

2022



The fiscal year
2022

Annual Report

www.herfy.com





**In the name of Allah, the merciful,
the gracious**

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**The Board of
Directors Statement**



The Board of Directors Statement

Honorable shareholders of Herfy,
Food Services Company

Peace, mercy, and blessings of Allah be upon you.

The company's board of directors is pleased to present to you the annual report for the fiscal year ending on December 31, 2022, which sheds light on the company's activities, its most important achievements, and financial results, as well as the auditor's report for the year 2022G.

We confront daily challenges and changes that require timely decisions and movements, and daily follow-up to meet these challenges, in view of the fact that economic indicators and global reports anticipates that these conditions will continue for months to come. We hope that the economic conditions will stabilize, which will positively reflect on the increase of sales and restoration of the company main segments' previous profit margins.

Despite the ongoing economic challenges seen by the business community coupled with high inflation rates and costs on a global level, and the accompanying decline in demand and purchasing power in the markets, as well as the intensification of competition at a local level, which affected consumer spending behavior, and in turn left a substantial adverse impact on sales and profit margins of the restaurant sector, the company managed to achieve growth in sales in the bakery, confectionery shops, and meat segments by adding new sales lines to the meat and bakery segments

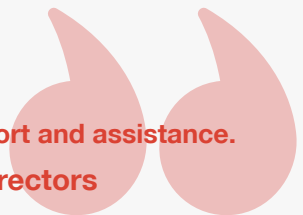


As part of the company's expansion plan, it is expected that 8 restaurants will be opened during the next year 2023G. The company will also continue to add new sales lines to its industrial sectors. The company, represented by its board of directors and executive management, will proceed with its constant endeavor towards preserving and increasing its market shares, and improving performance and development for the better, along with compliance with the disclosure and transparency policy through the application of Corporate Governance Regulations and other relevant regulations issued by the Capital Market Authority and the Ministry of Commerce and Investment.



New restaurants during the year 2023

The board of directors also has the honor to discuss this report with you and to respond to your inquiries and questions through the general assembly that will be held on the date approved by the regulatory authorities. We also hope that you will agree with the details contained in this report.



Thank you for your kind support and assistance.
Herfy board of directors
March 2023



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01

**The company carries
out the following
main activities**

The company carries out the following main activities

1 Restaurants



Management and operation of a chain of fast-food restaurants under its distinctive logo.

2 Bakeries



Bakery products of all kinds and through manufacturers in Riyadh and its distinctive logo as well as the management and operation of the chain of exhibitions of sweets and chocolates.

3 Meat



All kinds of processed meat products through the company's factory in Riyadh.

1891

Herfy Food Services Company is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Ministerial Resolution No. (302/Q) dated 22/11/1428 and Commercial Registration No. 1010037702 dated 4/5/1401H



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02

A summary of the most prominent results 2022

A summary of the most prominent results 2022

a. A summary of the most prominent results

1.244

SAR billion

Net sales

Net sales for 2022 amounted to SAR 1.244 billion, compared to SAR 1.319 billion for the previous year.

307.00

SAR million

Gross profit

The company's total profit for the year 2022G amounted to SAR 307.00 million, compared to SAR 417.83 million for the previous year.

41.03

SAR million

Operating profit

The company's operating profits for the year 2022G amounted to SAR 41.03 million, compared to SAR 193.78 million for the previous year.

3.55

SAR million

Net profit

The company's net profit amounted to SAR 3.55 million for the year 2022, compared to SAR 151.79 million for the year 2021, a decrease of (97.7%).

Shareholder profits

During the year 2022, the company did not distribute dividends to shareholders, and the Board of Directors recommended a cash dividend for the year 2022 of 0.5 riyals / share, representing 5% of the nominal value of the share.

b. Statement of Financial Position

as on December 31, for a period of five years from 2018G to 2022G, in Millions Saudi Riyals:

Assets

Description	2018	2019	2020	2021	2022
Total current assets	339.143	350.849	367.304	371.698	397.390
Total non-current assets	1,103.257	1,682.614	1,581.774	1,628.462	1,597.110
Total Assets	1,442.400	2,033.463	1,949.078	2,000.160	1,994.500

Liabilities and Shareholders' Equity

Description	2018	2019	2020	2021	2022
Total current liabilities	298.656	408.116	401.98	266.656	286.695
Total non-current liabilities	210.876	627.360	587.694	689.905	651.252
Total Liabilities	509.532	1,035.476	989.683	956.561	937.947

Shareholders' equity

Description	2018	2019	2020	2021	2022
Capital	646.800	646.800	646.800	646.800	646.800
Statutory reserve	59.389	80.499	85.783	101.405	101.760
Retained earnings	226.678	270.687	226.812	295.393	307.993
Total Shareholders' Equity	932.867	997.986	959.395	1,043.599	1,056.553
Total liabilities and shareholders' equity	1,442.400	2,033.463	1,949.078	2,000.160	1,994.500

C. Statement of Income

For a period of five years from 2018G to 2022G (in SAR Millions)

Description	2018	2019	2020	2021	2022
Net Sales	1,227.27	1,288.31	1,074.633	1,319.092	1,243.838
Sales Cost	882.20	895.67	826.494	901.264	936.834
Total profit	345.07	392.64	249.589	417.829	307.004
Net profit	204.17	196.09	52.839	151.792	3.546

d. Comparison of the income statement

For the year 2022G compared to the previous year 2021G (SAR Millions)

Description	2022	2021	Change + or (-)	Change (%)
Net sales	1,243.838	1,319.09	(75.25)	(5.70)
Cost of sales	936.834	901.264	35.57	3.95
Total profit	307.004	417.829	(110.83)	(26.52)
General and administrative expenses	95.470	68.438	27.03	39.50
Selling, marketing and distribution expenses	184.021	166.770	17.25	10.34
Income from main operations	41.030	193.782	(152.75)	(78.83)
Expense income (others)				
Financing charges	37.304	41.324	(4.02)	(9.73)
Other income, net	13.517	11.162	2.36	21.10
Income before Zakat	3.726	152.459	(148.73)	(97.56)
Zakat	180	667	(487.00)	(73.01)
Net income for the period	3.546	151.792	(148.25)	(97.66)

e. Analysis of the company's net sales

According to the main sectors for the years 2022G and 2021G (SAR Millions):

Main sectors	2022	2021	Change + or (-)	Change (%)
Restaurants	983.970	1,087.76	(103.79)	(9.54)
Meat Factory	77.905	58.458	19.45	33.27
Bakeries, factories and other activities	181.963	172.878	9.09	5.26
Total	1,243.838	1,319.092	(75.25)	(5.70)

The company's net sales

According to the main segments for the year 2022G

6.3%

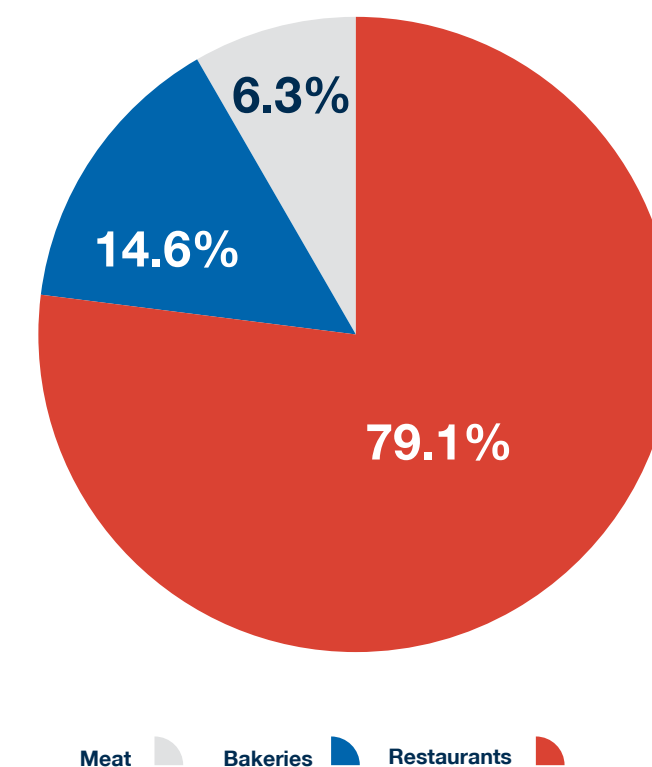
Meat

79.1%

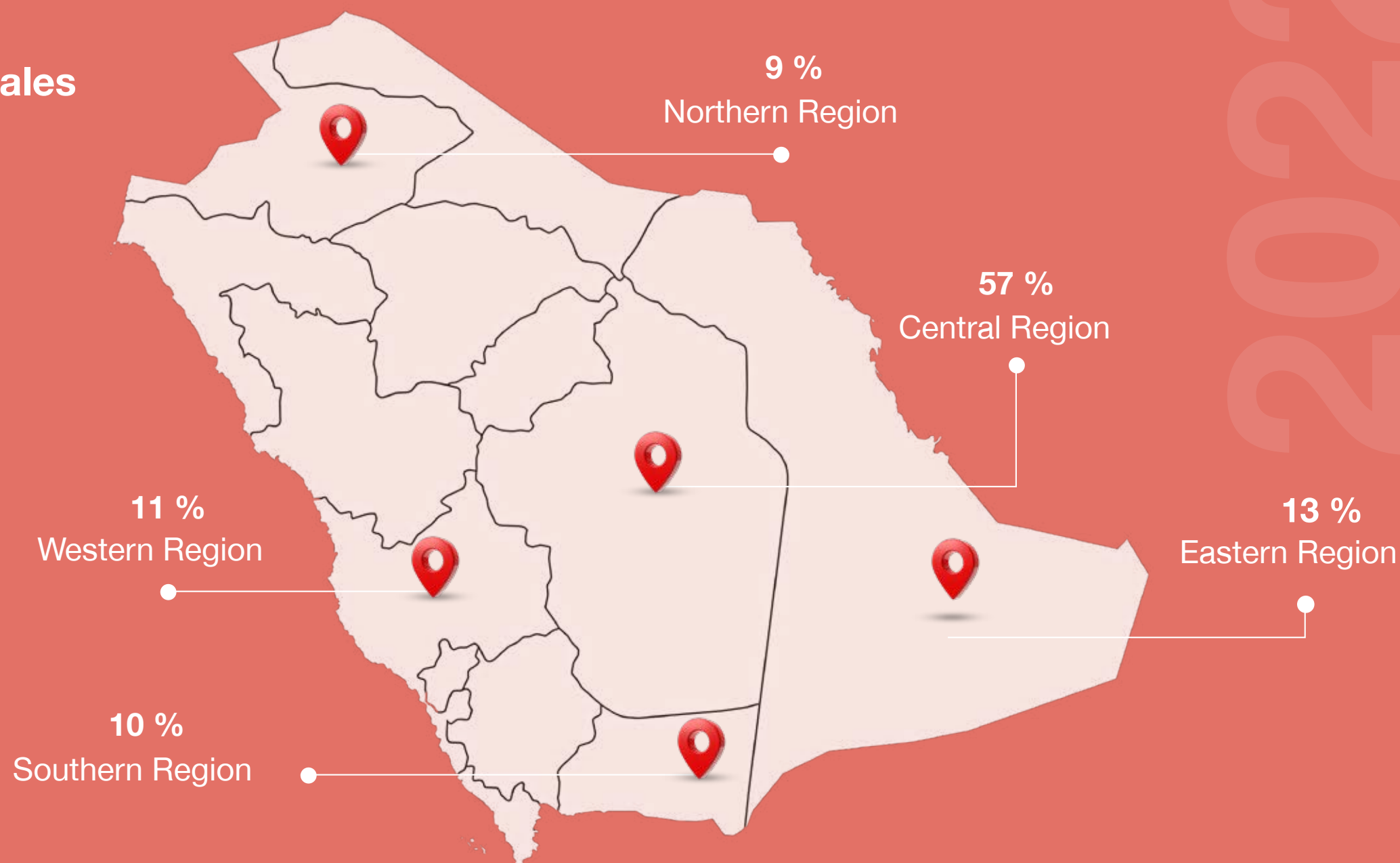
Restaurants

14.6

Bakeries



Analysis of the company's net sales



2022 HERFY

f.

According to the geographical distribution within the Kingdom for the years 2022G – 2021G (SAR Millions)

Region	2022	2021	Change + or (-)	Change (%)
Central Region	725.034	771.083	(46.049)	(5.97)
Eastern Region	152.122	160.685	(8.563)	(5.33)
Southern Re-gion	135.950	143.604	(7.654)	(5.33)
Northern Re-gion	106.940	112.960	(6.020)	(5.33)
Western Region	123.792	130.760	(6.968)	(5.33)
Total	1,243,838	1,319,092	(75.254)	(5.70)

g. Net Sales of the company

During five years (2018G – 2022G) (SAR Million)

2018	2019	2020	2021	2022
1,227.270	1,288.310	1,074.633	1,319.092	1,243.838

h. Company's Net Profit

During five years (2018G – 2022G) (SAR Million)

2018	2019	2020	2021	2022
204.170	196.087	53.563	151.792	3.546

i. Shareholders' equity

(During five years) 2018 – 2022G (SAR Millions)

2018	2019	2020	2021	2022
932.867	997.986	977.802	1,043.599	1,056.553

j. Growth of the company's dividends to shareholders

(During five years) 2018G – 2022G (SAR Millions)

2018	2019	2020	2021	2022
137.678	137.561	73.148	64.680	-

k. Outstanding long-term loans as at the end of the fiscal year

It should be noted that the management of Herfy Food Services Company is always keen to ensure that its financial transactions are compliant with Islamic Shariah, this mainly applies to loan policy; therefore, all loans obtained by the company are in accordance with Islamic Shariah. Below are details of the company's long-term loans:

Statement of long-term loan

as on December 31, 2021G (SAR Millions):

Name of the bank / Lender	Loan Period (Year)	Loan Principal Amount	2022	2021	2020	2019	2018
Al Rajhi Bank*	4	A. 70 B. 120 C. 160 D. 150 E. 110	15.612	30.528	47.516	93.690	181.627
Saudi Industrial Development Fund ***/**	6	A. 16.579 B. 11.880 C. 45 D. 3.6	-	-	3.642	17.630	27.911
The Saudi British Bank - SABB	5	A. 15.6 B. 70 C. 30	-	-	110.218	83.984	15.702
Riyad Bank	5		-	-	-	-	20.111
Total			15.612	30.528	161.376	195.304	245.351
Minus: the current part:							
Al Rajhi Bank			15.612	15.222	17.586	48.442	90.948
Saudi Industrial Development Fund			-	-	2.642	15.135	8.840
The Saudi British Bank - SABB			-	-	104.368	74.234	0.103
Riyad Bank			-	-	-	-	0.111
Total current part			15.612	15.222	124.596	137.811	100.002
Non-current part			0	15.306	36.780	57.493	145.349

* The total bank facilities from Al Rajhi Bank during the period from 2011 to 2017 amounted to SAR 610 million due within five years according to withdrawal dates (during 2021, the company paid SAR 113,848 million, and during 2022 the company paid SAR 14,916 million).

