment system to treat the wastewater discharged from the facility with a long term aim to reintroduce a large portion of the wastewater back into the production process in the nonwovens plant. The construction of the facility was completed in 2019 and test runs performed during 2020.

As part of the production processes at the various sites, we use chemicals that comply with the relevant regulations in Europe and the United States and approved according to local requirements in our production sites. 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.



33% decrease
in amount of
wastewater
discharge in 2020 vs
2019

The amount of wastewater
that went through preliminary
treatment
increased by 12%
compared to the previous year

By reducing the amount of the
wastewater, we
decreased the
release of
pollutants
to treatment facilities and to
the environment

ENERGY

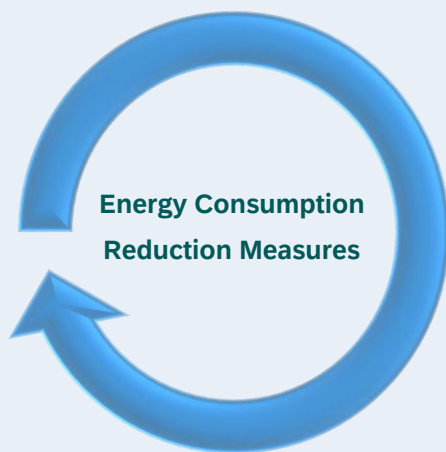
Energy production and consumption have many environmental impacts; the process of producing fossil fuels such as oil and gas is a process that makes use of non-renewable natural resources, and energy production activities have significant environmental impacts caused by the emission of greenhouse gas and other pollutants into the air.

We believe that using energy in a sustainable manner represent an opportunity for us both environmentally and economically, as well as promoting us to achieve sustainable growth. When we look at our energy performance over the last three years, we have a record of continuous improvement in reducing energy consumption per production, that we have managed to achieve through different energy efficiency activities:

28% decrease in energy consumption per production unit in our FEM site compared to 2017 baseline

Actions taken to reduce energy consumption in our nonwovens production sites

18% decrease in energy consumption per production unit in our wipes sites compared to 2017 baseline



- Insulating facilities to improve the effectiveness of air conditioning units
- Inserting new systems onto production lines
- Reducing consumption of residual fuel oil
- Replacing old ineffective machines
- Switching to energy-efficient LED lighting
- Installation of heat recovery ventilation systems
- Installation of motion sensors
- Switch to suppliers of renewable energy
- Switching to hybrid and electrical cars



During 2020, our total energy consumption amounted to 373,748 GJ,

While an energy consumption per production decrease 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.

CARBON EMISSIONS

In light of the fact that in recent years it was made clear scientifically that human activity has an effect on global warming as a result of excess emissions of greenhouse gases, extensive efforts are being made worldwide to reduce greenhouse gas emissions. We at Albaad are aware of it and we are making efforts to reduce greenhouse gas emissions arising from our activities through energy efficiency processes and by switching to fuels with lower potential impact as much as possible. The greenhouse gases (GHG) emissions data in this report are comprised primarily of Scope 1 (combustion of fuels: natural gas, fuel oil, gasoline, diesel and LPG) and Scope 2 (purchased electricity) data collected from our manufacturing facilities and offices. During the last few years we saw the results of our hard work to reduce our carbon footprint. Even though there was an increase in production in 2020, we have managed to decrease the total GHG emissions compared to the previous year, with a total of 37,010 tons CO₂e (scope 1+2) that were emitted in the course of our activities in all of our sites.

24% decrease in GHG emissions per production in our FEM site compared to 2017 baseline

Albaad Germany was certified as a Climate Neutral company

20% decrease in GHG emissions per production unit in our wipes sites compared to 2017 baseline



In 2020 Albaad Germany was certified as a Climate Neutral company, by contributing to a forest protection project in Peru to compensate for unavoidable CO₂ emissions.

For additional information about the certification, visit <https://fpm.climatepartner.com/tracking/14333-2005-1001/en>

MINIMIZING OUR ENVIRONMENTAL FOOTPRINT THROUGH LOGISTICS OPERATIONS

With manufacturing sites located in Israel, Europe, and the USA and global market sales, one of the greatest important challenges from an environmental standpoint is logistics. 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 as a result of fuel consumption.

