

# Annual Report 2023\*

**\* Short 2023 Financial Year: Nine-Month from 1<sup>st</sup> April to 31<sup>st</sup> December 2023**

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#### Financial Performance at a Glance:

Details	2023*	2022**	Growth (%)
Revenue	2,111.5 Mln	1,979.8 Mln	6.7%
Earnings Per Share	10.24	6.82	50.1%
Gross Profit	750.7 Mln	621.5 Mln	20.8%
Gross Profit Margin	35.6%	31.4%	
EBITDA	429.4 Mln	368.9 Mln	16.4%
EBITDA Margin	20.3%	18.6%	
Net Profit	325.0 Mln	220.7 Mln	47.2%
Net Profit Margin	15.3%	11.1%	
Dividend Yield	0.9%	1.4%	
Free Operating Cash Flow	554.7 Mln	209.4 Mln	164.9%

\* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

\*\* Figures for corresponding Nine-Months in 2022 (1st April to 31st December 2022) for accurate comparison

#### Business Review:

Details	Dec-23*	Dec-22
Milk UHT	64.1%	62.0%
Tomato Paste	56.6%	54.2%
Ice Cream	31.6%	29.6%

\*As per Nielsen, value market share on MAT basis as of Dec-23.

Revenue (in Mln)	2023*
KSA	1,773 Mln
GCC except KSA	60 Mln
Poland	113 Mln
Other Countries	165 Mln
Total	2,111Mln

\* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

SADAFCO ended the year with a headcount (including outsourced personnel) 2023: 2,617

### Key Non-Financial Metrics \*

Following points will be presented in the Key Non-Financial Metrics Page.

- 39% of Saudi employees in the workforce
- All three factories in KSA and sales depot in Riyadh, are certified with ISO 22000:2018 (for Food Safety), ISO 14001:2015 (for Environment) and ISO 45000:2018 (for Occupational Health & Safety) and ISO 27001 (for Information Security Management Systems).
- More than 25 % increase in renewable energy consumption
- 24.3% reduction in average COD level in effluents
- Achieved energy reduction of 12.86KWh / MT of product produced
- Achieved 94% recycling rate in 2023.
- Accident rate reduction by 50%
- Initiated assessment of Supplier's ESG Commitments

\* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

### SADAFCO's Year at a Glance \*

#### Quarter 1

- ☐ SADAFCO launched innovative ice-cream products, thereby expanding the frozen division.
- ☐ SADAFCO signed an agreement to sell and export its products in the Sultanate of Oman. This new geographical expansion holds the potential for substantial growth opportunities in the region.

#### Quarter 2

- ☐ SADAFCO launched all-new Barista Milk to the market as part of an expansion of its beverage product line.
- ☐ SADAFCO announces change of the Fiscal Year from March end to December end.

#### Quarter 3

- ☐ SADAFCO receives prestigious recognition in the inaugural 2023 edition of Fortune 500 Arabia, highlighting its impactful contribution to the economy.
- ☐ SADAFCO earns recognition as a "Great Place to Work", affirming its commitment to positive workplace environment.
- ☐ SADAFCO completed the non-dairy range by launching Coconut and Almond drinks.
- ☐ SADAFCO launched innovative products under SAUDIA by Mezete, featuring a 100% natural and preservative-free selection and expanding the culinary division.
- ☐ SADAFCO launched the first electric ice-cream truck in KSA and Middle East in cooperation with NTSC, aiming to advance sustainability in the foodstuff transportation sector.
- ☐ Successfully completed the construction of a new Depot in Makkah.
- ☐ Commenced work on New Depot in Yanbu.

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## 01 Strategic and Management Review

Reporting on the Short 2023 Financial Year: Nine-Month from 1<sup>st</sup> April to 31<sup>st</sup> December 2023

## **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**

## **Purpose:**

**Sustainably Nurture and Connect Generations with Goodness and Happiness**

### Message from the Chairman

On behalf of the Board of Directors of Saudia Dairy & Foodstuff Company (SADAFCO), it is with great pleasure that I present to you the Annual Report for the nine-month period ending 31<sup>st</sup> December 2023. This document provides a detailed overview of SADAFCO's journey in this period, Strategic & Management decisions, Auditor's Report, Business Performance and Financial Statements.

