



Annual Report 2021/2022



Vision

Impossible is nothing

Mission

Delighting consumers with delicious, nutritious, convenient & sustainable products

Accelerating profitable growth

Creating value for the society (environment), stakeholders and shareholder

Values

- Trust
- Respect
- Integrity
- Passion
- Lead & Learn
- Excellence



Message from the Chairman

On behalf of the Board of Directors of Saudia Dairy and Foodstuff Company (SADAFCO), it is my pleasure to present to you SADAFCO's overall performance including Annual Report for the twelve months ending 31st March 2022. This document includes the Financial Year-End Results, the Auditor's Report, SADAFCO's growth and our vision.

While the world is strongly emerging from the pandemic, we – as individuals - have learned lessons about the importance to stay connected and provide care to the people around us. And as organizations, we have learned that we can be better positioned if we adapt to adverse circumstances. The staff's persistence, commitment, and loyalty at difficult time for all have enabled SADAFCO to continually provide and supply our nutritious and healthy products to the society. Hence, since COVID-19 started, we have never been out of stock on essential products. We can take the pride that SADAFCO was strong even in the crisis time, showing compassion through contributions in cash and products in Saudi Arabia and several countries in the region, in addition to the educational and vocational programs that positively impact communities.

During 2021-22 your company made sales of SAR 2,170Mln resulting in a Net profit of SAR 209Mln. We were able to register a marginally higher revenue from past year, albeit at a higher cost of doing business as explained above. Earnings per share of SAR 6.48 is lower than last year due to reduction in Net Profit of SAR 51Mln (20%). However, the trajectory of achievement (vs LY) has been improving every quarter during this year, as we increased price in last quarter of this FY to partially offset the costs while retaining our core customers.

We have been able to maintain the SAR 6/share dividend.

Our Ice cream journey continues with full capacity production at the new state-of-the-art Ice Cream Factory. Our 10-year Ice Cream plan is well on its way to achieve good results with the new plant, higher distribution and increased assortment coupled with higher engagement of the consumer.

We have developed our ESG further from last year and have finalized the roadmap which the company will take. We have laid ground-breaking stone of the new Makkah depot (cost of SAR 27mln) which will be completed during 2022-23 to provide capacity for the anticipated demand increase over the next few years.

The share buy-back program has been extended during the year, and is currently valid till 18 Nov 2022.

Our company vision is its north star crowned with the values of passion and the courage to innovate and embrace change, and the quality of execution.

Finally, on behalf of SADAFCO's Board of Directors, I would like to thank the outgoing CEO Mr. Wout Matthijs for his dedicated, diligent, and inspiring service over the last 14 years. Under his tenure, the company's market value grew six-fold, leaving it in a very solid financial and market position. At the same time, the Board of Directors welcomes Mr. Patrick Stillhart as the incoming CEO and wish the company well under his proven growth-oriented and result-focused strategic approach.

On behalf of SADAFCO's Board of Directors, I would like to express gratitude to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince, and the Government of Saudi Arabia for their continued support to the private sector in the Kingdom. SADAFCO is dedicated to supporting Vision 2030 goals, and the Ministry of Industry and Mineral Resource's "Made in Saudi" initiative.

My appreciation goes to my fellow Board Members, Shareholders, Executive Management and all SADAFCO employees for their dedicated support and commitment in keeping SADAFCO strong.

Chairman Board of Directors

Message from the CEO

Over fiscal year 2021/2022 SADAFICO delivered:

| | |
|---------------|----------------|
| Turnover | Gross Profit |
| SAR 2.2 Bln | SAR 657Mln |
| Net Profit | Dividend |
| SAR 209 Mln | SAR 6.0/ Share |
| 9.6% of Sales | |

I'm pleased to share with you the detailed annual report 21/22; my first as CEO. We delivered solid financial performance and results remained stable despite the impact of COVID-19 pandemic on industries and supply chains. Despite easing of restrictions and the world slowly getting back to the 'new normal', businesses were confronted with extraordinary challenges. Geopolitical tensions added to the already tensed situation, resulting in a further acceleration of inflationary trends and supply chain challenges in our Q4.

Despite all challenges, SADAFICO continued to have stable revenue streams vs LY. Net profit is at SAR 209 Mln and showing a positively improving trend quarter after quarter.

Overall costs which started increasing with COVID-19 have accelerated further and cost increase has expanded to majority of food stuff, across the world, resulting in profit decline. We did increase consumer prices in last quarter of FY, a difficult decision to make for our customers and consumers, which improved profitability and upward trajectory.

Market share have shown a good trend, particularly in Ice Cream but also in UHT Dairy and Tomato Paste we were able to regain shares in Q4.

We continue to maintain a healthy stock cover to mitigate potential obstacles to free flow of goods. We have also started locking in contracts for a longer duration given the continued upward fluctuation in Key Raw material prices.

I arrived in Jeddah to take over as CEO in November 2021. At the outset, I found a very well-run company which has all the ingredients for sustainable profitable growth. After a settling in period, we defined our SADAFICO-Vision 2030:

- The fundamentals of the vision are 'Our SADAFICO Culture', 'Our SADAFICO purpose' and "ESG".
- Our mission is:
 - To delight consumers with delicious nutritional, sustainable and convenient products addressing the need-states of Base Nutrition, Enhanced Nutrition, Pleasure & Reward and Taste Enhancement
 - Leading to acceleration of profitable growth
 - Adding value to all stakeholders

We have started our SADAFICO cultural journey to refine our purpose, culture, and values and to ensure we can provide an inspiring working environment to our people, unlocking the potential of everyone to further accelerate profitable growth.

We will remain productive and innovative, and ESG will be a big focus driver for us in the coming years. You will see reporting and dashboard for the first time in this regard. It is a journey which will enrich life of all stakeholders with time.

We also worked on big new projects. To name only a few examples, Jeddah milk factory realignment and end-of-line automation project has been concluded and is already giving dividends in automation, efficiency, and waste reduction. Not to mention creation of jobs with enhanced skills.

The pandemic has not stopped us our solid determination and journey of success and achievements, thereby a new Ice Cream Factory was opened. It can make 22,000 sandwiches per hour, which means the ability to feed the sandwiches to nearly the entire population of KSA in 2 months.

The unit was opened by the Minister of Industry and Mineral Resources, His Excellency Mr. Bandar bin Ibrahim Al Khorayef. We launched Oat drink this year, an excellent addition to our Soy and the consumer response has been great. This expansion gives consumers more choices and caters to newly developing needs. We believe this niche will become more mainstream



and we can gain a substantial share of this segment. Part of a global trend “Saudia” continues to play its vital role in contributing to SADAFCO’s success. The new advertisement campaigns (Ice Cream sandwich & Sensations and Tomato Paste) are attracting new consumers and enhancing the attributes and values of the brand.

There is a monumental shift both in lifestyle and market dynamics. Consumer habits and preferences are fast changing. We feel we are well positioned to take advantage of these shifts through our innovation platform, identification of right products and demographic segment, right offering, and our speed to market. The future looks good, and we are ready to embrace it – IMPOSSIBLE IS NOTHING.

On behalf of my Management Team, I would like to thank the Board of Directors for their continuous support, our dedicated and hard-working staff including our customers & suppliers and last and most importantly, our consumers whom we intend to **delight every day**.

Patrick Stillhart
Chief Executive Officer



History

The Saudia Dairy and Foodstuff Company (SADAFCO) story began on 21st April 1976 and commenced production of Saudia Milk. Subsequently the European partners sold their shares to Saudi and Kuwaiti shareholders and in 1990 the three dairy companies merged into one to officially form SADAFCO.

An initial public offering (IPO) on 23rd May 2005 led to the Company's listing on the Saudi Arabian Stock Exchange, Tadawul.

From producing long life milk initially, the Company has diversified its product portfolio offering various food and beverage items.

During this period, SADAFCO has maintained its position as a market leader in Long Life Milk, Tomato Paste and Ice Cream categories in Saudi Arabia.

Main Activities of the Company

SADAFCO is a leading, world-class, Saudi Arabia-based company whose activities include local production, importation, distribution and marketing of a wide range of food and beverage products. The portfolio includes dairy products, ice cream, tomato paste, snacks, drinks and other foodstuff items.

SADAFCO currently offers around 170 Stock Keeping Units (SKU) with its core products being marketed under its flagship Saudia brand. Other trademarks in the portfolio include Crispy, Baboo, Majestique, Sensations, More and UFO.

The Company operates three factories in Jeddah (two) and Dammam and a plant in Poland. All these factories have highest safety and environment standards and are also Halal certified. It has an established sales and distribution network, with three Regional Distribution Centers (RDCs) in Riyadh, Jeddah and Dammam and 20 depots across Saudi Arabia, Bahrain, Kuwait, Jordan and Qatar. The Company operates a fleet of **940** trucks and vans for its primary and secondary distribution network.

SADAFCO's products are also sold to selected Middle Eastern and North African markets such as Libya, Yemen, Mauritania, Iraq, Djibouti, Somalia, Sudan, UAE and Palestine along with USA and Brunei through the Company's export function.

Introduction

SADAFCO achieved net sales of SAR 2.170 billion in 2021-22, reflecting a year-on-year increase of 3%. It also improved its market shares in key product categories (Milk, Tomato Paste & Ice Cream), indicating strong consumer loyalty towards the Company brands. The Company's total asset base expanded to SAR 2.286 billion, registering growth of 3% over last year. The total shareholder equity of the Company stands at SAR 1.540 billion, an increase of 5% over previous year. As at 31st March 2022, SADAFCO's market capitalization was 5.5 billion vs. SAR 5.3 billion on 31st March 2021.

Products at a glance

Milk

SADAFCO's Plain milk product category comprises of items like whole milk, low-fat milk, skimmed milk, gold milk, junior milk, flavored, functional Milk, and instant milk powder. SADAFCO commenced operations with the production of UHT (Ultra High Temperature pasteurized) Milk in 1977. These products are marketed under the flagship "SAUDIA" brand. Market Share*: 58.1%

Tomato



Tomato Products include Tomato Paste and Tomato Ketchup. SADAFCO was the first company in Saudi Arabia to launch tomato paste in Tetra Pak in 1989. These products are marketed under the “SAUDIA” brand. Market Share*: 52.1%

Ice Cream

Ice cream product line was launched in 1979. Over the years, SADAFCO has launched variety of new products to establish itself and increase sales in this segment. Ice creams are available in tubs, cones, push-ups, sandwich, cups, bars and sticks. These products are marketed under ‘SAUDIA’ and ‘BABOO’ brands. Market Share*: 28.3%

Cheese

SADAFCO launched cheese product line in 1991. It’s range of products include Feta cheese, Feta Tubs and Triangles. The company is a leading domestic producer of bulk feta cheese sub-segment. These products are marketed under the “SAUDIA” brand.

Snacks

SADAFCO entered the snacks market in 1995, by acquiring Sara Snacks factory. The Snacks range consist of two well-known formats: Crispy Rings and Letters, each of these are offered in individual and family size.

Others

SADAFCO also offers range of other products including butter, French fries, still & flavored water, EVAP, cream etc. Most of these products are sold under ‘SAUDIA’ brand. New products included in this category are expected to contribute to the growth of the company with the company having plans to widen its product portfolio through constant product innovation.

* As per Nielsen, market share on MAT basis as of Mar-22.

Supply Chain

This year SADAFCO's manufacturing base has seen the completion of several long term investments principally focused on increasing capabilities in all factories to meet ever-changing consumer needs. The continued focus on automation and operation systems have again generated significant efficiency gains in Manufacturing and further down the Supply Chain.

Jeddah Milk Reorientation Project

New lines have been introduced over the years to meet the sales demand, thereby increasing capacity. Consequently, the factory experienced space constraints due to this expansion. Production area became overcrowded and lacked proper workflow owing to the excessive labor required to run the factory. At the same time, there were technological developments and upgrades resulting in financials and environmental benefits. Over the past 5 years, we worked to create space in the factory and used the technological advantages to improve efficiency.

Processing and mixing areas were renovated and upgraded to permit the inline mixing of more local content (fresh milk). These works were all linked with space utilization to allow for relocation of project. Finally, all 12 production filling lines were put in a straight line which are connected to robot palletizers and automatic roll-on loading of trucks from the factory. Apart from creating more space for future growth, we also took advantage of having a more ergonomically designed factory where employees can work in an improved environment, which is lighter, and reduces walking distances. All of this led to an overall increase in efficiency by reducing conversion cost, improving product quality, optimizing use of higher skilled workforce and increasing line efficiencies.

Digital Milk Factory

At end of 2021 the milk factory embarked into creating a proactive manufacturing execution system that that will reduce cost, and support continuous improvements and LEAN initiatives.