We examine the entirety of our supply chain, from the acquisition of raw materials to the marketing and distribution of finished goods. Noting that logistics is a significant source of environmental stress, especially in the form of carbon emissions, we aim to better plan out the routes of our distribution to improve our transportation efficiency while reducing our carbon emissions in the long run.

We do our utmost to minimize travel distances for each part of the 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 and in order to optimize every shipment, and while planning product distribution, one of our considerations is the distance between the distribution center and the customer. Reducing GHG emissions through efficiency in upstream and downstream logistics.



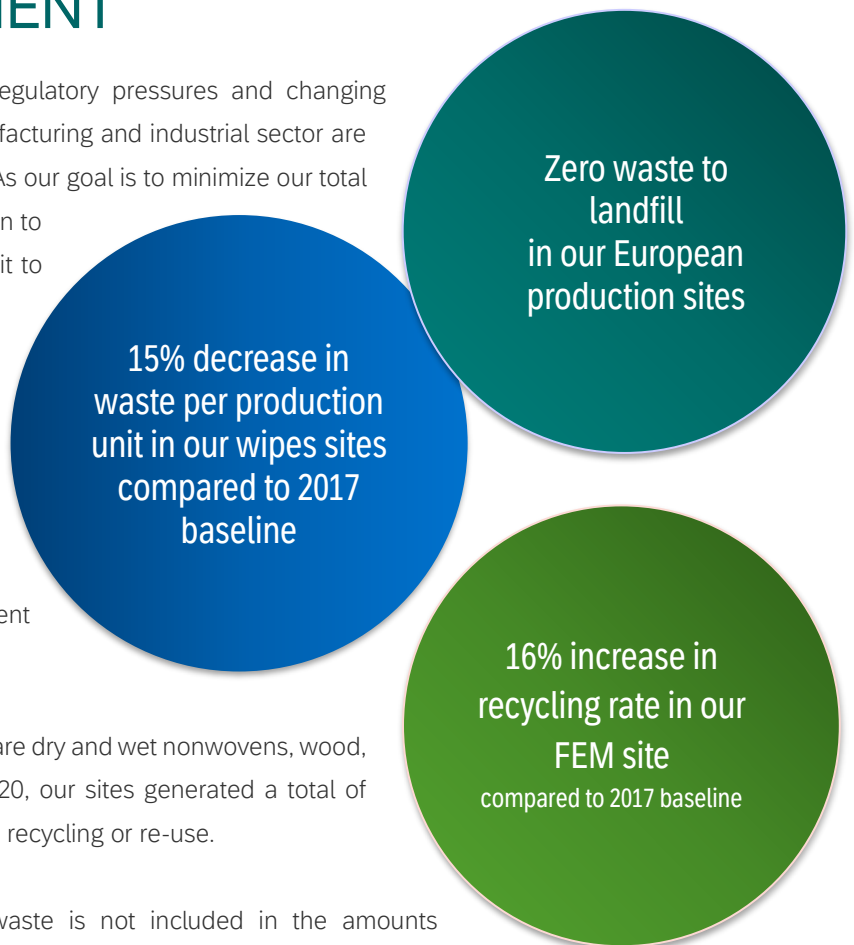
WASTE MANAGEMENT

Rising disposal costs, existing and pending regulatory pressures and changing consumer preferences, companies in the manufacturing and industrial sector are seeking ways to minimize their waste streams. As our goal is to minimize our total waste we try to find as many solutions as we can to reuse or recycle our waste instead of shipping it to landfill.

Each of our sites is looking into solutions suited for its particular needs, technological capabilities, and waste management procedures in place. All of our plants are working to improve their waste management policies and are constantly searching 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 wastes. During 2020, our sites generated a total of 17,249 tons of waste, of which 57% was sent to recycling or re-use.

*Dangerous waste including the chemicals waste is not included in the amounts mentioned above, since this stream of waste is treated in accordance with the requirements of the law as hazardous waste, in authorized sites for this purpose.





Our Social Impact

OUR RESPONSE TO THE COVID-19 PANDEMIC

2020 has been an extremely challenging year, for both people and organizations. At Albaad, we made it our highest priority to meet the complexities and challenges of the COVID-19 pandemic with resilience, to ensure we keep our employees safe and healthy while continue to deliver products to all our customers. Throughout the year, we focused on actions we could take to most positively impact everyone we serve and explored how to make the most of this challenging time while sustaining public health and well-being.