** According to an industrial financing agreement for the establishment of a meat factory and subsequent expansions during the period from 2005 to 2018, the company withdrew financing facilities totaling SAR 26.454 million on the basis of repayment within (6) years, including a grace period of one year.

*** According to another industrial financing agreement in the amount of (SAR 45 million) to establish a factory for cakes and baked goods and expansions of production lines during the period from 2012 to 2018G, the company also, withdrew financing in a total amount of SAR 37.98 million on the basis of repayment within (6) years, including a one-year grace period. The entire outstanding balance was paid during 2021G.

During the year 2021, the company repaid the remaining balance amounting to SAR 3.642 million.

- For more clarifications, please see note (17) accompanying the financial statements and the auditor's report.

**** It is worth noting that the company has concluded a Murabaha / Tawarruq financing agreement on 25/01/2018G with the Saudi British Bank (SABB) for a period of five years, provided that the Murabaha margin shall be priced every three months. During 2018, an amount of SAR 15.6 million was withdrawn. During 2019G, the company, in accordance with the same agreement, withdrew an additional loan in the amount of SAR 70 million. The Company also withdrew an additional loan during 2020G in the amount of SAR 30 million. The company repaid SAR 110.218 million of these facilities in 2021.

Repayment table of outstanding long-term loans: (SAR millions)

Years ending on 31 December	Commercial banks (SAR)	Total (SAR)
2022	15.306	15.306
Total	15.306	15.306

2022

Long-term loans paid

14.92

SAR millions

Total repayment amount of long-term loans during 2022 amounted to SAR 14.92 million.

m. A description of the company's important plans, decisions and prospects

- The company's all sectors strategy during the coming period focuses on assessing and investigating the market needs, taking into account the change in consumer behavior and preferences with regard to the trend towards digital solutions. In continuation of its expansion policies, the company plans to open 8 new restaurants during the fiscal year 2023G, across various Kingdom regions.

It is worth noting that the company opened 8 new restaurants during the fiscal year 2022, including two restaurants of a large size, which includes all services such as dining halls for individuals and families (and a drive thru, as well as home delivery).

Herfy Driver APP was launched

to track delivery drivers and facilitate communication with customers, which contributes to reaching customers' places accurately and reducing delivery time and in continuation of the company's strategy for digital transformation.

8

new restaurants opened

2022

8

plans to open new restaurants

2023

- In 2023, the method of dealing with the Herfy Mobile app will be improved, as well as improving customer service and complaints by activating the Chatbot, which allows the feature of purchasing and filing complaints through various social networking sites.

- Restaurants that do not achieve positive returns will be evaluated and appropriate measures will be taken accordingly, which will have a positive impact on the operating results of the segment, in addition to studying the expansion of restaurant activities through the acquisition of trademarks or creation of trademarks



8
Herfy restaurants
in the State of
Kuwait

6
Herfy restaurants in
Bangladesh under
the franchise system

2023

Also, Herfy will continue to go global as one of the pillars of Vision 2030 announced by His Highness, Crown Prince Mohammed bin Salman. The company is looking forward and working to establish a footprint in the Far East and the GCC states. There are currently 6 branches of Herfy restaurants in Bangladesh under the franchise system, and it is planned to open two branches in 2023G

There are also 8 Herfy restaurants in the State of Kuwait, and it is planned to open two branches in 2023G. The year 2023 will also witness the activation of the franchise contract in the State of Nigeria, where 5 branches of Herfy restaurants will be opened in 2023. The company will continue its efforts to improve its operational efficiency during the year 2023 to limit and reduce the impact of the increasing operating costs due to the inflationary wave that the world is witnessing, which led to an increase in operating requirements, freight and transportation costs.



- In 2023, the company will continue to expand its sales and distribution fleet for the cake and pastry factory, as well as introducing new products in the retail markets in line with the production capacities available in the factory, as well as introducing the Arabic bread products. Foreign markets will also be opened to export bakery products outside the Kingdom. Two branches of «Doukah Bakery House» stores will be opened to sell cakes, ice cream and luxury sandwiches. Currently, there are 7 branches.



- In 2023, the company will continue to introduce new products from the meat factory in the retail markets, as well as increase sales lines to the markets.

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03

Performance business results of the company's segments in 2022G

03 Performance business results of the company's segments in 2022G

a. Restaurants



During 2022G, the company opened 8 new restaurants, bringing the number of restaurants managed by the company (owned or leased) to 387, as on December 31, 2022G.



revenues represent
% 80
 of the company's revenues

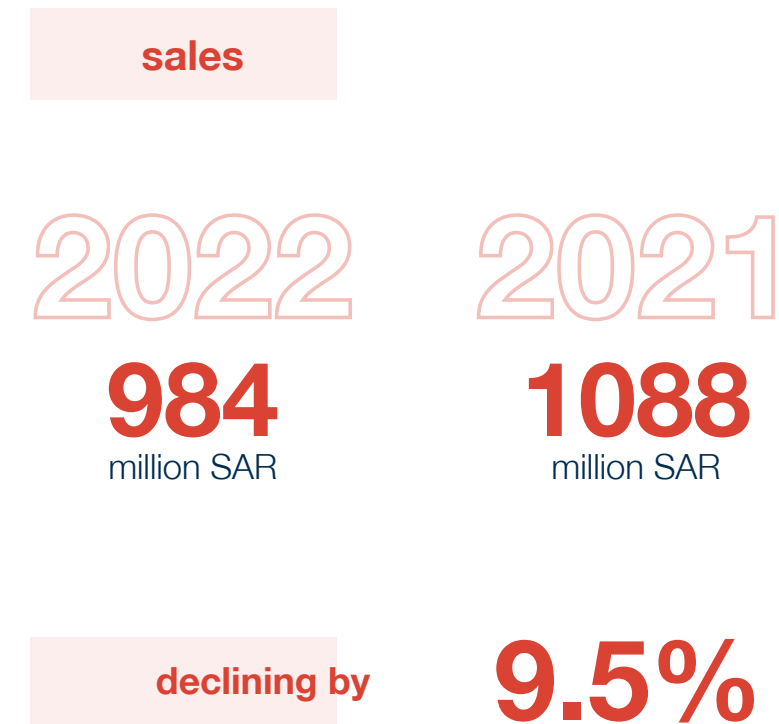
The restaurants sector is the main business of the company, where its revenues represent about 80% of the company's revenues

The company operates according to ambitious plans aimed at expanding the number of its restaurants by opening new restaurant branches annually, taking into account the geographical expansion to cover all parts of our beloved kingdom.

thus enabling the company to:

1. serve its customers in all cities and regions across the Kingdom.
2. as well as following up and evaluating the performance of the existing restaurants and raising their operational efficiency.
3. This will enable the company to provide distinguished sales services and an attractive and comfortable environment to serve our valued customers, both in terms of the external appearance of the restaurants as well as the interior decorations.

The year 2022 witnessed the achievement of sales in the restaurants sector of SAR 984 million, compared to SAR 1088 million in 2021, declining by 9.5%, as a result of the decrease in demand and purchasing power, as well as the intensity of competition.



b.



Meat factory

Meat factory is located in the industrial city, and it operates to the latest international technologies in this field, in order to provide all needs of the company's restaurants of processed meat and poultry, as a strategic goal for the company to ensure stability of product quality in its restaurants, and to develop and add new products.

The factory started its actual production in October, 2005G. It is worth mentioning that this factory is currently providing 100% of the company's restaurants needs of processed meat and poultry at the highest level of quality. The company has also provided a sales fleet that provides markets and supermarkets with high-quality factory products to be offered to consumers in the Saudi market. The factory products are available currently in the major markets.

2005

The factory started its actual production

100%

providing of the company's restaurants needs



The fiscal year ending on December 31, 2022, witnessed an increase in the sales value of the internal meat factory, and in markets. The sector's sales amounted to SAR 193.2 million, compared to SAR 178.9 million in 2021, an increase of 8%.

sales

2022

193.2
SAR million

2021

178.9
SAR million

increase of

8%

net profit

2022

48.6
SAR million

2021

63.2
SAR million

decrease of

23.1 %

The meat factory also achieved a net profit of SAR 48.6 million during the fiscal year ending on December 31, 2022, compared to SAR 63.2 million in 2021, a decrease of 23.1% due to the high cost of sales due to the high prices of raw raw materials and operating requirements at record rates, especially the white meat.

C. Bakeries and other activities



This segment consists of the company's bakery located in Al-Morouj district, and the company's factory for cakes and pastries in the industrial city in Riyadh, which began its actual production in June 2012. This factory is equipped to accommodate 4 production lines. It is currently working with two production lines for hamburger bread and slice bread, and a line for the production of croissants and cake was added during December 2015. An Arabic bread line was added also at the end of 2022G.

2012

The factory started its actual production

4

production lines



2015

line for the production of croissants and cake was added

2022

An Arabic bread line was added

It also includes a series of 10 high-end showrooms for sweets and chocolate in Riyadh. During 2019, Herfy opened "Doka Bakery House" shops to sell cake, ice cream and sandwiches, Luxury Product. There are currently 7 branches, and two more branches are planned to open in 2023.

2019

opened "Doka Bakery House"

7

branches for "Doka Bakery House"

10

high-end showrooms for sweets and chocolate

The total sales of the bakery segment amounted to SAR 202.2 million during the fiscal year ending on December 31, 2022, an increase of 3.8% over the sales of the previous year 2021.



It is expected that the company will continue its expansion plans for this segment by continuing to increase the capabilities of the sales and distribution fleet, as well as increasing the sales team in order to exploit the available production capacities provided by the production lines by increasing the sales lines.

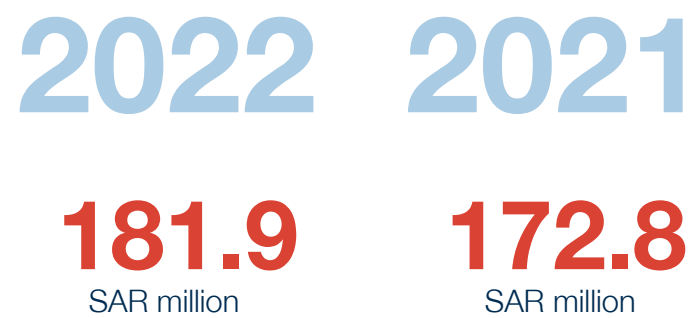
Also, during the year, the exploited percentage of the production capacity of the croissant and pastry line was increased to reach 40% compared to 20% in 2021,



The value of internal sales of that segment

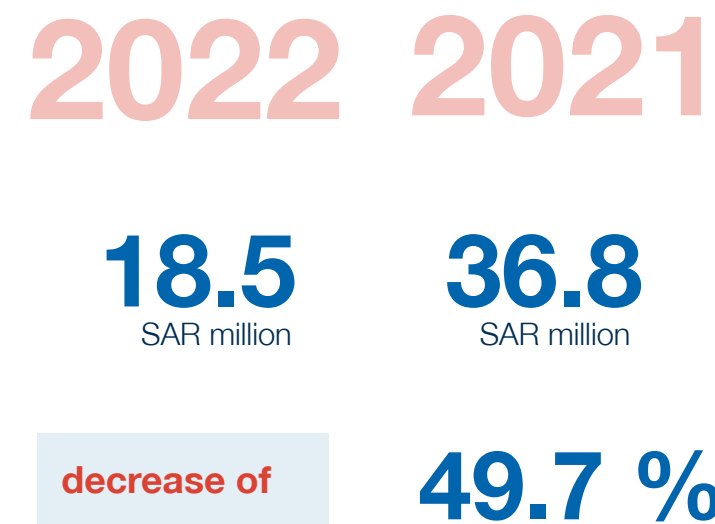


The market sales of bakery sector products



The value of internal sales of that segment amounted to SAR 20.2 million, and the market sales of bakery sector products increased in 2022 to SAR 181.9 million, compared to SAR 172.8 million in 2021, an increase of 5.2%.

the exploited percentage of the production capacity of the croissant and pastry line



and the segment achieved a net profit of SAR 18.5 million during the fiscal year ending on December 31, 2022, compared to SAR 36.8 million in 2021, at a decrease of 49.7% as a result of the increase in the cost of sales due to the extremely high prices of materials.

04 Paid and due statutory payments as on December 31, 2022

Amounts in thousands Saudi riyals.

Description	2022		Brief description	Reasons
	Paid	Due until the end of the annual financial period and has not been paid		
Zakat	4,746	4,706	Due Zakat	A statutory requirement for payment of zakat for the year 2022
Tax	83,045	6,744	Quality tax	A statutory requirement to pay the December 2022 tax
General Organization for Social Insurance (GOSI)	19,602	1,638	GOSI contributions	Regulatory requirement for December 2022 subscriptions
Visa and passport costs	35,155	-	Iqama and visa issuance fees	Statutory Requirement
Labor office fees	552	-	Issuance fees for Labor Office cards	Statutory Requirement

A statement of the value of any other investments or reserves Established for the benefit of the company employees

The company provides its employees with loans and advances and credit benefits for some purchases and services, which are collected and repaid on monthly installments, deducted from the monthly salaries. The balance of those loans and advances as on 31- December -2022 amounted to about SAR 2.10 million, a decrease of (SAR 0.34 million) compared to the balance on 31/12/2021.

05 Applied and not applied provisions of the Corporate Governance Regulations, and the reasons thereof

The company complied with most of the articles of the Corporate Governance Regulations issued by the Saudi Capital Market Authority, in recognition of the importance of the Corporate Governance Regulations in enhancing the disclosure and transparency. The company has fulfilled the requirements of the Capital Market Authority and the Ministry of Commerce and Investment regarding the implementation of the governance regulation and disclosure of the items that were not applied and the reasons for that. Since 2010, the company has prepared a guide for the "Herfy Company's Governance Regulations" and approved by the company's board of directors, which includes the specific and announced provisions, policies procedures, rules, and standards that regulate transactions and relations with the company shareholders and stakeholders. Those are applied in accordance with specific and announced standards, rules, and controls, in accordance with the requirements of the Capital Market Authority, Companies Law, Corporate Governance Regulations, and the company's articles of association. The regulation (guide) also includes the practices carried out by the company that were not mentioned in the regulations, rules and requirements. Herfy Governance Regulation Guide is subject to ongoing modification and development in line with the changes that occur in the rules, regulations, and controls of the relevant regulatory authorities. The company has disclosed through form (8) the provisions of the regulations that have been applied and those that have not been applied among the provisions of the regulations amended by the Capital Market Authority Board Resolution No. 8-5-23 corresponding to 18/1/2023.