Digitization ensures error-proof processes and provides a complete electronic audit trail of all manufacturing activity as well as real-time visibility which is necessary to produce consistency in product quality each time. Manufacturing processes eliminate the need for in-process manufacturing reviews and dramatically reduces final review and release time. This offers a competitive advantage that will yield better customer satisfaction not to mention the opportunity to recognize revenue faster.

The new Digital Factory will transform manufacturing process through insights and intelligence powered by data collections and digital SOP (standard operation procedure) integration. The holistic and real-time data generated by this digital milk factory increases efficiency, productivity, traceability, supplier performance and environmental compliance. It also improves control of manufacturing workflows and the movement of everything from raw materials to work-in-progress and finished goods. This provides real-time access to operational data, so managers can quickly overcome roadblocks and inefficiencies, such as:

- Traceability tree for RM (raw materials) and PM (packaging materials)
- Productivity measurement OEE (Overall Equipment Efficiency) criteria
- Digital SOP (standard operation procedure) preparation
- Recipe standardization
- Data collection and reliability
- Standard Measurement and description for each KPI (key performance indicators)
- Define KPI tolerances and targets
- RM (Raw Material) and PM (Packaging Material) wastage point identification and data collections
- Backflush report would be automated rather than manual
- Operator checks frequency, definition, and type (auto or manual)
- Problem escalation procedures internal and external
- Fault finding
- Problem resolution techniques

. The potential financial savings after considering food & safety, traceability, productivity, sustainability, waste reduction is conservatively estimated at a total SR44 Million over the following 10 years which are over and above the non-tangible benefits.



Jeddah New Ice Cream Factory

The closing down of the old ice cream factory was completed with the consolidation of the new ice cream facility on the same site as the milk factory. This new factory has space to service the aggressive growth plans for our ice cream business for the next 10 years. The focus in the layout of new factory has been to increase the efficiency by adding a new automated mixing facility and new extrusion line. Also, this new factory has sufficient space to add more lines and herding tunnels to meet the future output requirements.

Next to the new ice cream factory, a new Frozen Jeddah Central Warehouse (FJCW) has been constructed with a capacity of 6,000 pallets, which started operating at the end of April-21. FJCW's primarily role is to relieve storage pressure from our 22 sales depots and to accommodate stock build-up before the peak summer season.

Dammam Factory – Tomato Paste

In late August 2021, we commenced decommissioning the old and obsolete Tetra Pak Spiraflow plant at our Dammam Factory. This was one of our Tomato Paste processing plants which had served SADAFCO for over 25 years.

The area was cleared, floor was retiled, and made ready with upgraded services for the new GEA Tomato Paste Plant which arrived (on site) late September of 2021. Installation took place during October with commissioning in early November for the new plant to be ready for the stock build up during the Ramadan Promotional period.

This new GEA plant replaced a 2 tonne per hour plant, and has been designed so that in the future when additional capacity is required it can run up to 5 tonnes per hour.

Other Supply Chain Developments

All three SADAFCO factories and our sales depot in Riyadh, are certified with ISO22000:2018 (for Food Safety), ISO14001:2015 (for Environment) and ISO 45000:2018 (for Occupational Health & Safety). All four factories (including JCW) are also formally Halal certified, Dammam site is a certified Organic tomato paste producer.

In planning function, integration of Distribution Resource Planning (DRP) System has started which allows more time for validation and better fact-based decision making. It will also allow us to move forward on implementing other modules in coming fiscal years. These Modules will enable us to gather and adjust all the relevant data on one end-to-end platform, facilitating the planning at different levels (Factories, central distribution point, depots and loading of sales vans) with stock level policies.

Commercial

Much like the last financial year, this has been a unique year. While the first half of the financial year was weak, the second half has provided growth to the business and sets the company back on a strong growth trajectory. While FMCG performance in 2020 was led by COVID-19 induced consumer stock up and VAT increase, 2021 was largely affected by consumers rationalising purchases due to pressure on the wallet and rising inflation. Overall FMCG and Dairy markets remained flat on a value basis in 2021.

Key Category trends – The overall Plain Milk market was on a declining trend in 2021 owing to deep discounting of prices and rationalisation of consumer spending. However, with the easing of deep discounting in the last quarter of 2021, there are signs of recovery for the Saudia brand. On Flavored milk, Saudia Value shares grew almost 3 points on a Moving Annual total basis, spurred by strong brand campaigns and improved distribution and visibility in stores.

On Tomato Paste as well, there is a slight recovery on Saudia Sales and shares in recent months. Modern Trade shows encouraging growth in recent months whereas on Traditional channels, where syndicated data is less reliable, there is a marked improvement in Distribution, especially of the convenient 70gm pack on back of focused distribution drives and other



activities. In recent months, we have executed the 1st season of the Saudia Chef campaign with great success and launched Saudia Tomato Paste's new ATL campaign in time for Ramadan.

The strongest performance this year has been on the Ice Cream segment with strong Sales, Share and Distribution growth behind new freezers being added into the market. In the last year, Saudia has maintained its leadership shares in Sandwich, Pushups and Cones, and gained overall market leadership in Tubs and Milk Sticks.

New products & innovations – In the last year, several new launches have been carried out as part of our ongoing innovation program to delight consumers and build overall Saudia presence in the market. We have launched the Middle East's first drinkable snack – Treato and followed it up with launches of Mayonnaise and a limited launch of the country's first Saudi Made Oat Drink to delight discerning Saudi consumers who passionate about the environment and their health, among others.

Key Channel trends – While our overall performance has been challenging in the Modern Trade segment with a declining trend, SADAFCO has delivered growth in ecommerce, Traditional Retail and Wholesale while the Out of Home segment has remained flat. The last quarter has seen a strong recovery in Modern Trade with overall growth in Sales, led by Milk and Tomato paste. The ecommerce space in KSA and the region has seen the strongest development in the last couple of years, with the COVID-19 situation providing rapid impetus as well. Many ecommerce specialist players, coupled with Modern retailers have expanded into the space with new opportunities almost every month. The Traditional retail channel has been SADAFCO's traditional stronghold and this year has been no exception, despite losing some traditional accounts as part of the government's much welcome e-invoicing initiative to drive better transparency in the market. The reduction in number of stores has been largely compensated by strong performance of the Local supermarkets and other Modern retail customers.

We continue to improve our visibility and shopper communication in stores across our operations.

Organizational Development

Introduction

Like last financial year, this year was also marked by COVID-19, and all that came along with it. Through an active program of providing the vaccines and booster jabs to the population, the number of new and critical cases reduced significantly. In February 2022, the Kingdom relieved many restrictions that applied. Some restrictions were relaxed within our premises, though the government guidelines and hygiene protocol remains in place which are absolutely necessary for a foodstuff company.

Working remotely remains, so is conducting virtual meetings and interviews. All of SADAFCO's staff has received both COVID-19 jabs and most have received the booster shot as well.

The pandemic not only impacted the business, but it also made it challenging to control the headcount and to assure we had the right number of people in place at the right time. We advertised positions internally before recruiting externally. SADAFCO ended the year with a headcount (including casuals) of (3,034) (KSA: 2,409, Kuwait: 50, Bahrain: 71, Jordan: 53, Qatar: 1), we hired 397 new employees during the year compared to 392 employees hired in the previous year. Our staff is diverse and includes people from 49 different nationalities. We continue to add women to the workforce and the female headcount grew 41%, to 190 at the end of the financial year with 76% employed at our manufacturing sites. The Ice Cream Factory alone employs 76 women, a number we are looking forward to increase significantly. For SADAFCO's New Year we aim to have more than 10% women working in the company. Currently it stands at 7.27%. KSA hiring: 371 with 66% (246) Saudization files.

Development: During last year our Training & Development department facilitated learning through 1) classroom training, 2) online training and 3) on job training. It was our first full year in which we gained experience with an e-learning platform, and we shall continue to utilize the benefits of the platform in the year to come. We recorded 20,481 learning hours delivered to 906 colleagues. Among the registered learnings were 3 university degrees, 4 professional certificates, soft skills trainings, awareness sessions, functional and behavioral development trainings Total of 125 skills.

Succession Planning: Succession planning discussions continue to be embedded in culture of the organization. IDPs (Individual Development Plans) stimulate these discussions because staff is encouraged to take responsibility of their own development, which in turn stimulates discussions between staff and their line manager. Leadership training is one method to prepare staff for future roles. In this context we joined the HADAF program to develop our future leaders.

As a social service contribution to the Kingdom, national talents were offered internships within the company. Four (4) out of the six (6) trainees joined SADAFCO upon completion of internships: in Finance, Legal Affairs, IT and in the Marketing.

In the last quarter of the year, we signed an agreement with a consultancy firm that will facilitate us in our Cultural Journey. A journey that will further develop our culture, so together we achieve our Vision 2030 mission. New values will be added to our existing values, new methods will be introduced to recruit and appraise staff to assure that SADAFCO becomes the best place to work at. To begin with, on 3 March we celebrated 'Appreciation Day', a journey on itself that went throughout all SADAFCO and beyond.

Rewards: Despite a challenging year for the company, the performance bonus was executed to all eligible employees. Annual salary review was executed for all eligible staff.

Employee Health & Wellbeing: The health programs have begun to pick up again, with the purpose that staff live healthy and maintain good health.

Communication & Connectivity: We ended the year with opening a new chapter titled 'Back to Normalcy'. After two years of challenges to keep our staff connected, it ended positively. Many efforts were employed to make sure staff is involved, connected, and engaged. Our employees have proven that our nature makes it impossible for us to be normally productive without being socially connected.

The company held Townhall meetings and this year's aim was to have such meetings on a more regular basis. Townhall meetings in SADAFCO address employees' questions and issues with top management and open the opportunity to understand the company's direction. Our new CEO introduced himself through a Townhall meeting and not long after virtually presented SADAFCO's Vision 2030 to all employees.

SADAFCO stands out with its daily internal newsletter 'Pulse'. The purpose of Pulse is to keep people well informed, engaged and connected by sharing the company's, and staff's, news, initiatives, launches and training programs. During the year the internal newsletter interviewed more than 30 employees, activated 5 awareness campaigns and programs, and shared more than 7 surveys. In the coming year, SADAFCO will look how further it can improve its communication via new channels, placing staff as the core driver for change.

In SADAFCO, we take the opportunity to celebrate National Day and National Days of the home countries of our staff. Last year's celebration of the Saudi National Day focused on Diversity & Inclusion unified by the Kingdom's theme 'It's our home'.

Last February, SADAFCO, as part of its Corporate Social Responsibility (CSR), participated in cleaning up Jeddah Makkah Road under the 'Great Environment' initiative. Together we invested 255 hours of our time and cleaned up 980 kg of trash. It was fun! The memory of this event will remain with us all, at the same time it made us aware of our social responsibility, in Saudi Arabia and everywhere else.

During our 'Cultural Journey' in the New Year, we shall continue to focus our attention to subjects mentioned above for SADAFCO and its employees.

Sustainability at SADAFECO

At SADAFECO, purpose and profit go in tandem to drive long term growth and value creation for its stakeholders. We continuously align our sustainability approach to the renewed and upgraded stakeholder expectations. Our quest 'Towards Sustainability' continues to evolve and get defined and refined. We aspire to achieve meaningful results and improve the quality of life of all stakeholders through this process.

In FY21-22, we reviewed international standard like the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) along with the ESG guidelines issued by the Tadawul stock exchange to identify the most material sustainability topics for us and our stakeholders to focus on in the coming years.

We conducted our first materiality assessment by engaging with a focus group of senior and diverse pool of employees from various company functions. The 14 material topics identified are grouped into four strategic focus pillars Consumer, Environment & Climate, People & Community and Governance.