The Kingdom of Saudi Arabia guided by Kingdom's Vision 2030 has continued to grow and progress. Likewise, SADAFCO demonstrated exceptional agility with a commitment to delivering excellence. Our innovative approach across products and strategies allowed us to meet evolving demands, sustaining growth momentum and solidifying our market position.

Guided by our mission to Delight Consumers, Accelerate Profitable Growth, and Create Value for all stakeholders, we have invested in enhancing capabilities throughout the entire value chain, covering procurement, manufacturing, sales and distribution.

In 2023 (9 Months period), our company achieved impressive sales of SAR 2,111 Mln, generating a net profit of SAR 325 Mln. We have achieved a revenue growth of 6.7% compared to the same period previous year. We were able to effectively manage our business costs, keeping them at the same level as the previous year highlights our efficient management practices. Consequently, our earnings per share rose remarkably to SAR 10.24, driven by a notable net profit increase of SAR 104 Mln, registering an impressive growth of 47.2%. We attribute this success to our unwavering dedication, strategic decision-making, and ability to adapt to the ever-changing business landscape.

To reward our esteemed shareholders, the company paid dividend of SAR 6/share for half year of 2023 versus SAR 3/share paid last year.

To usher in a new era of responsible nutrition for our consumers. Our R&D is creating offerings boosted by the goodness of mindful ingredients and functional benefits. We are also harnessing emerging data and digital capabilities to rapidly translate insights into products personalized for today's changing preferences - nourishing current and future generations.

Sustainability remains an integral focus shaping all aspects of operations and product development. We are implementing solutions to further reduce environmental impact across our facilities, fleet, and supply chain. The Saudia Falcons program, in collaboration with the Saudi Human Resources Development Fund, exemplifies our commitment to providing tangible work experiences for Saudi citizens. Demonstrating our commitment to sustainable practices, we have transitioned to 100% solar power at our Jeddah and Riyadh warehouses.

These pillars of health, innovation, and sustainability remain central to our strategic vision. Rooted in the core values of Trust, Respect, Integrity, Passion, Lead & Learn, and Excellence, our organizational character remains resilient as we navigate the uncertainties of the upcoming year.

Saudi Arabia is charting a more open, vibrant and sustainable future for its people. The expansion of the entertainment, tourism and logistics sectors signals the Kingdom's readiness to welcome the world. We commend the visionary path charted by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud and HRH Crown Prince Mohammed bin Salman towards a progressive Saudi Arabia as envisaged in Vision 2030.

I extend heartfelt thanks to our esteemed Board, shareholders, management team, and dedicated employees for their unwavering commitment and perseverance in transforming SADAFCO even during challenging times. Together, we renew our pledge to uphold the highest standards of quality, efficiency, and consumer centricity as we embark on our journey of progress.

**Sheikh Hamad Sabah Al Ahmad Al Sabah**  
**Chairman Board of Directors**

## Message from the CEO

I am delighted to share another period of strong financial performance where our sales increased by 6.7%, Operating Profit by 21.2% and Net Profit by 47.2%. These positive numbers have resulted in Earnings Per Share (EPS) of a robust SAR 10.24 compared to SAR 6.82 for the same period last year.

SADAFCO in 2023 transitioned from March to December year end for financial reporting purposes hence our results for this year are for nine months (1st April to 31st December 2023).

With our purpose of Sustainably Nurturing and Connecting Generations with Goodness and Happiness and our mission to Delight Consumers, to Accelerate Profitable Growth and to Create Value for all Stakeholders, we are consistently achieving strong financial performance and improved market shares. We enhanced our market leadership in Milk (64.1%), Tomato Paste (56.6%), and Ice Cream (31.6%) through strategic focus on following growth drivers.