It is worth noting that the provisions that the company did not apply are some guiding clauses, some items that have been partially applied and related to an update of the policies, objectives and operational plans of the company to keep pace with the changes and developments that the business sector is currently witnessing. The following statement clarifies this:

Clause/Article No.	Clause/Article Text	Partially applied	Not applied	Reasons and details
Article (20), Paragraph (B)	The board is responsible for the Company's business even if it delegates some of its powers to committees, individuals or other third parties. In any case, the Board may not issue a general or an open-ended delegation.	✓		The company's board of directors made a power of attorney for the CEO with the regulatory authorities. This power of attorney includes some matters such as buying and selling and concluding contracts, agreements and deals, and this power of attorney was made because it is a required matter and is linked to the conduct of the company's business and administrative and executive work.
Article (25), Paragraph (2)	Board responsibilities include suggesting the Company's comprehensive strategy as well as the principal and interim business plans and the policies and mechanisms for investment, financing, risk management and emergency administrative circumstances management plans and implementing them.	✓		The update of the company's internal policies has been completed, and the second phase of the project has been started and the procedures associated with those policies have been applied.
Article (35), Paragraphs (7&9)	Ensuring that the Board members receive, fully and promptly, a copy the minutes of the Board's meetings as well as the information and documents related to the Company.	✓		Due to a leak of one of the documents related to a meeting of the board of directors in 2021, and when an investigation was conducted in this regard by an external party, the source of the leak was not reached, so the board of directors directed to preserve the confidentiality of information and documentation and to avoid the recurrence of this leakage that some documents presented at board meetings be preserved as well as the minutes of board committees in the secretariat of the board of directors, while making them available for viewing by all members.

Clause/Article No.	Clause/Article Text	Partially applied	Not applied	Reasons and details
Article (37), Paragraph (1-2)	1) Preparing programs for the recently-appointed Board members and Executive Management to familiarize them with the progress of the Company's business and activities. 2) developing the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programs and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.	✓		As for the members of the board of directors and executive managers, they are introduced to the company's activities and its various sectors through their visits to those sectors, as well as reviewing the work and results of those sectors. They may also communicate with the company's executive management, and most of the members of the board of directors have experience in the field of the company's work. The procedures will be formulated in the form of training programs that reflect the expansions the company is witnessing, as well as the changes that the business sector is going through, which will be reflected on the company's plans, activities and strategy. It is expected to be completed before this article becomes mandatory. The article is still indicative.
Article (39), Paragraphs (A-B-C-D-F)	a) The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company. b) The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment. c) The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve the performance of the Board. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general. d) The individual assessment of the Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committees meetings and dedicating adequate time thereof.		✓	The Board of Directors has been evaluated by an external party for the last three years, and the evaluation will be done internally, and the material is still indicative.

Clause/Article No.	Clause/Article Text	Partially applied	Not applied	Reasons and details
	e) The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years. f) Non-Executive Directors shall carry out a periodic assessment of the performance of the chairman of the Board after getting the opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall			
Article (51), Paragraph (B)	The chairman of the audit committee shall be an Independent Director		✓	The committee is chaired by an experienced member from outside the board of directors. The item is currently indicative.
Article (67)	The Company's Board shall, by resolution therefrom, form a committee to be named the "risk management committee.". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.		✓	Currently, the responsibility for following up on risks is subject to the board of directors, and the financial management officer has previously been authorized to follow up on risks. Activating the work of the committee in the future will be considered, and the article is currently indicative.
Article (68)	Competencies of the Risk Management Committee.		✓	It will be determined in the event of activating the risk committee, as it is a guiding article.
Article (69)	Meetings of the Risk Management Committee.		✓	There are no committee meetings because there is no risk committee, as it is a guiding article.
Article (75)	Internal Control Report	✓		A semi-annual report and two quarterly reports were issued
Article (82), Paragraphs (2,3)	2) establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such program; 3) establishing social organizations for the benefit of the Company's employees.		✓	The article is indicative and will be applied when it is mandatory.

Clause/Article No.	Clause/Article Text	Partially applied	Not applied	Reasons and details
Article (84)	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.		✓	This policy will be prepared in the light of updating the company's business strategy and executive plans, and it will be submitted to the General Assembly, as it is a guiding paragraph. Despite this, the company has contributions and initiatives in social responsibility.
Article (85)	The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company		✓	These programs will be developed after approval of the general assembly on the policies to be presented by the board of directors in accordance with Article (87), and it is still a guiding article.
Article (89)	Disclosure by the board	✓		Disclosure is made through an annual statement sent by directors of the current and previous companies in which they occupy management positions or own stakes, as well as their disclosure of their ownership in the shares of Herfy, as well as their minor children and wives. And also their disclosure in the minutes of the Board of Directors about the transactions that may have with Herfy. These data will be collected in the form of a record for the disclosure of the members of the Board of Directors.
Article (92)	If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance and shall provide the Board with its reports and recommendations at least annually.	✓		Since the article is indicative, the work of the Governance Committee is currently assigned to the Nominations and Remunerations Committee.

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06

The company's
Managerial body



06

The company's Managerial body

Names of members of the Board of Directors, members of committees and executive management, their current and previous positions, qualifications and experience:

a.

Members of the Board of Directors

as on 31/12/2022

Eng. Mutaz Kusai Alazzawi

Chairman of Herfy Board of Directors

Current Positions

*A businessman who runs his own group of companies

Previous Positions

* A businessman who runs his own group of companies

Qualifications

* Bachelor of Computer Engineering from King Saud University.

Experience

* 27 years in investment, trade, and corporate management .

Mr. Walid Khaled Yaseen Fatani

Vice Chairman of the Board of Directors of Herfy Company

Current Positions

*CEO of Savola Group

Previous Positions

* CEO of Saudi Fransi Capital
 * General Manager of Treasury and Financial Markets Advisor at Abdul Latif Jameel Group.
 * General Manager of Deutsche Bank in Saudi Arabia.
 * Treasury Manager at the Saudi Fransi Bank.

Qualifications

* Bachelor of Science in Accounting from California State University, USA.

Experience

* Management of companies, banks, financial institutions, and holding companies.

Eng. Ahmed Mohammed Al-Falih

Current Positions

*CEO of the Leading Commercial Representation Company
 * Managing Director of Bin Laden International Holding Group

Previous Positions

* CEO of Tasheelat Marketing Company
 * CEO of Al Mashreq Contracting Company
 * CEO of Olayan Food Services Company, Burger King

Qualifications

* Bachelor of Civil Engineering from University of Petroleum and Minerals

Experience

* Real estate investment, marketing and food industries

Dr. Bander Talaat Hamooh

Current Positions

* CEO of Panda Retail

Previous Positions

* Adviser to the Minister of Health.
 * CEO and member of the Board of Directors of Al-Nahdi Medical Company.
 * Deputy Chairman and Board Member of GlaxoSmithKline.
 * CEO of Saudi Arabian Glaxo Company Ltd.

Qualifications

* Bachelor of Pharmacy, King Saud University.

Experience

* Management of retail companies, and pharmaceutical companies.

Names of members of the Board of Directors, their current and previous positions, qualifications and experience:

a. Members of the Board of Directors

Eng. Esam Maged Al-Muhaidib

Current Positions
 *Vice President of Industrial Investments and Infrastructure Al Muhaidib Group

Previous Positions
 * CEO of the Grand Warehousing Company.
 * General Manager of Dar Al Marafa Company for Office supplies

Qualifications
 * MA and BA in Industrial Engineering, University of Texas.

Experience
 * Industrial and commercial companies' management.

Eng. Hussein Ali Alasmari

Current Positions
 *IT Consultant
 General Insurance Corporation

Previous Positions
 * General Manager of Sales Channels Applications at Saudi Telecom Company.
 *General Manager of Information Technology Governance and Strategy at Maaden Company

Qualifications
 * Bachelor of Information Technology, King Abdulaziz University .

Experience
 * Information and Communication Technology .

Eng. Abdul Aziz Mohammed Al Raqib

Current Positions
 * General Manager of Imtiaz Arabia Company

Previous Positions
 * Consultant at Bain & Company.
 * Engineer at Aramco.

Qualifications
 * Master's degree in Petroleum Engineering from the University of Kansas.
 * Master's degree in Chemical Engineering from the University of Kansas .

Experience
 * Commercial companies' management



Members of committees

Nominations and Remunerations Committee as on 31/12/2022



1. Nominations and Remunerations Committee:

Eng. Ahmed Mohammed Al-Falih

Chairman of the Nominations and Remunerations Committee and member of the board of directors

Current Positions

*CEO of the Leading Commercial Representation Company

* **Managing Director of Bin Laden International Holding Group.**

Previous Positions

* CEO of Tasheelat Marketing Company
 * CEO of Al Mashreq Contracting Company
 * CEO of Olayan Food Services Company, Burger King

Qualifications

* Bachelor of Civil Engineering from University of Petroleum and Minerals.

Experience

* Real estate investment, marketing and food industries

Eng. Hussein Ali Alasmari

Committee member and board member

Current Positions

*IT Consultant
 General Insurance Corporation

Previous Positions

* General Manager of Sales Channel Applications in STC
 * Director General of Information Technology Governance and Strategy at Ma'aden

Qualifications

* Bachelor's degree in Information Technology from King Abdulaziz University .

Experience

* Information and Communication Technology.

Mr. Murhaf Mohammed Al-Samman

Committee member from outside the board of directors

Current Positions

* Executive Manager of Human Resources at Savola Group

Previous Positions

* Human Resources Manager at Crystal International Group.

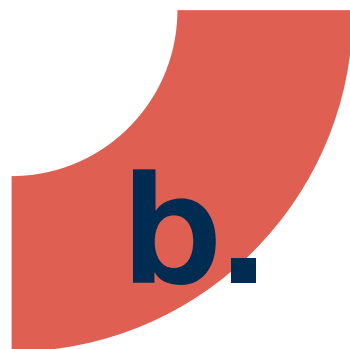
Qualifications

* Masters in Systems and Information Management from the University of Chicago
 * Professional Studies in Human Resources Management .

Experience

* Work experience in human resources





Members of committees

Audit Committee as on 31/12/2022



2. Audit Committee:

Mr. Ali Assem Barakat

Chairman of the Audit Committee from outside the Board of Directors

Current Positions

* Chief Audit Officer, Savola Group

Previous Positions

* Senior Manager at Abu Dhabi Accountability Authority
 * Manager at KPMG, and Manager at Ernst & Young (EY).

Qualifications

* Bachelor's degree in Commerce (Accounting major) - University of Helwan, Egypt
 * Licensed Certified Public Accountant, USA
 * Member of American Institute of Certified Public Accountants & Chartered Global Management Accountant Association.

Experience

* Over 25 years' experience in the financial sector field, internal controls, internal and external assurance, governance, enterprise risk management and compliance.

Eng. Hussein Ali Alasmari

Committee and Board member

Current Positions

* IT Consultant
 General Insurance Corporation

Previous Positions

* General Manager of Sales Channels Applications at Saudi Telecom Company.
 * General Manager of Information Technology Governance and Strategy at Maaden Company.

Qualifications

* Bachelor of Information Technology, King Abdulaziz University.

Experience

* Information and Communication Technology.

Mr. Saleh Moqbel Khalaf

Member of the Committee from outside the Board of Directors

Current Positions

* A partner in Khbir Accounting Consulting Company

Previous Positions

* Executive Director of Internal Audit, National Water Company,
 * Manager of Policies and Procedures Department, Saudi Tele-com Company

Qualifications

* Bachelor of Accounting, King Saud University
 * American Fellowship of Certified Public Accountants (CPA) Financial accounting
 * The Saudi Fellowship of Certified Public Accountants SOCPA

Experience

* Financial accounting and auditing.

Dr. Ahmed Abdullah Al-Munif

Member of the Committee from outside the Board of Directors

Current Positions

* A faculty member at King Saud University

Previous Positions

* Lecturer, Department of Accounting, King Saud University,
 * Teaching Assistant, Department of Accounting, King Saud University .

Qualifications

* Ph.D. in Accounting from Dundee University,
 * Master of Research in Financial Accounting, University of Glasgow,
 * Master of Accounting Sciences from Central Tennessee University,
 * Bachelor of Accounting, King Saud University.

Experience

* Financial accounting and auditing.

Dr. Abdul Raof Suleiman Banja

Member of the Committee from outside the Board of Directors

Current Positions

* Independent Consultant for Financial Consultations

Previous Positions

* Senior Vice President and CEO of Al Awal Financial Services Company.

Qualifications

* PhD in Economics from the University of California

Experience

* Financial consulting.

3. Executive Committee:

Eng. Mutaz Kusai Alazzawi
Chairman of committee

Current Positions
*A businessman who runs his own group of companies

Previous Positions
* A businessman who runs his own group of companies

Qualifications
* Bachelor of Computer Engineering from King Saud University

Experience
* 27 years in investment, trade, and corporate management

Mr. Walid Khaled Yaseen Fatani
Vice Chairman of the Board of Directors of Herfy Company

Current Positions
*CEO of Savola Group

Previous Positions
* CEO of Saudi Fransi Capital
* General Manager of Treasury and Financial Markets Advisor at Abdul Latif Jameel Group.
* General Manager of Deutsche Bank in Saudi Arabia.
* Treasury Manager at the Saudi Fransi Bank.

Qualifications
* Bachelor of Science in Accounting from California State University, USA.

Experience
* Bachelor of Science in Accounting from California State University, USA.

Herfy Food Services Company is a Saudi joint stock company

Eng. Ahmed Mohammed Al-Falih
member of the Board of director

Current Positions
* CEO of the Leading Commercial Representation Company
* Managing Director of Bin Laden International Holding Group

Previous Positions
* CEO of Tasheelat Marketing Company
* CEO of Al Mashreq Contracting Company
* CEO of Olayan Food Services Company, Burger King

Qualifications
* Bachelor of Civil Engineering from University of Petroleum and Minerals

Experience
* Real estate investment, marketing and food industries.

Eng. Abdul Aziz Mohammed Al Raqib
member of the Board of director

Current Positions
* General Manager of Imtiaz Arabia Company

Previous Positions
* Consultant at Bain & Company.
* Engineer at Aramco.

Qualifications
* Master's degree in Petroleum Engineering from the University of Kansas.
* Master's degree in Chemical Engineering from the University of Kansas .

Experience
* Commercial companies' management.

Mr. Sam Bader
Chief Executive Officer

Current Positions
* CEO of Herfy Food Services

Previous Positions
* Executive Director of the Restaurants Sector at Herfy,
* Operations Manager for McDonald's Restaurants in America

Qualifications
* Bachelor of Accounting, University of New Jersey

Experience
* Management, Operation and Development of Food Restaurants.



Members of Executive

as on 31/12/2022

Mr. Sam Bader

Current Positions

* CEO

Previous Positions

* Executive Director of the Restaurants Sector at Herfy,
* Operations Manager for McDonald's Restaurants in America.

Qualifications

* Bachelor of Accounting, University of New Jersey

Experience

* Management, Operation and Development of Food Restaurants.

Eng. Khaled Rabea Al-Rashidi

Current Positions

* Executive Manager of the meat factory, and the supervisor of the bakery sector

Previous Positions

* Executive Director of Quality at PepsiCo
* Alternate Director of Almarai Factories.

