

MAJID AL FUTTAIM - SUSTAINABILITY

SUSTAINABLE PROCUREMENT POLICY

Document Control

Amendments Table

Version	Date	Reference Section	Amendment Content
1.0	Feb 2021		- Document created
2.0	Oct 2022		<ul style="list-style-type: none"> - Restructure of policy sectioning to improve navigability - Addition of Table of Contents and Definitions section - Inclusion of SBTi and future CDP partnership - Minimum Sustainability Requirements now required by 2025 - Sustainability Practices moved to table format - Addition of "Socio-economic" section and subsections: <ul style="list-style-type: none"> "Human Rights", "Occupational Health & Safety", "Anti-Corruption & Transparency", "Diversity, Equity & Inclusion", "Upskilling and Training", "Supporting Local Economy."

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Definitions

1. **Category management:** a strategic approach to procurement whereby the spend for goods and services purchased by a business organisation is split into focused groups of similar or related products (spend categories).

Spend can be categorised in several ways:

- Direct and indirect products: direct products are the raw materials needed to manufacture the product and indirect products are for supporting the day-to-day operations of the business.
 - Similarities among the items: categorising transactions by the amount spent, the supplier or vendor who supplied them, the nature of the products, or the purchase volume.
2. **e-Procurement:** the process of purchasing/selling goods/services through a digital interface.
 3. **Environmental Product Declaration:** as defined by [ISO 14025](#), a type III environmental declaration that “quantifies environmental information on the life cycle of a product to enable comparisons between products fulfilling the same function.”
 - **Type III Environmental Declaration:** a declaration “providing quantified environmental data using predetermined parameters and, where relevant, additional environmental information” (ISO 14025)
 4. **Global Solutions (GS):**
 - Majid al Futtaim Centralized Procurement Organization, which sources and acquires goods and services on behalf of all Majid al Futtaim companies across all spend categories, leveraging economies of scale
 5. **Leisure, Entertainment, and Cinema (LEC):**
 - **Real Estate and Property Development (REPD):** Lead the procurement of the majority of consultants and all contractor procurement for new developments, re-developments and fitout. Contractors are responsible for procurement of raw materials after being awarded contracts.
 6. **Lifestyle:**
 - **Merchandising:** Responsible for purchasing all the garments that Majid Al Futtaim sells across all regional stores, either from franchise partners or from other regional brands. The merchandise team negotiates as when applicable and develops tactical associations with suppliers.
 7. **Properties:**
 - **Project Management Centre of Excellence (PM CoE):** Lead the procurement of the majority of consultants and all contractor procurement for new developments and re-developments and are not typically involved in the maintenance work of existing

assets. Contractors are responsible for procurement of raw materials after being awarded contracts.

8. Retail:

- **Retail B2B/Carrefour Business:** Responsible for purchasing and selling to other businesses (mainly hotels, restaurants, catering companies – HoReCa). Leverage economies of scale and large volumes to get the best deals for bulk purchases.
- **Carrefour Retail Merchandise:** Responsible for purchasing merchandise items which are sold in Majid al Futtaim’s Carrefour stores. The merchandise team negotiates and develops strategic relationships with suppliers.

9. Supplier: An organisation that provides or may potentially provide goods or services to Majid Al Futtaim and its affiliates.

- **Tier 1:** The top 100 spend suppliers (for Retail and GS each), based on contract value or merchandise procurement value
- Those who are not tier 1 suppliers are referred to as *supply chain partners*

Background

Majid Al Futtaim carries out significant expenditure on goods, services, works and capital projects. We place the utmost importance on positively using this purchasing power to make sustainable decisions in line with our core values, vision, and commitment towards sustainable development, while delivering long-term value for money.

Purpose

This policy outlines the guiding principles of ensuring sustainable best practice when procuring goods and services, selecting our suppliers, and enforcing actions to strategise critical relationships, in line with ISO 20400:2017. This allows for social and environmental factors to weigh in equivalence to those of a regular procurement policy of value and quality.

Scope

This policy provides an overview of sustainable procurement practices to be adopted by our supply chain.

Procurement must be performed within the boundaries of local laws, regulations, and environmental requirements and other applicable Majid Al Futtaim policies

In conjunction with this policy, suppliers, as defined under the Definitions section, must comply with existing procurement policies (if any) in Holding and Majid al Futtaim Operating Companies (Retail, Properties, Lifestyle, and Leisure, Entertainment, & Cinemas (LEC)).

Our supply chain must also abide by and incorporate all applicable Codes of Conduct and policies. Majid Al Futtaim shall not enter into partnership with supply chain parties who are unwilling to implement and/or conform to the below mentioned documents within their company and operations:

[Supply Chain Code of Conduct](#), [Code of Business Conduct](#), [Occupational Health & Safety Policy](#), [Gifts, Hospitality, Entertainment Policy](#), [Employment Conditions Policy](#), [Diversity and Inclusion Policy](#), [Sustainability Policy](#), [Animal Health and Welfare Policy](#), [Zero Waste Policy](#)

Responsibility

This policy will be reviewed and updated at least every 2 years, or as deemed necessary.

