

# Sustainability Report

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2020

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## About the Report

This is the second Sustainability Report of Macay Holdings, Inc. following the Global Reporting Initiative (GRI) Standards: Core Option. This report covers the consolidated performance of Macay's manufacturing subsidiaries namely ARC Refreshments Corporation (ARC Refreshments) and Artemisplus Express Inc. ("Kitchen City") on economic, environmental, and social areas that were deemed material by the stakeholders.

The sustainability information contained herein from ARC Refreshments covers reporting period from January to December 2020. While the data presented by Kitchen City is only from its date of acquisition, from September 18 to December 31, 2020.



## **About the Company**

Macay Holdings, Inc. (Macay) is an investment holding company with headquarters in Makati, Philippines and publicly listed with the Philippine Stock Exchange under stock symbol MACAY since 2014.

Macay was formerly known as Maybank ATR Kim Eng Financial Corporation (MAKE) which underwent corporate re-organization and divested its former businesses. In 2013, the investor group led by Mr. Alfredo Yao acquired controlling interest in MAKE and renamed the company to Macay Holdings Inc. consolidating the softdrinks manufacturing operations and substantially all of the operating resources previously under Asiawide Refreshments Corporation (Asiawide) and Mega Asia Bottling Corporation (Mega Asia) under newly incorporated company ARC Refreshments Corporation. In 2015, Macay acquired ARC Holdings Inc. which holds the trademark licenses of RC Cola in the Philippines. Since then, Macay has been involved in the business of producing, bottling, marketing and distributing carbonated beverages in the Philippines.

To bolster the company towards its vision, in 2020 Macay acquired Artemisplus Express Inc. which operates under the trade name Kitchen City. It is one of the biggest food concessionaires in the country and will compliment and add value as a subsidiary.

Through this new acquisition, Macay's vision and mission are coming into fruition which is aimed at expanding its business portfolio not only to other consumer products and services in the Philippines but also in other Asian countries as well.



### **Vision**

To be a dominant company in consumer products and services in the Philippines and in other Asian countries.

### **Mission**

We are in the business of building a portfolio of consumer products and services that enable us to provide superior value for our customers in the Philippines and other Asian countries.

We provide opportunities for growth and enrichment to our employees and contribute to the success of our business partners in the communities where we operate and realize financial gains for our shareholders.

We strive for honesty, fairness, and integrity in all our dealings under high standards of corporate governance.

## **The Subsidiaries**

### ***ARC Refreshments Corp.***

In 2003, a group of seasoned experts in softdrink industry, Tony Panajon, Gerry Garcia and Butch Aves, formed Asiawide Refreshments Corp. Together with Ricky Sandoval and Alfredo Yao of Zest-O Corp., they assembled their competencies and resources to partner with Royal Crown International, the owner of RC Cola brand outside North America and Mexico. In 2005, the company was granted the exclusive license to manufacture, distribute and sell RC Cola products in the Philippines.

In 2014 the company underwent re-organization which gave rise to a more stable and synergistic company. The company was later on called ARC Refreshments Corp. With all-Filipino senior professionals and with the guiding hands of its founders, the company flourished and is now one of the major player in the beverage industry in the Philippines. Its vision is to be the best quality and value producer of ready-to-drink, non-alcoholic beverages.

To date, ARC continues to grow and build stronger brands that is responsive to market demands and satisfies the needs of the customers.

### ***ARC Brand Portfolio***

ARC Refreshments Corp. produces, bottles, markets and distributes a wide range of carbonated and non-carbonated beverages. Aside from RC Cola and its variant, RC No Sugar, ARC also produces other brands such as Juicy Lemon, Arcy's Root Beer, Fruit Soda Orange, Seetrus and Rite N' Lite. In addition, ARC is also engaged in toll manufacturing of Alon purified water, and Extra Joss energy drink.



## ***ARC Location***

ARC is also engaged in toll manufacturing for Alon purified water, and Extra Joss energy drink.

Currently ARC has nine bottling plants and seven warehouses situated in various strategic locations across the country bringing ARC products closer to its dealers and customers.



### **Bottling Plants:**

1. Isabela
2. Pangasinan
3. Pampanga
4. Quezon City
5. Laguna
6. Iloilo
7. Cebu
8. Davao
9. Tagoloan



### **Warehouses**

1. Antipolo, Rizal
2. Cainta, Rizal
3. Manila
4. Cavite
5. Nueva Ecija
6. Tarlac
7. Cagayan
8. Cebu



## Our Core Values



### Good Government

- Performers are recognized
- Moral Standards are high
- Cost effectiveness are adhered to and not extravagant spending
- Similar mistakes are avoided
- Reputation is vital



### Respect

- Professionalism is practiced
- Transparency, openness and respect for authority, employees regardless of rank, business partners and customers



### Excellence

- Aim to be better all the time
- Performance standards continue to be agreed upon
- The work environment is developed to exceed targets; right people, well-equipped and motivated



### Accountability

- Act and decide as if the company is owned by us
- Conscious of targets, standards, costs, timely decisions and competition
- Proactive at all times



### Teamwork

- Teamwork is essential in achieving results
- ARC is one big family where harmony, cooperation and oneness exist

## ***Kitchen City***

ArtemisPlus Express Inc., with the brand name Kitchen City, is the leading food solutions provider in the Philippines. The business started in 1999 as an operator of smaller canteens of electronics and manufacturing companies in South Luzon. It then expanded its operations by servicing hospitals, hotels, schools, offices and Business Process Outsourcer Offices (BPOs), and has eventually ventured to institutional catering services. As of December 31, 2020 Kitchen City had a workforce of 2,521 people and serving over 100,000 meals per day.

On March 2020, ArtemisPlus Express launched “Kitchen City Frozen Meals “as an alternative meal option during the community quarantine. It is the frozen cooked dishes menu line and offered for door-to-door deliveries all over Metro Manila. This new business model utilized cashless payment options including partnerships with GCash and Grab.

Kitchen City operates a modern commissary & warehouse facility located at FTI Complex in Taguig City. The said structure was designed and built according to the principles of Good Manufacturing Practices (GMP) to ensure that the food production line and process are designed to minimize risks of contamination and to remain committed to the hygienic quality standards of manufacturing large scale ready to eat cooked food.





## Board and Management

 Alfredo M. Yao <i>Chairman of the Board</i>	 Armando M. Yao <i>Director</i>
 Antonio I. Panajon <i>Director</i>	 Jeffrey S. Yao <i>Director</i>
 Carolyn S. Yao <i>Director</i>	 Mary Grace S. Yao <i>Director</i>
 Albert S. Toribio <i>Director</i>	 Roberto S. Atendido <i>Director</i>
 Gerardo T. Garcia <i>Director</i>	 Rinaldi C. Aves <i>Director</i>
 Jesus G. Gallegos Jr. <i>Independent Director</i>	 Roberto F. Anonas Jr. <i>Independent Director</i>

## Management

Antonio I. Panajon	President
Jeffrey S. Yao	Treasurer
Gabriel A. Dee	Corporate Secretary
Nicole R. Jayme	Business Development Director
Renato J. Jamlang	Controller

## Operating Subsidiary Heads

Manuel M. Perez	Executive Vice-President & Chief Operating Officer ARC Refreshments Corporation
Ricardo S. Abelardo, Jr.	President & Chief Operating Officer Artemisplus Express Inc.