Four pillars

Consumer: Commitment to consumer delight by providing innovative, high quality, nutritious and safe products

Environment & Climate: Commitment to preserving the environment and minimizing impact of our operations on the planet

People & Community: Commitment to our employees and the community at large to improve inclusiveness and quality of life

Governance: Commitment to all stakeholders to conduct our business ethically while maintaining highest standards of corporate governance

Our approach to the material topics

| Pillar: Consumer | |
|-------------------------------|--|
| Product Quality & Safety | We strive to provide quality products to consumers while maintaining very high safety standards. This topic addresses efforts toward enhancing product quality & safety while ensuring adherence to regulations. |
| Health & Nutrition | The Health & Nutrition needs of consumers are fundamental to our business principles. We strive to enhance health & well-being in society. This topic involves the process of identifying and managing products and ingredients related to nutritional and health concerns among consumers and undertaking initiatives to develop a healthier product portfolio. |
| Consumer Delight | We strive to be a brand of choice for consumers. Providing a delightful experience to consumers is embedded in our organisation's DNA. This topic addresses initiatives to improve consumer satisfaction and includes measuring consumer satisfaction through consumer surveys, tracking consumer complaints, and the resolution rate. |
| Product Innovation | SADAFECO's organisational philosophy is driven by innovation in products. Constant product innovation is essential not only for the sustainability of business but also to enhance the well-being of society at large. This topic refers to new product development initiatives and product and process improvements innovations. |
| Pillar: Environment & Climate | |
| Energy Management | Energy efficiency and energy sourcing have a direct impact on climate change. We are committed to conducting our business with minimal climate impact. This topic highlights energy consumption and sourcing practices of SADAFECO. |

| | |
|---------------------------------------|--|
| Water Management | Access to fresh water is essential to human life and is also a human right, as recognised by the UN. We endeavour to utilise this scarce resource responsibly. This topic relates to the holistic water management efforts of the Company towards reducing water wastage, improving efficiencies in water consumption, and identifying the potential for using non-freshwater resources. |
| Waste Management | Waste disposal in a landfill or by incineration is an inefficient method that potentially poses a health hazard for society. SADAFCO aims to implement the best waste management practices utilising the principles of 3R (reduce, reuse, and recycle) to dispose of waste more responsibly and minimise the environmental impacts. This topic relates to hazardous and non-hazardous waste generated by the organisation and its 3R strategy. |
| Sustainable Sourcing & Packaging | We are working to reduce the impact of packaging on the environment and sourcing raw materials sustainably. This topic relates to sourcing raw materials and packaging and includes initiatives to move toward more sustainable sourcing and packaging practices. |
| Pillar: People & Community | |
| Employee Health & Happiness | We subscribe to the values of Trust, Respect, Integrity, Passion, Lead, Learn and Excellence. Our approach ensures that employees are motivated, happy, valued and treated fairly. The topic relates to our policy, initiatives, employee engagement practices, growth through training & development, fair practices of employee and labour management, and occupational health & safety. |
| Community Impact | We take pride in being a responsible company serving society at large. The topic relates to our initiatives for social upliftment, such as CSR activities and local community initiatives. |
| Diversity & Inclusion | The topic relates to organisational policies and initiatives for promoting diversity and equality at work while combating discrimination. We believe that respecting and including every individual is essential regardless of age, gender, ethnicity, or nationality. It engages the workforce, fosters an environment where everyone can reach their full potential, and ensures the successful implementation of business strategy. |
| Pillar: Governance | |
| Ethics & Integrity | We strive to maintain the highest standards of ethics & integrity across the organisation. The topic includes the organisation's efforts to uphold business ethics and integrity, including policies and initiatives to prevent bribery & corruption, and ensure whistle-blower protection. |
| Corporate Governance & Compliance | We have put in place processes and controls to balance the relationship between stakeholders, including shareholders, management, employees, customers, and related parties. Our approach is to elevate governance practices through initiatives to increase transparency & accountability, manage risks and conflicts of interest, and implement adequate controls to ensure compliance with the environment, regulatory and labour norms. |
| Data Privacy & Security | Data privacy & security is becoming exceedingly critical to SADAFCO's business as technology evolves quickly and new cyber threats emerge daily. SADAFCO's focus is on implementing strong controls to manage information technology-related risks. This topic addresses the issues related to privacy, including losses of data and breaches of privacy. |

We have also aligned our sustainability roadmap with the United Nations Sustainable Development Goals (SDGs) and the National Transformation Program (NTP), which is part of Saudi Arabia's Vision 2030.

On the governance front, we put in place a sustainability governance structure to bridge gaps in transparency and accountability. The Sustainability steering committee has been constituted with the responsibility for providing oversight, guidance, and strategic direction; approving the strategy; action plans; and disclosing and reviewing performance. The committee has CXOs as its members and reports to the Board of Directors. A cross-functional task force supports the steering committee in coordination and assistance in developing strategy and action plans, reviewing the implementation of the action plans, and developing Sustainability disclosures. It provides periodic updates to the steering committee. The task force is further supported by the initiative owners who undertake implementation and regularly monitor and review the progress of sustainability activities.

This year we are increasing the transparency of our sustainability disclosures through our first standalone sustainability report. The report contains the sustainability performance of the company's two plants in Jeddah, one in Dammam, its depots, and distribution centers in Saudi Arabia. The report has been prepared in accordance with GRI standards – Core option while giving due consideration to the guidelines issued by the Tadawul stock exchange. The full report can be accessed on our Company website. Going forward, we plan to publish the sustainability report annually to ensure that our sustainability ambition, journey, and efforts are well understood by all.

Main Activities for the Company and its Subsidiaries

| | Product | Activity Revenue (SAR million) | Percentage (%) |
|---|---------------|-----------------------------------|-------------------|
| 1 | Milk | 1,336 | 62 |
| 2 | Tomato Paste | 213 | 10 |
| 3 | Ice Cream | 320 | 15 |
| 4 | Powdered Milk | 144 | 7 |
| 5 | Cheese | 44 | 2 |
| 6 | Others | 113 | 4 |
| 7 | Total | 2,170 | 100 |

Revenue Geographical Analysis for the Company and its Subsidiaries (SAR million)

| Financial Year | KSA (SAR million) | GCC (SAR million) | Middle East (SAR million) | Poland (SAR million) | Total Revenue (SAR million) |
|----------------|----------------------|----------------------|------------------------------|-------------------------|--------------------------------|
| 2021-22 | 1,786 | 56 | 79 | 249 | 2,170 |
| 2020-21 | 1,811 | 64 | 71 | 159 | 2,105 |
| 2019-20 | 1,752 | 58 | 48 | 198 | 2,056 |
| 2018-19 | 1,567 | 58 | 42 | 146 | 1,813 |

Sales Contribution by Product Category

| | Product | Contribution (%) | Contribution (%) | % Point Change |
|---|---------------|------------------|------------------|----------------|
| | | 2021-22 | 2020-21 | |
| 1 | Milk | 62 | 64 | -2 |
| 2 | Tomato Paste | 10 | 10 | 0 |
| 3 | Ice Cream | 15 | 14 | 1 |
| 4 | Powdered Milk | 7 | 5 | 2 |
| 5 | Cheese | 2 | 2 | 0 |
| 6 | Others | 4 | 5 | -1 |
| | Total | 100 | 100 | 0 |

Main Activities of Subsidiary Companies

The main activities of the SADAFCO subsidiary companies in Kuwait, Bahrain, Jordan and Qatar (dormant) are selling and distributing SADAFCO products in these countries. The subsidiaries in Poland are manufacturing and distributing dairy products in Europe and MENA.

SADAFCO Poland

| Product | Activity Revenue (SAR million) | Percentage (%) |
|---------------|-----------------------------------|-------------------|
| Milk - liquid | 123 | 49 |
| Powdered Milk | 103 | 41 |
| Others | 23 | 10 |
| Total | 249 | 100 |

SADAFCO Subsidiary companies' revenue (Including SADAFCO Poland)

| Product | Activity Revenue (SAR million) | Percentage (%) |
|---------------|-----------------------------------|-------------------|
| Milk | 47 | 14 |
| Milk - liquid | 123 | 36 |
| Tomato Paste | 12 | 4 |
| Ice Cream | 10 | 3 |
| Powdered Milk | 107 | 32 |
| Cheese | 13 | 4 |
| Others | 28 | 7 |
| Total | 340 | 100 |

Revenue Geographical Analysis for Subsidiaries

| Financial Year | GCC (SAR million) | Middle East (SAR million) | Poland (SAR million) | Total Revenue (SAR million) |
|----------------|----------------------|------------------------------|-------------------------|--------------------------------|
| 2021-22 | 56 | 79 | 249 | 384 |
| 2020-21 | 64 | 71 | 159 | 294 |
| 2019-20 | 58 | 48 | 198 | 304 |
| 2018-19 | 58 | 42 | 146 | 246 |
| 2016-17 | 91 | 16 | - | 107 |

Includes export sales

Sales for SADAFCO and Subsidiaries by location

| | Country | Sales 2021-22 (SAR million) | Percentage (%) | Sales 2020-21 (SAR million) | Percentage (%) |
|---|--------------|--------------------------------|-------------------|--------------------------------|-------------------|
| 1 | Saudi Arabia | 1,786 | 82 | 1,811 | 86 |
| 2 | Poland | 249 | 11 | 159 | 8 |
| 3 | Bahrain | 43 | 2 | 42 | 2 |
| 4 | Qatar | 0 | 0 | 0 | 0 |
| 5 | Kuwait | 13 | 1 | 21 | 1 |
| 6 | Jordan | 35 | 2 | 24 | 1 |
| 7 | Export | 44 | 2 | 48 | 2 |
| | Total | 2,170 | 100 | 2,105 | 100 |

SADAFCO's Subsidiaries names, main activities, headquarter locations and percentage ownership

SADAFCO owns shares in subsidiary companies to help achieve its targets and distribute its products as mentioned below:

| | Company | Main Activity | Country | Paid Up Capital | Number of Shares | Ownership (%) |
|---|--|---|---------|-----------------|------------------|---------------|
| 1 | SADAFCO Bahrain Company W.L.L. | Import, Sale and Distribution of Dairy & Foodstuff. | Bahrain | BD 50,000 | 500 | 100% |
| 2 | SADAFCO Kuwait Foodstuff Co. W.L.L (*) | Import, Sale and Distribution of Dairy & Foodstuff. | Kuwait | KD 50,000 | 100 | 49% |
| 3 | SADAFCO Jordan Foodstuff Company LLC | Import, Sale and Distribution of Dairy & Foodstuff. | Jordan | JD 250,000 | 250,000 | 100% |
| 4 | SADAFCO Poland Sp. z o.o. ("SADAFCO Poland") | Own shares in companies and other activities | Poland | PLN 805,000 | 16,000 | 100% |
| | Mlekoma Sp. z o.o. | Manufacturing of Dairy Products | Poland | PLN 8,728,000 | 17,456 | 76% |
| | Foodexo Sp. z o.o. | Manufacturing of Dairy Products | Poland | PLN 1,000,000 | 2,000 | 76% |
| | Mlekoma Dairy Sp. z o.o. | Wholesale of milk, dairy products | Poland | PLN 1,000,000 | 1,000 | 37% |
| 5 | SADAFCO Qatar W.L.L. | Import, Sale and Distribution of Dairy & Foodstuff. | Qatar | QR 1,500,000 | 1,500 | 75% |

* Remaining equity interest is beneficially held through parties nominated by the Company.

The Group's parent entity is Al Qurain Petrochemicals Industries Company ("QPIC"), which is an associate of Kuwait Projects Company Holding ("KIPCO"). QPIC holds shareholding equal to 40.11% of the share capital (2020: 40.11% of the share capital). Both, QPIC and KIPCO are listed on Kuwait Stock Exchange.

None of the above-mentioned Subsidiaries have any debt instruments issued.



Key Performance Indicators

Performance of SADAFCO has been improving quarter upon quarter with Quarter 4 posting the strongest results of the year. The good Q4 results were driven by strong sales, price increases and efficiency gains.

A satisfactory net margin of 9.6% of SAR 209 Mln (vs 12.4%; SAR 261 Mln Last year) has been achieved despite negative impact of significant cost drivers, mainly: higher costs of our key raw materials; increased local and international logistics costs; reduced purchasing power of consumers due to full year impact of 15% VAT (vs 9 months in last year).

Sales of SAR 2,170 Mln vs (last year's SAR 2,105 Mln) has increased 3% mainly due to expansion of frozen category; value sales of ice cream + 10%, cheese +7%, tomato paste +2%, and Mlekoma 3rd party sales.

A gross margin of 30% has been achieved even with above mentioned factors due to a better mix favoring Ice Cream.

Selling and distribution expenses as % of sales maintained at 14% (SAR 311 Mln vs SAR 307 Mln).

General and administration expenses maintained at 5% of sales (SAR 113 vs. SAR 109).

Impairment losses on financial assets (provision for trade receivables) is lower by SAR 0.9 Mln (SAR 1.2 Mln vs. SAR 2.1 Mln last year) due to more effective collection process.

Other operating income representing profit on scrap sales is lower.

Finance income is lower due to decline in deposit rates offered by banks.

Zakat and income tax increase is mainly due to SAR 2.6 Mln (Nil last year) income tax as Polish operations have delivered a profit.

SADAFCO has been able to deliver 9.6% in a challenging year through close focus on value generation activities on profitable categories while bringing efficiencies in our operations, logistics and distribution.

The year has witnessed tremendous increase in raw material and logistic costs across the world resulting in high end inflation in food prices throughout the globe. At the same time cost of doing business is also putting pressure on producers. The profit has been generated with keeping close focus on value generation activities on profitable categories while bringing efficiencies in our operations, logistics and distribution.

We are also witnessing longer school year and in-country (KSA) entertainment activities. All this bodes well for our portion/single packs which have a higher profit margin and gives more consumption opportunities to the consumers. We see improvement in our format mix due to this.