DEVELOPMENT OF NEW PRODUCTS THAT MEET THE MARKET NEEDS

Cleanitize™ Cleaning and Disinfecting Wipes

Albaad's Cleanitize Cleaning and Disinfecting Wipes (EPA Registration #75459-1) obtained the U.S Environmental Protection Agency approval for kill claims against SARS-CoV-2.

Cleanitize was developed with a focus on innovation to deliver the following consumer benefits:

- ✓ Kills 99.9% of the virus that causes COVID-19* (SARS-CoV-2), when used as directed on hard, non-porous surfaces – as tested by a third-party laboratory.
- ✓ Disinfects and cleans – for the ultimate cleaning experience. Leaves a fresh, clean scent.
- ✓ Easy to Use – the thick, quality wipes provide the user a trusting confidence of a job well done.



With this new addition to our innovative product range, we continue our mission of supporting health and happiness for consumers and health care workers.

Safe & Soft® Hand Sanitizing Wipes

Albaad is proud to introduce Safe & Soft® Hand Sanitizing Wipes aimed to sanitize the skin while keeping Safe and Soft. Safe & Soft® Antibacterial Wipes are an over-the-counter drug, designed to comply with the FDA's Monograph for Hand Sanitizing products.

These wipes clean and kill 99.9% of common germs on the skin and removes dirt without drying the skin, unlike other popular alcohol-based products. Always on the go – grab one of the long-lasting resealable packs, that keeps the wipes moist and fresh.



DEALING WITH A RAPID INCREASE IN DEMAND

The spread of Covid-19 pandemic has led to an increase in demand for Albaad's hygiene products across all markets and resulted in a change in consumer behavior, with the public expected to remain more hygiene-conscious, even in a post-pandemic world. Albaad responded quickly and immediately upon the outbreak and through the last year and made everything possible to meet the rising demand for our products, especially antibacterial and disinfecting products, so that we continue to deliver our essential products to our customers and protect public health and well-being.

PROTECTING OUR EMPLOYEES

The adjustments to the COVID-19 situation 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 evolvement, we succeeded in maintaining labor law compliance while also offering our employees options to help with their pandemic-induced personal situations and needs.

- ✓ Employees were granted solutions to enable them to flexibly combine work duties and care obligations.
- ✓ Remote work was made available to employees where practically and technically feasible.
- ✓ Body temperature scans were conducted prior to entering facilities.
- ✓ Hand hygiene stations were made available
- ✓ Information and advice on all employee-relevant questions are regularly provided.
- ✓ Distribution of disinfecting wipes to our employees.
- ✓ Reliable internal processes mirroring new administrative processes were promptly implemented.

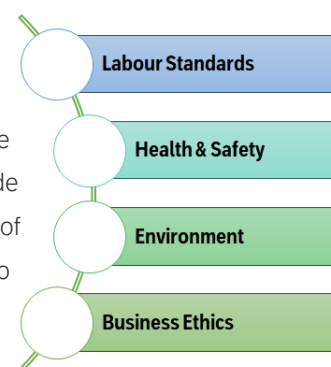


SOCIAL ACCOUNTABILITY

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

To guarantee that our company adheres to even the strictest of requirements, above and beyond what is required by law, we have become members of Sedex. Sedex, the Supplier Ethical Data Exchange, is a not-for-profit membership organization dedicated to driving improvements in responsible and ethical business practices in global supply chains. As members of Sedex, 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.



OUR EMPLOYEES

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.

Training and Development

We constantly invest in development of professional training because we know that our employees' professionalism will help us give excellent service to our customers. Our training programs are based on the needs of different units as well as on changing needs and new company systems or processes.

Developing the organizational culture is done through providing professional and life skills through courses and workshops as well as training and instructing company employees and managers on fair employment, employee rights and sexual harassment prevention.

Dialogue

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. We consult with our employees through roundtables on a range of topics, survey the level of employee satisfaction, present them with goals, give them feedback on their performance, and plan together their professional future at Albaad.

Health and safety

We hold health and safety as a top priority and an integral part of operations, and strives to provide a safe workplace for all our employees. Our manufacturing sites operate in full compliance with applicable health and safety requirements, including international health and safety standards. We believe in preventive measures, therefore, we train our people regularly on health and safety matters and have detailed plans to monitor, record, investigate and take actions to reduce and prevent accidents and injuries.