- People, Organisation and Capabilities
- Profitable portfolio & innovations
- Making our product available, everywhere, whenever and create pull in the market
- Digitalization

Each of these growth drivers is covered in subsequent pages in the departmental reports.

### HIGHLIGHTS for 2023

- During 2023 we launched a more contemporary SAUDIA logo which depicts our strong brand heritage yet subtly captures our focus on the future.
- Our cultural change journey is in full swing. We are inculcating our values of “Trust, Respect, Integrity, Passion, Lead & Learn, Excellence” and working towards these, leading to the results we have seen.
- Recognizing the evolving landscape of consumer demands, we eagerly anticipate the potential within the Plant-Based Dairy Alternatives category, expanding our offerings with new flavors: Almond and Coconut Plant-Based Drinks, capitalizing on the category’s growth potential.
- Aligned with strategic goals, we are set to launch numerous Frozen category products by 1HFY24. Expanding into Ambient category, we are introducing new offerings in Flavored Milk, Culinary, and Out-of-Home segments, driving continuous innovation.
- SADAFCO is strengthening its GCC presence with sales and export deals in Oman and UAE, while expanding footprint in KSA with Makkah depot completed and Yanbu depot construction underway.
- In collaboration with NTSC, we launched the Middle East’s first electric ice cream truck, advancing fleet decarbonization efforts. Celebrating diversity, we trained and licensed the first female forklift operators at our Dammam Factory
- SADAFCO has embarked on digital transformation, enhancing its Route-to-Market strategy through advanced Retail Intelligence.
- Our strategic focus on E-commerce and Out-of-Home distribution channels has yielded positive results.

Towards the end of 2023 we are faced with geopolitical challenges which could result in supply chain disruptions. As of now we have not been impacted significantly, due to our robust and forward looking planning.

SADAFCO proudly joins Fortune 500 Arabia 2023, affirming regional contributions. Also, ranked among SIRI's top 10 advanced factories (until August 2023), highlighting commitment to excellence. Recognized by LinkedIn for talent investment, acknowledged as a Great Place To Work, we are dedicated to fostering a positive workplace culture.

The Management Team extends heartfelt gratitude to the esteemed Board of Directors, our committed staff, valued suppliers, and our cherished consumers for their invaluable support. Moving forward, we aim to achieve ambitious 2024 strategic objectives through collective dedication.

**Patrick Stillhart**  
Chief Executive Officer



## **Sustainably Nurture and Connect Generations with Goodness and Happiness**

Embracing a mission of delighting consumers, accelerating profitable growth, adding value to all stakeholders

During this period, SADAFCO made significant strides in prioritizing health and innovation, introducing two new non-dairy alternatives—coconut and almond drinks—to its product line, alongside its existing oat and soy offerings. The unveiling of the Saudia by Mezete Range Products further underscored the company's dedication to providing consumers with natural and preservative-free options, reflecting a holistic approach to culinary excellence. With a focus on elevating nutritional value, SADAFCO continued to expand its product range through rigorous research and development efforts, paving the way for forthcoming launches.

This commitment to innovation was exemplified by the addition of 21 new SKUs, enhancing customer experiences across various categories. Notably, the introduction of six new SKUs in the Ice Cream category, including "Baboo Ice Cream Stick" and "Sensations Stick-Double Chocolate Caramel," catered to ice cream enthusiasts. The Milk category saw the addition of "Barista Milk (Full Fat & Low Fat)" and "Double Chocolate Milk," catering to diverse preferences. Additionally, the Mezete range added 6 new SKUs, offering a delightful array of flavors to enhance customers' culinary experiences, complemented by the introduction of Croquettes and Spicy Wedges.

Sustainability is at the core of SADAFCO's ethos and operations. Notably, it pioneered the first electric ice-cream truck in KSA and the Middle East, in collaboration with NTSC, advancing sustainability in foodstuff transportation. Moreover, the company's proactive educational outreach has reached over 1.4 million students across 1900+ schools, emphasizing health and nutrition. Complementing these efforts, the company has developed a comprehensive Environmental Policy and is currently engaged in the process of obtaining certification for ISO 37000:2021 underscoring its dedication to governance standards.