During the year Ice Cream factory has become fully operational churning out 22,000 Ice Cream sandwiches per hour enabling us to meet higher consumer demand in summer months.

Work on Makkah Depot project of SAR 27 Mln has initiated and is expected to finish in this Financial Year.

The board approved a half year dividend of SAR 3/share that was paid in January, in addition to final dividend announced in Extra ordinary general meeting of July 2021. This makes the total dividend payment of SAR 192 Mln during the year vs SAR 176 Mln last year.

We continue to generate healthy cashflow from operations and now the major projects of the company have finished reducing the need for investing activities This leads to a robust cash position of SAR 626 Mln.

Shareholders' equity up at a healthy 1.540 Bln vs 1.533 Bln at 31 Mar 2021.

Business Results Comparison (SAR million)

| Details | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|------------------------|---------|---------|---------|---------|---------|---------|
| Revenue | 2,170 | 2,105 | 2,056 | 1,813 | 1,693 | 1,787 |
| Cost of Revenue | -1,513 | -1,411 | -1,367 | -1,233 | -1,059 | -1,097 |
| Gross Profit | 657 | 694 | 689 | 580 | 634 | 690 |
| Net Profit | 209 | 261 | 265 | 216 | 260 | 304 |

Assets & Liabilities Comparison (SAR million)

| Details | 2021-22 | 2020-21 | 2019-20 | 2018-19 | 2017-18 | 2016-17 |
|--------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Current Assets | 1262 | 1,278 | 1273 | 1,095 | 1,100 | 1,044 |
| Non-current Assets | 1024 | 951 | 901 | 821 | 663 | 597 |
| Total Assets | 2,286 | 2,229 | 2,174 | 1,916 | 1,763 | 1,642 |
| Current Liabilities | 517 | 474 | 498 | 420 | 329 | 271 |
| Non-current Liabilities | 208 | 201 | 200 | 138 | 113 | 108 |
| Total Liabilities | 725 | 675 | 698 | 558 | 442 | 379 |

Operational Results and Major Changes (SAR million)

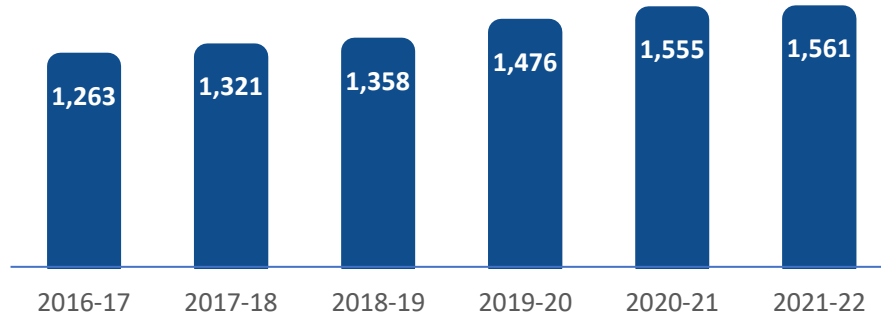
| Details | 2021-22 | 2020-21 | Changes (+) or (-) | % of Changes | 2019-20 |
|----------------------------|---------|---------|-----------------------|--------------|---------|
| Revenue | 2,170 | 2,105 | 65 | 3% | 2,056 |
| Cost of Revenue | -1,513 | -1,411 | -103 | 7% | -1,367 |
| Gross Profit | 657 | 694 | -37 | -5% | 689 |
| Other Operational Expenses | -420 | -409 | -10 | 3% | -413 |
| Operational Profit | 237 | 285 | -48 | -17% | 276 |

Statutory Payments for 2021-22

(SAR thousand)

| | Description | Due | Paid | Balance |
|---|--|----------------|----------------|---------|
| 1 | Zakat, Tax and Customs Authority - Saudi Customs | 24,595 | 24,595 | - |
| 2 | Zakat, Tax and Customs Authority - (for Zakat, VAT, WHT & Excise Tax) | 199,298 | 199,298 | - |
| 3 | GOSI | 16,957 | 16,957 | - |
| 4 | Tadawul Contract | 454 | 454 | - |
| 5 | Government Fees & Visas | 12,451 | 12,451 | - |
| | Total | 253,755 | 253,755 | - |

Change in Total Shareholders' Equity



Names of Board of Directors, Committees Members and Executive Management - Current and Previous Positions, Qualifications and Experience

Board of Directors

| | Name | Current Positions in SADAFACO & Other Company | Previous Positions in SADAFACO & Other Company | Qualifications | Experience |
|----|-----------------------------------|---|--|---|--|
| 1- | H.H Sheikh Hamad Sabah Al-Ahmad | Chairman | Chairman | Diploma from Storm King School, USA | <ul style="list-style-type: none"> - Chairman of SADAFACO – Saudi Arabia - Chairman of KIPCO Holding – Kuwait - Chairman of Masharee Al-Khair Charity Organization – Kuwait - Chairman of Gulf Egypt Hotels & Tourism Company – Egypt |
| 2- | Mr. Faisal Hamad Mubarak Al-Ayyar | Vice Chairman | Vice Chairman | Fighter Pilot, USA | <ul style="list-style-type: none"> - Vice Chairman of SADAFACO – Saudi Arabia - Vice Chairman of KIPCO (Holding) – Kuwait - Vice Chairman of Gulf Insurance Group – Kuwait - Vice Chairman of United Gulf Holding - Bahrain - Vice Chairman of United Gulf Bank – Bahrain - Vice Chairman of Jordan Kuwait Bank – Jordan |
| 3- | Mr. Abdullah Yaqoob Bishara | Member | Member | International Law University of Oxford, UK | <ul style="list-style-type: none"> - Board Member SADAFACO – Saudi Arabia - Board Member of KIPCO – Kuwait |
| 4- | Mr. Saied Ahmed Saied Basamh | Member | Board member in various companies | B.Sc Business Administration – Marketing & Logistics Ohio State University, USA | <ul style="list-style-type: none"> - Board Member SADAFACO – Saudi Arabia - Board Member - International Medical Center - Chairman- Al-Khair Inorganic Chemical Industries Co - Board Member - Basamh Group of Companies - Board Member – Sahra International Petrochemical Co. (International Sipchem) - Chairman - Hala Supply Chain Services Company - Board Member - IDEA International Investment & Development - Board Member - Future Resources Company |

| | | | | | |
|----|--|--------|--|--|--|
| | | | | | <ul style="list-style-type: none"> - Board Member Sorooh Al-Madinah for Real Estate Investments Co. - Board Member – Jeddah Development & Urban Regeneration Co. (JDURC) |
| 5- | Mr. Ahmed Mohamed Hamed Al-Marzouki | Member | Member | MBA - California State University - America | <ul style="list-style-type: none"> - Sales & Marketing SADAFICO – Saudi Arabia - Board Member SADAFICO – Saudi Arabia - Executive Management in various companies - Board Member of Buruj Co-Op Insurance Company |
| 6- | Mr. Suleiman Saud Jarallah Al-Jarallah | Member | Member | Military School - Saudi Arabia | <ul style="list-style-type: none"> - Manager Al Jarallah for Gold and Jewellery – Saudi Arabia - Board Member SADAFICO – Saudi Arabia |
| 7- | Mr. Mussad Abdullah Abdul Aziz Al-Nassar | Member | Member | Bachelor of Public Administration - Al Bakrki University - USA | <ul style="list-style-type: none"> - Board Member SADAFICO – Saudi Arabia - Sales Administration SADAFICO - Executive Manager SADAFICO - Manager of SADAFICO Bahrain - Manager of SADAFICO Qatar - Vice Chairman of SADAFICO Jordan - Board member SADAFICO Poland sp. Z.o.o. |
| 8- | Mr. Hani Abdulaziz Ahmed Saab. | Member | Chairman and Board member in various companies | B.Sc. Business Administration – University of California San Diego, USA. | <ul style="list-style-type: none"> - Board Member SADAFICO – Saudi Arabia - Chairman of Textiles and Garments Company 'Giordano Fashion Agency' - Chairman of East Trading Activities Co. - Chairman of Qurtubah Private School Co. - General Manager of Al Faneyah Electromechanical Co. - General Manager of Prime Star Technologies Co. Ltd - General Manager of Allied Motors Co. - General Manager of Eastern Trading Activities. - General Manager of East Duct Factory. - Board Member of Makkah Region Council, Chairman of the Social Development Committee. - Board Member of Chamber of Commerce and Industry in Jeddah. |
| 9- | Mr. Abdullah Hamdan Abdullah Al Nassar | Member | Member | <ul style="list-style-type: none"> - (First Division) in International Business Management – University of West London, Bachelor of Arts (Honors), United Kingdom. - School (France) Management Executive Management – Grenoble. | <ul style="list-style-type: none"> - Business & product Development at STC Solutions - Business Owner at Fnaa alfan Est. |

| | | | | | |
|--|--|--|--|--|--|
| | | | | - (First Division) – University of Brighton (United Kingdom MSc in Management Innovation. - Business foundation – (A) Honors – Oxford Business College. | |
|--|--|--|--|--|--|

Board of Directors Formation and Capacity

The Board of Directors is constituted of nine (9) members elected for the term starting 1st April 2021 and ending 31st March 2024.

| Name | Capacity |
|---|---------------|
| HH Sheikh Hamad Sabah Al-Ahmad | Non-executive |
| Mr Faisal Hamad Mubarak Al-Ayyar | Non-executive |
| Mr Abdullah Yaqoob Bishara | Non-executive |
| Mr. Saeid Ahmed Saeid Basamh | Non-executive |
| Mr Ahmed Mohamed Hamed Al-Marzouki | Independent |
| Mr Suleiman Saud Jarallah Al-Jarallah | Non-executive |
| Mr Mussad Abdullah Abdul Aziz Al-Nassar | Executive |
| Mr. Hani Abdulaziz Ahmed Sabb. | Independent |
| Mr. Abdullah Hamdan Abdullah Al-Nassar | Independent |

Audit Committee

| | Name | Current Position | Previous Position | Qualifications | Experiences |
|----|------------------------------------|------------------|-------------------|---|---|
| 1- | Mr Faisal Hamad Mubarak Al-Ayyar | Vice Chairman | Vice Chairman | Fighter Pilot, USA | - Vice Chairman of SADAFCO – Saudi Arabia - Vice Chairman of KIPCO (Holding) – Kuwait - Vice Chairman of Gulf Insurance Group – Kuwait - Vice Chairman of United Gulf Holding - Bahrain - Vice Chairman of United Gulf Bank – Bahrain - Vice Chairman of Jordan Kuwait Bank – Jordan |
| 2- | Mr. Saied Ahmed Saied Basamh | Member | Member | B.Sc Business Administration – Marketing & Logistics Ohio State University, USA | - Board Member - International Medical Center - Chairman- Al-Khair Inorganic Chemical Industries Co - Board Member SADAFCO – Saudi Arabia - Board Member - Basamh Group of Companies - Board Member – Sahra International Petrochemical Co. (International Sipchem) - Chairman - Hala Supply Chain Services Company - Board Member - IDEA International Investment & Development - Board Member - Future Resources Company - Board Member Sorooh Al-Madinah for Real Estate Investments Co. - Board Member – Jeddah Development & Urban Regeneration Co. (JDURC) |
| 3- | Mr Ahmed Mohamed Hamed Al-Marzouki | Member | Member | MBA - California State University - USA | - Sales & Marketing SADAFCO – Saudi Arabia - Board Member SADAFCO – Saudi Arabia - Executive Management in various companies - Board Member Buruj Co-Op Insurance Company |

Nomination & Remuneration Committee

| | Name | Current Position | Previous Position | Qualifications | Experiences |
|----|---------------------------------------|-------------------------------|-------------------|---|--|
| 1- | Mr Ahmed Mohamed Hamed Al-Marzouki | Chairman | Chairman | MBA - California State University - USA | <ul style="list-style-type: none"> - Sales & Marketing SADAFCO – Saudi Arabia - Board Member SADAFCO – Saudi Arabia - Executive Management in various companies - Board Member Buruj Co-Op Insurance Company |
| 2- | Mr Faisal Hamad Mubarak Al-Ayyar | Member | Member | Aviation, USA | <ul style="list-style-type: none"> - Vice Chairman of KIPCO – Kuwait - Vice Chairman of Gulf Insurance Company – Kuwait - Vice Chairman of Kuwait Jordanian Bank – Jordan - Vice Chairman of SADAFCO – Saudi Arabia - Vice Chairman of United Gulf Bank – Bahrain |
| 3- | Mr Suleiman Saud Jarallah Al-Jarallah | Chairman Member | Chairman | Military School - Saudi Arabia | <ul style="list-style-type: none"> - Manager Jarallah Jewellery – Saudi Arabia - Board Member SADAFCO – Saudi Arabia |

Executive Management

Mr Patrick Stillhart

Chief Executive Officer

Patrick joined SADAFCO as its Chief Executive Officer in November 1, 2021. His international career expands more than 23 years in the FMCG industry; 20+ years with Nestlé and 3+ years with DKSH. Besides Switzerland, Patrick has lived and worked in UAE, Malaysia, Indonesia and Singapore.

