

SUSTAINABLE PROCUREMENT WHITE PAPER

LEADING BY EXAMPLE: SUSTAINABILITY THOUGHT LEADERSHIP SERIES



FOREWORD

ENORMOUS REACH AND INFLUENCE

With the rise of globalisation, supply chain issues are coming under the spotlight. Supply chains are a function of a world where many products are exported to other countries, and the products we consume are often produced elsewhere. They are also often where companies' greatest sustainability risks and opportunities lie. As a result, leading companies are increasingly turning their attention to their supply chains and looking to embed sustainability into their procurement decisions.

Sustainable procurement, which is also referred to as supply chain sustainability, aims to create, protect and grow environmental, social and economic value for all stakeholders. By working closely with suppliers, forward-thinking companies can unlock benefits both for their own business, their suppliers and their stakeholders. Incorporating sustainability into supply chains can be complex but the case for action is becoming ever clearer.

As the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia, Majid Al Futtaim has a vital role to play. In fact, many of our sustainability impacts do not come from direct operations, but rather from supply chains. Considering our purchasing power and the number of suppliers we have, responsible choices can have profound impacts.

BIG AMBITIONS

At Majid Al Futtaim we want to lead the sustainability conversation and be at the forefront of the transformation to a more sustainable path. In 2018 we unveiled our new company-wide sustainability strategy, *Dare Today, Change Tomorrow*. This has set in motion a bold plan that will revolutionise and transform the way we do business over the coming decades. It will make sustainability an integral part of how our customers see us and sustainable thinking a natural component of everything we do, including in our supply chain. Our new strategy has three strategic focus areas, *Transforming Lives, Rethinking Resources and Empowering our People*. Procurement has a vital role to play in supporting the achievement of the commitments we have made under all three. Our new sustainability strategy will support the business to continue to create great moments for everyone, everyday - now and in the future.

COMPELLING BUSINESS CASE

There is a compelling business case for companies to expand their sustainability efforts to their supply chains, which can be exposed to a number of significant environmental, social, and governance issues. Sustainable procurement can unlock numerous business benefits including optimising processes, cost savings, improving risk management and enhancing brand reputation and value. As this White Paper also helps reveal – the sustainability challenges facing the regions in which we operate are considerable, ranging from large scale youth unemployment, forced labour and a substantial environmental footprint.

We are under no illusions about the scale and complexity of the challenge. Creating sustainable supply chains requires a level of commitment, determination to change the status quo and collaboration not yet seen in many of the regions in which we operate. However, we are prepared for and excited about this journey.

To this end, we have published this White Paper outlining the first steps we will take to transform our own supply chain. It also explores the issues, provides some current approaches, and lays out next steps for companies looking to address sustainability challenges, minimise risks and maximise opportunities through a strategic approach to responsible procurement. We hope others will learn from our experiences and that ultimately, together we will be able to help bring about the radical shift required.

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BIG RISKS, BIG OPPORTUNITIES

WHY SUSTAINABLE PROCUREMENT MATTERS?

A number of trends are coming together to drive the increasing importance of sustainable procurement. From resource scarcity and technological change to consumer calls for greater transparency and investor pressure on disclosure - companies can no longer afford to ignore the social, environmental and economic impacts of their supply chains. Managing these issues effectively can unlock benefits across the entire value chain by supporting more efficient and resilient supply chains. A study of the CEOs of some of the world's largest companies found that 93% see sustainability as important to their company's future success, with 88% of them singling out the supply chain as an area of specific importance.^[1]

Globally, legislation surrounding sustainable procurement is also becoming increasingly stringent. This is driving companies to establish minimum standards with their suppliers to ensure compliance. However, while regulatory drivers are important - supply chain management programmes are extending beyond a compliance focus to be increasingly value-orientated. This is because embedding sustainability in supply chain management processes can not only enhance risk management but also unlock exciting opportunities for innovation, efficiency gains and sustainable product offerings.