## Alignment with UN Sustainable Development Goals

### Grow As One – My Gulay Garden Project

In 2020, ARC Refreshments Corp. rolled out a company-wide urban gardening project dubbed - My Gulay Garden. The project is a waste to food initiative that involves a collective farming approach to address environmental, economic and social sustainability challenges.

The objective aims to advocate food security and inspire the nearby community, where ARC operates, to be self-reliant especially during times of difficulty (including pandemics). Through the project, ARC was able to promote healthy living and improve the well-being of its employees and partner communities by providing a source of fresh produce such as vegetable crops and herbs.



ARC was also able to promote environmental protection and responsible consumption through this project by reusing PET bottles as plastic pots and turning some biodegradable wastes into compost. This advocacy produced 3.64 MT of compost which were later used as fertilizers to the urban garden set-up while some were donated to partner communities.

The urban gardening project started to roll out to the community last October 2020 at Barangay Inarawan in Antipolo. An urban garden set-up was installed by ARC employees at the Barangay Hall of Inarawan where vegetables and herbs were planted. During the launching of the project, a seminar on urban gardening was conducted by ARC which was attended by Sitio Chairmen of Inarawan. The beneficiaries of the harvest were employees of the Barangay Hall.

The Grow As One – My Gulay Garden project project of ARC aligns with the following UN Sustainable Development Goals:



### Contribution to UN SDGs



Provided jobs to 6,426 people across the country. 3,941 direct employees and 2,485 indirect employees through 3rd party services



All ARC employees are provided with health insurance benefits. All employees undergo annual physical examination and free drug screening.



Environmental and Sustainability Awareness shared to all employees of ARC nationwide



A total of 2,400 cases of ARC products were also donated and relief goods consisting of blankets, rice, canned goods, and hygiene kits were provided to 261 families and 100 individuals affected by Taal eruption. During times of calamities, ARC is committed to providing timely support to the communities where it operates in.



ARC water use ratio decreased by 17%



Percentage of female in workforce across the Macay Group increased by 16%. 55% of ARC employees in the Corporate Office are female. In Kitchen City, women make up at least 53 % of the total workforce holding managerial positions at corporate and operations unit.



1,692 MW of renewable energy was generated and used by two plants with solar panels, Iloilo and Cabuyao



100% employees receive minimum or above minimum wage.

Kitchen City also currently employs two (2) staff with hearing and speaking disability (PWD).



Occupational Health and safety campaigns were intensified thru, training, bulletin, engagement activity such as games and memos

133 Employees underwent safety training

Encourage growth and provide support to 36,956 micro, small and medium enterprise partners

## Sustainability Highlights (ARC Data)

### SOCIAL



**3,941**

**Employee Headcount**

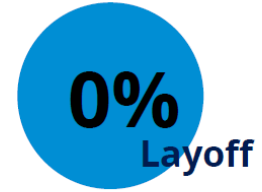
188% increased from 2019



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**Male to Female Ratio**

16% increase in female workforce



Macay and its subsidiaries continued to operate without laying-off people despite the effect of the pandemic on business and the economy.

### ENVIRONMENTAL



**29,173,717 kWh**

**Electricity Consumption**

4% lower from previous year



**1,692.69 MWh**

**Renewable Energy generated & used**

12% lower from previous year



**40,651 MT CO<sub>2</sub>e**

**Renewable Energy generated & used**

12% lower from previous year



**434,731.95 cu.m**

**Water Consumption**

11% lower from previous year



**17%**

**Water Use Ratio decrease (ARC)**



**97%**

**Reusable & Recyclable Packaging**

based on packaging weight from sales volume

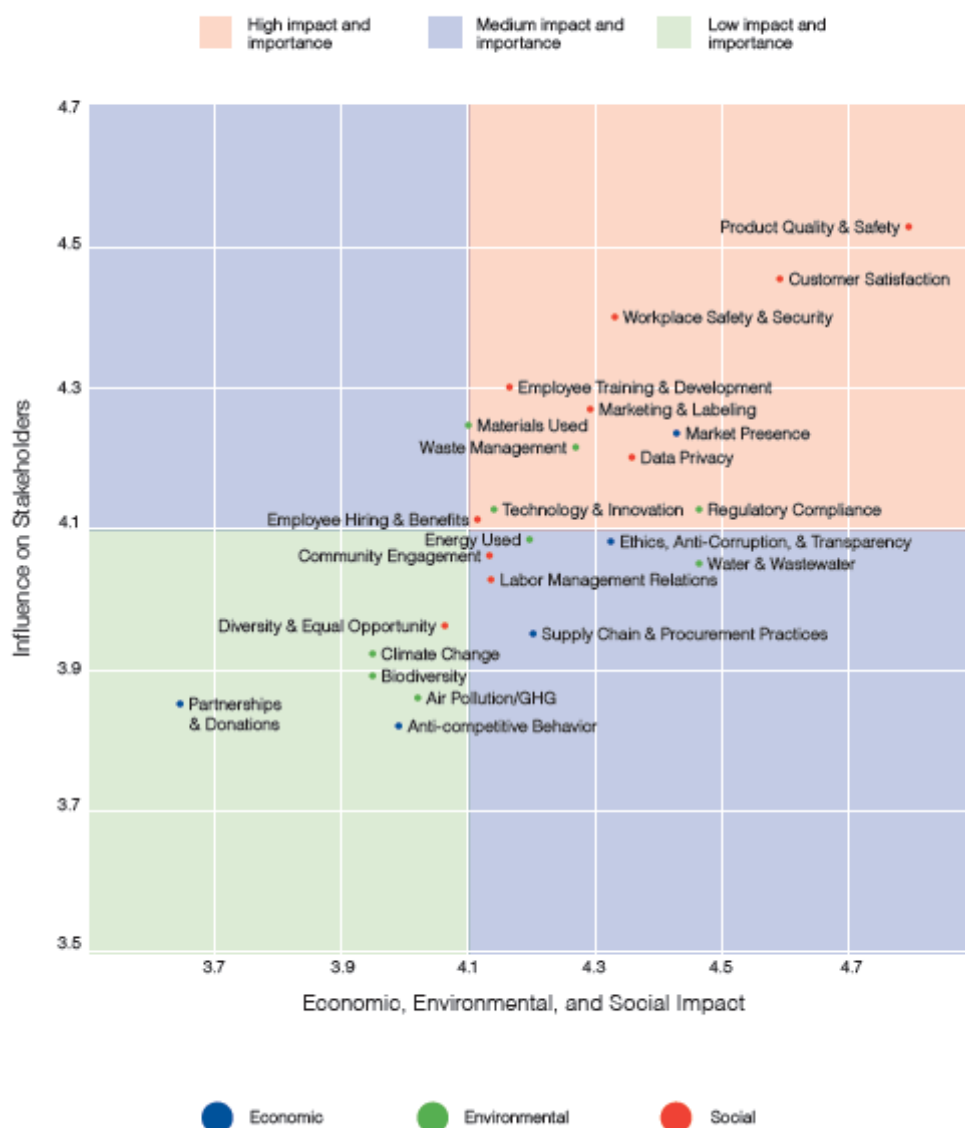
## Materiality Assessment

Macay’s sustainability reporting follows Global Reporting Initiative’s guidelines. In 2019, we conducted the first materiality assessment to determine our sustainability focus areas and topics.