Responsibility for keeping this policy up to date, in line with the necessary document control procedures, and distributing it to all relevant employees (and external parties, as appropriate) lies with the GS Vice President of Group Procurement, the corporate sustainability team at Majid al Futtaim, and the Heads of Procurement functions in the respective Operating Companies (which include but are not limited to: Carrefour Retail Merchandise and Carrefour Business, LEC REPD, Lifestyle Merchandise, and Properties PM Centre of Excellence).

Suppliers shall be regularly assessed and monitored for risks and non-compliance by the Sustainable Procurement Committee, which consists of the Chief Sustainability Officer, GS Vice President of Group Procurement, and the Operating Companies' Sustainability and Procurement Managers.

Sustainable Procurement Commitments

Sustainable procurement places great value upon the protection and enhancement of all environmental and social areas throughout its lifecycle.

Therefore, as part of Majid Al Futtaim's sustainability strategy and targets, we will collaborate with all suppliers to:

Support suppliers in fulfilling mandatory sustainability practices through training

Embed [Majid Al Futtaim's circular economy strategy, Unlocking Value](#)

Conduct life cycle & impact assessment on human health and the environment

Enable stronger communication and relations between suppliers and Majid Al Futtaim

Improve sustainability performance and productivity

Forecast and mitigate climate and sustainability risks through risk assessment

Promote ethical and social responsibility across the supply chain

Encourage sustainable innovation within the supply chain

Perform due diligence for adverse sustainability impacts within the supply chain

Utilise e-procurement to the greatest extent feasible

Protect biodiversity and ecosystems

Ethics and Integrity

As part of our high ethical standards, suppliers are provided a way to report ethical concerns; whistleblowing is done anonymously with options for reporting potential cases being:

1. Person raises a concern with his/her manager
2. Person raises a concern with the Ethics Panel or with the Chief Compliance Officer
3. Person raises a concern through the Ethics Hotline

Further details can be accessed through the links below:

[Ethics Hotline Process](#), [Ethics Hotline Toll Free Numbers](#) and [Ethics Hotline Online Reporting line](#).

Working with Our Supply Chain

Majid Al Futtaim has committed to the [Science-Based Targets Initiative \(SBTi\)](#) to reduce our scope 1, 2, and 3 carbon emissions. Our supply chain falls under our upstream scope 3 emissions, so we intend to collaborate with our core supply chain to lower their carbon emissions, among other sustainability initiatives.

By the beginning of 2023, we will have engaged with the [Carbon Disclosure Project \(CDP\)](#), which will then require our suppliers to disclose their environmental performance data in order to measure and track our supply chain's performance more efficiently.

Selection and Evaluation

Majid Al Futtaim identifies and awards contracts to reliable suppliers demonstrating the best beneficial monetary value, as well as environmental and social soundness.

A list of top sustainable suppliers will be created based on meeting Majid Al Futtaim's **mandatory sustainability practices**.

In addition to the suppliers' technological and commercial weighted value, preference shall be placed towards companies that have **one or more of the following**:

- Policies, including, but not limited to:
 - Sustainability/Corporate Social Responsibility
 - Sustainable Procurement
 - Energy Management
 - Animal Welfare
 - Zero Waste

- Certifications (as applicable), including, but not limited to:
 - Cruelty-Free, Human Rights, and/or Green Certified Materials (such as [Fairtrade](#), [Rainforest Alliance Sustainable Agriculture](#), [UNFSS](#), [Oeko-Tex Standard](#), [Leaping Bunny](#), and [UTZ Certified](#))
 - [ISO 9001 - Quality Management](#)
 - [ISO 14001 - Environmental Management](#)
 - [BS OHSAS 18001 - Occupational Health & Safety](#)
 - [ISO 20400 - Sustainable Procurement](#)
 - [ISO 26000 - Social Responsibility](#)
 - [ISO 14044 - Life cycle Assessment](#)
 - [ISO 27001 – ISMS](#)
 - [ISO 46001 – Water efficiency management systems](#)
 - [SA 8000 – Social Performance](#)
 - [True Zero Waste](#)

The registering, screening, and auditing of a supplier will be conducted as needed to obtain more detailed information on the sustainability maturity level within the supplier's supply chain in accordance with the nature of their business.

Suppliers will be required to provide a comprehensive dossier with traceable evidence, illustrating technical capabilities in sustainability.

Periodical contract performance reviews shall be carried out with the aim of analysing the supply chain's performance in relation to the minimum sustainability requirements.

Minimum Sustainability Requirements

Majid Al Futtaim's Tier 1 suppliers and supply chain partners should **develop and implement plans to follow the sustainability requirements below, as appropriate and relevant to the scope of services/supply** (with weighting to be reviewed annually or as deemed appropriate).

This policy shall be included within the contractual and technical specifications during tender.

Majid Al Futtaim lends its hand to all suppliers to help adhere to these requirements, but we will prioritise working with Tier 1 suppliers to adopt these sustainability practices **by 2025**.

After 2025, we will begin working with our supply chain partners to meet the minimum sustainability requirements.