GAINING MOMENTUM

With companies increasingly embedding sustainability into their supply chains, there is a growing number of standards and initiatives to support this process. The key supply chain issues for a company will vary depending on their scale, sector and the geographies in which they operate and source from. However, supply chain sustainability standards provide useful guidance on how to develop and implement effective management processes. They also demonstrate commitment to key stakeholders.

The first international standard for sustainable procurement - ISO 20400 was published in 2017, and provides useful guidelines for organisations wanting to integrate sustainability into their procurement processes. The new standard is applicable to any organisation, public or private, irrespective of size or location. It is a useful starting point for companies looking to take action and has the potential to be a powerful level for change.

In addition, the UN Global Compact offers a number of resources for companies looking how to embed their ten principles around human rights, labour, environment and anti-corruption in their supply chains. Majid al Futtaim is a proud signatory to the UN Global Compact and as such, we embrace procurement practices that promote human rights, improve labour conditions, protect the environment and support ethical business conduct.



OUR LOCAL CONTEXT

The sustainability challenges facing the regions in which we operate are significant, but as a result so are the opportunities. The size of our company means our impact on peoples' lives and on the environment is far reaching. Through embedding supply chain sustainability, Majid Al Futtaim has the potential to maximise our impact in tackling the challenges confronting our society and the planet. In the context of issues including high levels of youth unemployment, forced labour and environmental degradation – the need for action is clear.

To be a catalyst for change beyond our own boundaries we must be more daring, more ambitious and more integrated in our approach to sustainability. Sustainability is at the heart of everything we do and we are looking for suppliers to join us on this critical journey. Collaboration is required to address the scale and complexity of these challenges.

FORCED LABOUR

It is estimated that there are 600,000 victims of forced labour in the Middle East. 3.4 in every 1000 of the region's inhabitants are compelled to work against their free choice.^[2]

67% of MENA companies surveyed felt that offering personal gifts, entertainment or cash was acceptable if it helped their business to survive.^[4]

CORRUPTION AND BRIBERY

REFUGEE CRISIS

15 million refugees in MENA puts pressure on systems meant to safeguard workers.^[6]

Qatar, the United Arab Emirates and Bahrain are ranked in the top 5 countries for their ecological footprint per capita. Over 9 planets would be needed to support a world where everyone consumed as many natural resources as Qataris.^[8]

CONSUMPTION PATTERNS

ENERGY DEMAND

Over 1.5 million barrels of oil a days are burned in Saudi Arabia to power desalination and electricity generation.^[10]

WATER SHORTAGES

Over 60% of the population in the MENA region lives in areas with high or very high surface water stress, compared to a global average of about 35%.^[3]

Youth unemployment is 30% in the Middle East and 28.8% in North Africa.^[5]

YOUTH UNEMPLOYMENT

FOOD SECURITY

The Middle East currently imports about \$35 billion of food annually, which is set to rise to \$70 billion in two decades as climate change impacts crop yields and the population rises.^[11]

It is estimated that Pakistan's vulnerability to climate change induced extreme weather is costing the economy \$14 billion a year, which is almost 5% of the country's GDP.^[9]

EXTREME WEATHER

GENDER INEQUALITY

13 of the 15 countries with the lowest rates of women participating in their labour force are in MENA.^[7]

In Alexandria, Egypt a 0.5m meter rise in sea levels would displace over 2 million people, with \$35 billion in losses in land, property, and infrastructure.^[12]