Different topics were identified and ranked with regards to its impact on Macay’s value chain, business implications and stakeholders’ interest. 12 material topics were deemed of high importance to the company. The result of the materiality analysis and prioritization are presented in the chart below.

We are currently in the process of conducting a new materiality assessment among our key stake holder groups internally and externally. The results of the analysis will be reflected in our sustainability work and reporting in the following years.

**Materiality Matrix for Sustainability Issues** (102-44, 47)



## ***Our Materiality Process***

Different key sustainability issues were assessed by considering the data on global trend and changes, sustainability issues of other companies in the industry and issues in accordance with international sustainability standards. The evaluation of material topics was done using the following process:

### 1. Identification of Material Issues

A list of economic, social and environmental topics was identified through company priorities, industry benchmarking, global trends and reporting standards. The topics identified were assessed based on its relevance to business operations. In 2019, a discussion on Corporate Sustainability was conducted ARC-wide to enlighten and engage the employees on what sustainability is and how it matters.

### 2. Stakeholder Engagement

Macay Group maintains a list of key stakeholders. The Group's main stakeholders are its customers, employees, business executives, suppliers, contractors, non-government organizations and shareholders. Macay Group work closely with its stakeholders and maintain an open and active engagement program through different activities and communication channels. We value and seriously consider opinions, concerns and suggestions which are conveyed.



For the purpose of identifying the material topics for the sustainability report, a survey was given to the identified stakeholders where they evaluate the significance, importance and relevance of identified material issues to Macay Group.

### 3. Topic Prioritization

The topics were assessed based on the administered survey results with the stakeholders wherein the identified topics were ranked based on its strategic significance to the business to the stakeholders. This also includes social, environmental and economic impacts in the value chain. The gathered survey results allowed the group to identify priority topics.

### 4. Data Gathering

The information and data relevant to the identified priority topics by the stakeholders were collected and disclosed in this report.

Macay determines the scope in reporting the identified material issues based on the information collected from its stakeholders, for the information to be comprehensive and accurate and in order to address the issues of high interest to its stakeholders.

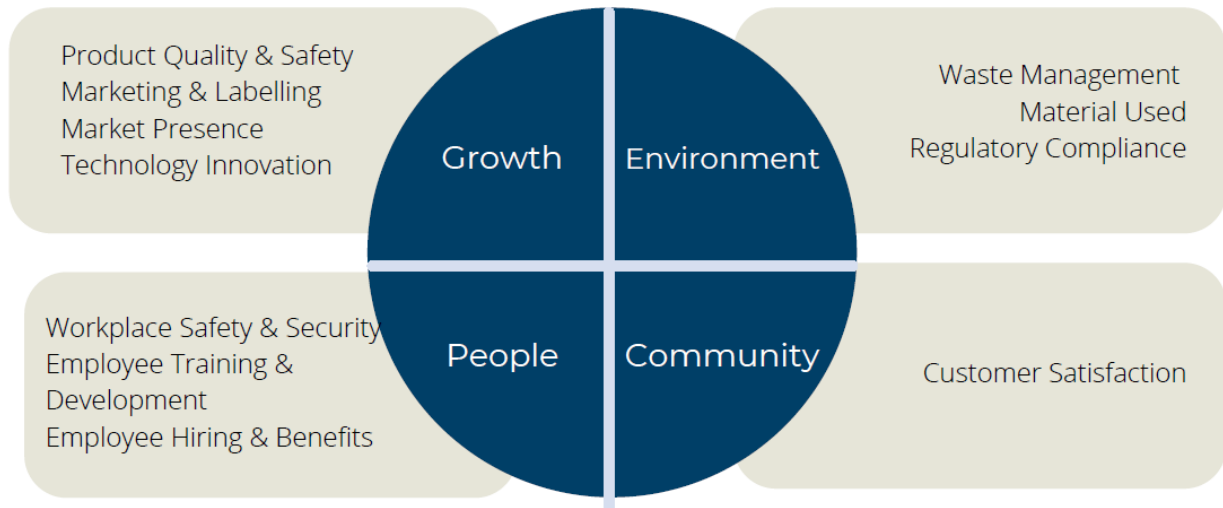
### 5. Management Review and Approval

The result of the assessment became the basis for setting topic boundaries to be covered in the sustainability report. The result of the materiality assessment and collected data was presented to the management for review.



## ***Sustainability Framework***

The identified material topics were grouped into four focus areas: Growth, Environment, People and Community. This report is structured to correspond to the focus areas thereby reflecting Macay Group's efforts to achieve its goal of pursuing positive outcomes in the workplace and at the community level.



### **Growth**

Macay Group aims to expand the presence and market share of its subsidiaries. In addition, it envisions entering into the manufacture, distribution and sale of other consumer-focused products not only in the Philippines but also pan-Asia wide.

### **Environment**

We are aware that our company impacts the environment, especially during the manufacturing of our products. As a company that is moving towards more sustainable practices, we continue to work towards minimizing any negative impact to the environment by implementing policies and measures that highlight water and energy conservation, renewable energy source, waste and emission reduction and sustainable packaging.



## **People**

We give importance to our people by making sure that their health and safety are prioritized. As a most valued resource of the company our people are provided with government-mandated and company-initiated benefits, and mechanisms that ensure their welfare in the workplace. In addition, we foster employees' personal and professional development through our training and coaching program.

## **Community**

Macay Group, being a good corporate citizen, recognizes that it must concern itself with community development. Therefore, apart from sustainability policies in our offices and manufacturing plants, the company has instituted a volunteerism program wherein we allocate resources and time to assist residents in the areas where the Group operates. The engagement initiative brings the most urgent or underserved local issues directly to the attention of the employees and helps address these to a humble extent through outreach activities in community or group settings.



## **Sustainable Sourcing**

Our supply chain starts with the procurement of raw materials. Macay places high importance on sustainable sourcing while maintaining both social and environmental responsibility.

### **ARC's Inclusive Supply Chain**

To ensure a sustainable procurement process, ARC established a pre-qualification criteria and stringent standards that the suppliers have to comply with. The purchasing department who is in-charge of sourcing raw materials, essential supplies for the company and accreditation of suppliers, check and verify if the suppliers have environmental and sustainable procurement practices. They see to it that the accredited supplier have quality management system, environmental management and health and safety policies in place. All products undergo a standardized procurement process to ensure that all suppliers demonstrate a high level of environmental and social responsibility. Majority of the materials used by the ARC are locally sourced. In 2020, about 87% of the total material purchases of ARC are sourced locally while 13% are from imported purchases such as PET resins, glass bottles and some machinery and equipment.