Proven track record in implementation of commercial strategies, entering new markets and develop/create operational excellence to deliver strategic objectives and transform organizations. A team-player with strong executive presence, capable of inspiring and developing teams and creating an environment of trust, respect and excellence to deliver results beyond expectations. Delivered strong results in challenging environments for complex businesses with revenues close to 2Bln USD.

Education:

Patrick has a Master of Business Administration degree, with major in Marketing, from the University of St. Gallen in Switzerland. He has completed various Executive Leadership programs in Marketing, Sales, Leadership, Innovation, Digital, and Artificial Intelligence & Machine Learning (AI&ML) at several renowned business schools.

Mr Shehzad Altaf

Chief Financial Officer

Shehzad is responsible for SADAFCO's financial management, accounting and reporting practices. He has previously worked as Director Corporate Strategy & Business Development, and Director Marketing & Trade Marketing within the organization. Before joining SADAFCO, he spent 12 years with Royal Friesland Campina in Saudi Arabia and Ghana.

Education: Shehzad graduated in Electrical Engineering from Oklahoma University and completed his MBA from Lahore University of Management Sciences. He is also a Chartered Financial Analyst.



Mr Paul van Schaik

Director Organizational Development

Paul is responsible for projects enhancing the organizational development and performance across the Company. He joined SADAFCO in March 2011. His professional career spans over 30 years of which 15 years in the FMCG industry. Prior to joining SADAFCO, he worked internationally with Friesland Campina, Deloitte & Touche, Netherlands Foreign Investment Agency and KLM Royal Dutch Airlines.

Education: Paul has completed his Master's in Business Administration from University of Amsterdam.

Mr Devasheesh Singh

Director Commercial Operations

Devasheesh is responsible for the Sales, Marketing & Trade Marketing. He joined SADAFCO in 2019. Devasheesh has more than 19 years commercial experience with him from Procter & Gamble. In particular, he has gained experience in the execution of Sales, Trade Marketing, Route to Market and Organization Development in India, Malaysia, Switzerland and lastly in Kenya from where he also managed the business in Ethiopia, Uganda and Tanzania.

Education: Devasheesh graduated with a Degree in Commerce from St Xavier's College in Kolkata, India and completed his Master's degree in Management from the Indian Institute of Management (IIM) in Lucknow, India.

Mr Brian Strong

Director Supply Chain

Brian is responsible for the management, development and enhancement of the process of "Plan, Source, Make and Deliver" in an efficient and cost-effective way so that the supply meets the demands of the market; the right products and goods at the right time, in the right place at the right costs. Brian has recently rejoined the SADAFCO team in November 2020 and brings with him over 25 years of FMCG experience, of which 21 years has been in KSA.

Education: Bachelor's degree in Business Administration with majors in Marketing and Management from Northwood University in Michigan, USA

Mr Jim Versteyleen

Director Marketing

Jim joined SADAFCO (March 2022) as Marketing Director.

Jim Versteyleen has 19 years' experience in FMCG in various commercial and marketing positions at Kraftfoods/Mondelez International. He started in 2003 in the Sales department of Kraft foods Benelux. Till 2011 he worked in several positions in the field, Key Account, Category Management & Category Business Development departments in different product categories (Chocolate, Biscuits & Cheese and Grocery). Starting in 2012 Jim started working in various senior marketing roles based in Belgium and The Netherlands for the chocolate category and finally leading the Gum & Candy marketing team for the BeNeLux. In 2017 he moved to Madrid and joined the leadership team Iberia where he lead for 3 years the Gum & Candy category for Southern Europe (SP/PT/IT/GR) and switched in 2020 to leading the Grocery & Cheese category.

Education: Master in Applied Economics in Antwerp and General Management in Ghent,

Mr Umar Farrukh Nelover

General Manager Frozen Business Unit

Umar is responsible for building a Frozen Organization within SADAFCO through internal & external benchmarking including front & back-end investments. His responsibilities include crafting a 10-year Ambition and the consequent Business Strategy.

With almost 15 years of experience comprising of general management, marketing and sales, Farrukh specializes in developing & delivering sustainable business growth strategies.

Before joining SADAFCO in June 2019, Farrukh lead different FMCG categories including Ice Cream, Culinary, Powdered Desserts & Spreads at Unilever Pakistan during his 12 years tenure. He contributed with share gains through Advertising, Innovations & Distribution, and turned-around business profitability with E2E Restructuring Programs. As a member of the Marketing Leadership Team at Unilever Pakistan, he led channel expansion through synergies across multiple Foods & Refreshments categories with integrated selling solutions.

Education: Certificate of Achievement - The Business of Artificial Intelligence (London Business School), MBA Marketing (LUMS), B. Sc. Electrical Engineering (U.E.T)

The names of companies inside or outside the Kingdom of which the board member is a member in its current Board of Directors and former Boards of Directors or a Manager

| Name of BOD Member | Name of current companies of the BOD Member who is a member in their boards or its directors | Inside/ Outside KSA | Legal Entity (Listed/ Unlisted/ Limited) | Name of former Companies of the BOD Member who is a member in their boards or its directors | Inside/ Outside KSA | Legal Entity (Listed/ Unlisted/ Limited) |
|----------------------------------|--|--|---|--|---------------------------------------|--|
| HH Sheikh Hamad Sabah Al-Ahmad | <ul style="list-style-type: none"> - Chairman of SADAFCO – Saudi Arabia - Chairman of KIPCO Holding – Kuwait - Chairman of Masharee Al-Khair Organization – Kuwait - Chairman of Gulf Egypt Hotels & Tourism Company – Egypt | KSA Kuwait Kuwait Egypt | Listed Listed Charity Limited | <ul style="list-style-type: none"> - Burgan Bank - National Mobile Company - United Real Estate Company - United Gulf Bank | Kuwait Kuwait Kuwait Bahrain | Listed Listed Listed listed |
| Mr Faisal Hamad Mubarak Al-Ayyar | <ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - Kuwait Project Company (Holding) - United Gulf Holding Company - United Gulf Bank - Jordan Kuwait Bank - Gulf Insurance Group - Panther Media Group - Vice Chairman of SADAFCO – Saudi Arabia - Vice Chairman of KIPCO (Holding) – Kuwait - Vice Chairman of Gulf Insurance Group – Kuwait - Vice Chairman of United Gulf Holding - Bahrain - Vice Chairman of United Gulf Bank – Bahrain - Vice Chairman of Jordan Kuwait Bank – Jordan - | KSA Kuwait Bahrain Bahrain Jordan Kuwait UAE | Listed Listed Listed Unlisted Listed Listed Limited | | | |
| Mr Abdullah Yaqoob Bishara | <ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - Kuwait Project Company (Holding) - Consulting Office for Strategic Studies | KSA Kuwait Kuwait | Listed Listed Limited | <ul style="list-style-type: none"> - United Real Estate Company - North Africa Holding | Kuwait Kuwait | Listed Unlisted |

| | | | | | | |
|---|--|---------|----------|--|------|----------|
| Mr. Saied Ahmed Saied Basamh | - Saudia Dairy & Foodstuff Co. (SADAFCO) | KSA | Listed | Board Member – Idea International Investments & Development - Sorooh Al-Madinah for Real Estate Investments Co. - Board Member – Jeddah Development & Urban Regeneration Co. (JDURC) | KSA | Limited |
| | - International Medical Center Co. | KSA | Unlisted | | | |
| | - Al Khair Industries Co. for Inorganic Chemicals | KSA | Listed | | | |
| | - Sahara International Petrochemical Co. (International Sipchem) | | Limited | | | |
| | - Basamh Group of Companies | | Limited | | | |
| Mr Ahmed Mohamed Hamed Al-Marzouki | - Hala Supply Chain Company | KSA | Limited | - Swiss Premium Food - Saudi New Zealand Milk Products Co. - Multiple Investments for Medical Services - | KSA | Unlisted |
| | - Future Resources Company | KSA | Limited | | | |
| | | | | | | |
| Mr Suleiman Saud Jarallah Al-Jarallah | - Saudia Dairy & Foodstuff Co. (SADAFCO) | KSA | Listed | | | |
| | - Al Jarallah for Gold & Jewellery | KSA | Est. | | | |
| Mr Mussad Abdullah Abdul Aziz Al-Nassar | - Saudia Dairy & Foodstuff Co. (SADAFCO) | KSA | Listed | - National Buildings Real Estate - United Gulfers Transport - National Sights Holding - Swiss Premium Food - Saudi New Zealand Milk Products Co. | KSA | Unlisted |
| | - SADAFCO Jordan | Jordan | Limited | | | |
| | - SADAFCO Qatar | Qatar | Limited | | | |
| | - SADAFCO Bahrain | Bahrain | SPC | | | |
| | - SADAFCO Poland sp. Z.o.o. | Poland | Limited | | | |
| Mr. Hani Abdulaziz Ahmed Sabb. | - Saudia Dairy & Foodstuff Co. (SADAFCO) | KSA | Listed | - General Manager of Western Auto Co. - Board Member of the Almadinah Press, Printing and Publishing Corporation and Chairman of the Finance Committee. | KSA | Limited |
| | - Company 'Giordano Fashion Agency' | KSA | Limited | | | |
| | - Chairman of East Trading Activities Co. | KSA | Limited | | | |
| | - Chairman of Qurtubah Private School Co. | KSA | Limited | | | |
| | - General Manager of Al Faneyah Electromechanical Co. | KSA | Limited | | | |
| | - General Manager of Prime Star Technologies Co. Ltd | KSA | Limited | | | |
| | - General Manager of Allied Motors Co. | KSA | Limited | | | |
| | - General Manager of Eastren Trading Activities. | KSA | Limited | | | |
| | - General Manager of East Duct Factory.. | KSA | Limited | | | |
| | | | | | | |
| | | | | | | |
| Mr. Abdullah Hamdan Abdullah Al-Nassar | - Saudia Dairy & Foodstuff Co. (SADAFCO) | KSA | Listed | None | None | None |
| | - | | | | | |

Number and date of Board of Directors Meetings during the financial year (01/04/2021 to 31/03/2022)

The board had fifteen meetings; 2 attended and passed 20 resolutions by circulation.

| Name | Attended (2) | | Resolution by Circulation (20) | | | | | | | | | | | | | | | | | | | | Total |
|---|-----------------|------------|--------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------|
| | 05/07/2021 | 06/12/2021 | 01/04/2021 | 04/04/2021 | 12/04/2021 | 10/05/2021 | 25/05/2021 | 06/06/2021 | 13/06/2021 | 14/06/2021 | 17/06/2021 | 29/07/2021 | 18/08/2021 | 14/10/2021 | 17/10/2021 | 21/10/2021 | 24/10/2021 | 26/12/2021 | 04/01/2022 | 20/01/2022 | 16/02/2022 | 20/02/2022 | 22 |
| HH Sheikh Hamad Sabah Al-Ahmad | ✖ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 21 |
| Mr Faisal Hamad Mubarak Al-Ayyar | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 22 |
| Mr Abdullah Yaqoob Bishara | ✖ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 21 |
| Mr. Saeid Ahmed Saied Basamh | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 22 |
| Mr Ahmed Mohamed Hamed Al-Marzouki | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 22 |
| Mr Suleiman Saud Jarallah Al-Jarallah | ✖ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 21 |
| Mr Mussad Abdullah Abdul Aziz Al-Nassar | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 22 |
| Mr. Hani Abdulaziz Ahmed Saab. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 22 |
| Mr. Abdullah Hamdan Abdullah Al-Nassar | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 22 |

The last Extraordinary General Meeting (EGM) was held on **15 November 2021**

Share Ownership of Board of Directors, Spouses and Minor Children

| | Name | 1 st April 2021 | 31 st March 2022 | % Change (+/-) |
|---|---|----------------------------|-----------------------------|----------------|
| 1 | HH Sheikh Hamad Sabah Al-Ahmad Representing: United Industries Company | 1,000 | 1,000 | - |
| 2 | Mr Faisal Hamad Mubarak Al-Ayyar Representing: United Gulf Bank | 1,000 | 1,000 | - |
| 3 | Mr Abdullah Yaqoob Bishara | 1,000 | 1,000 | - |
| 4 | Mr. Saied Ahmed Saied Basamh Representing: Alsamh Trading Co. | 3,798,008 | 3,798,008 | - |
| 5 | Mr Ahmed Mohamed Hamed Al-Marzouki | 20,000 | 20,000 | - |
| 6 | Mr Suleiman Saud Jarallah Al-Jarallah | 1,000 | 1,000 | - |
| 7 | Mr Mussad Abdullah Abdul Aziz Al-Nassar | 11,000 | 11,000 | - |
| 8 | Mr. Hani Abdulaziz Ahmed Saab. | 1,750 | 2,000 | 250 |
| 9 | Mr. Abdullah Hamdan Abdullah Al-Nassar | 1000 | 1000 | - |

Share Ownership of Executive Management Team, Spouses and Minor Children

| | Name | 1 st April 2021 | 31 st March 2022 | % Change (+/-) |
|---|---------------------|----------------------------|-----------------------------|----------------|
| 1 | Patrick Stillhart | 0 | 0 | - |
| 2 | Mr Paul van Schaik | 0 | 0 | - |
| 3 | Mr Shehzad Altaf | 0 | 0 | - |
| 4 | Mr Brian Strong | 0 | 0 | - |
| 5 | Mr Devasheesh Singh | 0 | 0 | - |
| 6 | Jim Versteyleen | 0 | 0 | - |
| 7 | Umar Farrukh | 0 | 0 | - |

The Board of Directors and Executive Management team members, their spouses and children do not have any rights or preference shares or debt instruments relating to the Company or any of its Subsidiaries.