As SADAFCO continues to champion sustainability, innovation, and health, it reaffirms its commitment to shaping a brighter and more sustainable future for all.

## History

Saudia Dairy and Foodstuff Company (SADAFCO) story began on 21<sup>st</sup> 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 23<sup>rd</sup> 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.

## Introduction\*

SADAFCO achieved net sales of SAR 2.1 Bln in SFY 2023, reflecting a YoY increase of 7%. 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 2.8 Bln, registering growth of 14% over last year. The total shareholder equity of the Company stands at SAR 1.9 Bln, an increase of 14% over previous year. As of 31<sup>st</sup> December 2023, SADAFCO's market capitalization was 10.7 Bln vs. SAR 7.0 Bln on 31<sup>st</sup> December 2022.

\* Figures for corresponding Nine-Months in 2022 (1<sup>st</sup> April to 31<sup>st</sup> December 2022) for accurate comparison

## 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 146 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 five factories (two in Jeddah, one in Dammam and two plants in Poland). All these factories have the highest safety, quality and environmental 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, Cote d'Ivoire, Guinea, UAE, Oman, Canada, Syria and Palestine along with USA and Brunei through the Company's export function.

## Products at a glance

### Milk

SADAFCO's Plain milk product category comprises of items like Whole Milk, Low-fat milk, Skimmed Milk, Gold Milk, Date Milk, Flavored Milk, Functional Milk, EVAP, Growing Up 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.

### 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.

### Ice Cream

Ice Cream product line was launched in 1979. Over the years, SADAFCO has launched a 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.

### Cheese

SADAFCO launched cheese product line in 1991. Its range of products includes 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 consists 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, French Fries, Mayonnaise etc. Most of these products are sold under 'SAUDIA' brand. SADAFCO launched 'SAUDIA by Mezete' range expanding its culinary division. 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.

## Key Performance Indicators

SADAFCO aims to optimize operations to achieve faster growth in operational profit, thereby enhancing net profit margins and simultaneously investing in S&D channels to drive growth and expand market presence.

During the Short Financial Year ended on 31<sup>st</sup> December 2023, a record Net Profit of SAR 325 Mln versus SAR 221 Mln last year has been achieved. This represents a healthy net margin of 15.4% of sales compared to 11.1% last year. This robust return has arisen from:

- Sales Increased by SAR 132 Mln, 6.7% higher than last year, across all major categories and channels. This growth was observed in both volume and value terms, indicating a broad-based expansion in our business.
- Higher Gross margin of 35.6% vs 31.4 % achieved due to lower cost of raw materials, profitable channel/category focus, and production efficiencies in the factories.

- Selling & Distribution (S&D) expenses as % of sales increased to 14.4% vs 12.8% last year. In value terms, S&D Expenses increased by 20.2% driven by increased advertising activities, to support innovation launches and invest behind brand building activities.
- General and administration expenses were effectively managed this year, decreasing as a percentage of sales from 4.5% to 4.3%.
- Finance income of SAR 32.7 Mln represents significant increase over last year due to higher Murabaha deposit rates.

During the period ended December 31, 2023, the put option was exercised by Mlekoma's noncontrolling interest (NCI) holders. The total outflow in respect of acquisition of NCI amounts to SAR 88.96 million. We are positive that profitability of our Poland operations will improve in the new year as the unfavorable market conditions are gradually reversing. As a step to make Poland's operations more efficient we have subsequent to year end sold a 49% owned subsidiary which did not contribute materially for SAR 1.2 Mln.

Our market shares as at 31<sup>st</sup> December 2023, remain dominant with positive trending lines compared to shares reported in (December 2022): Milk 64.1% (62.0%), Tomato Paste 56.6% (54.2%) and Ice cream 31.6% (29.6%).

We continue to delight our consumers through new offerings. Our innovations' contribution to total sales was 7%. In this quarter, launches in non-alternatives were Coconut & Almond. In the culinary range, Hummus, Tahini and Koshna were launched.