### **Kitchen City's Quality Supply Chain**

As for Kitchen City, the company established a supplier quality management system by ensuring that all critical suppliers of meat, packaging, chemicals and other major raw materials are purchased from suppliers that passed the food safety and regulatory audits.

This includes actual inspection of processing plants, farms and warehouses. Upon delivery of goods, warehouse personnel require the suppliers to submit Certificate of Analysis (COA) and Approval Certificate from NMIS to ensure that all materials comply with the safety standards. In 2020, 100% fresh produce requirements of Kitchen City were sourced directly from the farms while 97 % of seafood requirements were purchased locally and 15 % of raw meat are from local growers.

## ***Our Operations***

### ***ARC***

ARC have nine manufacturing plants spanning the archipelago, and each plant manufactures our products at the highest achievable quality. From the plants, the goods are distributed to warehouses situated in strategic locations so that our products can be easily transported to dealers or retailers.

The multi-channel system of ARC enables it to strategically distribute its products to consumers in the middle and low-income categories. Our company uses both direct and indirect retail channels nationwide to provide direct access to these target segments. The retail points include traditional trade channels such as sari-sari stores and carinderias; and modern retail channels that cover supermarkets, groceries, convenience stores, and food service outlets. ARC maintains a network of company trucks, master dealers, sub-dealers, and third party distributors to service both direct and indirect retail channels.

The company fosters a healthy relationship with its dealers and distributors as they are our business partners. Hence, the dealership program of ARC is centered on a business-partnership model that helps dealers throughout the course of the business relationship. We equip them with training to further improve their business management. We also guide and support them in key areas of business such as marketing. Both our clients and dealers are vital contributors to our system.

Recognizing the effect of the Covid-19 pandemic on the business, ARC had made a more stringent supply chain plan to ensure business continuity should there be future lockdowns or another wave of the pandemic.

### ***Kitchen City***

Kitchen City purchases raw materials from the approved list of sources and all orders are processed by the corporate office for proper documentation. The imported raw meats are dropped off at the nearby accredited 3rd party cold storage and only the three-day production requirement is pulled out for preparation at the central warehouse.

For the big cafeteria outlets located at CALABARZON and hospital dietary kitchens, fresh meat and seafood and specific grocery items are directly delivered to them to minimize carbon footprint from multiple handling and to also reduce the cost of transport.

All incoming materials for the commissary are dropped at the central warehouse for proper inspection and storage. Fresh produce, raw meat, and dry goods are already checked and initially sorted before endorsement to the commissary. Cooked food for

institutional use and retail store are blast chilled to quickly preserve the quality of the dishes and extend its shelf life.

Finished goods are subjected to multiple quality inspection delivery to sites including sensory evaluation, sample retention, and periodic 3rd party analysis. All cooked food packs and frozen meals pass through the metal detector before final dispatch to the walk-in freezers or container vans. Refrigerated trucks are used to deliver goods to the outlets.

## **Environment**

Macay Group is committed to implement measures to minimize our environmental impact throughout our value chain. Inspired by Circular Economy and other sustainability best practices, the company has been developing ways to effectively manage its water and energy resources, including its waste and emissions, to limit potential impact from its operation and achieve sustainable growth of all our stakeholders.

Awareness is also being raised among employees to make them understand the importance of environment to the society and to inspire them to better support the company's green projects.

## ***Energy***

The Macay group had implemented several initiatives to focus on reducing energy intensity and sustainably use of resources. The goal is to increase the use of renewable energy, increase its energy efficiency and reduce its greenhouse gas emission.

In 2020, the Macay group-wide electricity consumption decreased by 4% to 29,173.72 MWh. The data includes consumption from plants, warehouses and corporate office of ARC as well as central commissary of Kitchen City.

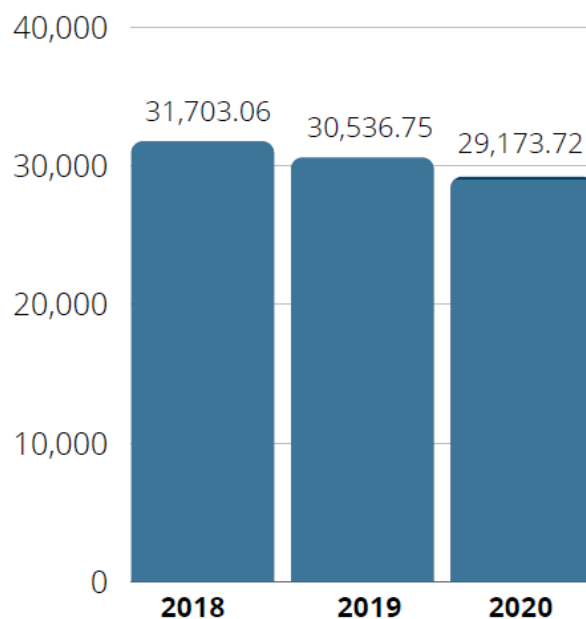
The total electricity consumption of ARC decreased in 2020 by 5% to 28,959.96MWh. The decreased in electricity consumption is mainly attributed by the work set-up implemented during the Enhanced Community Quarantine (ECQ) brought by the pandemic wherein the company implemented flexible working hours and reduced working days to minimize the risk of exposure of its employees to Covid-19 virus.

The actual electricity consumption of the central commissary of Kitchen City is 53% lower than its 2019 consumption due to the decreased volume of production of cooked food and baked products because of the closed outlets for the last quarter of 2020. There was also no bulk production for large-scale buffet catering events for the Christmas and Year-end parties which were prohibited during the community

quarantine to prevent the spread of COVID19. However, the reduction in electricity consumption of Kitchen City does not have a considerable effect on Macay's data because the data included in this report is only from the date of acquisition of Kitchen City which is in the last quarter of 2020.

On the other hand, the renewable energy generated by the ARC plants that operates with solar panels (Cabuyao and Iloilo Plants) increased by 12%. In Iloilo 37% of total electricity consumption was produced using solar panel, while 18% for Cabuyao. With the use of Solar Panels we were able to reduce total CO<sub>2</sub> emission by 1,015.61 metric tons

### Groupwide Electricity Consumption in MWh



The total energy consumption of Macay Group in 2020 decreased by 4% compared to 2019 with the total of 456,469.79 GJ mainly due to the decrease in diesel and electricity consumption of ARC plants. The energy consumption from the ARC plants' use of diesel decreased by 13% however, the total energy used from bunker fuel increased by 8%. Bunker fuel is used in boilers for four of ARC production plants (Pampanga, Pangasinan, Cebu and Tagoloan).