Board Committees

1) The Audit Committee

Competencies, powers and responsibilities of the Audit Committee

The Audit Committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall particularly include the following:

a) Financial Reports:

- Analysing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency;
- Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;
- Analysing any important or non-familiar issues contained in the financial reports;
- Accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor;
- Examining the accounting estimates in respect of significant matters that are contained in the financial reports; and
- Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
- The committee will review with Executive Management and External & Internal Auditors separately the following:
 - Any major difference between management and independent auditor or internal audit administration relating to preparation of financial statement
 - Any difficulties aroused during audit (including any restrictions) to the scope of work or reaching to the required information
- The committee should discuss with the Auditor without attendance of the management, their opinion regarding the quality, relevance and acceptability to the Company's accounting principles and disclosure practices as followed currently by the Company when issuing the financial reports.

b) Internal Audit:

- 1) Examining and reviewing the Company's internal and financial control systems and risk management;
- 2) Analysing the internal audit reports and following up the implementation of the corrective measures in respect of the observations made in such reports;
- 3) Monitoring and overseeing the performance and activities of the Internal Auditor and Internal Audit department of the Company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no Internal Auditor, the committee shall provide a recommendation to the Board on whether there is a need to appoint an Internal Auditor.
- 4) Providing a recommendation to the Board on appointing the manager of the Internal Audit unit or department, or the Internal Auditor and suggest his/her remunerations.

c) External Auditor:

- 1) Providing recommendations to the Board to nominate External Auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts;
- 2) Verifying the independence of the External Auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;
- 3) Reviewing the plan of the Company's External Auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon;
- 4) Responding to queries of the Company's External Auditor; and
- 5) Reviewing the External Auditor's reports and its comments on the financial statements, and following up the action taken in connection therewith.

d) Ensuring Compliance:

- 1) Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;
- 2) Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;
- 3) Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and
- 4) Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

The committee held four attended meeting and four resolutions were passed by circulation.

Audit Committee Members and their Meetings during 2021-22:

| Name | Capacity | Attended (4) | | | | | By Circulation (4) | | | | Total | |
|-------------------------------------|----------|--------------|--|------------|------------|------------|--------------------|------------|------------|------------|-------|------------|
| | | | | 28/07/2021 | 20/10/2021 | 06/12/2021 | 19/01/2022 | 09/05/2021 | 09/05/2021 | 11/05/2021 | | 31/05/2021 |
| Mr. Faisal Hamad Mubarak Al-Ayyar | Chairman | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| Mr. Saied Ahmed Saied Basamh | Member | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |
| Mr. Ahmed Mohamed Hamed Al-Marzouki | Member | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 8 |

2) The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members.

Competencies of the Nomination and Remuneration Committee

The competences of the Nomination and Remuneration Committee are:

A. Remunerations:

- 1) Preparing a clear policy for the remunerations of the Board Members and its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy;
- 2) Clarifying the relation between the paid remunerations and the adopted remuneration policy and highlighting any material deviation from that policy.
- 3) Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives; and
- 4) Providing recommendations to the Board in respect of the remunerations of its members, the Committee Members and Senior Executives, in accordance with the approved policy.

B. Nominations:

- 1) Suggesting clear policies and standards for membership of the Board and the Executive Management;
- 2) Providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty;
- 3) Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions;
- 4) Determining the amount of time that the member shall allocate to the activities of the Board;
- 5) Annually reviewing the skills and expertise required of the Board Members and the Executive Management;

- 6) Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
- 7) Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board Member also acts as a member of the Board of Directors of another company;
- 8) Providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
- 9) Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant; and
- 10) Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.
- 11) Setting a mechanism for training the new board members and introducing them to the company duties and activities, to enable them to perform their work competently.
- 12) Analyzing and reviewing the company organizational structure and reviewing the Executive Management and the company senior executives' performance.

In addition to the above-mentioned duties, Remuneration and Nomination Committee has the right to:

- 1) Investigate and enquire any subject within its duties and specialties or any subject requested by the board.
- 2) Review the company records and documents and requesting any clarification or indication from the board or executive management members or the company employees, for the purpose of inquiry about any information.
- 3) The committee may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting; the minutes states the name of the expert and his relation to the Company or its Executive Management, and the company may request the attendance of any employee, manager, the company lawyers, or the independent auditors, for holding a meeting with the committee or with any of its members or consultants.

The N&R committee held two attended meeting and three resolutions were passed by circulation.

Nomination and Remuneration Committee Members, Meetings and Resolutions during 2021-22

| Name | Capacity | Attended (2) | | By Circulation (2) | | Total |
|---------------------------------------|----------|--------------|------------|--------------------|------------|-------|
| | | 22/08/2021 | 06/12/2021 | 04/04/2021 | 06/06/2021 | 4 |
| Mr. Ahmed Mohamed Hamed Al-Marzouki | Chairman | ✓ | ✓ | ✓ | ✓ | 4 |
| Mr Faisal Hamad Mubarak Al-Ayyar | Member | ✓ | ✓ | ✓ | ✓ | 4 |
| Mr Suleiman Saud Jarallah Al-Jarallah | Member | ✓ | ✓ | ✓ | ✓ | 4 |

Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance:

Remarks, suggestions, and questions raised by the shareholders are recorded in the Ordinary/ Extraordinary General Assembly's minutes. The answers for their queries are recorded in the minutes and followed-up with the implementation of any applicable suggestion with the Company's Executive Management. These suggestions shall be represented during the Board meetings following the General Assemblies of the Company and shall be discussed among its members.

Performance Assessment of the Board of Directors

The Board of Directors shall encourage its members to perform their duties effectively to achieve the Company's purpose through convening meetings and circular resolutions, whenever it deems necessary to review specific matters or any requests by the Executive Management to the Board in order to make decisions thereof. Assemblies and circular resolutions may be convened as necessity arises.

The Board shall effectively discuss all essential matters, allocate appropriate time, improve the Company's strategy, and monitor the Company's performance to achieve its objective in accordance with its approved annual budget by the Board. The Executive Management shall provide periodic reports for the Company performance to the Board, furthermore, the Board shall ensure compliance with its competences and duties in conformity with the Companies' Law, Capital Market Law and its Executive Regulations, the Company's Bylaw, and any related laws.

The Board shall oversee the process of updating and improving the Company's Governance rules.

The Nomination & Remuneration Committee of the Board shall assess the performance of the Board, its members, its 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.

Details of the General Assembly meetings held during the last financial year and the names of the members of the Board of Directors present

Attendance Record:

| Name | AGM 06/05/2021 | EGM 12/07/2021 | EGM 15/11/2021 |
|---|-------------------|-------------------|-------------------|
| HH Sheikh Hamad Sabah Al-Ahmad | x | x | x |
| Mr Faisal Hamad Mubarak Al-Ayyar | x | x | x |
| Mr Abdullah Yaqoob Bishara | x | x | x |
| Mr. Saied Ahmed Saied Basamh | ✓ | x | x |
| Mr Ahmed Mohamed Hamed Al-Marzouki | ✓ | ✓ | ✓ |
| Mr Suleiman Saud Jarallah Al-Jarallah | x | ✓ | ✓ |
| Mr Mussad Abdullah Abdul Aziz Al-Nassar | ✓ | ✓ | ✓ |
| Mr. Hani Abdulaziz Ahmed Saab. | ✓ | ✓ | ✓ |
| Mr. Abdullah Hamdan Abdullah Al-Nassar | ✓ | ✓ | ✓ |

Number of Company's requests of shareholders records, dates and reasons thereof from 1st April 2021 to 31st March 2022:

| No. of Request | Date of Request | Reason |
|----------------|-----------------|----------|
| 1 | 13/07/2021 | Dividend |
| 1 | 09/01/2022 | Dividend |

Details of Compensation and Remuneration

Board Members

| | Fixed Remuneration (SAR) | | | | | | Variable Remuneration (SAR) | | | | | | End of Service Benefit (SAR) | Grand Total (SAR) | Expenses Allowance (SAR) |
|--|-----------------------------|---|---------------------------------------|------------------|--|--|--------------------------------|-------------|-----------------------|-------------------------------|------------------------------|----------------------|---------------------------------|----------------------|-----------------------------|
| | A certain amount | Attendance allowance for board meetings | Total Committees attendance allowance | In-kind benefits | Details of board members earnings as workers or administrative or other earnings for technical, administrative and consultant services or technical services | Remuneration of Chairman or Managing Director or BOD Secretary if he is a member | Total | % of profit | Periodic Remuneration | Short term motivational plans | Long term motivational plans | Given Shares (value) | Total | | |
| Independent Members | | | | | | | | | | | | | | | |
| Mr Ahmed Mohamed Hamed Al-Marzouki | 400,000 | | 60,000 | | | | 460,000 | | | | | | | 460,000 | |
| Mr. Hani Abdulaziz Ahmed Sabb | 400,000 | | | | | | 400,000 | | | | | | | 400,000 | |
| Mr. Abdullah Hamdan Abdullah Al-Nassar | 400,000 | | | | | | 400,000 | | | | | | | 400,000 | |
| Total | 1,200,000 | | 60,000 | | | | 1,260,000 | | | | | | | 1,260,000 | |
| Non -Executive Members | | | | | | | | | | | | | | | |
| HH Sheikh Hamad Sabah Al-Ahmad | 400,000 | | | | | | 400,000 | | | | | | | 400,000 | |
| Mr Faisal Hamad Mubarak Al-Ayyar | 400,000 | | 60,000 | | | | 460,000 | | | | | | | 460,000 | |
| Mr Abdullah Yaqoob Bishara | 400,000 | | | | | | 400,000 | | | | | | | 400,000 | |
| Mr. Saied Ahmed Saied Basamh | 400,000 | | 40,000 | | | | 440,000 | | | | | | | 440,000 | |
| Mr Suleiman Saud Jarallah Al-Jarallah | 400,000 | | 20,000 | | | | 420,000 | | | | | | | 420,000 | |
| Total | 2,000,000 | | 120,000 | | | | 2,120,000 | | | | | | | 2,120,000 | |
| Executive Members | | | | | | | | | | | | | | | |

| | | | | | | | | | | | | | | |
|--|----------------|--|--|----------------|--|------------------|--|--|--|--|--|---------------|------------------|--------------------|
| Mr Mussad Abdullah Abdul Aziz Al-Nassar | 400,000 | | | 703,455 | | 1,103,455 | | | | | | 50,975 | 1,154,430 | 400,000 |
| Total | 400,000 | | | 703,455 | | 1,103,455 | | | | | | 50,975 | 1,154,430 | 400,000 |

Executive Management Remuneration for Six Members including CEO and CFO*

| | Fixed Remuneration (SAR) | | | | Variable Remuneration (SAR) | | | | | End of Service benefit | Total Remuneration of BOD Executive if any | Total (SAR) |
|------------------|--------------------------|------------------|------------------|------------------|-----------------------------|-----------|----------------------------|---------------------------|----------------------|------------------------|--|------------------|
| | Salaries | Allowances | In-kind Benefits | Total | Periodic Remuneration | Dividends | Short term plan incentives | Long term plan incentives | Given Shares (Value) | Total | | |
| No. of staff (6) | 5,704,208 | 1,900,146 | | 7,604,354 | | | 1,212,000 | 215,000 | | 1,427,000 | 494,180 | 9,525,534 |
| Total | 5,704,208 | 1,900,146 | | 7,604,354 | | | 1,212,000 | 215,000 | | 1,427,000 | 494,180 | 9,525,534 |

* SADAFCO has complied with the disclosure of the components of the senior executives' remuneration on aggregate in line with the requirements of subparagraph (b) of paragraph (4) of Article 93 of the Corporate Governance Regulations issued by CMA, but to protect the interests of the Company, its shareholders and employees, and to avoid any damage that may occur as a result of disclosing the detailed senior executives' remuneration by position, the Company did not disclose the details as per Appendix (1) of the CG Regulations.