SEA LEVEL RISE

* For references, please see endnotes on page 7

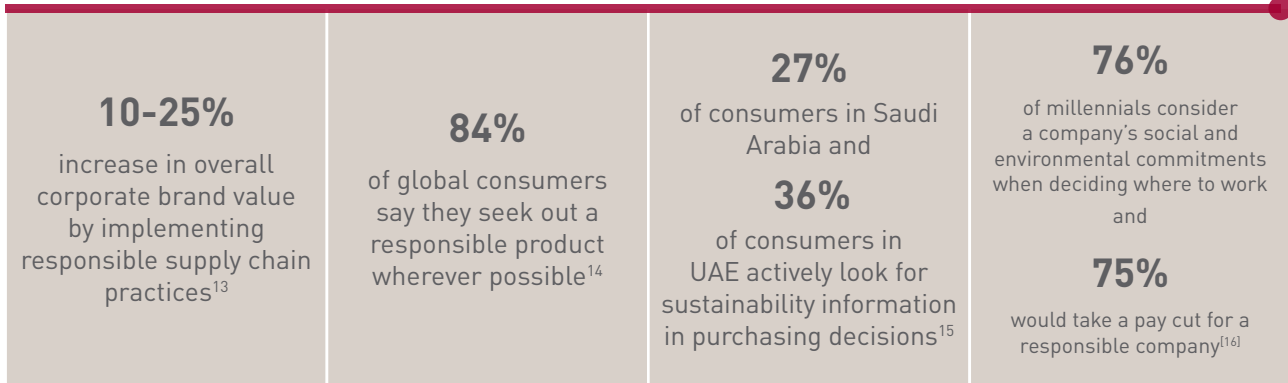
EMBRACING THE OPPORTUNITY

Sustainable procurement is not only the right thing to do – it makes business sense. Responsible companies all over the world are increasingly recognising the value of proactively managing sustainability in their supply chains. Several recent studies have highlighted the importance of it as a key generator of business value and source of competitive advantage, rather than simply a necessary element of strong corporate responsibility.

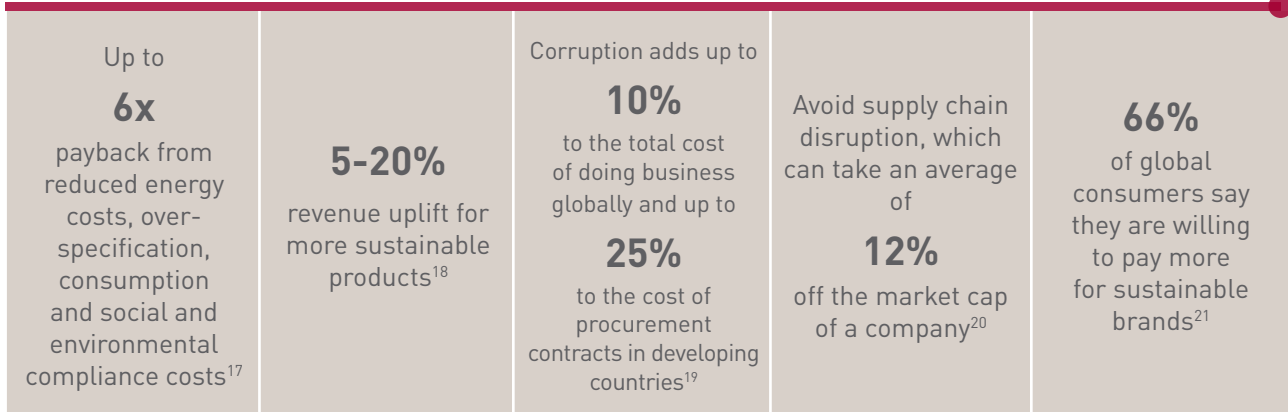
Emerging consumer trends also underline the importance of a sustainable supply chain strategy.