Construction of the New Makkah Depot has completed and is now operational as of year-end, while civil work on new Yanbu Depot project (SAR 20 Mln) has commenced for completion this year.

We continue to generate positive cash flows. Our cash position is SAR 1,023 Mln (including short term investments of SAR 674 Mln i.e., Murabaha deposits more than 3 months). During the year SAR 96 Mln (SAR 3/share) of dividend 2023 was distributed for second half of the fiscal year ended on 31<sup>st</sup> March 2023.

SADAFCO announced its decision to distribute cash dividends to the shareholders for the first six months of the short fiscal year ending 31st December 2023.

Shareholders' equity landed at a healthy 1.9 Bln vs 1.7 Bln on 31st December 2022.

#### Business Results Comparison (SAR Mln)

Details	SFY2023**	FY2022/2023*	FY2021/2022*	FY2020/2021*	FY2019/2020*	FY2018/2019*
<b>Revenue</b>	2,111	2,648	2,170	2,105	2,056	1,813
<b>Cost of Revenue</b>	-1,361	-1,825	-1,513	-1,411	-1,367	-1,233
<b>Gross Profit</b>	751	823	657	694	689	580
<b>Net Profit</b>	325	310	209	261	265	216

\* Financial Years from 1st April to 31st March – 12-month period (before changing the fiscal year and adopting the Fair Value Model).

\*\* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

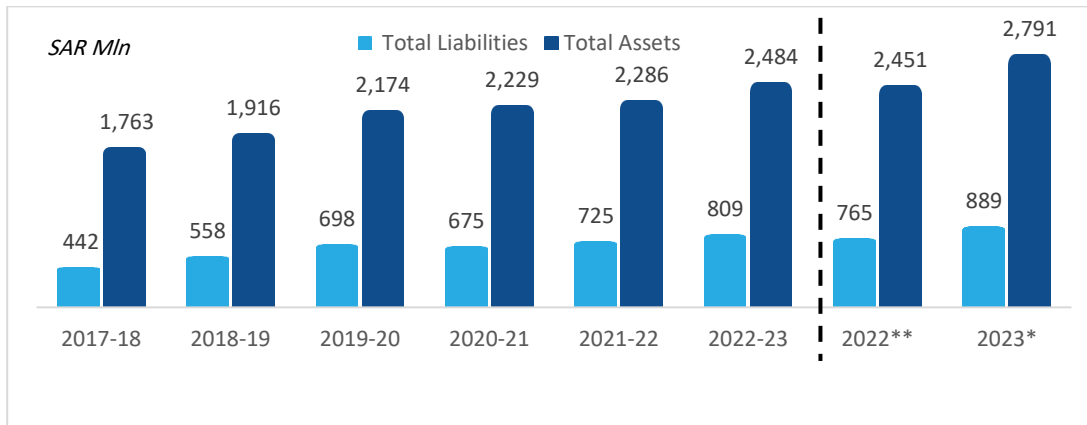
#### Assets & Liabilities Comparison (SAR Mln)

Details	SFY2023**	FY2022/2023*	FY2021/2022*	FY2020/2021*	FY2019/2020*	FY2018/2019*
Current Assets	1,781	1,436	1,262	1,278	1,273	1,095
Non-current Assets	1,010	1,048	1,024	951	901	821
<b>Total Assets</b>	<b>2,791</b>	<b>2,484</b>	<b>2,286</b>	<b>2,229</b>	<b>2,174</b>	<b>1,916</b>
Current Liabilities	685	617	517	474	498	420
Non-current Liabilities	205	192	208	201	200	138
<b>Total Liabilities</b>	<b>889</b>	<b>809</b>	<b>725</b>	<b>675</b>	<b>698</b>	<b>558</b>

\* Financial Years from 1st April to 31st March– 12-month period (before changing the fiscal year and adopting the Fair Value Model).