Though the energy from diesel consumption of plants decreased, the energy from diesel consumption in fleet – route trucks and forklifts increased by 7% in 2020 (63,755 GJ). The increase in diesel consumption from fleet or logistics is due to the increase in the number of trips by ARC sales route trucks. The ARC logistics operations cover the transportation of products from its production plant and warehouses to its dealers and customers. The diesel consumption as well as emission from logistics grew by 7% in absolute terms. This is mainly due to the 18% increase in the total trips made by our

sales truck in 2020. The increase in route trips was brought by the decision to bring the ARC products closer to its customers.

For Kitchen City, their total fuel consumption for the last four months of 2020 is 25% lower compared to previous year because of the fewer trips made to deliver raw materials and finished goods to outlets and clients. Aside from diesel and gasoline used for delivery of products, Kitchen City also utilizes LPG for cooking and baking of their products.

Group-wide Energy Consumption, GJ	2019*	2020
Diesel/gasoline	294,038.06	272,015.97
Bunker	70,148.73	76,048.17
LPG	-	3,380.26
Electricity**	109,932.29	105,025.38
<b>Total</b>	<b>474,119.08</b>	<b>456,469.79</b>

\*Revised figure from 2019 Report due to corrections made after report submission

\*\*Energy from electricity declared in 2019 is in kWh (30,536,747.23 kWh) converted to GJ is equivalent to 109,932.29 GJ (1kWh = 0.0036 GJ)

### GHG Emission

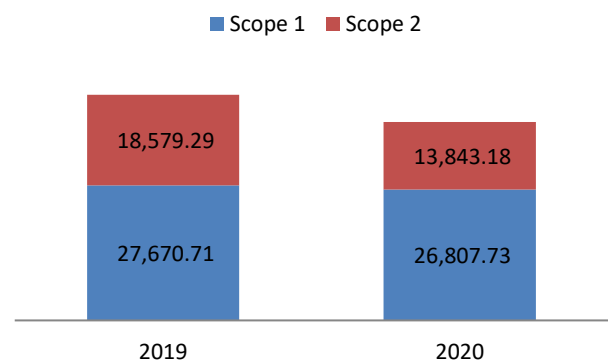
The total absolute CO<sub>2</sub> emission of Macay group-wide in 2020 is 12% lower compared to 2019.

Scope 1 GHG from fuel use & direct CO<sub>2</sub> loss during production decreased by 3% mainly attributed by the decrease in diesel consumption of plants.

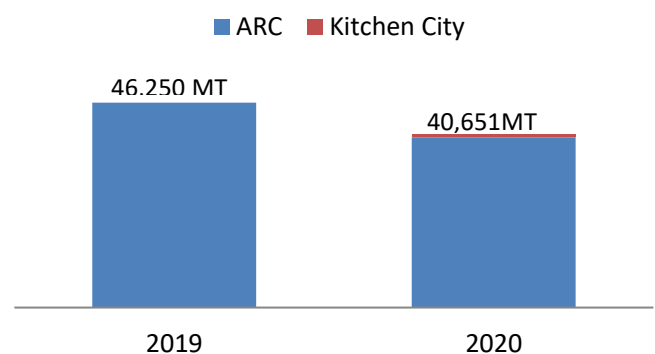
98% of the group-wide GHG emission in 2020 came from ARC while only 2% is from Kitchen City. Majority of the operational greenhouse gas emission of ARC comes from production plant amounted to 88% while 11% comes from fleet. Though in 2020, the greenhouse gas emission from production plant decreased by 3%, the fleet's GHG emission increased by 2% due to the increase of the number of trips of the route trucks.

The total size of ARC's fleet is 896 vehicles, of which 59% are route trucks, 27% are service vehicle and 14% are forklifts. In 2020,

Total GHG Emission in MT CO<sub>2</sub>e



Groupwide Total CO<sub>2</sub> Emission



30 new route trucks were acquired all of them Euro 4 compliant – producing cleaner emissions.

On the other hand, scope 2 GHG emission decreased by 25% in 2020 due to the decrease in electricity consumption company-wide

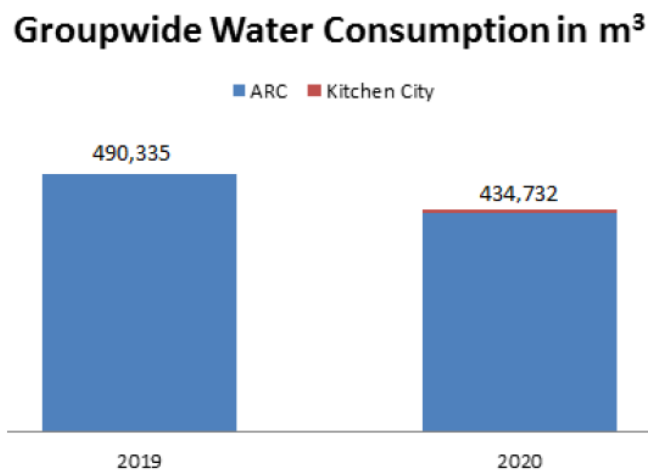
### **Water Management**

Macay conducted water management analysis that looks at the entire value chain. Several initiatives and conservation measures were implemented to maximize efficient water usage and to control the quality of its effluent to ensure that the treated water complies with the regulatory standards.

The absolute water consumption based on product yield in 2020 decreased by 11% to 434,732 cu.m. This is due to lower production volume in 2020 compared to 2019 and effective implementation of conservation measures.

The water use ratio of the ARC plants went down by 17% in 2020. The water use ratio is the cubic meter of water withdrawn per cases of the product produces. This means that the plants have been using water more efficiently. The water consumption of Kitchen City also decreased in 2020 due to the reduced volume of production at their commissary.

In 2020, the Macay Group was able to treat a total of 775,666.77 cu. m of wastewater. All of ARC plants are equipped with wastewater treatment facility while Kitchen City’s Commissary is interconnected with FTI waste water treatment plant. Effluent from the treatment facilities is regularly analyzed to ensure compliance with DENR and LLDA standards as stipulated in DAO 2016-08 or Water Quality Guidelines and General Effluent Standards.



## **Materials – Optimizing materials used and minimizing wastes**

In 2020, 97% of packaging materials used by Macay Group are reusable and recyclables based on packaging weight from sales volume.

For ARC, majority of its products sold in the market are in glass bottle with total weight of 477,637 MT. The other packaging materials are made from clear PET bottles and tin cans which are recyclables. The total weight of recyclable packaging materials based on the volume of products sold in 2020 amounted to 1,819.5 MT. ARC also uses colored PET for some of its products, which comprises a small percentage of total packaging material used by the company which is about 0.33%.

From September to December 2020, 86.17 % of food packaging used by Kitchen City is made from recyclable materials which are used for the packaging of ready to eat packed meals delivered to hospitals, BPOs and telecoms. The launch of Kitchen City's frozen meals also contributed to the volume as it utilizes propylene packaging which is a thermoplastic type of container that can be reheated through microwave.

## **Waste Management**

Macay encourages all of its stakeholders to recycle waste, reduce the amount of waste that must be disposed of and use resources efficiently. The group acknowledge that the utilization of resources can be maximized throughout its value chain by using the principle of 3Rs. To reduce the amount of waste sent to landfills and promote efficient use of resources through 3Rs, Macay Group had implemented proper waste segregation in all of its facilities. This initiative creates awareness and helped the employee to understand the benefits of waste separation process and show how value can be created from collected recyclables and compostable wastes.