With sustainability and traceability becoming increasingly important to consumers, companies cannot afford to ignore their supply chain impacts. Luxury consumers, especially in the Middle East, are pressuring brands to proactively engage in sustainable practice. Together with increased regulation around supply chain responsibility, these consumer trends create a compelling business case for companies to expand their sustainability efforts to their supply chains. Below are examples of the benefits responsible supply chain management can bring:

BRAND VALUE AND REPUTATION



DECREASED COST, INCREASED REVENUE



MORAL OBLIGATION



TRANSFORMING OUR OWN SUPPLY CHAIN

THE MOST EXCITING PART OF OUR TRANSFORMATIONAL JOURNEY IS YET TO COME

At Majid Al Futtaim, our mission is to create great moments for everyone, everyday. Being a sustainable business goes hand-in-hand with this purpose and is integral to Majid Al Futtaim's growth and commercial success. That is why we developed our new sustainability strategy – *Dare Today, Change Tomorrow*. It sets out our bold vision for sustainability and the way in which we are working towards it.

Responsible procurement was identified as a critical issue for us when we were developing the strategy as it has the potential to impact many of the sustainability issues we are looking to address. Our supply chain has the potential to support our work around our three strategic focus areas: *Transforming Lives, Rethinking Resources and Empowering our People*. We are therefore looking to maximise the opportunities and minimise the risks through embedding sustainability in our procurement processes. We have put in place a number of supply chain initiatives including committing to achieve LEED Gold (or equivalent) for all new real estate assets and procuring energy efficient equipment to support our commitment to become Net Positive in carbon by 2040. In addition, we are developing partnerships with local suppliers to support local economic development and auditing our suppliers to

ensure improvements in workers' accommodation and employment conditions.

We are currently in the process of mapping our supply chain impacts across our business and developing detailed action plans to guide our purchasing activities. We have already made several Sustainable Business Commitments which demonstrate our level of ambition. For example, all OpCos have committed to annually increasing the proportion of their expenditure which contributes to the local economy and to invest in an enterprise hub which supports the development of skills and entrepreneurship. All OpCos have also committed to maximise the value and lifespan of products they procure by embedding circular economy principles into their business operations.

We are looking for our key stakeholders to come on this journey with us and so we will provide a programme that offers sustainability training throughout the value chain from tier 1 suppliers to our tenants.

Dare Today, Change Tomorrow represents a huge opportunity for Majid Al Futtaim to be a catalyst for positive change in our supply chains and beyond. That is why we believe the most exciting part of our transformational journey is yet to come.



FROM VISION TO ACTION

The stories below provide insights into how we are beginning to translate our sustainability vision into actions across each of our businesses.

● MAAREF FOUNDATION PARTNERSHIP

Majid Al Futtaim partnered with the Maaref Foundation (an Egyptian NGO) to finance three potteries and associated tuition costs. We purchased around 4,000 of the locally made clay pots for our Mall of Egypt site, which opened in 2017. This avoided the costs and environmental impacts associated with importing alternative pots from Asia and at the same time, boosted local employment and skills.

● COOKING UP NEW IDEAS WITH KITCHEN WASTE

At Majid Al Futtaim, we are excited about the opportunities for embedding circular economy principles in our supply chain and operations. We recently got the chance to explore an exciting recycling opportunity at VOX cinemas that sees waste cooking oil being used to power vehicles. We teamed up with Habtoor who now collects and recycles more than 100,000 litres of grease a year from restaurants and fast food chains at our cinemas in Dubai. Every drop of used cooking oil that's collected is recycled into fuel that can be used to run buses, heat homes and even generate electricity. Not only has this saved thousands of Emirati Dirhams in waste disposal costs, it has actually generated AED 137,500 in revenue from the sale of waste oil.



● SUPPORTING LOCAL PRODUCE

At Majid Al Futtaim we have signed a number of agreements committing us to purchase and market local agricultural and fisheries products in our Carrefour stores. One example is the Memorandum of Understanding we entered with The Ministry of Climate Change and Environment in the UAE where demand for fresh, organic produce is on the rise. Under the terms of this agreement, Majid Al Futtaim Retail helps local suppliers to sell and promote their products through free listings and shelf space. This is not only stimulating local jobs and industries, we are also slashing food miles while bringing fresher, more organic products to our customers at even better value.