Audit Committee Remuneration

| | Member | Fixed remuneration (except for the allowance for attending meetings) | Allowance for attending the meetings | Total (SAR) |
|---|-------------------------------------|--|--------------------------------------|----------------|
| 1 | Mr. Faisal Hamad Mubarak Al-Ayyar | | 40,000 | 40,000 |
| 2 | Mr. Saied Ahmed Saied Basamh | | 40,000 | 40,000 |
| 3 | Mr. Ahmed Mohamed Hamed Al-Marzouki | | 40,000 | 40,000 |
| | Total | | 120,000 | 120,000 |

Remuneration for Nomination & Remuneration Committee

| | Member | Fixed remuneration (except for the allowance for attending meetings) | Allowance for attending the meetings | Total (SAR) |
|---|---------------------------------------|--|--------------------------------------|---------------|
| 1 | Mr. Ahmed Mohamed Hamed Al-Marzouki | | 20,000 | 20,000 |
| 2 | Mr Faisal Hamad Mubarak Al-Ayyar | | 20,000 | 20,000 |
| 3 | Mr Suleiman Saud Jarallah Al-Jarallah | | 20,000 | 20,000 |
| | Total | | 60,000 | 60,000 |

Remunerations & Compensations of the Board Members, Committees and Executive Management Policy

First: Objectives

This Policy is prepared as per Companies' Law, its Executive Regulations, Corporate Governance Regulations issued by the Capital Market Authority and the Corporate Bylaw, and shall not be amended only upon a recommendation by the Shareholders' General Assembly for an approval, unless the regulations and instructions issued by such authorities include otherwise.

This Policy aims at attracting persons with academic, technical, administrative qualifications, retaining and training them to perform their duties professionally and effectively to commensurate with the company's activities and purposes. In addition, it aims at setting clear and specific standards and conditions explaining to shareholders the Company's terms, conditions, and procedures for granting remunerations to the members of the Board of Directors, Committees, and Executive Management.

Second: Rules & Standards of Remunerations & Compensations

Without prejudice to the provisions of the Companies' Law, Capital Market Authority Regulations, and their Executive Regulations, and the Corporate Bylaw, remuneration policy shall take into account the following:

- To be consistent with the Company's strategy, objectives, and required skills of the Company management, provided that it shall be fair and commensurate with member's scope of specialty, the duties and responsibilities performed by the Board members, and the objectives designated by the Board to be achieved during the financial year.
- To provide remuneration in order to encourage the members of the Board of Directors and the Executive Management to achieve the success of the Company and its long-term development, by for example making the variable part of the remuneration linked to the long-term performance.
- To determine remuneration based on job level, duties and responsibilities, educational qualifications, practical experiences, skills, and level of performance.
- To be consistent with the magnitude, nature and level of risks faced by the Company.
- To take into consideration other companies' practices in determining remunerations, and avoid the disadvantages of such comparison in leading to unjustifiable increases of remunerations and compensations. The remunerations of the Board of Directors' members may vary based on the members' experiences, duties, and number of sessions attended.
- To attract talented professionals, retain and motivate them without exaggeration.
- Such remuneration shall be reasonably sufficient for attracting, motivating, and retaining qualified and experienced members.
- Such remuneration shall be prepared in coordination with the Nomination and Remuneration Committee for new appointments, and based on the recommendation of the Nomination and Remuneration Committee.
- To take into consideration the company scope of business, magnitude, and the experiences of its Board of Directors members.
- To suspend or reclaim remuneration when determined that such remunerations were set based on inaccurate information provided by a member of the Board or the executive management, in order to prevent abuse of power to obtain unmerited remunerations.
- In case of regulating the grant of Company's shares to the Board members and the Executive Management, whether newly issued or purchased by the Company, such action is supervised by the Nomination and Remuneration Committee and shall follow the Corporate Bylaw and the related regulations and policies of Capital Market Authority.

Third: The Remunerations of the Board Members

- 1- The remuneration of the Board of Directors' members consists of a certain amount of money, attendance allowance, in kind, or a percentage of net profit- two of the mentioned benefits may be combined together. In case if the remuneration is a percentage, Articles (24) and (50) of the Company's Bylaw Article (76) of Corporates' Law must be followed, and the amount of the member's benefits shall not exceed more than SAR (500,000) annually. The member is entitled to the remuneration from the effective date of membership.
- 2- The Board report to the Ordinary General assembly shall be comprehensive, including all benefits received by the members during the financial year, remunerations, expense allowances etc., the cash received by members, as employees and executives, or as per their exerted efforts including their technical, administrative, and consulting

performances. In addition, the report shall include, the number of sessions attended by every member from the last date of the General Assembly meeting, pursuant to the Companies Law, Capital Market Authority Regulations and its Executive regulations.

- 3- The remunerations of the independent members of the Board shall not be a percentage of the achieved Company's incomes, or based, directly or indirectly, on the Company's profitability.
- 4- Remunerations may vary as per the member's experience, specialty, duties, independence, and the number of sessions attended along with other considerations.
- 5- The Board of Directors may not vote for the remuneration article of the Board' members during the Shareholders General Assembly.
- 6- A member of the Board may receive a remuneration or salary for any additional executive, technical, administrative, or consulting performances assigned by the Company, in addition to the received remuneration as a member of the Board and its committees as per the Companies Law, the Corporate Bylaw, CMA Regulations and its Executive regulations.
- 7- Remunerations in form of shares may be granted for the Board of Directors members after meeting the bylaws and procedures in this regard.
- 8- The Company shall cover the cost of traveling-ticket for members living outside Jeddah city.
- 9- The Company shall cover the cost of five- star hotels stay and tickets, whenever the meeting is convened outside Jeddah city.
- 10- All round-trip tickets for members shall be on the First and Business classes.

Fourth: Remunerations of Committees

The Policy of each Committee shall include the remunerations pertained to its members.

Fifth: Remunerations of the Executive Management

The remuneration of the Executive Management includes:

- 1- Basic monthly salary to be paid at the end of every Gregorian month.
- 2- Allowances, including but not limited to, housing allowance or providing residence, transportations allowance or providing a car, telephone allowance, and children education allowance.
- 3- Insurance advantages, including but not limited to, medical insurance, and life insurance.
- 4- Fixed remunerations and compensations as per contracts of labor with senior executives. They may receive annual remunerations based on the performance assessment and the achievement of the annual results of the Company specified by the Board. The assessment of the senior executives is mainly based on their professional performance during the year and their achievement of the company's strategic goals.
- 5- Other advantages, including but not limited to, annual leave, annual airway travel tickets, and end of service remuneration.

Sixth: Revision and Enforcement

1. Remuneration and Nomination Committee is specialized in the periodical revision of this policy, assessing effectiveness in achieving its purposes. This policy is subject to periodical updating and revision- when needed, by the Remuneration and Nomination Committee. Any suggested amendments shall be presented by the committee to the Board. The Board will analyse and revise these amendments and submit recommendations for the approval of the Shareholders General Assembly.
2. This Policy will be effective and enforceable from the date of its approval by the Company Shareholders General Assembly.
3. Texts or rules, whatsoever, not stated in this Policy, will be subject to the application of the Saudi Companies' Law, the Capital Market Authority and its Executive Regulations and decisions issued by the concerned bodies.



This Policy will be published, after an approval by the Shareholders General Assembly, in the company website or via any other means for enabling the shareholders, the public and the stakeholders to review it.

The relation between the paid remuneration and the adopted Remuneration Policy:

Based on the remuneration policy of the Board of Directors and its Committees and Executive Management, mentioned above, and in light of the remuneration paid for the Board, its Committees, and the Executive Management and what is proposed for the Board, SADAFCO conforms compliance with the approved policy without any deviation from it.

Major Shareholders Owning 5% or more and Changes during the Financial Year

| | Name | Number of Shares on 1 st April 2021 | Number of Shares on 31 st March 2022 | Percentage Ownership on 1 st April 2021 | Percentage Ownership on 31 st March 2022 | % Change (+/-) |
|---|---|--|---|--|---|----------------|
| 1 | Al Qurain Petrochemicals Industries Company | 13,036,461 | 13,036,461 | 40.11% | 40.11% | - |
| 2 | Al-Samh Trading Co Ltd | 3,798,008 | 3,798,008 | 11.68% | 11.68% | - |

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

The Board has approved the annual risk-based internal audit plan and ensured its timely and effective implementation. The Internal Audit (IA) department reviews the adequacy, efficiency and effectiveness of the internal control, risk management and governance processes ~~systems~~ and ensures that such systems are operating ~~being~~ properly implemented. This is accomplished as part of the approved risk-based audit annual plan and executed throughout the year. The Board also ensures that management is taking action on reported issues, including the introduction of policies and procedures, which will enhance controls. Management is implementing an effective and systemic Risk Management process, and is reporting results to the board of directors.

Based on the work of the internal and external auditors and the conclusions contained in their audit reports issued during the current year and management's representation with respect to the effectiveness of the Company's internal and financial control systems, no major control issues that require disclosure have been noted and thus the Board believes that these systems are effectively run. It should be noted that management is working on updating the (business continuity plan) as a result of certain personnel related changes, which once finalized needs to be activated.

Related Party Transactions

The Company enters into transactions with related parties using the same criteria applied to all other parties and under the best terms of trade. Related Parties are defined as SADAFCO Board Members, Major Shareholders and Senior Executives or any of their first-degree relatives, in line with the regulations and guidelines of the Capital Markets Authority (CMA) and the Ministry of Commerce and Investment (MOCI) in this regard. Transactions with these parties require disclosure.

The Company enters into transactions with related parties using the same criteria applied to all other parties and under the best terms of trade. Related Parties are defined as SADAFCO Board Members, Major Shareholders and Senior Executives or any of their first-degree relatives, in line with the regulations and guidelines of the Capital Markets Authority (CMA) and the Ministry of Commerce and Investment (MOCI) in this regard. Transactions with these parties require disclosure.

Below are the related party transactions.

(1)

| Company Name | Country | Nature of Transaction | Value (SAR Mln) | Closing Balance (SAR Mln) |
|--------------------------------|---------|-----------------------|--------------------|------------------------------|
| Buruj Co-Op Insurance Company* | KSA | Insurance Services | 11.28 | 1.4 |

* These transactions represent the insurance premium net of any claims received from Buruj Cooperative insurance Company.

SADAFCO entered into a one-year Agreement with Al Buruj Cooperative Insurance Company (offering insurance services) with a total amount of SAR 11,277,724, starting on 1st July 2021 and ending on 30th June 2022 as its offer was the most suitable in terms of the price and benefits. Mr. Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO), is the Vice Chairman of the Gulf Insurance Company owning 28.5% in Al Buruj Cooperative Insurance Company. Also, to be considered that Mr. Ahmed Al Marzouki is a BOD Member of both Buruj Cooperative Insurance Company and SADAFCO. (Indirect interest)

(2)

| Company Name | Country | Nature of Transaction | Value (SAR Mln) | Closing Balance (SAR Mln) |
|--------------|---------|-----------------------|--------------------|------------------------------|
| PKC Advisory | India | Consultation Services | 1.054 | 0.00 |

SADAFCO has a Consultancy Agreement with PKC Advisory for various business advisory services for the period of one year from 1st April 2021 until 31st March 2022 with a total amount SAR 1,015,654, since PKC Advisory is part of Kuwait Investment Projects Company (KIPCO) Group. Noting that Sheikh Hamad Sabah Al Ahmed and Mr. Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of both SADAFCO and KIPCO, respectively. Also, to be considered that Mr. Abdullah Yagoub Bishara is a BOD Member of both KIPCO and SADAFCO. (indirect interest)

(3)

| Company Name | Country | Nature of Transaction | Value (SAR Mln) | Closing Balance (SAR Mln) |
|------------------------------|---------|-----------------------|--------------------|------------------------------|
| AXA Cooperative Insurance Co | KSA | Insurance Services | 0.634 | 0 |

SADAFCO entered into a one-year Agreement with AXA Cooperative Insurance Co. (offering insurance services) with a total amount of SAR 634,200, starting on 16th December 2021 and ending on 15th December 2022 as its offer was the most suitable in terms of the price and benefits. Mr. Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO), is the Vice Chairman of the Gulf Insurance Company which owning 50% in AXA Cooperative Insurance Co. Also, Gulf Insurance Company is part of Kuwait Investment Projects Company (KIPCO) Group. Noting that Sheikh Hamad Sabah Al Ahmed and Mr. Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of both SADAFCO and KIPCO, respectively. Also, to be considered that Mr. Abdullah Yagoub Bishara is a BOD Member of both KIPCO and SADAFCO. (indirect interest).