ARC has not disposed any plastic shells and pallets as the broken pallets and cases are grinded and reuse for making new ones. This is the sustainable way of using materials as have been implemented by the company for many years.

Per liter of product produced, it is estimated that 45% is made from renewable materials. The renewable material used by weight is 0.8/6 kg/l while the non-renewable material is 1.056 kg/l

Also in 2020, composting of some biodegradable materials has been implemented companywide. This is in alignment to the My Gulay Garden project of the company, wherein compost generated where used as fertilizers to the urban garden set-up in the plants. A total of 3.64 MT of compost was generated last year. This is one of the initiatives of the company to reduce the amount of solid wastes that are being sent to landfill.



<b>Wastes Generated</b>	<b>MT (2020)</b>	<b>MT (2019)</b>
Reusable/Renewable	479,694	557,857
Recyclables	11,889	10,728
Residuals	2,028	
Compostables	9	

In Kitchen City, generated non-hazardous wastes of the central commissary are collected daily by the accredited hauler of FTI Complex. Proper waste segregation is strictly implemented by providing durable type of trash bin with lids, segregation labels and holding area away from food preparation.

The solid wastes is also physically separated from the food production area to prevent cross contamination and infestation. It is also being inspected regularly by the Food Safety Auditors for the maintenance of cleanliness and orderliness.

#### *Hazardous Waste*

The hazardous wastes generated are mostly used oil and batteries from fleet operation. Hazardous wastes are collected by DENR accredited transporter for proper treatment. All facilities of Macay Group have trained personnel on the proper handling and storage of hazardous wastes.

<b>Hazardous Wastes</b>	<b>2019</b>	<b>2020</b>
Used oil, kg	38,902	47,314
Batteries, kg	11,934	13,230
Grease Trap Wastes, kg		700
Total, kg	50,836	61,244

## **Our People**

The Macay Group is committed to the well-being of its employees, customers, consumers and other stakeholders. Recognizing that the employees are its most important resource, Macay Group strive to maintain a safe and healthy working environment and foster a collaborative and inclusive culture where people are motivated to develop their competencies and deliver the best results.

### *Attracting Talents*

Macay Group recognizes that people are fundamental to its success. To attract the best talents, we continued to promote our Group as a great place to work and for this one of our subsidiary, ARC, receive recognition as one of the top job providers in some localities where it operates such as Valenzuela City. Group-wide, Macay offers benefit package as well as compensation package that is above minimum wage. In addition, Macay Group is committed to career development programs to improve employee retention.

### *Fair employment practices*

Macay Group is committed to create a great place to work by providing a safe working environment and by treating all its employees in accordance to government regulations. There is a local HR Team in every Plant and commissary across the regions responsible for ensuring that the Macay Group complies with local legislations where the business operates.

Macay is committed to fulfilling an equal opportunity in the workplace. The company ensures that our people are placed in the positions that best suit their abilities. Macay respects and values differences and diversity in all forms and believes in an inclusive workplace that empowers individuals.

Because ARC belongs to labor intensive manufacturing sector, generally there are more men than women. Though the company is open to any gender during the hiring process, majority of our applicants in sales and production are male which resulted to higher percentage of male employees. However, in ARC Corporate Office, female employees outnumbered their male counterpart (55% female employees, 45% male).

In Kitchen City, women make up at least 53 % of the total workforce holding managerial positions at corporate and operations unit. 13 out of 27 ManCom members of Kitchen City are female. Kitchen City also currently employs two (2) staff with hearing and speaking disability (PWD). The company observes and implements non-discrimination policies and provides employment opportunities regardless of gender, ethnicity and cultural background.

### *Employee Benefits*

Macay Group is committed to take care of its workforce. Recognizing that competitive compensation and benefits are also essential factors to maintain its talented pool of employees, the Macay Group rewards its employees with benefits that go beyond the mandatory requirement set by the government.

On top of the government mandated benefits, ARC also provide the following benefits to its company-wide direct employees: life-insurance and personal accident insurance, Medical benefits such as HMO, hospitalization reimbursement and APE, birthday leave, loan for emergency situations or calamity loan and educational assistance loan. On top of these, ARC also provides vacation and sick leaves more than what is mandated by the law.

Kitchen City is fully compliant in fulfilling the mandatory government benefits and also provides paid leave benefits, multi-purpose salary loan to employees and productivity incentives.

### *Professional Growth*

We strive to maintain a pool of highly competent professionals equipped with the set of competencies to effectively carry out the latest job requirements. Macay Group supports its employees in developing their knowledge and skills through trainings and development programs. Some of the technical trainings participated by employees in 2020 are in the field of Sales, Marketing, Quality Management, Audit Analytics, Pollution Control, Environmental Management, Occupational Health and Safety, Food Safety, Customer Service, First Aid and Basic Life Saving. Aside from these technical trainings, several workshops and seminars were also conducted during the lockdown to effectively manage the stress and psychological strains brought by the pandemic.

The company strive to continuously increase the motivation, engagement, and further development of its employees through performance discussion which takes place twice a year.

### *Employee Safety and Well-being*

Safety is an integral part of Macay Group's culture and on top of the company's priority. The company makes sure that each employee, subcontractors and business partners have the competence and tools to perform their work professionally and safely.

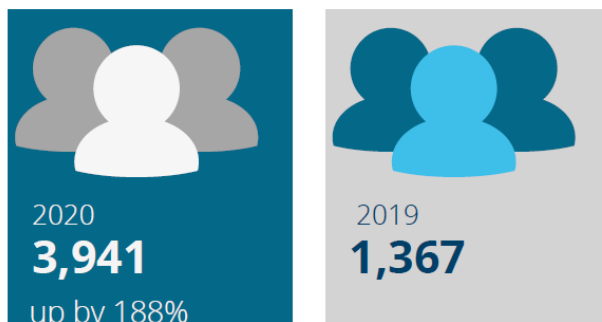
The Macay Group sets guidelines for safety, occupational-health, and work environment. To ensure safety in all plants and warehouses, on-site inspections are regularly conducted in the facilities by the corporate safety team. There is also a safety

officer assigned in every plant and warehouse in compliance to the mandate of the law and to ensure that the safety policy of the company is in place and enforced.

Different safety trainings such as Occupational Health and Safety training, fire safety training and basic life support are annually conducted to equip are safety personnel with the latest safety protocols.

Protective gear are also provided to the employees depending on the nature of their work and area of operations to promote employee safety and provide suitable working conditions.