\*\* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

#### Total Assets and Total Liabilities



\* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

\*\* Figures for corresponding Nine-Months in 2022 (1st April to 31st December 2022) for accurate comparison

#### Operational Results and Major Changes (SAR Mln)

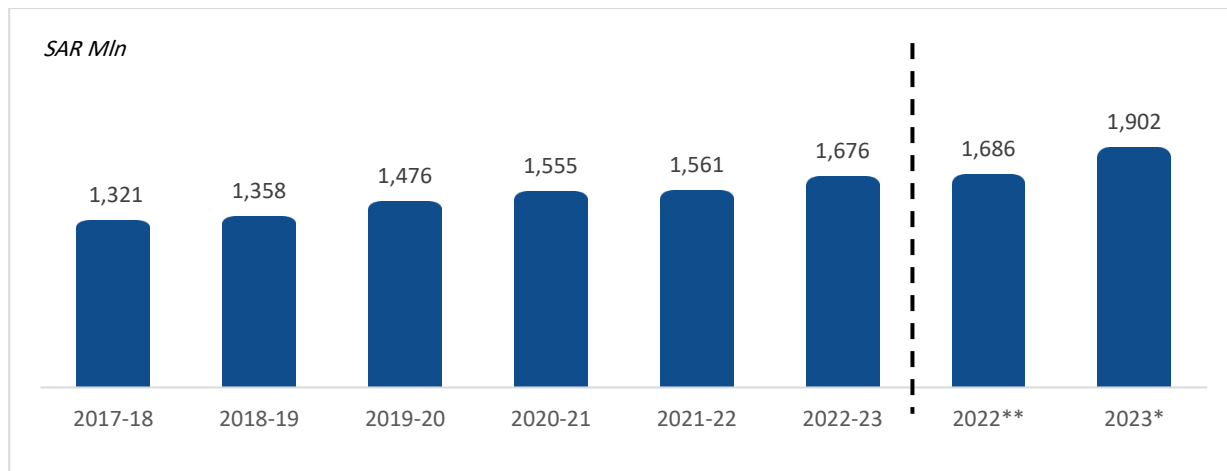
Details	2023*	2022*	Changes (+) or (-)	% of Changes	2021*
Revenue	2,111	1,980	131	6.6%	1,542
Cost of Revenue	-1,361	-1,358	-3	-0.1%	-1,070
Gross Profit	751	621	130	21%	472
Operational Expenses	-411	-342	-69	-20%	-307
Operational Profit	339	280	59	21%	165

\* Figures for corresponding Nine-Month period (1st April to 31st December) for accurate comparison

#### Statutory Payments during the short fiscal year ended on 31st December 2023 (SAR thousand)

	Description	Due	Paid	Balance
1	Customs	21,307	21,307	-
2	Zakat	24,642	24,642	-
3	GOSI	19,655	19,655	-
4	Tadawul Contract	544	544	-
5	Government Fees & Visas	12,865	12,865	-
6	Value Added Tax + Excise Duty + Withholding Tax	195,992	195,992	-
	<b>Total</b>	<b>275,005</b>	<b>275,005</b>	-

#### Change in Total Shareholders' Equity



\* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

\*\* Figures for corresponding Nine-Months in 2022 (1st April to 31st December 2022) for accurate comparison

#### Performance of the Company

Business Results Comparison (SAR Mln) \*

	Product	Activity Revenue (SAR Mln)	Growth (%)	% of Total Sales
1	Milk	1,228	7.6%	63%
2	Ice Cream	378	19.4%	19%
3	Tomato Paste	168	7.6%	9%
4	Powdered Milk	47	46.7%	2%
5	Cheese	37	-4.2%	2%
6	Others	88	22.9%	5%
7	<b>Total</b>	<b>1,946</b>	<b>10.8%</b>	<b>100%</b>

\* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

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

Financial Year	KSA (SAR Mln)	GCC (SAR Mln)	Other Countries (SAR Mln)	Poland (SAR Mln)	Total Revenue (SAR Mln)
SFY2023**	1,773	60	113	165	<b>2,111</b>
FY 2022-23*	2,194	64	114	276	<b>2,648</b>
FY 2021-22*	1,786	56	79	249	<b>2,170</b>
FY 2020-21*	1,811	64	71	159	<b>2,105</b>
FY 2019-20*	1,752	58	48	198	<b>2,056</b>
FY2018-19*	1,567	58	42	146	<b>1,813</b>

\* Financial Years from 1<sup>st</sup> April to 31<sup>st</sup> March – 12-month period (before changing the fiscal year and adopting the Fair Value Model).