Qualifications

* Bachelor of Chemical Engineering King Saud University
* MPA University of Hull, UK

Experience

* Food Industry .

Mr. Habib Saba

Current Positions

* Executive Vice President of Marketing

Previous Positions

* Chief Marketing Officer of Hunger Station Company.

Qualifications

* PhD in Business Administration from John Lyon University

Experience

* Management and marketing.

Mr. Sharif Al Sufsafi

Current Positions

* General manager of financial affairs

Previous Positions

* Assistant General Manager for Financial Affairs at Herfy

Qualifications

* Bachelor of Accounting, Cairo University

Experience

* Financial accounting work .

Dr. Mohammed Al-Sharif

Current Positions

* General Manager Planning and Development

Previous Positions

* Planning and development manager Al-Romansiah.

Qualifications

* Master's and doctoral degree in business administration

Experience

* Industry and food services sector .

07 Names of the companies inside or outside the Kingdom for which a member of the company's board of directors is a member of its current and previous boards of directors or one of its managers

Member's Name	Names of the companies in which a member of the board of directors is a member of their current boards of directors or one of their managers	Inside / Outside the Kingdom	Legal Status Listed JSC / Non-listed shareholding/ LLC	Names of the companies in which a member of the board of directors is a member of their current boards of directors or one of their managers	Inside / Outside the Kingdom	Legal Status Listed JSC / Non-listed shareholding/ LLC
Eng. Mutaz Kusai Alazzawi	Riyad Bank	Inside the Kingdom	Listed Joint stock company	Merrill Lynch Saudi Arabia	Inside the Kingdom	Non-listed shareholding company
	Savola Group	Inside the Kingdom	Listed Joint stock company	Butterfly Food Industries	Outside the Kingdom	Non-listed shareholding company
	Arabic Cement	Inside the Kingdom	Listed Joint stock company	Qusai Al-Azzawi & Sons Co	Inside the Kingdom	LLC
	EtiHAD Etisalat Company	Inside the Kingdom	Listed Joint stock company			
	Herfy Food Services	Inside the Kingdom	Listed Joint stock company			
	Savola Food	Inside the Kingdom	Non-listed shareholding company			
	United Sugar	Inside the Kingdom	Non-listed shareholding company			
	Afia Global	Outside the Kingdom	Non-listed shareholding company			
	United Sugar Egypt	Outside the Kingdom	Non-listed shareholding company			
	Alexandria Sugar	Outside the Kingdom	Non-listed shareholding company			
	Queen for Food Industries	Outside the Kingdom	Non-listed shareholding company			
	Afia Global Saudi	Inside the Kingdom	Non-listed shareholding company			
	Qatrana cement	Outside the Kingdom	Non-listed shareholding company			
	Ready-mix concrete and construction supplies company	Outside the Kingdom	Listed Joint stock company			
	Saudi Industrial Construction and Engineering Projects	Inside the Kingdom	LLC			
	Saudi Technology and Trade	Inside the Kingdom	LLC			
	mediators of development	Inside the Kingdom	LLC			

Member's Name	Names of the companies in which a member of the board of directors is a member of their current boards of directors or one of their managers	Inside / Outside the Kingdom	Legal Status Listed JSC / Non-listed shareholding/ LLC	Names of the companies in which a member of the board of directors is a member of their current boards of directors or one of their managers	Inside / Outside the Kingdom	Legal Status Listed JSC / Non-listed shareholding/ LLC
Esam Maged Al-Muhaidib	Herfy Food Services	Inside the Kingdom	Listed Joint stock company			
	Panda Retail Company	Inside the Kingdom	Non-listed shareholding company			
	Abdul Qader Al Muhaidib & Sons Co	Inside the Kingdom	Non-listed shareholding company			
	Mayar Food Company	Inside the Kingdom	LLC			
	Masdar Building Materials Company	Inside the Kingdom	Non-listed shareholding company			
	Dar Al Zahrawi Medical Supplies Company	Inside the Kingdom	LLC			
	Bawan Engineering Industries Company	Inside the Kingdom	LLC			
	Binaa Holding Company	Inside the Kingdom	LLC			
	Zahran Chemical Industries and Marketing Company	Inside the Kingdom	Non-listed shareholding company			
	Thabat Construction Company Ltd.	Inside the Kingdom	LLC			
	Zohoor Alreef Trading Company	Inside the Kingdom	Non-listed shareholding company			
	United Electrical Transformers Company	Inside the Kingdom	LLC			
	Imdad human resources company	Inside the Kingdom	Non-listed shareholding company			
Ahmed Mohammed Al-Falih	Leading commercial representation company	Inside the Kingdom	LLC			
	United company for technical works	Inside the Kingdom	LLC	Tashelat Marketing Company	Inside the Kingdom	LLC
	Mohammed bin Saleh Al-Sultan Professional Consulting Company	Inside the Kingdom	LLC	Tashelat Holding Company	Inside the Kingdom	LLC
	Managing Director of Bin Laden International Holding Group	Inside the Kingdom	Closed joint stock	Sahel market company	Inside the Kingdom	LLC
	Herfy Food Services	Inside the Kingdom	Listed Joint stock company	Sahel transportation company	Inside the Kingdom	LLC
	Al Jouf Cement Company	Inside the Kingdom	Listed Joint stock company	Sahel operation and maintenance company	Inside the Kingdom	LLC
				Sahel Marketing and Distribution Co	Inside the Kingdom	LLC

Member's Name	Names of the companies in which a member of the board of directors is a member of their current boards of directors or one of their managers	Inside / Outside the Kingdom	Legal Status Listed JSC / Non-listed shareholding/ LLC	Names of the companies in which a member of the board of directors is a member of their current boards of directors or one of their managers	Inside / Outside the Kingdom	Legal Status Listed JSC / Non-listed shareholding/ LLC
				Sahel Real Estate Investment Company	Inside the Kingdom	LLC
				Advanced Seal Company	Inside the Kingdom	LLC
				Ethad Cel Company	Inside the Kingdom	LLC
				Musa Al Mousa Holding Company	Inside the Kingdom	Closed joint stock
Walid Khaled Fatani	Herfy Food Services Company	Inside the Kingdom	Listed Joint stock company	-	-	-
	Almarai Company	Inside the Kingdom	Listed Joint stock company	-	-	-
	Knowledge Economic City Company	Inside the Kingdom	Listed Joint stock company	-	-	-
	Savola Food Company	Inside the Kingdom	Closed joint stock	-	-	-
	Panda Retail Company	Inside the Kingdom	Closed joint stock	-	-	-
	Kinan International Real Estate Development Company	Inside the Kingdom	Closed joint stock	-	-	-
	Al Kabeer Holding Company	Outside the Kingdom	LLC	-	-	-
	Afia International Company	Inside the Kingdom	Closed joint stock	-	-	-
	United Sugar Company	Inside the Kingdom	Closed joint stock	-	-	-
	Savola World Foundation	Inside the Kingdom	National (non-profit)	-	-	-
	Afia International Company - Egypt	Outside the Kingdom	Closed joint stock	-	-	-
	United Sugar Company - Egypt	Outside the Kingdom	Closed joint stock	-	-	-
	Queen Company - Egypt	Outside the Kingdom	Closed joint stock	-	-	-
Bander Talaat Hamooh	Herfy Food Services Company	Inside the Kingdom	Listed Joint stock company	Al Sarei Group	Inside the Kingdom	Listed Joint stock company
	Al Kabeer Food Group	Outside the Kingdom	Closed joint stock	L'azurde Company for Jewelry	Inside the Kingdom	Listed Joint stock company
	Mediwa Medical Company	Inside the Kingdom	LLC	Zuhair Fayez & Co	Inside the Kingdom	Listed Joint stock company
	Savola Food Company	Inside the Kingdom	National (non-profit)	Jamjoom Pharma for Pharmaceutical Industries Co	Inside the Kingdom	Closed joint stock
	Al-Salam Medical Company	Inside the Kingdom	LLC	Health Assembly in Makkah	Inside the Kingdom	Government Facility

Member's Name	Names of the companies in which a member of the board of directors is a member of their current boards of directors or one of their managers	Inside / Outside the Kingdom	Legal Status Listed JSC / Non-listed shareholding/ LLC	Names of the companies in which a member of the board of directors is a member of their current boards of directors or one of their managers	Inside / Outside the Kingdom	Legal Status Listed JSC / Non-listed shareholding/ LLC
Abdul Aziz Al Raqib *	Arabian franchise company	Inside the Kingdom	Non-listed shareholding company	Madar Food Company to provide fast meals	Inside the Kingdom	LLC
	Herfy Food Services Company	Inside the Kingdom	Listed Joint stock company			
	Sports franchise company	Inside the Kingdom	Non-listed shareholding company	Iowa limited company	Inside the Kingdom	LLC
	Hamad Mohammed Al Raqib & Sons Trading Company	Inside the Kingdom	Non-listed shareholding company	-	-	-
	Al Reema Real Estate Development Company	Inside the Kingdom	Non-listed shareholding company	-	-	-
	Sanaya Najd Investment Company	Inside the Kingdom	LLC	-	-	-
	Eastern heights investment company	Inside the Kingdom	LLC	-	-	-
	Switch Restaurant Company	Outside the Kingdom	LLC	-	-	-
	Bahrain Switch Restaurant Company	Outside the Kingdom	LLC	-	-	-
	The Future of Fun Trading Company	Inside the Kingdom	Non-listed shareholding company	-	-	-
Hussein Ali Alasmari	Nadec Company	Inside the Kingdom	Listed Joint stock company	-	-	-
	Herfy Food Services Company	Inside the Kingdom	Listed	Mobily	Inside the Kingdom	Listed

08 Composition of the Board of Directors and classification of its members as on 31/12/2022

According to the articles of association of Herfy Company, the members of the board of directors of Herfy are composed of nine directors. On 25/4/2021, at the meeting of the Ordinary General Assembly, the company's board of directors was elected and re-formed for its new term for a period of 3 years which began on 01/05/2021 and ends on 30/04/2024. On 21/06/2021, the board member, the non-executive member Mr. Ahmed Hamad Al-Saeed resigned and the non-executive member Mr. Khaled Ahmed Al-Saeed, was dismissed at the General Assembly meeting on 28/03/2022, and no members were appointed to replace them. Currently, the board is composed of seven members, including three independent members and four non-executive members. The following table shows composition of the Board and classification of its members as on December 31, 2021:

S/N	Member Names	Capacity
1	Eng. Mutaz Kusai Alazzawi, Chairman of the Board of Directors	Non-Executive Member
2	Mr. Walid Khaled Yaseen Fatani, Deputy Chairman	Non-Executive Member
3	Eng. Ahmed Mohammed Al-Falih	Independent member
4	Eng. Esam Maged Al-Muhaidib	Non-Executive Member
5	Dr. Talaat Bandar Hamooh	Non-Executive Member
6	Eng. Hussein Ali Alasmari	Independent member
7	Eng. Abdul Aziz Mohammed Al Raqib	Independent member

09 Number of board meetings and attendance record

According to the company's articles of association, the company's board of directors is responsible for drawing up and approving the company's future strategies and plans, general policies, financial objectives, and their approval, monitoring business management, evaluating the performance of the company and senior management, and protecting and caring for the interests of shareholders. The company's board of directors held 11 meetings during the fiscal year 2022, and the table below shows the details related to that:

Member	Capacity	First meeting 27/1/2022	second meeting 3/2/2022	Third meeting 15/2/2022	Fourth Meeting 3/3/2022	Fifth Meeting 2/3/2022	Sixth Meeting 11/4/2022	Seventh Meeting 11/5/2022	Eighth Meeting 12/5/2022	Ninth meeting 2/8/2022	Tenth meeting 25/1/2022	Eleventh meeting 2/12/2022	Total
Eng. Mutaz Kusai Alazzawi	Non-Executive	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. Walid Khaled Yaseen Fatani	Non-Executive	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. Esam Maged Al-Muhaidib *	Non-Executive	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Eng. Ahmed Mohammed Al-Falih	Independent	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Eng./ Hussein Ali Alasmari	Independent	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Dr. Bander Talaat Hamooh	Non-Executive	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10/11
Eng./ Abdul Aziz Mohammed Al Raqib	Independent	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/11
Mr. Khalid Ahmed Al Saeed	Executive	✓	✓	✓	✓	✓		His membership expired on 29/03/2022					5



10 Number of the company's applications for shareholders register 2022

The number of times the shareholders register was requested during the year 2022 was 4 times, according to the attached table:

Number	Application date	Application reason
1	10/03/2022	Others
2	23/03/2022	General assembly meeting
3	22/05/2022	General assembly meeting
4	21/11/2022	Others

11 Measures taken by the Board of Directors to inform its members - especially the non-executives - of the shareholders' suggestions and comments regarding the company and its performance

Shareholders' suggestions and comments are received through the company's management and the investor relations officer, as well as through direct communication with them at the general assembly meetings. All such documented suggestions, as well as the minutes of the general assembly meetings, are available to all executive and non-executive members of the board of directors with the Investor Relations Officer. The Investor Relations Officer informs the executive and non-executive members of the board of directors of those suggestions. During the year, no comments or suggestions were received from the shareholders on the company and its performance.

12 A brief description of the committees' competencies and tasks

Board Committees:

Herfy's board of directors forms an appropriate number of committees according to the company's needs and circumstances, to be able to perform its duties effectively. These committees are composed of a sufficient number of non-executive and independent board members in the Ad Hoc committees that may result in cases of conflict of interest such as

1. ensuring the integrity of financial and non-financial reports.
2. reviewing related persons' transactions
3. nomination for membership of the board of directors
4. ensuring the independence of independent members
5. recommendation with regard to the remuneration of the board members
6. ensuring that there is a clear policy for disbursing the remuneration of senior executives.





Audit Committee

In the General Assembly Meeting on 25/04/2021 the Board of Directors was elected for a period of 3 years starting from 01/05/2021 to 30/04/2024, and voting has been held to appoint members of the Audit Committee for a period of 3 years starting from 1/5/2021 to 30 / 4 / 2024.

The board of directors held its first meeting on 29/04/2021, and at this meeting, the Nominations and Remunerations Committee and the Executive Committee were formed for a period of 3 years, starting from 01/05/2021G to 30/04/2024G. Thus, the number of the sub-committees assisting the Board became three: namely Audit Committee, Nominations and Remunerations Committee and Executive Committee.