The minimum set of sustainability requirements which Tier 1 suppliers must adhere to (where applicable) are as follows:

Item #	Action
1. Environmental	
1.1 Energy, Carbon and Air Pollution	
1.1.1	Maintain records of energy consumption figures (electricity, gas, diesel) for manufacturing sites and warehouses
1.1.2	Maintain records of fuel consumption for logistic fleet.
1.1.3	Set baseline of energy consumption along with targets for improvement over time.
1.1.4	Use energy-efficient equipment - Energy Star rated or equivalent
1.1.5	Use fuel-efficient vehicles and/or zero- to low-emission transport methods including biodiesel for logistics fleet.
1.1.6	Optimize transport between sites through route planning and or sharing transportation

1.1.7	Minimise deliveries through bulk purchasing and avoiding over-ordering (sustainable inventory management) and leverage on technologies such as AI for a more efficient operation
1.1.8	Install meters to collect energy consumption metrics
1.2 Water	
1.2.1	Maintain records of water consumption figures for manufacturing sites and warehouses
1.2.2	Set baseline of water consumption along with targets for improvement over time
1.2.3	Use water-efficient equipment, as per the nature of your business
1.2.4	Have plans and procedures in place to control and reduce wastewater production
1.2.5	Implement efficient and effective irrigation practices (if applicable)
1.2.6	Install meters to collect water consumption metrics
1.3 Product and Materials	
1.3.1	Produce products and materials that are durable, non-hazardous, and less harmful to the atmosphere, environment, and health (e.g. biodegradable, organic, no VOCs)
1.3.2	Produce products and materials that have low environmental impact (including low embodied energy) as assessed by EPD
1.3.3	Trace products and materials demonstrably to source
1.3.4	Adhere to safety standards
1.3.5	Have and promote sustainability-related labels and certifications (e.g. Energy Star, FSC, Fairtrade, etc.)
1.3.6	Develop products that can be effectively disassembled and recycled
1.4 Waste Reduction and Management	
1.4.1	Compile and record waste records (on an asset and company level) highlighting the breakdown of waste disposal routes
1.4.2	Set baseline of operational waste generation, along with targets for improvement over time (minimize landfill waste)
1.4.3	Segregate recyclable waste from non-recyclable waste on sites
1.4.4	Keep hazardous waste separate from non-hazardous waste, and dispose of hazardous waste safely and appropriately to protect people and the environment
1.4.5	Minimize product packaging and/or use packaging that can easily be reused or recycled at end of life
1.4.6	Engage with customers to minimize use of delivery packaging
1.4.7	Avoid printing unless necessary
1.4.8	Avoid waste incineration *****

2. Socio-Economic	
2.1 Human Rights	
2.1.1	Workplace employment conditions meet those outlined in Majid Al Futtaim's Employment Conditions Policy
2.2 Occupational Health and Safety	
2.2.1	Workplace health and safety meets commitments made in Majid Al Futtaim's Occupational Health & Safety Statement and Occupational Health & Safety Policy
2.3 Anti-Corruption and Transparency	
2.3.1	Ensure adequate processes in place to not offer, accept, or be complicit in any form of bribery, kickback, facilitation payments, or improper charges
2.3.2	Do not allow, engage, or be complicit in embezzlement and extortion
2.3.3	Record financial statements accurately
2.4 Diversity, Equity, and Inclusion	
2.4.1	Ensure adequate processes in place to not discriminate against anyone's age, gender, nationality, etc. before, during, and after the hiring process and employment
2.4.2	Do not allow, engage in, or condone harassment of any kind (physical, verbal, emotional, sexual, etc.)
2.4.3	Have an independently managed ethics hotline
2.5 Supporting Local Economy	
2.5.1	Hire more people living locally rather than those outside of the country
2.5.2	Offer new graduates opportunities to develop professionally
2.5.3	Engage in localization efforts (where relevant)
2.6 Upskilling and Training	
2.6.1	Provide employees with proper competence training to be well-equipped to perform their work
2.6.2	Train employees and subcontractors on energy efficiency, water efficiency, waste management, health and safety, etc.

Governance

Supply chain sustainability performance shall be monitored and managed to enhance collaboration and increase sustainability impacts.

A steering committee (chaired by the GS Vice President of Procurement) and the Sustainability team will meet annually to evaluate our supply chain sustainability performance. Our procurement teams shall clearly establish approved Key Performance Indicators (KPIs) (e.g. conducting Environmental Impact Assessments on the goods/services, comparing sustainable alternatives in the market,

ensuring supply chain alignment with our sustainability strategy, etc.) to assess the efficiency and achievements of sustainable procurement activities, and to identify potential areas for improvement.

Majid Al Futtaim and its supply chain will work together to mitigate identified climate and sustainability risks through adequate planning, monitoring, and implementation of sustainable solutions. Risks to our sustainability values and/or risks to operations due to failure or lack of performance of companies providing goods or services shall be closely monitored and reconsidered. If necessary, relationships with alternative companies shall be developed for critical purchase categories.

If a supplier does not work towards complying with Majid Al Futtaim's Minimum Sustainability Requirements, their contract shall be terminated as a final resort.