### Total Headcount

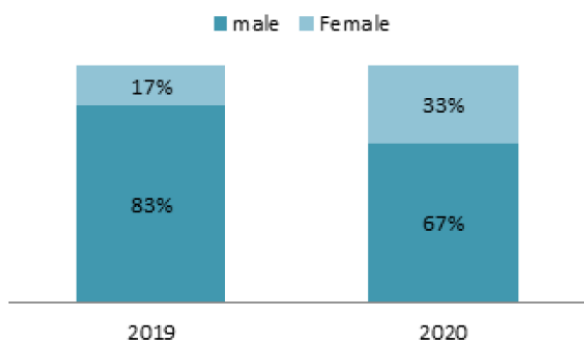


### New Hires



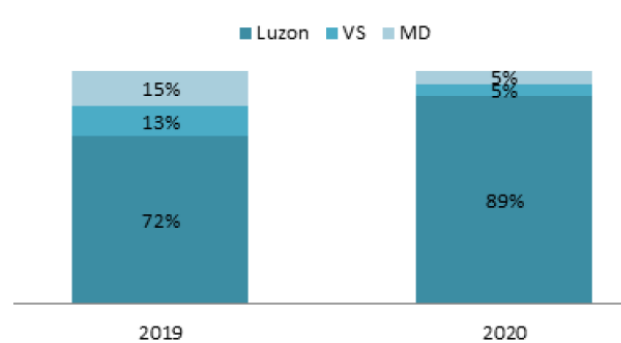
Workforce headcount increased from the acquisition of Kitchen City

### Breakdown by Gender



In 2020, there was 16% increase in the number of female employees across the Macay Group

### Breakdown by Region

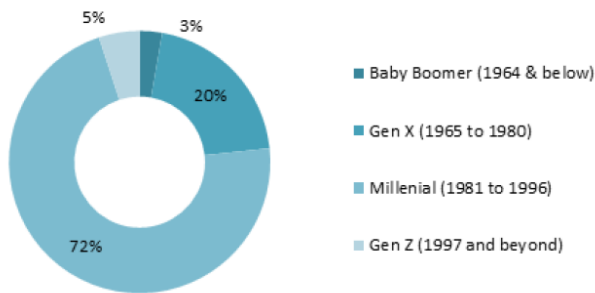


With the addition of Kitchen City whose majority of operation is in Luzon, the total number of employees of Macay Group in Luzon increased by 17% in 2020.

## Breakdown by Rank



## Workforce by Age Group



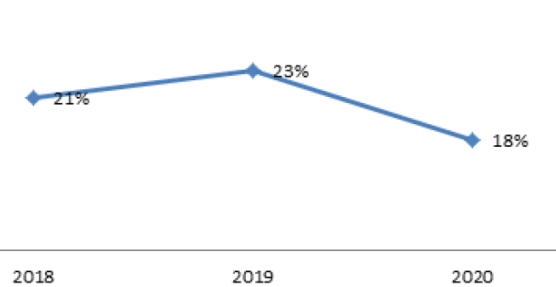
## Average Age per Position



## Average Tenureship



## Attrition Rate



## Community

### *Consumer health and safety*

Macay places great importance on health and consumer safety starting from the procurement of high quality raw materials. Safety is our top priority given the millions of bottles we serve. We implement guidelines to ensure the highest quality and safety throughout our supply chain covering sourcing of raw material, production, transportation, and distribution. We guarantee that our products are safe for consumption.

All of Macay Group's products undergo stringent quality assurance processes requiring that internal quality assurance and quality control systems be placed in every plant. Through this we ensure that all ARC products conform to standards and quality measures as prescribed by the Department of Health (DOH) and the Food and Drug Administration (FDA). By strictly adhering to the implementing rules and regulations of RA 10611 or the Food Safety Act of the Philippines, we ensure the safety and quality of our products across the entire production cycle.



Placing great importance on health and consumer safety, our R&D continues to develop products. In 2020, ARC launched three new flavors of Rite N' Lite. The no sugar, no carbs, no calories beverage brand offers Lychee + Rose, Calamansi + Ginger + Honey and Green Apple + Tea. With the addition of new flavors, the consumers will now have more refreshing options. Consumers will be able to experience all the satisfying attributes—mouthfeel, aftertaste, aroma—of a softdrink minus the guilt.

### *Product Labeling*

Macay ensures that its Group fully comply with regulatory labelling and product information requirements and also implement the required analysis for nutritional facts and claims. In 2020, the company have not received or identified any non-compliance with regulations concerning product information and labeling.

Our commitment to quality and safety remains consistent throughout the supply chain. To further provide consumer confidence in the safety of our products, we disclose our products raw materials and nutritional value in our food labels.

As part of the initiative of the company towards responsible packaging, ARC created its Alon packaging, a local in-house brand of bottled water, with a label that encourages

customers to manage PET bottles responsibly through recycling. This measure aims to lessen plastic pollution by providing tips on how PET bottles can best be recycled. This is part of the company's initiative to help save our environment for future generations.

## **Our Response to Covid-19**

As we pursue our journey towards sustainability, we also take action to address the effect of Covid-19 pandemic on our employees, business partners and customers, as well as affected communities and front-liners.

The Macay Group cares for its employees' health, safety and well-being especially during the Covid-19 pandemic which affected not only our business but the entire country.

Macay Group had implemented several measures to help and assist its employees to deal with the impact of the crisis. At the onset of the pandemic, protocols provided by government agencies (IATF, DOH and DOLE) were strictly followed. Safety measures were implemented upon entering all of its facilities which includes disinfection, temperature checks, providing alcohol and installation of wash areas in warehouses and production plants. Masks were also provided to employees to keep them protected within and outside the workplace. Workspaces were managed appropriately in a manner that the required physical distancing in the workplace is observed. Work from home set-up was implemented and was availed by the employees who were able to continue to work remotely. Aside from this, reduced working days and flexible working hours were also applied to minimize employees' exposure outside their home. For employees who were able to report to work during the lockdown despite the added risk, the company offered additional incentives to them. Also, employees were provided with transportation thru shuttle services while some are provided with temporary housing.

Likewise, the company continued to establish open communication lines with the local government units to ensure compliance with the protocols of the government. Safety guidelines and relevant health information campaign thru memos, bulletins and engagement games were provided to employees to keep them updated of the latest protocols.

Moreover, employees who were exposed to confirmed Covid-19 positive individuals strictly underwent quarantine in accordance to the protocol set by IATF. While employees who were suspected to be infected by the Covid-19 virus underwent free Covid- 19 testing courtesy of their respective companies.

With the strict implementation of safety protocols in all ARC facilities, only less than 1% of its 1,397 employees got infected with Covid-19. All of which were able to recover successfully.

In spite of the effect of the pandemic to the business, ARC continued to operate without laying-off people. In 2020 ARC released an assistance fund worth Php10 million for the benefit of all of its employees across the country.

ARC was also able to provide aid to its distributors, resellers and frontliners through #RCCollaborate, ARC's umbrella advocacy that is responsive to government's call for collective support in its fight against COVID-19.

From March to April 2020, the beverage company handed out more than P12.5 million to business partners consisting of distributors and resellers so they can have additional funds or capital to continue earning income despite the limitations caused by the pandemic.