The Extraordinary General Assembly held on 22/05/2017G approved the committees' work regulations based on the corporate governance regulations issued on 13/02/2017G. Additionally, in the Extraordinary General Assembly meeting held on 30/04/2019G, the work regulations of the Audit Committee and the Nominations and Remuneration Committee were amended. We will present below details of the Board committees:

1. Audit Committee
2. Nominations and Remuneration Committee
3. Executive Committee

3 the number of the sub-committees assisting the Board

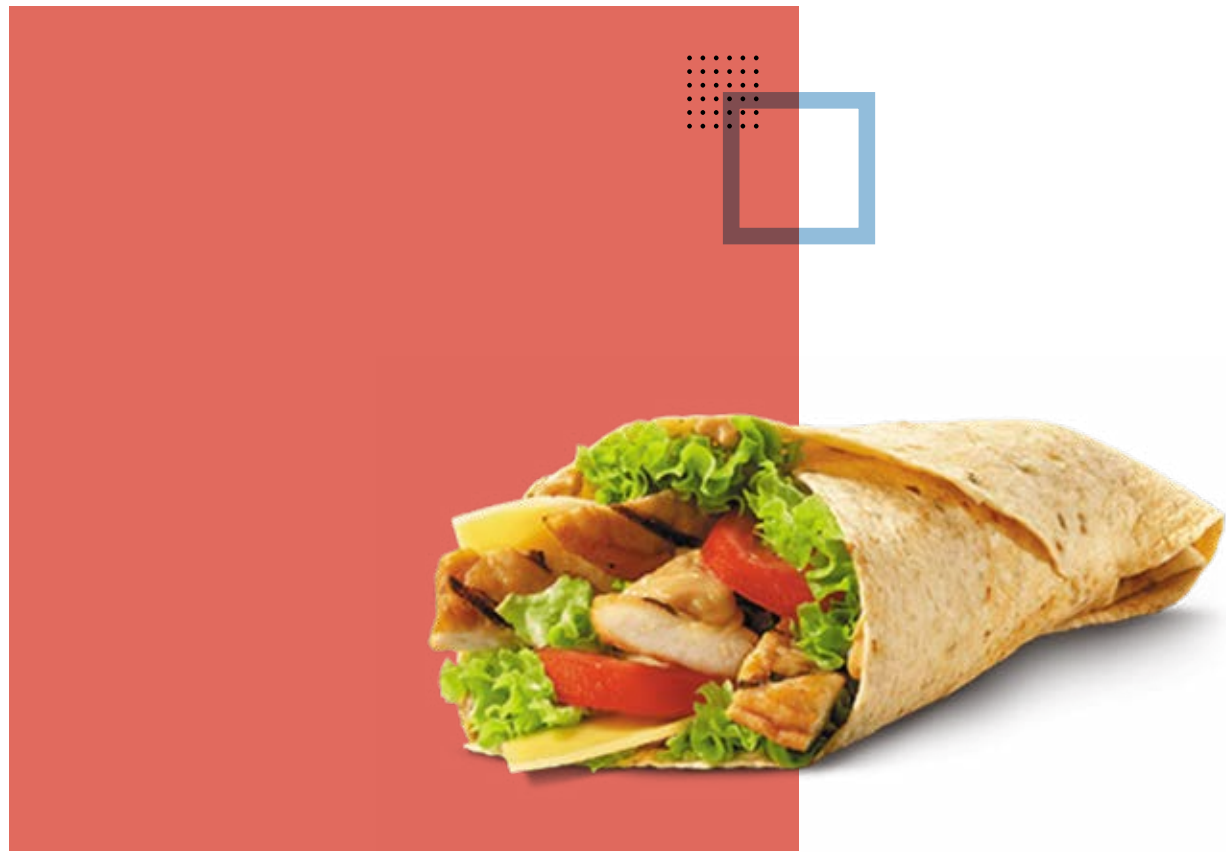
It is composed of (5) members. The general assembly of the company held on 25/04/2021G voted to select the Audit Committee and the Chairman of the Committee for the period from 01/05/2021G to 30/04/2024G, including a member of the Board of Directors, and (4) members from outside the council; two members are specialized in financial affairs who are – Mr. Esam Majed Al-Muhaidib, Dr. Abdul Raouf Banaja, Mr. Saleh Al-Khalaf, Dr. Ahmed Al-Munif, Mr. Ali Barakat - On 21/06/2021G, the committee member, Mr. Esam Majed Al-Muhaidib resigned and Engineer Hussein Al-Asmari (independent member of the board of directors) was appointed instead as a member of the committee

5

members

1. Mr. Ali Barakat
2. Dr. Abdul Raouf Banaja
3. Mr. Saleh Al-Khalaf
4. Dr. Ahmed Al-Munif
5. Eng. Hussein Al-Asmari

* Mr. Esam Majed Al-Muhaidib resigned and Engineer Hussein Al-Asmari was appointed instead as a member of the committee.



During 2021G, the committee held (7) meetings. The main task of the Audit Committee is

- 01** to verify the adequacy of the internal control system and its effective implementation
- supervision and coordination of audits
- 02**
- 03** to provide any recommendations to the Board of Directors that would activate and develop the system to achieve the objectives of the company and protect the interests of shareholders and investors

During the year, the Committee carried out the tasks and responsibilities of the Committee's work in accordance with the Corporate Governance Regulations, Herfy's Corporate Governance Regulations and the assignments of the Board of Directors





The committee carries out continuous follow-up operations for greater efficiency and effectiveness. The committee has also provided the board of directors, through the minutes of the committee and the committee’s annual report, with the results of the internal audit and its recommendations on the efficiency and effectiveness of internal control. The committee’s annual report on the results of the effectiveness of internal control. The committee’s annual report on the results of the effectiveness of the internal control procedures will be presented to the company’s general assembly. Following are the names of the members of the Audit Committee and the attendance record of the committee’s meetings:

Member	Nature of membership	1st meeting 10/03/2022	2nd meeting 20/03/2022	3rd meeting 10/05/2022	4th meeting 07/06/2022	5th meeting 01/08/2022	6th meeting 24/10/2022	7th meeting 21/11/2022	Notes
Mr. Ali Barakat (Chairman of the Audit Committee)	Specialized in finance and accounting from outside the Board of Directors	✓	✓	✓	✓	✓	✓	✓	7/7
Dr. Abdul Raof Suleiman Banaja	Committee member from outside the Board of Directors	✓	✓	✓	✓	✓	✓	✓	7/7
Mr. Saleh Moqbel Khalaf	Specialized in finance and accounting from outside the Board of Directors	✓	✓	✓	✓	✓	✓	✓	7/7
Dr. Ahmed Abdullah Al-Munif	Specialized in finance and accounting from outside the Board of Directors	✓	✓	✓	✓	✓	✓	✓	7/7
Eng.Hussein Ali Alasmari	Board member - Independent	✓	✓	✓	✓	✓	✓	✓	7/7

The position of the Committee’s Rapporteur is held by Mr. Ashraf Abdel Fattah, Manager of the Internal Audit Department, and he attended all the Committee’s (7) meetings.

Nominations and Remuneration Committee

The company applies Article (50, Clause 7) of the Corporate Governance Regulations, where the Nominations and Remuneration Committee were merged into one committee under the name of the Nominations and Remunerations Committee. The Nominations and Remunerations Committee, as of 31/12/2022G, consists of (3) members, including (2) independent members from the board of directors, and one (1) member from outside the board of directors.

On 29/4/2021G, the Nominations and Remunerations Committee was reformed in light of the election of the Board of Directors for its new session, which started from 01/05/2021G for a period of three years until 30/04/2024G – consisting of each of Eng. Ahmed Al-Falih, Eng. Hussein Ali Al-Asmari, Mr. Murhaf Mohammed Al-Samman.

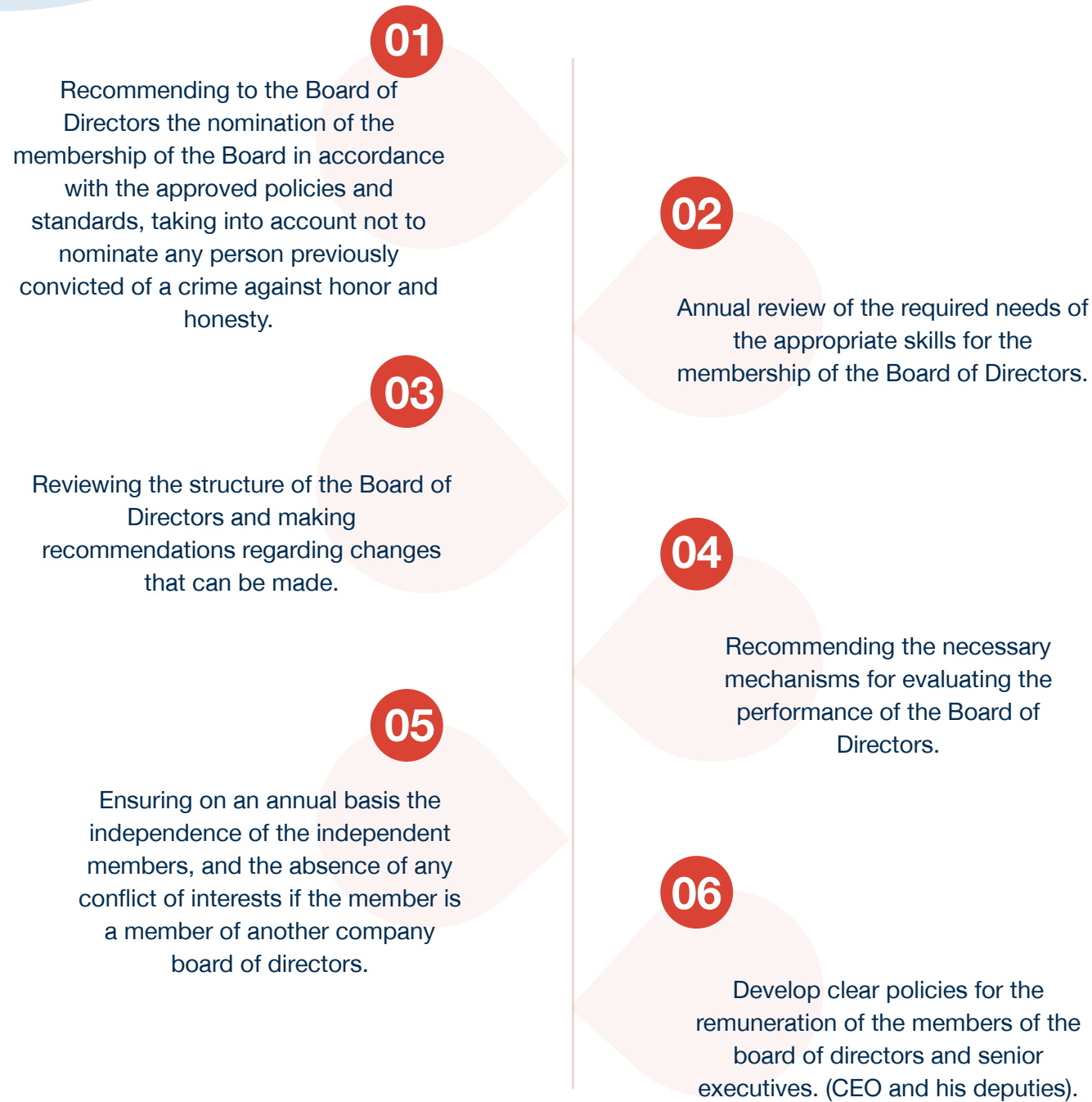
3

members

1. Mr. Ahmed Al-Falih
2. Hussein Ali Al-Asmari
3. Mr. Murhaf Mohammed Al-Samman.



the Committee held (4) meetings. During its meetings, the Committee reviewed and implemented the tasks entrusted to it and contained in the Corporate Governance Regulations according to the following:



The committee is also tasked to carry out periodic review of the company’s corporate governance regulations and submit recommendations and suggestions to the Board of Directors regarding making amendments thereto in line with the interest and objectives of the company. Following are the names of the members of the Nomination and Remuneration Committee and a record of attendance at meetings:

Member	Nature of membership	1st meeting 16/03/2022	2nd meeting 07/04/2022	3rd meeting 17/11/2022	4th meeting 15/12/2022	Notes
Eng. Ahmed Mohammed Al-Falih	Committee Chairman Board member - Independent	✓	✓	✓	✓	4/4
Mr. Murhaf Mohammed Al-Samman	Committee member from outside the board	✓	✓	✓	✓	4/4
Eng. Hussein Ali Alasmari	Board member - Independent	✓	✓	✓	✓	4/4

The position of the Committee’s Rapporteur is held by Mr. Ashraf Abdel Fattah, Manager of the Internal Audit Department, and he attended all the Committee’s (4) meetings.

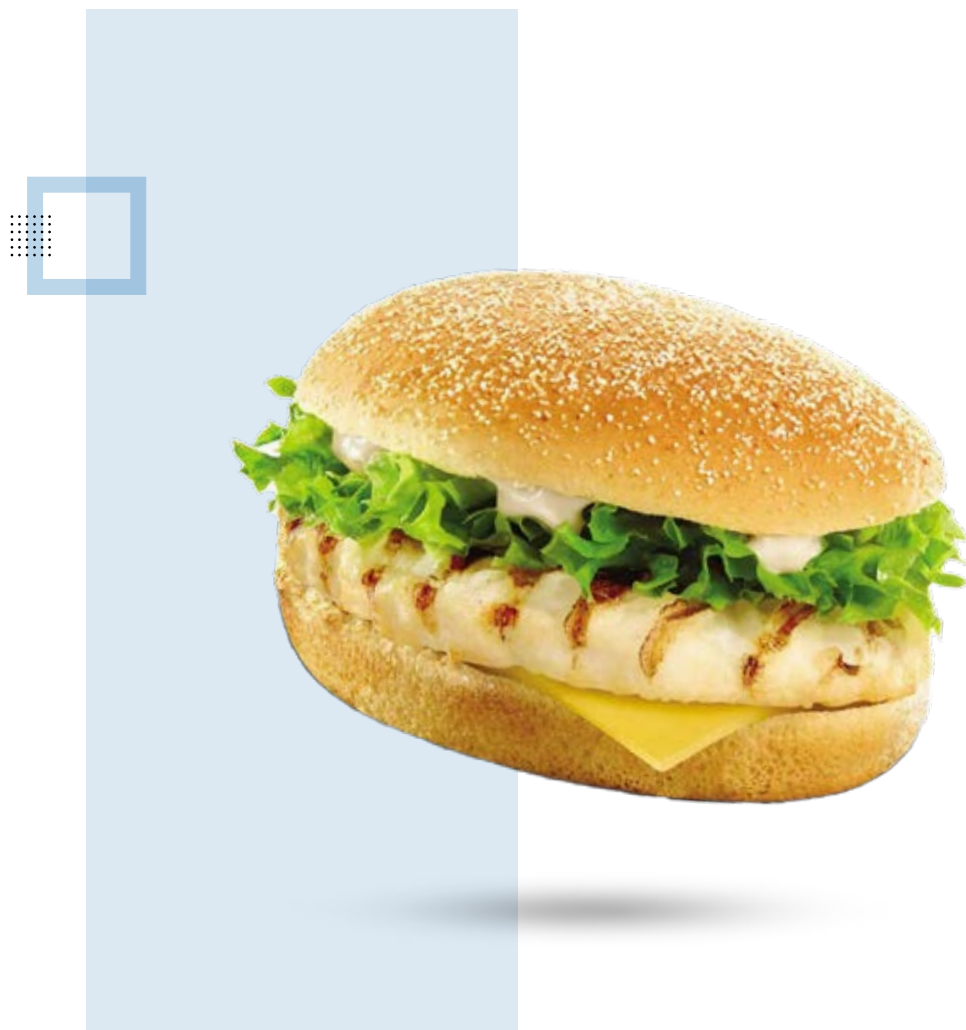
Executive Committee

The main objective of forming the Executive Committee is:

01
to assist the Board of Directors in assuming its responsibilities before shareholders and other bodies in matters related to supervising the executive management of the company

02
reviewing and monitoring the company’s business on a regular basis, and making the necessary recommendations to the Board when needed





The Board of Directors of the company formed an “Executive Committee” on 29/04/2021G. The Executive Committee consists of (5) members of the Board of Directors, including (2) non-executive members, two (2) independent, in addition to the CEO of the company. On 24/05/2021G, the Board of Directors approved the Committee’s work regulation

5

members

- 1. Eng. Mutaz Kusai Alazzawi
- 2. Eng. Ahmed Mohammed Al-Falih
- 3. Mr. Walid Khaled Yaseen Fatani
- 4. Eng. Abdul Aziz Mohammed Al Raqib
- 5. Mr. Sam Mohammed Bader

The committee is responsible for implementing the tasks entrusted to it in accordance with the committee’s work regulations. Among these tasks, for example, are the following:

01

Participation in setting the company’s new strategic plans and objectives and evaluating the proposals submitted by the management for such plans, including reviewing and evaluating the annual plan and the estimated budget and making recommendations in this regard for approval by the Board of Directors.