● INTRODUCING ALTERNATIVES TO PLASTIC BAGS

Across our stores in several regions, we have introduced a new range of highly affordable, reusable bags made from fabric to reduce the use of plastic in our environment. These are fast becoming a popular alternative to conventional plastic bags. In Kenya alone we sold over 1 million in just 8 months while results in Egypt and other countries were equally positive.

● UPHOLDING SUPPLY CHAIN CONDITIONS

Our responsibilities at Majid al Futtaim extend not only to the thousands of people we employ directly but also to the thousands more who work for our suppliers and contractors. That is why we have an audit programme to ensure compliance with our Employment Conditions Policy which helps us to improve the lives of workers in our supply chain. For example, at our construction site in Al Zahia mixed-use community we increased the frequency with which we audited the living conditions of third-party construction workers. This simple change resulted in better accommodation and complementary water for labourers.

A “HOW TO GUIDE”

WHERE TO BEGIN YOUR SUPPLY CHAIN TRANSFORMATION

In this section we've thought about what we've learned since beginning our own transformation journey and lay out next steps for companies looking to address sustainability challenges and minimise risks through a

responsible supply chain strategy. We hope this guide will help and inspire others to join us. If we all work together, we can leverage our collective buying power to bring about the radical shift required.

1

START WHERE YOU CAN

It can be daunting to think about changing a whole organisation's approach to procurement, particularly if there are entrenched attitudes towards particular suppliers or ways of doing business. Choose an area where you can make a clear business case for sustainable procurement within your organisation and win a mandate to pursue it. The organisation can build an integrated sustainable procurement programme as recognition for the value of this approach grows over time.

2

USE EXISTING STANDARDS AND PROGRAMMES

There is no need to start from scratch when it comes to sustainable procurement, organisations can leverage a host of existing standards. The UN Global Compact, the UN Declaration of Human Rights and the International Labour Organization Core Conventions are all useful sources of common expectations on a broad range of issues. Many public agencies also have minimum sustainability standards for public procurement and companies often publish their supplier codes of conduct. And a number of new supply chain standards have emerged including BS 8903 and the recently published international equivalent ISO 20400. There are also standards which focus on specific issues, such as the UK Carbon Trust Standard for the Supply Chain. The Ethical and Sustainable Procurement guide produced by the Chartered Institute of Purchasing and Supply is also a useful reference. There are databases such as EcoVadis which allow companies to access CSR ratings of suppliers.

3

WIN THE HEARTS AND MINDS OF EMPLOYEES

We engage with the construction site workers, cleaners and suppliers who service our sites. The ability to demand improvements to living and working conditions is a source of great pride and company loyalty for our employees. We have achieved this through regular audits, in line with our Employment Conditions Policy. We also regularly hold innovative events such as the “We've Got Your Back” campaign with our partner, the [sameness] project. Workers received physical stretch and exercise programmes to improve their long-term physical health and emotional well-being. Each worker also received a blood sugar and pressure test, and access to advice from nurses and doctors. In addition to helping to prevent potential injuries at work, the project gave us the opportunity to talk to workers about the importance we attach to health and well-being – and to hear their views on the topic.

4

CREATE COMPANY POLICY AND CODES OF CONDUCT

As your company's sustainable procurement practices evolve, update company policies so that minimum standards for human rights, environment, labour and anti-corruption are business as usual. Procedures, with supporting documentation, should be set up for supplier assessment, monitoring (e.g. auditing/checks), evaluation and feedback, and options for how to address situations that fall below the company's standards.

5

REPORT TRANSPARENTLY

Balanced, transparent reporting that discloses successes and failures increases executive and stakeholder interests and investment in sustainable procurement. Use an internationally accepted reporting standard that is suited to the procurement challenges you face. There are many formats to choose from, including GRI Standards (Global Reporting Initiative), integrated reporting (IIRC), and UNGC members' annual Communication on Progress.

6

CONTACT US

We welcome the opportunity to share our learning. Please contact us at sustainability@maf.ae

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