\*\* Short 2023 Financial Year: Nine-Month from 1<sup>st</sup> April to 31<sup>st</sup> December 2023

#### Sales Contribution by Product Category \*

	Product	Contribution (%)	Contribution (%)	% Point Change
		2023*	2022*	
1	Milk	63	65	-2
2	Ice Cream	19	18	1
3	Tomato Paste	9	9	0
4	Powdered Milk	2	2	1
5	Cheese	2	2	0
6	Others	5	4	0
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>0</b>

\* Figures for corresponding Nine-Months in 2022 (1<sup>st</sup> April to 31<sup>st</sup> December 2022) for accurate comparison

#### Performance 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 raw materials in Europe and MENA.

#### SADAFCO Poland \*

Product	Activity Revenue (SAR Mln)	Percentage (%)
Milk - liquid	121	73
Powdered Milk	33	20
Others	12	7
<b>Total</b>	<b>165</b>	<b>100</b>

\* Short 2023 Financial Year: Nine-Month from 1<sup>st</sup> April to 31<sup>st</sup> December 2023

**SADAFCO Subsidiary companies' revenue (Including SADAFCO Poland) \***

Product	Activity Revenue (SAR Mln)	Percentage (%)
Milk - liquid	165	60
Milk	64	23
Ice Cream	13	5
Tomato Paste	11	4
Cheese	11	4
Powdered Milk	6	2
Others	3	1
<b>Total</b>	<b>274</b>	<b>100%</b>

**Exclude export sales**

\* Short 2023 Financial Year: Nine-Month from 1<sup>st</sup> April to 31<sup>st</sup> December 2023

**Revenue Geographical Analysis for Subsidiaries, Includes export sales (SAR Mln)**

Financial Year	GCC	Other Countries	Poland	Total Revenue
SFY2023**	60	113	165	<b>338</b>
FY 2022-23*	64	114	276	<b>454</b>
FY 2021-22*	56	79	249	<b>384</b>
FY 2020-21*	64	71	159	<b>294</b>
FY 2019-20*	58	48	198	<b>304</b>
FY2018-19*	58	42	146	<b>246</b>

\* Financial Years from 1<sup>st</sup> April to 31<sup>st</sup> March – 12-month period (before changing the fiscal year and adopting the Fair Value Model).

\*\* Short 2023 Financial Year: Nine-Month from 1<sup>st</sup> April to 31<sup>st</sup> December 2023

**Sales for SADAFCO and Subsidiaries by location**

	Country	Sales 2023*	Percentage*	Sales 2022**	Percentage**
		(SAR Mln)	(%)	(SAR Mln)	(%)
1	Saudi Arabia	1,773	84%	1,629	82%
2	Poland	165	8%	223	11%
3	Jordan	48	2%	37	2%
4	Bahrain	39	2%	35	2%
5	Kuwait	21	1%	11	1%
6	Qatar	0	0%	0	0%
7	Export	65	3%	44	2%
	<b>Total</b>	<b>2,111</b>	<b>100%</b>	<b>1,979</b>	<b>100%</b>

\* Short 2023 Financial Year: Nine-Month from 1<sup>st</sup> April to 31<sup>st</sup> December 2023

\*\* Figures for corresponding Nine-Months in 2022 (1<sup>st</sup> April to 31<sup>st</sup> December 2022) for accurate comparison



## Supply Chain

During 2023 several significant improvements have been materialized in the SADAFCO Supply Chain. Our clear focus and prioritization on Safety, Environment, Quality, Service and Efficiency did result in a strong contribution towards the Sadafco top and bottom-line growth.