(4)

| Company Name | Country | Nature of Transaction | Value (SAR Mln) | Closing Balance (SAR Mln) |
|------------------------------------|---------|-----------------------|--------------------|------------------------------|
| M/s Alternative Energy Project Co. | KUWAIT | Solar Project of JCW | 2.9 | 0 |

SADAFCO has an Agreement with Alternative Energy Projects Company (AEPC) on 14th February 2021 to Supply, install, test, Commissioning of and Operation & Maintenance for Solar Rooftop Photovoltaic Energy System at Central Warehouse located in Saudi Arabia – Jeddah until the full completion of the Project with a total amount SAR 4,620,000, since Alternative Energy Projects Company (AEPC) is part of Kuwait Investment Projects Company (KIPCO) Group. Noting that Sheikh Hamad Sabah Al Ahmed and Mr. Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of both SADAFCO and KIPCO, respectively. Also, to be considered that Mr. Abdullah Yagoub Bishara is a BOD Member of both KIPCO and SADAFCO. (indirect interest)

SADAFICO's Dividend Distribution Policy

a) According to Article 50 of the Company bylaws, the Company's annual net profits shall be distributed as follows:

1. 10% of the net profits are to be set aside to form the Company's statutory reserve. The Ordinary General Assembly may choose to stop this reserve once it reaches 30% of the capital paid.
2. The Ordinary General Assembly based on the proposal of the Board may set aside (10%) of the net profits to form voluntary reserve to be allocated to the determined objective or objectives as per the resolution made by the Shareholders Ordinary General Assembly.
3. The Ordinary General Assembly may resolve to form other reserves to meet the interests of the Company, or to ensure the distribution of fixed dividends for shareholders, as possible. The mentioned assembly may likewise deduct amounts from the net profits to establish social institutions for the Company's employees or to assist the performance of such institutions.
4. The balance thereafter shall be distributed among the shareholders in a proportion representing (5%) of the paid-up capital.
5. Subject to the provisions laid down in Article 24 of the Company Bylaws, and Article 76 of the Companies' Law, a proportion of (10%) of the balance shall thereafter be allocated to remunerate the Board of Directors, provided that the remunerations and financial benefits for each BOD member shall not exceed SAR 500,000.

b) Distribution of Interim Dividends:

The Company may distribute interim dividends to its shareholders on a bi-annual or quarterly basis after fulfilling the following legal requirements:

1. The issuance of annual resolution by the General Assembly authorizing the Board to distribute interim dividends.
2. The Company should be generating profits on a regular basis..
3. The Company should have a sound liquidity position and be able to reasonably foresee the scale of its profits,
4. The Company shall have distributable profits based on the latest audited financial statements. These profits should be sufficient to cover the proposed dividend distribution, after deducting the amounts already distributed as cash dividends or capitalized as stock dividends, after the date of these financial statements.

In addition to any official requirements that may be requested by any concerned bodies in KSA.

| % Dividends during the financial year from 01/04/2021 to 31/03/2022 | | | Total Dividend |
|--|------------------------------------|--|----------------|
| | 1 st Half Year Dividend | Final Dividend recommended for distribution | |
| % | 30% | 30% | 60% |
| Total (SAR Mln) | 96.00 | 96.00 | 192.00 |

Major Decisions and Future Plans

New Makkah depot

SADAFCO Board of Directors approved authorizing the Executive Management to proceed with the construction of a new Depot in Makkah on the leased land from Saudi Industrial Property Authority (Modon) for a period of 20 years commencing 10-09-1441H measuring 8,009 sqm in Makkah Industrial City.

The new Depot which replaces the existing rented location is expected to provide long-term infrastructure solutions to both the distribution and logistic operations, resulting in future cost savings and growth opportunities.

Buyback of Treasury Shares

| No. of Shares | Value | Date of Purchase | Details of Use |
|---------------|--------------|--------------------------|-----------------|
| 500,250 | SAR 51.6 Mln | 19, 26, 27 & 28 Feb 2019 | Treasury Shares |

At an Extraordinary General Assembly Meeting (EGM) of SADAFCO held on 18th December 2018 the shareholders approved the purchase of up to 10% of company shares to be used as treasury shares. Subsequent resolutions were passed at EGM's held on 3rd December 2019 and 18th November 2020 and 15th November 2021, extending the buyback window by another 12 months. Any purchases can be made in one or several phases, within a maximum period of twelve (12) months, following the EGM. The EGM also approved to hold the purchased treasury shares for a period up to 5 years. As at 31st March 2021 SADAFCO has purchased 500,250 shares, at a cost of SAR 51.6 million.

Future Investments

The Company continues to invest in future growth and is continuously evaluating new opportunities. Any concrete development will be announced as and when necessary.

Financial instruments risk management objective and policies

The Group's principal financial liabilities comprise trade and other payables, accruals and other liabilities, due to related parties and lease liabilities. The Group's principal financial assets include trade and other receivables and cash and cash equivalents. The carrying amounts of the Group's financial instruments are reasonable approximations of fair values.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk such as equity price risk.

i) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. At March 31, 2022 and 2021, the Group does not have any borrowings and accordingly no interest rate risk sensitivity is presented. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, have no material exposure to cash flow interest rate risk and fair value interest rate risk.

ii) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Group's functional currency. During the year, the Group's transactions were in Saudi Riyals, Bahraini Dinars, Polish Złoty, Kuwaiti Dinars, Jordanian Dinars, Euros and United States Dollars.

The Group's exposure to currency risk arising from currencies that are not pegged to Saudi Riyals is not material to these consolidated financial statements. The Group is not significantly exposed to fluctuations in foreign exchange rates during its ordinary course of business as significant transactions of the Group, during the year were either in Saudi Riyals or US Dollars.

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments which are subject to other price risk.

28 Financial instruments risk management objective and policies (continued)

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by assessing the credit worthiness of counter parties before entering into transactions as well as monitoring any outstanding exposures on a periodic basis to ensure timely settlement. Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables and securities and other deposits arising due to its operating activities.

(a) Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on a set of qualitative and quantitative factors and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and provided that are considered doubtful of recovery.

At March 31, 2022, the Group had 5 customers that accounted for approximately 43% (March 31, 2021: 48%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 82% (2021: 88%) in KSA, 4% (2021: 5%) in GCC (other than KSA) and 14% (2021: 7%) in other countries. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment. A default on a trade receivable is when the counterparty fails to make contractual payments within 90 days when they fall due. The Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated statement of profit or loss. The Group writes off financial assets, in a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

The Group establishes that there is no reasonable expectation of the recovery once they are not subject to enforcement activity.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customer base is diversified.

Credit risk (continued)

Cash at banks are placed with banks with sound credit ratings. Security and other deposits are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment

assessment. Based on management impairment assessment, there is no provision required in respect of these balances for years presented.

For trade receivable, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Further, the expected credit losses also incorporate forward looking information.

The provision matrix takes into account historical credit loss experience (24 quarter-periods) and is adjusted for average historical recovery rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate, GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors and, accordingly, adjusts the historical loss rates based on expected changes in these factors.

Credit risk (continued)

(b) Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the period subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group deals with reputable banks with investment grade credit ratings and the credit quality of the cash and cash equivalents can be assessed by reference to external credit ratings.

Credit risk on bank balances is limited as cash balances are held with banks with sound credit ratings.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Group. The Group monitors its liquidity risk by regular working capital excess/shortage assessment and ensuring that it has adequate liquidity to fund its day to day operations. Where necessary, the Group may enter into borrowing facility with banks in order to ensure continued funding of operations.

Penalties and Sanctions

The total fines or penalties imposed on the company during the fiscal year 2021/2022 amounted to SAR 1,661,640, and their details are as follows:

| Penalty/Fine/Precautions Precautionary Attachment | Reasons of Violation | The Authority Imposed the Violation | Total Amount (SAR) | Treatments and ways of avoiding its occurrence in the future |
|--|--------------------------------------|--|-----------------------|---|
| Fine | Traffic violations | Ministry of Interior-Traffic | 1,094,200 | Following the regulatory requirements |
| Fine | Violations of licensing requirements | Transport General Authority | 384,440 | Following the regulatory requirements |
| Fine | Labour violations. | Labour office | 183,000 | Following the regulatory requirements |
| Total | 1,661,640.00 | | | |

Declarations

SADAFICO declares and confirms the following:

- 1) Its accounts have been prepared in accordance with correct procedures.
- 2) The internal auditing has been prepared on a sound basis and has been implemented effectively.
- 3) There is no doubt about its ability to continue its operations.
- 4) There are no outstanding loans or dues on the Company.
- 5) The Company is fully committed to adhere to the rules and regulations stipulated in the Company's by-laws, Companies Law and other relevant ministerial resolutions and Company Law.
- 6) None of the BOD members and senior management, including the CEO and CFO, their spouses or children owns any shares in affiliate companies; and no contracts were issued where any of them had a material interest other than those transactions disclosed in this Board Report.
- 7) No loans were made to any Board Member; SADAFICO has not guaranteed any loans made by any Board or Executive Management Team member.
- 8) No shareholder waived his/ her rights to dividends or other material benefits and none of the Board of Directors and Executive Management Team members waived their right to receive any salary or compensation.
- 9) All the shares are common stock with equal voting and other rights in accordance with the law. There are neither preferential shares nor shares with special voting rights outstanding; whether for shareholders, board members, executive managers, their relatives or its employees.
- 10) Following the review and audit of the consolidated financial statements by PricewaterhouseCoopers, it was reported that SADAFICO's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The External Auditors' report was issued without reservation. The consolidated financial statements were found to be a true and fair reflection of the SADAFICO's financial position and in line with the requirements of Regulations of Companies and SADAFICO articles of association.
- 11) There is no transaction in the nature of a bargain between the company and any related party
- 12) The Company does not implement any stock options and has not issued any convertible debt instruments.
- 13) The Company has not set up any reserves or investments for the benefit of its employees.
- 14) The Company did not acquire treasury shares during the financial year ending 31 March 2022
- 15) The company nor any of its affiliates do not have any redeemable debt instruments.
- 16) No convertible debt instruments, contractual securities, warrants or any similar rights issued or granted by the Company, nor has the Company received any compensation.
- 17) No conversion or subscription rights under convertible debt instruments, contractual securities or warrants issued or granted by the Company.

Corporate Governance Compliance

Corporate governance articles unimplemented and the reasons

| Article/Sub Article | Details of Article / Sub Article | Reasons |
|---------------------|---|---|
| 32/B | The Board shall convene no less than four meetings per year, and no less than one meeting every three months. | Guiding article. |
| 54/b | The Chairman of the Audit Committee shall be an Independent Member. | Guiding article. |
| 70 | <p>Composition of the Risk Management Committee</p> <p>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.</p> | Guiding Article. Risk management is under taken by Audit Committee. |
| 71 | <p>Competencies of the Risk Management Committee</p> <p>The competences of the Risk Management Committee shall include the following:</p> <ol style="list-style-type: none"> 1) developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors; 2) determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level; 3) Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months; 4) overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company to determine areas of inadequacy therein; 5) Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests as an example); 6) preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board; 7) providing recommendations to the Board on matters related to risk management; 8) ensuring the availability of adequate resources and systems for risk management; 9) reviewing the organizational structure for risk management and providing recommendations regarding the same before approval by the Board; 10) verifying the independence of the risk management employees from activities that may expose the Company to risk; 11) ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk; and 12) reviewing any issues raised by the audit committee that may affect the Company's risk management. | Guiding Article. Risk management is under taken by Audit Committee. |
| 72 | Meetings of the Risk Management Committee | Guiding Article. Risk management is under |

| Article/Sub Article | Details of Article / Sub Article | Reasons |
|---------------------|---|---|
| | The Risk Management Committee shall convene periodically at least once every six months, and as may be necessary. | taken by Audit Committee. |
| 85 / 2 | Employee Incentives The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include 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 programs | Guiding article. |
| 87 | Social Responsibility 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. | Guiding article. |
| 88 | Social Initiatives The Board shall establish programmers and determine the necessary methods for proposing social initiatives by the Company, which include: 1) Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities; 2) Disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility; 3) Disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and 4) Establishing awareness programs to the community to familiarize them with the Company's social responsibility. | Guiding article. |
| 95 | Formation of a Corporate Governance Committee 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. | Guiding article. Corporate Governance is the responsibility of a team comprising of representatives from legal, finance, investor relations departments and executive management. |