Our employee's health and safety are managed by a dedicated supervisor and under the supervision of a safety committee. We ensure the implementation of our 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 encourage our employees to adopt a healthier life-style by raising awareness of the importance of the issue and encouraging physical activity through sports days, sports groups and group trainings, and offer our employees healthy nutrition alternatives in the workplace.

Welfare

We encourage our employees to maintain a healthy Work-Life balance, allowing flexible working hours, encouraging the use of vacation days and more provide our employees with:

- ✓ Transportation
- ✓ Events to celebrate holidays and gifts before every holiday
- ✓ Gifts on personal occasions (birthdays, weddings, births)
- ✓ Departmental and divisional activities outside of the site
- ✓ Family day activities



OUR COMMUNITY

At Albaad we believe in being good neighbors, we recognize our responsibility to the community at large and work to be a good corporate citizen. Being an active participant in our community is a fundamental responsibility and we work hard to ensure that giving back to the communities where our employees work and live and to making the world a better place is a theme that runs throughout our business. We have an ongoing dialog with the communities surrounding our sites as well as giving back to the community through donations and volunteering at various community activities.

During 2020, we have increased our monetary donation to non-profit organizations and to the one's that are in need. The support focused on projects to encourage education in science and technology, promote diversity in employment and health. In addition, products donations, specifically hygiene, disinfecting wipes and personal care products, were

made throughout the year in response to specific requests on a case-by-case basis.

Our sites in Israel actively 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 Shafirim 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.





Corporate Governance

ORGANIZATIONAL AND GOVERNANCE STRUCTURE

Albaad is a publicly traded company on Tel Aviv Stock Exchange (TASE) since 1994.

Albaad's net profit in 2020 was 101,868 thousand Shekels and revenues amounted to 1,578,936 thousand Shekels.

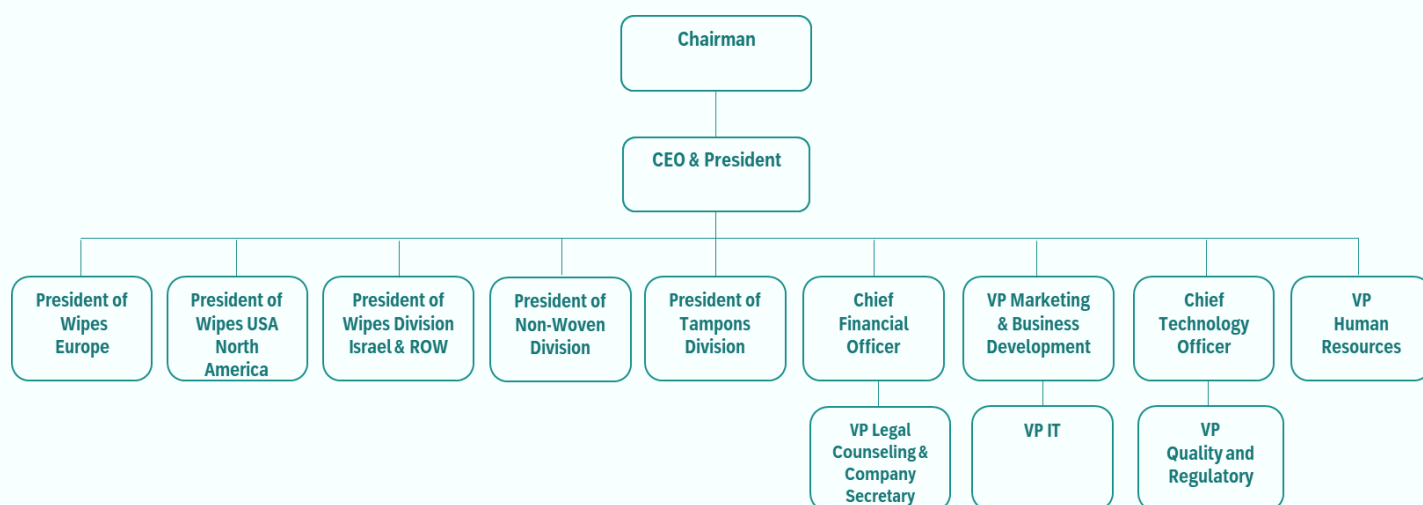
Albaad's board of directors underwent personnel changes in 2020 but the total number of members stayed nine directors, two of whom are external directors and three that are independent directors. The chairman is 40% employed by the company and is not a member of the Executive.