02

Reviewing the company’s business in light of the set goals and the estimated budget based on the quarterly management reports, discussing any urgent developments or updates, and requesting additional meetings of the committee if appropriate.

03

Reviewing and approving loan and borrowing requests, mortgaging assets and corporate guarantees

04

Take the necessary decisions to carry out any tasks determined by the Board of Directors or any of the committees emanating from the Board.

05

Consider selling or merging non-QSR services (bakery, meat, real estate) with other strategic players as part of the overall strategic planning.

06

Reviewing the main topics to be raised in the agenda of the Board of Directors’ meetings and making recommendations to the Board in their regard, if necessary.

Since the date of its formation, the committee has met three times. Following are the names of the members of the executive committee and the record of attendance at the committee's meetings:

Member	Nature of membership	1st meeting 04/01/2022	2nd meeting 24/05/2022	3rd meeting 14/12/2022	Notes
Eng. Mutaz Kusai Alazzawi	Committee chairman – non-executive	✓	✓	✓	3/3
Eng. Ahmed Mohammed Al-Falih	Board member – Independent	✓	✓	✓	3/3
Mr. Walid Khaled Yaseen Fatani	Board member – non-executive	✓	✓	✓	3/3
Eng. Abdul Aziz Mohammed Al Raqib	Board member – Independent	✓	✓	✓	3/3
Mr. Sam Mohammed Bader	CEO	✓	✓	✓	3/3

The position of the Committee's Rapporteur is held by Mr. Ashraf Abdel Fattah, Manager of the Internal Audit Department, and he attended all the Committee's meetings.

13 Assessment of the Performance of the Board of Directors and its Committees

As part of its terms of reference, the Nomination and Remuneration Committee is responsible for assessment of the performance of the board of directors and its committees. During 2019 the task of assessment of the board of directors was assigned to an independent external assessment party. During 2020 it was assessed by the Nomination and Remuneration Committee through questionnaire models. The company was not able to conduct the assessment of the Board during 2022G.



Remunerations of the Board of Directors and the Executive Management: 14

Objective :

01

Through the remuneration policy of the members of the board of directors and its permanent committees, Herfy Company aims to organize remunerations to attract members of the board or committees with scientific, technical, and administrative competences and appropriate experience, in order to enable them to perform their tasks and duties with professionalism and high efficiency, taking into account the sector in which the company operates and the skills necessary to manage it.

02

aims at creating an attractive environment in it, through which it can attract human resources with the required skills and experiences and to retain them to sustain its growth and achieve its vision, through the organizational framework for senior executive remunerations, which shall comply with relevant regulations, legislation and applications.

Standards and Rules Organizing the Remunerations:

Based on the provisions organizing the Board of Directors and its permanent committee as stipulated in the Companies Law, Corporate Governance Regulations and Regulatory Controls and Procedures which were issued pursuant the Companies Law for the listed companies. Based on the Company's Articles of Association and the Company's Corporate regulations, the remunerations for the Board's members, its Permanent Committee and the Senior Executives will be in accordance with the following Rules and Standards:

Members of the Board of Directors and its Committees

01 The board of directors- based on the recommendation of the Nomination and Remuneration Committee- determines the remuneration for the members of the Board and its Permanent Committees in accordance with the following standards:

- a. Organization of remunerations shall be compatible with the Company's strategic objectives and shall stimulate members of the Board of Directors and its Permanent Committees to achieve these objectives and strengthen the Company's capacity to develop and sustain its business.
- b. The remunerations shall be fair and proportionate with the terms of reference of the members of the Board of Directors and responsibilities carried out and taken by them.
- c. They shall be appropriate to the nature of the Company's business, activity, size, and the required skills and expertise.
- d. They shall be a factor to attract Board members with expertise, and scientific and practical qualifications required to promote and support the capacity of the Company to achieve their objectives.

02 The Board's remuneration may be a certain amount. If the Board of Directors' remuneration is a percentage of profits, and according to Article (76) of the Companies Law, it shall not exceed 10% of net profits as a remuneration for members of the Board of Directors. The remuneration shall be proportionate with the number of meetings attended by the member, and in all cases, the total remunerations and benefits of financial or in-kind amounts for a member of the Board of Directors shall not exceed five hundred thousand Riyals per year.

03 An additional remuneration for both the Chairman of the Board and Managing Director may be granted, in addition to the remuneration prescribed for the Board members, as decided by the Board of Directors.

04 The total remunerations received by the Board member for his membership in the Audit Committee formed by the General Assembly or for any additional work, or executive, technical, administrative, or consultative positions- under a professional license- assigned to him in the Company, shall not be included within the maximum limit of the remuneration of five hundred thousand Riyals prescribed in article 76 of the Companies Law.

05 The Company currently adopts a fixed annual remuneration for each member of the Board of Directors, and it is paid according to the term of membership of the Board of Directors during the year.

06 The Board member who participates in the committees of the Board of Directors- the Audit Committee, the Nomination and Remuneration Committee- is entitled for an annual remuneration of 100 thousand SAR for each Committee.

07 A member of the Audit Committee and the Nomination and Remuneration Committee (non-Board member) participating in the Board's Committees is entitled for annual remuneration of 100 thousand SAR for each Committee.

08 The Chairman of the Committee- Audit Committee, Nomination and Remuneration Committee- whether a Board member or (non-Board member) will be entitled for an annual remuneration of 100 thousand SAR for each committee.

09 The Board member participating in the Executive Committee- is entitled for an annual remuneration of 150 thousand SAR. The Chairman of the Committee is entitled for an annual remuneration of 200 thousand SAR approved in the work regulation of the Committee as adopted by the Board of Directors.

10 The member of the board of directors and the member of the committees are entitled for allowance for attendance of the meetings of the board of directors and the Board committees amounting to SAR 3,000 for each meeting, with additional amount of two thousand riyals per meeting for members from outside Riyadh, in lieu of catering and transportation.

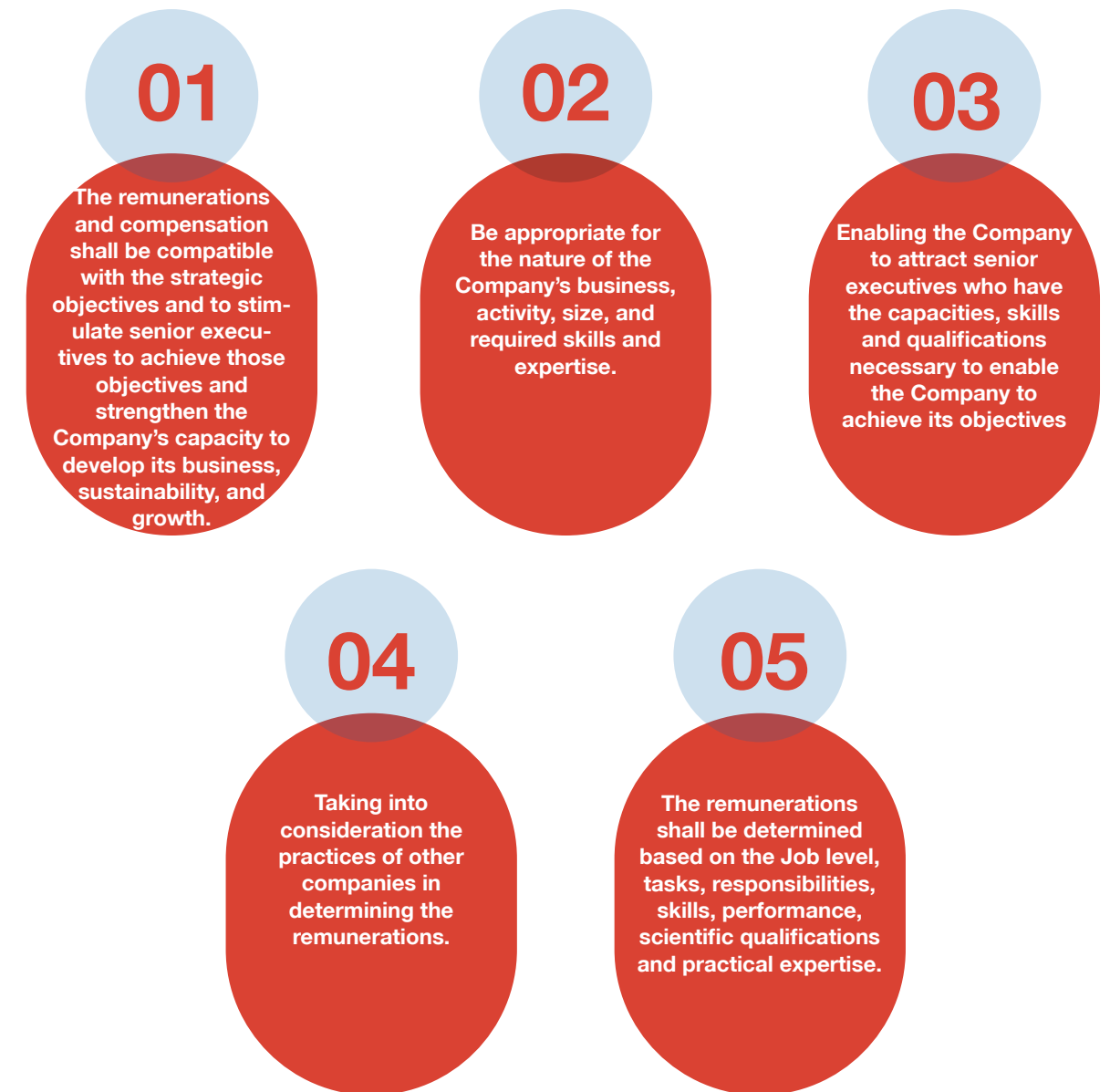
11 The Company has the right to claim for compensation from the Board member for damage to its reputation and refund remunerations, compensation and any other costs incurred by the Company in the following cases:

- a. The Board member committed an act of violating the honor and trust, or forgery , or violation of laws and regulations of the Kingdom of Saudi Arabia.
- b. The Board member failed to carry out his duties, responsibilities and tasks, leading to a damage to the Company's interest.
- c. Ending the membership of the Board member by a decision from the General Assembly – due to non-attendance of three consecutive meetings within one year and without an excuse accepted by the Board of Directors.
- d. If the Audit Committee or the Capital Market Authority found that the remunerations issued to any member of the board of directors were based on incorrect or misleading information presented to the General Assembly or included in the annual management report.



Senior Executives

In addition to the monthly salaries and job allowances received by the senior executives such as housing allowance, transportation allowance... etc. and medical insurance benefits, the Board of Directors- based on the recommendations of the Nominations and Remuneration Committee- determines the remunerations for the Senior Executive, which are associated with performance indicators and in accordance with the annual evaluation prepared in this regard and adopted by the jurisdiction in accordance with the following standards:



The Nominations and Remunerations Committee studies and compares the relationship between the granted rewards and the applicable rewards policy, and also studies deviations from that policy.

Following is a statement containing remunerations and payments for the Board's executive and non-executive members, and five senior executives in the Company:

Board members' remuneration paid

during 2022 (SAR'000)

Description	Fixed Remuneration					Expenses allowance for outside Riyadh for attending board sessions
	Specific amount #	Allowance for attending board sessions	total amount of allowance for attending Committee sessions of	Received by the board members in their capacity as employees or managers, for technical or consultative work	Total	
First: Independent Members						
Eng. Ahmed Al-Falih	249	30	21	-	300	0
Eng. Hussein Ali Alasmari	200	33	33	-	266	
Eng. Abdul Aziz Mohammed Al Raqib	200	33	9	-	242	
Members whose membership has expired:						
Eng. Abdullah Al-Saif	100	-	-	-	100	0
Mr. Mohammed Al-Haqbani	100	-	-	-	100	0
Total	849	96	63		1008	
Second: Non-Executive members						
Eng. Mutaz Alazzawi	5300*	33	9	-	5342	-
Mr. Walid Khaled Yaseen Fatani	200	33	9	-	242	12
Eng. Esam Maged Al-Muhaidib	200	33	-	-	233	12
Dr. Bander Talaat Hamooh	200	30	-	-	230	10
Members whose membership has expired:						
Eng. Esam Maged Al-Muhaidib	100	-	-	-	100	
Mr. Anis Ahmed Moamena	100	-	-	-	100	
Khaled Ahmed Al-Saeed	-	15	-	-	15	
Total	6100	144	18		6262	34

* The amount of five million riyals includes an additional remuneration for the Chairman of the board of directors, and based on the powers granted to the Board in the company's articles of association.

The annual remuneration for the year 2021, which was disbursed in 2022 and is within the maximum limit of SAR 500,000 thousand for the year 2022.

> The Board of Directors approved the disbursement of three hundred thousand riyals as an annual remuneration for each member of the board of directors for the year 2022, disbursed in accordance with the term of membership of the board of directors, and the board of directors approved based on Article 10 of the articles of association to pay an additional remuneration to the chairman of the board of directors of five million riyals.