ARC's assistance program to its stakeholders runs in parallel with donation efforts for other sectors. ARC extended support to the city government of Manila in building quarantine facility. ARC provided wooden pallets that served as floorboards for the facility. This was done in collaboration with JCI Manila who spearheaded the project by converting Araullo High School gym into a COVID-19 quarantine facility.

As part of #RCCollaborate initiatives, cases of ARC products were donated to the frontliners stationed at different checkpoints in Metro Manila, Isabela, Cagayan Provinces, Cavite, Tagoloan and Iloilo. A total of 81 checkpoints nationwide were provided with cases of Fruit Soda Orange to help our frontliners ease their discomfort, provide relief and keep them hydrated.

ARC products were also donated to 300 stranded students of Dualtech in Laguna. The students are scholars sponsored by individuals, non-profit organizations, local government units or private sectors. The scholars hailed from indigent families in Visayas and Mindanao.

ARC also sponsored several events such as online concert for a cause entitled "Pvblc Jam" in partnership with We the Pvblc, which featured Sponge Cola's lead man Yael Yuzon and hip-hop band Kartell'em. Accumulated donations during from the concert was donated to the Molecular Biology and Biotechnology (Diliman) Foundation, Inc., a non-





profit organization that assists laboratories and testing centers in diagnosing cases of COVID-19.

Aside from online concert an online gaming event was also sponsored by ARC, where online gaming enthusiasts were given the opportunity to play a meaningful role in the battle against the virus via Clash for a Cause, a charity tournament where winning team can allocate their winnings to a selected medical institution.

### **Response to Calamity**

Helping others is already an integral part of Macay's culture. Around first quarter of 2020 when Taal volcano erupted, ARC and some of its employees provided relief assistance to the affected individuals of the eruption. A total of 2,300 cases of ARC products and drinking water were donated at different evacuation center in



Batangas. In collaboration with Ang Lingkod Ng Panginoon Batangas branch, ARC was able to provide relief goods in Batangas area consisting of blankets, rice, canned goods, and hygiene kits.

Through the RC Tayo sa Birthday Mo program, an ARC's initiative that demonstrate inclusive culture in the workplace and sense of gratitude by giving back to the community, ARC employees were able to help families affected by Taal eruption. Employees from ARC's corporate office, Cabuyao and Pampanga plant as well as those in the Kawit warehouse who celebrated their birthday during Q1 of 2020, partnered with different evacuation centers and NGO's such as Red Cross, and offered their gifts. They were able to provide relief goods to 261 families and 100 individuals affected by the eruption of Taal.

In the later part of 2020, typhoon Ulysses hit some parts of the country resulting in heavy flooding in Cagayan and some parts of the Rizal area. Our employees from Isabela Plant and Antipolo Warehouse were able to donate relief goods and drinking water. More than 20,000 bottles of Alon drinking water were donated to affected families and individuals in Cagayan and Rodriguez, Rizal. Typhoon Rolly also hit the country on the later part of 2020. Kitchen City held a donation drive in their corporate office for the victims of the typhoon. The collected in-kind and cash donations were endorsed to the

Office of the Vice-President (OVP) for the distribution of the donations to the affected individuals and families. At times of calamities, Macay Group is committed to providing timely support to the community where it operates.

### **Information Technology and Data Security**

Macay Group values information security for all of its employees, customers, consumer, supplier and other stakeholders. In 2020, ARC issued its Data Privacy policy which aims to provide principles and standard processes for data protection. It also aims to protect the fundamental right to privacy while promoting innovation and growth through information technology.

The company strives to comply with the legislations requirements for cybersecurity and data protection as prescribed in Data Privacy Act of 2012. Information Technology awareness campaigns which started in 2019 was continued in 2020. Seminars and orientation were conducted to share practices to protect data privacy and measures to comply with Data Privacy Act.

## GRI Content Index

GRI Standard	General Disclosures	Page Number and/or direct answer	Reason for omission
<b>GRI 102: General Disclosures 2016</b>			
<b>Organizational Profile</b>			
102-1	Name of the Organization	Macay Holdings Inc.	
102-2	Activities, brands, products, services	5-9	
102-3	Location of headquarters	137 Yakal St., San Antonio Village Makati City	
102-4	Location of operations	7,9	
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102-6	Markets served	7,9	
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102-8	Information on employees and other workers	29	
102-9	Supply Chain	18	
102-10	Significant changes to the organization and its supply chain	3,4	
102-11	Precautionary Principle and Approach	19-20	
102-13	Membership of associations		
<b>Strategy</b>			
102-14	Statement from senior decision-maker		
<b>Ethics and Integrity</b>			
102-15	Key Impacts, Risks and Opportunities	19-20	
102-16	Values, principles, standards and norms of behavior	8	
102-17	Mechanisms for advice and concerns about ethics	<a href="http://www.macayholdings.com.ph/corp-governance-manual-policies">http://www.macayholdings.com.ph/corp-governance-manual-policies</a>	
<b>Governance</b>			
102-18	Governance structure	<a href="http://www.macayholdings.com.ph/corp-governance-manual-policies">http://www.macayholdings.com.ph/corp-governance-manual-policies</a>	
<b>Stakeholder Engagement</b>			
102-40	A list of stakeholder groups engaged by the organization	15	
102-41	Percentage of total employees covered by collective bargaining agreements	Macay Holdings Inc. does not have collective bargaining agreements, but provides avenues for employees to raise their concern on company policies and other relevant matters	
102-42	Identifying and selecting stakeholders	15	
102-43	Approach to stakeholder engagement	15	
102-44	Key topics and concerns raised	14	
102-45	List of all entities included in the organization's financial statements or equivalent	ARC Refreshments Corp. & ArtemisPlus Express Inc.	
102-46	Defining report content and topic boundaries	3	
102-47	List of material topics	14	
102-48	Restatements of information	Upon confirming that 4 plants are using bunker fuel contrary to the information reported in 2019 that only 2 plants uses bunker fuel, the energy generated from Diesel usage in 2019 was corrected from 324,393 GJ to 294,038.06 GJ. While energy consumption from Bunker fuel in 2019 was also corrected from 36,863.65 GJ to 70,148.73 GJ. Scope 1 GHG in 2019 was also corrected from 27,268.82 MT to 27,670.71MT and total GHG emission was corrected from 45,848.10 to 46,250 MT.	
102-49	Significant changes from previous reporting periods in the list of	None	

	material topics and topic boundaries	
102-50	Reporting period for the information provided	3
102-51	Date of the most recent report	June 30, 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	3
102-54	Claims of reporting in accordance with the GRI Standards	3
102-55	GRI content index	37
102-56	External Assurance	This report has not been externally assured

GRI Standard	General Disclosures	Page Number and/or direct answer	Reason for Omission
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<b>Economic Category</b>			
<b>Market Presence</b>			
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	103-2	The management approach and its components	27
	103-3	Evaluation of the management approach	27
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	202-2	Proportion of senior management hired from the local community	30
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	103-3	Evaluation of the management approach	18-19
<b>GRI 204: Procurement Practices 2016</b>	204-1	Proportion of spending on local suppliers	18-19
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