Board meetings convene once a month on average, and at the end of the year more often so that approximately between 12 to 14 meetings are held annually. Within the framework of the Board, three Committees are held: compensation committee, audit committee and a financial reports committee.

Compensation committee deals with wages and employment conditions, bonuses and options for senior executives. It meets once a year; **audit committee** is in charge of the appointment of an internal auditor and all other needs according to the 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; **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 .

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.



QUALITY, REGULATORY AND SAFETY COMPLIANCE

At Albaad, we weave regulatory requirements as well as Safety, Health and Environmental (SHE) considerations into our product design process, to assure that our products meet strict international standards. Albaad's sites are audited on an ongoing regular basis by external auditors, customers, governments and third-party regulatory and standards bodies to verify the company's compliance with the standards and certifications requirements .

SITES LICENSES AND CERTIFICATIONS



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

Our wet wipes production sites worldwide comply with various different quality standards including ISO 9001 standard for quality management systems, OHSAS 18001 (ISO 45001) for occupational health and safety management systems and ISO 14001 standard for environmental management systems, ISO 22716 for GMP of cosmetic products and ISO 13485 for the quality management system of medical devices design and manufacturing. Additional certifications held by our sites include the BRC Standard for Consumer Products, Nordic Eco-labeling (Swan Label), Forest Stewardship Council (FSC™), the Roundtable on Sustainable Palm Oil (RSPO), Natural and Organic Cosmetics certification (NATRUE) and International Featured Standard for Household and Personal Care Products (IFS HPC) certification and the Charter for Sustainable Cleaning (AISE).

In 2020 Our sites in Germany and Poland were certified with ISO 16427 (Energy audits), the standard specifies the requirements, common methodology and deliverables for energy audits. In addition, as part of its efforts to its eco-efficiency Albaad Germany has also been awarded the title of “Ökoprofit company” by the district of Steinfurt, Germany.

All of Albaad's sites comply with all applicable regulations and government restrictions according to their scope of activity. 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 (OTC) wipes products, are FDA-registered and operate in compliance with 21 CFR 210 & 211 . Our wipes productions sites in Israel, North Carolina and Poland that manufacture pesticides for the US market are EPA-registered.

REGULATORY COMPLIANCE

At Albaad we assure that our products meet all of the applicable regulatory requirements in different regions and markets. We closely monitor new legislation developments in major region and markets, so that we are able to respond quickly and efficiently to the changing regulatory environment. Products marketed in Europe comply with the European Cosmetics Regulation. Cleaning products which 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 marketed in the United States are in full compliance with US law requirements, including the FDA and EPA requirements where applicable.

Albaad 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 regulations. Raw materials used in products marketed in Europe meet the REACH European Regulation, which is aimed 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 standard for perfumes, IFRA .

CODE OF ETHICS IN ALBAAD

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.

Albaad values are teamwork, orientation to customers and colleagues, commitment and responsibility, determination and perseverance, and integrity.

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 three 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 'Hot Line' and maintain an ongoing dialogue with them, with our customers and suppliers for the purpose of continually improving our ethical conduct.

OUR PARTNERS AND SUPPLIERS

At Albaad, we are committed to promote responsible and sustainable procurement, hold our suppliers to the highest quality standards and promote a culture of open communication and excellence. We expect our suppliers to conduct their relationship with us and any of our partners 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.

We expect and encourage our suppliers to share with us information on sustainability efforts, in order to promote sustainable procurement across our supply chain. The 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.

We conduct periodic assessments and audits of approved suppliers to ensure their continuous compliance with our standards and the result of the online assessment and audits are fed into our supplier identification and selection process

In addition, we encourage local procurement from small and medium-sized businesses and green procurement from suppliers that exhibit improved environmental performance.

ABOUT OUR REPORT

This report deals with the activities of 7 owned sites of the company during 2020 – 4 wipes plants, 1 FEM plant, and 2 nonwovens plants.

The report does not refer to any activity within any of our subsidiaries, described in the organizational and governance structure chapter.

This is our seventh corporate report. We have been issuing this report since 2014 and are planning to continue to report on an annual basis.

This report contains an overview of Albaad's impacts on organizational, societal and environmental levels, and details its commitment to accountability, transparency and value creation for all stakeholders. The scope of the report details information about the company's activities in 2020. 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 calculations of CO2 avoided and their equivalents to GHG emissions are made for each country individually.

For further information, questions or suggestions about the report, please contact:

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