Remunerations paid to members of board committees

Committee's information	Fixed annual remuneration	Allowance for session attendance	*Transportation and lodging allowance	Total (SAR'000)
Audit Committee				
Mr. Ali Barakat Chairman of the Audit Committee – A member from outside the board	100	21	2	123
Eng. Hussein Ali Alasmari Committee member and independent board member	100	21	-	121
Dr. Abdul Raof Suleiman Banja A member from outside the board	100	21	-	121
Mr. Saleh Moqbel Khalaf A member from outside the board	100	21	-	121
Dr. Ahmed Abdullah Al-Munif A member from outside the board	100	21	-	121
Total	500	105	2	607
Nominations and Remuneration Committee				
Eng. Ahmed Mohammed Al-Falih Committee chairman – Independent board member	100	12	-	112
Mr. Murhaf Mohammed Al-Samman from outside the board	100	12	2	114
Eng. Hussein Ali Alasmari - Committee member – Independent board member	100	12	-	112
Total	300	36	2	338
Executive Committee				
Eng. Mutaz Kusai Alazzawi Falih Committee chairman	200	9	-	209
Mr. Walid Khaled Yaseen Fatani Board member	150	9	4	163
Eng. Ahmed Mohammed Al-Falih Board member	150	9	-	159
Eng. Abdul Aziz Mohammed Al Raqib Board member	150	9	-	159
Total	650	36	4	690

* Transportation and lodging allowance for the session for members from outside Riyadh.

Remuneration of Senior Executives

(SAR '000)

Description	Fixed Remuneration				Variable Remuneration Annual and seasonal	End of Service indemnity	Grand Total
	Salaries	Allowances*	In-kind benefits	Total			
Five senior executives, including the CEO and CFO	3,888	1,352	357	5,597	945	60	6,602

*** The company has committed to disclose the elements of the senior executives' remuneration in total in accordance with the statutory requirements contained in sub-paragraph (4) of Article 93 of the Corporate Governance Regulations, but the company has disclosed the remunerations and compensations of senior executives in line with paragraph (b) of Article (60) of the Rules on the Offer of Securities and Continuing Obligations.

15 Penalty and fines

Any penalty, fines, precautionary measure, or precautionary restriction imposed on the company by the Authority or any supervisory, regulatory or judicial body, the reasons for the violation, the penalizing agency, and ways to remedy it and avoid its occurrence in the future.

Statement of violations and penalties for the year 2022

Government agency	Type of Service	Total value of violations (SAR)	proposed solutions
District sub-municipalities	Imposing new requirements and updates by Ejada and the municipalities on the restaurant sector	947,443	The company's safety department has recently been assigned to carry out preventive inspection visits to ensure that the branches comply with the updated terms and requirements issued by the Ministry.
Transport General Authority	Implementing the Saher system and imposing new requirements related to other government agencies	686,500	A vehicle movement department was established in the company to govern the movement of trucks, which positively limited the acceleration of violations
Ministry of Commerce and Investment	Customer complaints	8,300	Follow up with the delivery department to solve customer problems

16 Results of the Annual Audit of the Effectiveness of Internal Control Procedures

It falls within the competences and tasks of the executive management to implement internal control systems and controls and supervise them in general, and to ensure the existence of an appropriate and effective internal control system, which includes policies, procedures and processes that have been developed to achieve the company's objectives. Usually, an internal control system is established in line with the company's governance and is compatible with laws and regulations. The system defines the roles and responsibilities assigned to the board of directors and its committees, in addition to other management committees, in a way that provides appropriate oversight at the level of the company

The company's management also follows up on compliance with the control procedures and corrects any deficiencies in the internal control system. The audit committee raised the board of directors and the executive management of the company to complete the project of preparing and updating the company's internal policies to keep pace with the current changes and the size of the company's expansions, and work to finish correcting the repeated observations contained in the reports of the Internal Audit Department and the external auditor. These reports include an assessment of the adequacy and effectiveness of internal control.

The internal audit is an assurance function independent of the executive management, and its scope of work includes evaluating the adequacy and effectiveness of the internal control system, including compliance with the policies and procedures that have been established. Audit reports that include weaknesses in the internal control system as well as corrective actions are submitted to the executive management and the Audit Committee. The Audit Committee submits its report to the board of directors and the general assembly of shareholders.

The Committee has found that there is no material shortcoming that requires disclosure, which may affect the integrity and effectiveness of the financial and operational systems. Corrective plans and procedures have been developed to improve effectiveness based on the observations contained in the reports of the Internal Audit Department and external auditors, which provide reasonable grounds for ensuring the effectiveness of internal control according to a time frame, which will be followed up with the entrusted departments on an ongoing basis. The committee stresses the need to complete the draft policies and procedures in the company because of its impact on the effectiveness of the internal control system in the company.



17 The need to appoint an internal auditor

The Audit Committee did not recommend the appointment of an internal auditor because the company has an internal audit department.

18 Conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors

There are no recommendations for the Audit Committee that conflict with the decisions of the board of directors, or which the Board refused to take into account regarding the appointment and dismissal of the company's auditor, determining his fees, evaluating his performance or appointing the internal auditor.

19 Details of the Company's Social Contributions

None

20 General Assemblies held during 2022

During the year 2022, an ordinary general assembly was held on 28/03/2022, Ordinary General assembly on 22/5/2022 Following is the record of the attendance :of the members of the board of directors for the meeting of the general assembly

Name	Attendance record for the Extraordinary General Assembly on 28/03/2022	Attendance record to the general assembly on 22/05/2022
Eng. Mutaz Kusai Alazzawi (Chairman)	✓	✓
Mr. Walid Khaled Fatani (Deputy Chairman)	✓	✓
Eng. Ahmed Mohammed Al-Falih	✓	✓
Eng. Esam Maged Al-Muhaidib	✓	✓
Dr. Talaat Bandar Hamooh	✓	✓
Eng. Hussein Ali Alasmari	✓	✓
Eng. Abdul Aziz Mohammed Al Raqib	✓	✓
Mr. Khalid Ahmed Al Saeed	✓	His membership in the Board of Directors ended on 29/03/2022

21 A description of any interest, contractual securities and subscription rights belonging to the members of the company's board of directors, senior executives and their relatives in the company's shares or debt instruments

There are no debt instruments.

01 Members of the Board of Directors

Name	Number of shares at the beginning of 2022	Number of shares at the end of 2022	Net change during the year (Shares)	(%) of change
Eng. Mutaz Kusai Alazzawi **	1400	1400	-	-
Mr. Walid Khaled Yaseen Fatani **	-	-	-	-
Eng. Ahmed Mohammed Al-Falih	-	-	-	-
Dr. Bander Talaat Hamooh**	-	-	-	-
Mr. Esam Maged Al-Muhaidib **	1	1	-	-
Eng. Hussein Ali Alasmari**	-	-	-	-
Eng. Abdul Aziz Mohammed Al Raqib	1000	1000	-	-

There are no interest, contractual securities and subscription rights belonging to relatives of board members and senior executives in the company's shares or debt instruments.

02 Senior Executives

Senior executives from outside the board do not own shares or have a direct or indirect interest in the company as on 1/1/2022 & 31/12/2022.

03

Persons other than members of the company's board of directors, senior executives and their relatives

The company has not been notified by any persons other than members of the company's board of directors, senior executives and their relatives of any notice related to their ownership or having an interest of 5% or more of any class of voting shares or debt instruments convertible into shares.

22 List of Substantial owners

A statement of the names, number of shares and percentage of ownership of the substantial shareholders who own 5% or more and its change during the year 2022:

Investor	Nationality	Number of shares at the beginning of 2022	Ownership percentage at the beginning of 2022	Number of shares at the end of 2022	Ownership percentage at the end of 2022
Savola Group Company	Saudi company	31,693,200	49%	31,693,200	49%
Mr. Ahmed Hamad Al-Saeed	Saudi	12,392,688	19.16%	12,395,922	19.165%

23

A description of the categories and numbers of debt instruments convertible into shares, contractual securities, subscription right memoranda, or similar rights issued or granted by the company during the fiscal year, with an explanation of any compensation obtained by the company in exchange for that.

None

24

A description of any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right memoranda, or similar rights issued or granted by the company.

None

25

A description of any redemption, purchase or cancellation by the company of any redeemable debt instruments, and the value of the remaining securities, with a distinction between the listed securities purchased by the company and those purchased by its subsidiaries.

None



26

Dividend Distribution

The company's annual net profits shall be distributed after deducting all general expenses and other costs as follows:

1. (10%) of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue this setting aside when the said reserve reaches 30% of the paid-up capital.
2. A percentage of the net profits may be set aside to form a consensual reserve to be allocated for the purposes determined by the Board of Directors at the time.
3. The Ordinary General Assembly may decide to form other reserves, to the extent that achieves the interest of the company or ensures the distribution of fixed profits as much as possible to the shareholders. The aforementioned assembly may also deduct sums from the net profits for the establishment of social institutions for the company's employees or to assist the existing ones of such institutions.
4. After that, a profit of no less than (5%) of the paid-up capital shall be distributed to the shareholders.
5. After the foregoing, a percentage not exceeding 10% of the net profits shall be allocated as a bonus to the members of the board of directors. The sum of the rewards and financial or in-kind benefits that a member of the board of directors receives should not exceed five hundred thousand riyals annually, according to the regulations set by the competent authority.
6. The company may, after fulfilling the regulations set by the competent authorities, distribute semi-annual and quarterly profits.
7. The company may, based on the recommendation of the Board of Directors and the approval of the General Assembly, not pay dividends to shareholders.

8.

In line with this policy, the company's board of directors, in its session held on April 19, 2010, approved the distribution of semi-annual dividends starting in 2010, and the board may review this decision from time to time as necessary, and the board of directors also approved that the maximum for distribution equivalent to about 70% of the company's profits.

9.

The possibility of distributing profits from the retained earning balance

The year 2022 did not witness the distribution of profits to shareholders, based on the decision of the General Assembly dated 22/5/2022 which approved the non-distribution of profits for the year 2021G.

On 15/03/2022, the board of directors recommended to the General Assembly to approve the proposal to distribute profits for the year 2022 according to the following statement:

description	Percentage of profits proposed to be distributed for the year 2022	Value is SAR	Number of Shares	Total amount of the distribution (SAR)
Earnings per share	5%	0.50	64,680,000	32,340,000 * #

* It has not been disbursed yet and will be recommended to the General Assembly according to the recommendation of the board of directors on 15/03/2022, and it will be disbursed if approved by the General Assembly.

The distribution will take place from the profits of the year and the account of retained profits.

27

Transactions with Related Parties - Members of the Board of Directors

The Company have been operating in the Saudi market for about 42 years, and has extended and long-term transactions and agreements relating to exchanged real estate rentals, purchasing raw products, selling products, etc. with related parties, i.e., **(Kenan Company, Al-Aziziya Panda Markets Company both affiliates to Savola Group, Al Marai Company, United Sugar Company, etc.**

Following is a statement that includes the nature and size of those transactions for the year 2022:

1. Lease Contracts

Related Parties	Capacity	Type of Contract	Number of contracts	Remarks
Panda Company	A subsidiary of Savola Group, members of the Board of Directors of Herfy Eng. Moataz Qusay Al-Azzawi, Eng. Essam Majed Al-Muhaidib Mr. Walid Khaled Fatani. Members of the Board of Directors and senior executives of Savola Group.	Rental of 6 Herfy stores numbers 3 -7 -10-15- 170 - 157	6	The stores are in Riyadh area. The rental amount represents a percentage of sales varies between 8% and 10% annually. The date of some contracts refers to 1995 and they are renewed; They total SAR 1.628 million
		Rental of 5 Herfy stores numbers 17 -126 - 141 -174 - 37	5	The shops are located in Riyadh, except Herfy restaurants No.174, 37 in Buraidah and Jizan area, respectively; total value of rental is 789 thousand Riyals (the store rental ranges between SAR 110 thousand and SAR 300 thousand). The date of some contracts refers to 2005 and they are renewed.
		Rental of Herfy land 191.	1	The rental value is SAR 300 thousand annually, the date of the contract refers to 2012.
Kenan International Real Estate Development Company	A subsidiary of Savola Group, members of the Board of Directors of Herfy Company, Eng. Moataz Qusay Al-Azzawi, Mr. Walid Khaled Fatani. Eng. Essam Majed Al-Muhaidib are members of the Board of Directors and senior executives of Savola Group, and some of them are members of the Board of Directors of Kinan International Company.	Rental of two Herfy stores -171-109 and a warehouse attached to	2 1	The first store is located in Yanbu, and the second store is at Al-Rimal Center in Riyadh; rentals constitute 9% and 10% of sales amounting to SAR 34.3 thousand and SAR 34.8 thousand & rent of the warehouse is SAR 4800. Date of the contract was in 2006.
		renting Herfy restaurant 101	1	The shop is located in the Granada Commercial Center in Riyadh, with an annual rental value of 355,500 riyals.
Jawda Company	Two companies owned by the General Organization for Social Insurance, of which a member of the Board of Directors, Eng. Hussein Al-Asmari, holds the position of information technology consultant.	renting Herfy restaurant107	1	The shop is located in Khaled bin Alwaleed in Riyadh, with an annual rental value of 325,650 riyals.

Most of these contracts were/are renewed for other periods after the end of the first contract term. For more details about these contracts, please refer to the notes accompanying the auditor's report, and his separate report on transactions with related parties.

2. Purchases of Raw Materials

The Company purchases some supplies of raw materials, and products from companies affiliated to related parties. The following table shows details of these transaction during the year 2022:

The Related Parties	Capacity	Type of contract	Value of Purchases during 2022G
Afia International Company	A subsidiary of Savola Group, where the members of the Board of Directors of Herfy Company, Eng. Moataz Qusay Al-Azzawi, Eng. Essam Majed Al-Muhaidib, Mr. Walid Khaled Fatani are members of the Board of Directors and senior executives of Savola Company, and some of them are members of the Board of Directors of Afia International Company.	Purchasing food oils for Herfy. Annual contract	20,592,709 SR
United Sugar Company	A subsidiary to Savola Group, where Herfy Board members, Eng. Mutaz Kusai Alazzawi and Mr. Walid Khaled Fatani are also Board members and senior executives of Savola which owns United Sugar Company	Purchasing products of the United Sugar Company for Herfy. Annual contract	3,272,913 SR
International Food Industries Company	A subsidiary to Savola Group, where Herfy Board members, Eng. Mutaz Kusai Alazzawi and Mr. Walid Khaled Fatani are also Board members and senior executives of Savola which owns the International Food Industries Company	Purchasing Shorting and Food Margarine for Herfy. Annual contract	6,406,218 SR
Al-Marai Company	A company where the Board member Mr. Walid Khaled Fatani assumes membership of its board	Contract for purchasing products from Al-Marai Company. Annual contract	1,519,953 SR
(Mama Sauce) Factory	A factory that owns a share in Al-Muhaidib Group Company, which occupies a member of the Board of Directors. Essam Majid Al-Muhaidib is a member of its Board of Directors.	Supply of food sauces for Herfy. Annual contract	6,072,680 SR
Al Ahsan Trading Company (Al Kabeer Group)	A subsidiary of the Savola Group, which owns 51% of it, as the members of the Board of Directors of Herfy Eng. Mutaz Kusai Alazzawi, Mr. Walid Khaled Fatani, Eng. Essam Majed Al Muhaidib, a senior executive and member of the Board of Directors of Savola Company. - Members of the Board of Directors of Herfy Eng. Mutaz Kusai Alazzawi, Mr. Walid Khaled Fatani, Dr. Bandar Talaat Hamoah is also a member of the Board of Directors of Al Kabeer Group.	Purchase of raw materials	164,970 SR

3. Sales of Products

The Company is marketing part of its bakery products and meat products through companies belonging to related parties. The following table shows details of these transactions during the year 2022:

The Related Parties	Capacity	Type of contract	Value of Sales during 2022G
Panda Retail Company	A subsidiary of Savola Group, members of the Board of Directors of Herfy Eng. Mutaz Kusai Alazzawi, Eng. Essam Majed Al Muhaidib Mr. Walid Khaled Fatani is a member of the Board of Directors of Savola Group and a senior executive. - Members of the Board of Directors of Herfy Eng. Essam Majid Al-Muhaidib, Mr. Walid Khaled Fatani, Dr. Bandar Talaat Hamoah is a member of the Board of Directors and a senior executive at Panda Company.	Selling bakery products and meat factory products. Annual contract	28,948,799 SR



It would be appropriate to clarify some points related to the agreements and contracts referred to as follows:

01

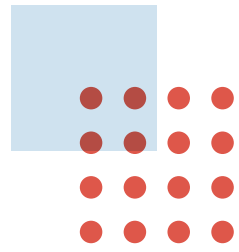
The rental contracts value has been determined by (a percentage of the sales or a fixed rental value) according to market prices at the time of their conclusion. The Company follows in these agreements the same terms and foundations followed with others (the same prevailing price conditions).

02

Commercial deal contracts are made according to market prices and according to the same terms and foundations followed by the Company with other customers and suppliers (the same prevailing price conditions).

03

Most of these transactions are governed by long-term contracts and fixed terms (stores, buildings and land lease contracts) or by extended contracts and agreements that are annually renewed and may be subject to change in some of their terms such as procurement contracts, sales for raw materials, products, materials and products of the Company. It is worth noting that the conclusion and renewal of these contracts fall within the framework of Herfy's regular activity, according to the commercial conditions prevailing in the market and the fair competition that protects the shareholders' interests.



04

The company has disclosed the transactions with related parties who have relations with members of the board of directors. These transactions included mutual rental contracts, mutual material sales and purchase contracts. The terms of those contracts have been disclosed in terms of the value of the contract, its duration, the transaction's party, and they were carried out according to the prevailing conditions. Other contracting conditions were not disclosed by such as prices of supply items, size of supplies, discount percentage, credit periods, delivery dates, specifications, fines for non-compliance with the contract, and other detailed issues. It would not be in favor of the Company to disclose these things because other competitors will be able to overview the Company's important operational and financial information.

05

Contracts and transactions with related parties are subject to review by the Company's Audit Committee. Each period the rental values are reviewed by a specialized real estate assessment office.

06

On May 22, 2022, the general assembly approved to continue it during the year 2022.

In the General Assembly's meeting on 22/5/2022G authorization was obtained for the Board of Directors regarding the authority of the Ordinary General Assembly to give the permission contained in paragraph (1) of Article (71) of the Companies law for a year from the date of approval of the Ordinary General Assembly or until the end of the delegated board of directors session, whichever comes first, in accordance with Article (56) of regulatory controls and procedures issued in implementation of the Companies Law for the listed joint stock companies.

A separate report on these transactions has been prepared by the company's external auditor for 2022.

These transactions and contracts will be presented to the general assembly at its next meeting to consider the authorization of the members who have an interest in them in accordance with Article 71 of the Companies Law, and the Board will be informed at the company's general assembly meeting during the year 2023 when it convenes, about those businesses and contracts that one of them a Board of director or an executive manager have a personal interest in them.

The Board of Directors voted on the members' notifications in its session held on 2/2/2023, and the Board of Directors approved all contracts.

07

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28 A description of any transaction between the company and a related party

The company has transactions with related parties who are substantial shareholders of the company and their relatives, directly or indirectly, namely Mr. Ahmed Al-Saeed, who owns 19.165% of the company's shares, and his son of Mr. Khaled Ahmed Al-Saeed. Following is a statement that includes the nature and size of those transactions during the year 2022G:

Related party	Transaction	Transaction type	Transaction value in 2022	Information
Ahmed Hamad Al-Saeed	Selling Herfy products to Taza Restaurants Company, which is owned by the Ashmore Fund, in which he owns a stake	Renting of a residential building owned by him	Rental value is SAR 200 thousand	A residential building in Al-Morouj district dating back to 1991. The contract period is 3 years and is renewable. The contract expired before the end of 2022.
		Renting a land plot owned by him. On which Herfy 40 restaurant is built	Rental value is 250 thousand riyals	The land is located in Abha region, the value of an area of 1300 square meters, has been contracted since 2009 for a period of 15 years.
		Buying products from Mama Sauce factory, in which he owns a stake	SAR 6,072,680 Riyals	Buy sauce products from Mama Sauce factories
		Selling Herfy products to Taza Restaurants Company, which is owned by the Ashmore Fund, in which he owns a stake	SAR 991,366 Riyals	Selling products from Herfy factories to Taza restaurants.
Khaled Ahmed Hamad Al-Saeed	From relatives of Mr. Ahmed Hamad Al-Saeed, a substantial shareholder, who owns 19.165% of the company's shares.	Renting Herfy shop 139, Herfy 312, 360 from Bazbaza International Company, in which Mr. Khaled Ahmed Al-Saeed a stake	SAR 435,000	1. Herfy 139, the shop in Tabuk, with a rental value of 125 thousand riyals. The lease has been in place since 2017 for a period of 10 years and is renewable. 2. Herfy 312 in Taif, with a rental value of 150,000 riyals annually. The contract period is 7 years, starting from 10/2016. 3. Herfy 360 in Makkah-, Shariat Al-Mujahideen, with an annual rental value of SAR 160 thousand for 7 years starting from 1/7/2017.

Related party	Transaction	Transaction type	Transaction value in 2022	Information
Khaled Ahmed Hamad Al-Saeed		Renting 3 stores from Herfy Company, next to Herfy restaurants 77, 321, 220 for the Bazbaza International Company, in which he owns a stake	SAR 247,167	The shops are located in Riyadh regions (2 shops), and Makkah, with a rental value of SAR 78 thousand riyals, 50 thousand, 119.167 thousand, and SAR, respectively. The contracts date back to 2002 and for periods ranging from 5 years to 20 years and are renewable.
		Selling Herfy products to Bazbaza International, in which he owns a stake	SAR 810,290	Selling products from Herfy factories to Bazbaza International Company
		Renting the land owned by him, on which Herfy restaurant 143 is located	200,000 SAR	Land in Al-Ahsa region, the rental value is SAR 200 thousand with an area of 1354 square meters, the contract started in 2008 for a period of 20 years.
		Renting a fully finished building from Qitaf Real Estate Company, which is owned by him	SAR 400,000	A 2-floor building located in Dawadmi area (Herfy 203), next to the Panorama Dawadmi commercial center. The contract period is 20 Hijri years, starting from 01/03/1433H. The rental value is SAR 400 thousand annually for an area of 680 m2.
		Renting a fully finished store from Qitaf Real Estate Company, which is owned by him	SAR 300,000	The shop is located in Buraidah (Herfy 232). The contract period is 18 years and ten months starting from 10/10/2013 - including a grace period of 40 days - The rental value is SAR 300 thousand annually for an area of 158 m2.
		Renting a semi-finished shop from Qitaf Real Estate Company, owned by him	SAR 500,000	A shop located in the city of Al-Kharj (Herfy 177). The contract period is 19 years, starting from 1/1/1436 - preceded by a grace period of 3 months - the rental value is SAR 500 thousand annually for an area of 1000 m2.
		Renting concrete structure buildings from Qitaf Real Estate Company which is owned by him	SAR 1,000,000	The shops are located in the cities of Afif, Al Shammasi, and Buraidah for Herfy Restaurants 333, 373, with an annual rental value of SAR 450 thousand, SAR 550 thousand, 23 years, 18 years. The contracts were signed on 8/2015.
		Renting a store from Herfy next to Herfy 30 for the Optimal Taste Company, in which he owns a stake	SAR 220,000	A shop located in Riyadh, next to Herfy 30. The contract period is 10 years, starting from 10/12/2020, with a grace period of two months. The rental value is SAR 220,000 annually.
Renting a store from Herfy Company, next to Herfy 73, for cake and cheese company, in which he owns a stake	SAR 130,000	A shop located in Riyadh, next to Herfy 73. The contract period is 5 years, starting from 10/12/2019, with a grace period of two months. The rental value is SAR 130,000 annually.		

The Board of Directors acknowledges that there are no contracts or interest between the Company and the CFO.

29 Information about competing businesses for the company or any of its branches activity

The company operated in the field of restaurants, processing bakery and meat products, cake and sweets shops. Some directors participate in businesses that compete with the company's activities through membership in boards of directors or senior executives. Below we will display information about those businesses:

Name Board member in Herfy	The company in which a competing activity is carried out	Company Activity	Member's Role in the Company
Eng. Mutaz Kusai Alazzawi * Chairman of the Board of Directors Eng. Esam Maged Al-Muhaidib Board member in Herfy	Almarai Company, a listed joint stock company that owns Lusine Bakery Factories	Production and sale of baked goods	Members of the Board of Directors of Savola Group, which owns shares in Almarai Company and the Al Kabeer company
	Almarai Company, a listed joint stock company that owns Al Awael poultry and meat factories	Manufacture of poultry and meat products	
	Al Kabeer Group Company, limited liability	Frozen food industry and poultry factories	
Mr. Walid Khaled Yaseen * Fatani, Board member in Herfy	Al Kabeer Group Company, a limited liability company	Frozen food industry and poultry factories	Member of the Board of Directors of Almarai Company and Al Kabeer Company
	Almarai Company, a listed joint stock company that owns Lusine Bakery Factories	Production and sale of baked goods	
	Almarai Company, a listed joint stock company that owns Al Awael poultry and meat factories	Processing of poultry products and meat	
Dr. Bander Talaat * Board member in Herfy	Al Kabeer Group Company, limited liability Al Kabeer Group Company, limited liability	Frozen food industry and poultry factories	Member of the Board of Directors of Al Kabeer Company

* Approval of the Assembly for these works was obtained at the meeting of the General Assembly on 22/5/2022,

30 Board of Directors' Declarations

Since the Registration and Listing Rules and Corporate Governance Regulations issued by the Capital Market Authority (CMA) emphasize the need to disclose in the annual report of the Board of Directors all required items in accordance with the Annual Report Guidance Template prepared by the CMA, the company's board of directors declares that the following topics do not apply to the company, and the Board is committed to disclose them if they become applicable:

- 01** There is no deviation from accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA) regarding the review and assessment of the company's financial statements.
- 02** Herfy Food Services Company has no subsidiaries to as of December 31, 2022G, and therefore, no shares or debt instruments issued to any subsidiary.
- 03** There are no preferred shares or priority shares with voting privilege or any debt instruments belonging to the members of the Board of Directors, senior executives, their wives and children, and for any other persons, as the Company is currently not applying preferred shares system and does not have debt instruments transformable to shares.

04

No agreement under which any Company's shareholders have waived any rights in profits.

05

No agreement under which a member of the Board or a senior executive has waived any remuneration.

06

There are no treasury shares held by the Company.

07

There are no investments or other reserves established for the benefit of the Company's employees.

08

The auditor's report did not include any qualifications on the annual financial statements.

09

No penalties or sanctions have been imposed on the company by the CMA or by any other jurisdiction.

10

The chairman did not receive any written request for emergency meetings from two or more members during the fiscal year ended 2022.

11

The company received from shareholders who own 5% of the capital or more a request to convene the General Assembly during the ending fiscal year, and it was held.

12

The company confirms that it has not received from its auditor a request for holding the General Assembly during the ended fiscal year and has not been held.

13

The board of directors has not recommended to change the auditor before the end of the term assigned to him.

14

Two emergency meetings of the board of directors were held during the year 2022 to call for a general assembly, at the request of shareholders who own more than 5%.

The board of directors also declares the following:

There is no doubt of the company's ability to continue its activity.

The internal control system has been correctly prepared and effectively implemented.

The accounting records are prepared correctly.



31 Information related to Risks

Any economic activity is exposed to potential risks, and Herfy is exposed to certain risks due to the nature of its activity of production and sale of food products, management of restaurants and showrooms. The company has extensive and accumulated expertise in the field of fast food and food processing, which have been acquired over the past 40 years, and which enable it to identify and limit the risks associated with the Company's activities. We will discuss some of the most prominent Risks:

1. Operational Risks

- **Risks associated with the safety and quality of products**

Nature of nutrition and restaurants includes exposure to accompanying risks, most importantly, the safety and quality of the products. The Company has an integrated program to ensure the safety and quality of food stuff, and apply a number of preventive measures to ensure the safety of its products through quality control management.

The company has obtained the "HACCP" international certificate in this area, and ISO certificates.

- **Risks of the availability of raw materials and sufficiency of supplies**

The Company works to face these risks by expanding qualified suppliers base and continue to rely on the Company's factories and increase its production efficiency.

2. Risks of the Market and Competition

The Company works in a highly competitive market and the risk is in the increase of the quality and quantity of competitors, which may affect the market share. To meet these risks, the Company is working on continuous development and diversification of products while maintaining the highest level of quality and customer service.

3.

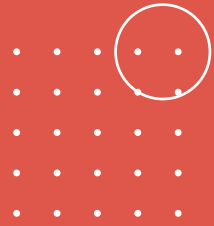
Financial Risks

- **The risks of fluctuations in raw material prices**

The Company is working to face price fluctuation by monitoring the prices, and making the purchasing decisions based on price projections, in addition to expanding the base of the Company suppliers and concluding annual contracts for major raw materials to ensure the stability of the prices and exploitation of size savings.

General Assembly Meeting

Herfy Food Services Company's shareholders will be informed on the date of the General Assembly and its agenda after taking approvals from the competent authorities.



06 Thanks and appreciation

The company's board of directors is pleased to take this opportunity to extend wholehearted thanks and appreciation the Custodian of The Two Holy Mosques, and the Crown Prince- May Allah preserve them, for their vigorous efforts to achieve the well-being and security of this Country. The Board extends also its sincere thanks and appreciation to the Government of the Custodian of the Two Holy Mosques for its continued support and care for private sector companies. Our thanks and gratitude are expressed also to the company clients for their trust and support, as well as all parties that deal with the Company, including suppliers, banks and regulatory and supervisory agencies. The Board also extends its sincere thanks and gratitude to the shareholders of the company for their generous support and trust. We invoke the Almighty to have this trust and support crowned with more development and prosperity for the Company. Thanks also are extended to the Company's management and employees. The board of directors, executive management and employees of the company are also looking forward to overcoming the current challenges in the business sector and restoring growth in the company's main segments.

Chairman

Eng. Eng. Mutaz Kusai Alazzawi

Chief Executive Officer

Mr. Sam Bader

May Allah bless you all,





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