### Safety, Health & Environment

Compared to 2022 our work environment did improve further and the number of Lost-Time Incidents in our organisation did reduce by 50% in 2023. Our belief that every accident can be prevented puts a lot of attention on increasing the overall Safety Awareness level, Safety training hours (+45%) and reporting of near-misses. Each near miss is a learning opportunity and trigger for action to reduce the risks of a real accident to happen. The recycle rate of our factories did steadily run above target at a level of 94%. By installing a proper collection system and segregation of the different sources of waste (e.g. paper, plastic, etc) the previous financial loss and costs on waste disposal are converted into a more sustainable approach and even a profit. **Our certificates and licenses ISO 14001:2015 (Environment) and ISO 45000:2018 (Occupational Health & Safety) have been extended.**

### Quality

Our certificates and licenses for ISO 22000:2018 (Food Safety), Halal and Organic have been extended. The related audits in our factories and warehouses have been successfully passed and the few remarks for improvement are implemented. The total number of customer and consumer complaints did reduce significantly in 2023 versus the previous year. Especially the quality improvements implemented in the Ice Cream factory did bring the number of complaints for this product category down by a factor 10 (from 4.8 to 0.8 complaints per 10 million consumer units).

### Planning

The implementation of our new End-to-End Planning process and software tools did elevate our service levels and product availability to the market, reduced our overall inventory and further improved the capacity utilization. By using advanced methods for statistical sales forecasting the main input for the monthly S&OP process improved. This new S&OP process and planning software tool supports the different functions (Sales, Marketing, Supply Chain and Finance) in proper performance tracking, scenario analysis and decision making. Next to the S&OP process this software does also support the Distribution Planners to allocate the product stock across the depots and countries in the most optimal way.

### Sourcing

Especially during the last days of the year our Procurement Team took immediate action to start mitigating the container shipment disruption on the Red Sea. Whilst the most time and effort in 2023 has been spend on generating savings on all Raw Materials, Packaging Materials, Ingredients and Services we did shift the focus towards supply security at the end of 2023. Thanks to our risk mitigating actions in 2023 to install for our most critical items at least a dual sourcing strategy, this did not only help to bring cost down but also significantly improved our supply security. The global economy and commodity markets like Milk powder, AMF and Tomato Paste continue to show turbulence and thanks to our long, mid-term and short-term buying strategy we did capture the required quantities at the right moment whilst materializing competitive advantages. On Indirect Materials and Services, we did install a centralized Procurement approach and governance. This more professional and centralized approach on purchasing for example transportation, outsourced labour and many other services did significantly contribute to the overall procurement related savings (estimated at SAR 45 Mln).

### Manufacturing

Our three plants located in the KSA performed very well in 2023 and did produce all required products needed to supply our markets according to our high-quality standards. All main KPI's (e.g. OEE, output per manhour, waste percentages, water usage, etc) did show an improvement in 2023 versus the previous year 2022. Below a short summary of the highlights per factory.

#### Jeddah Milk Factory

In the summer months a successful upgrade of the CIP (Cleaning In Place) system has been realized. This upgrade does secure an advanced and secure cleaning of our processing equipment whilst optimizing the use of water and chemicals. This upgrade and the implementation of many other water saving initiatives did lead to a significant reduction on water consumption by 0.22 Liter of water used per Liter of product produced. Our Digital Factory project will first and mainly focus on the digitalisation of our Manufacturing and Quality system that controls the Milk Factory. The requirements for this

project have been finalized and two potential suppliers have been shortlisted. The implementation in 2024 will start with the Quality module to be followed by the MES system in 2025.

#### **Ice-Cream Factory**

The team of our Ice-Cream factory deserves to be very proud on all the operational improvements realized. By applying World Class Manufacturing methodologies, the factory made a positive step change in its performance. Next to the already mentioned reduction of complaints, the waste percentages on raw material and packaging have been significantly reduced as well. To meet our continuous and strongly growing Ice-cream demand an order to purchase a new Sandwich line has been submitted. The new line will be installed in 2024 and operational by the end of that year.

#### **Dammam Factory**

The output of Tomato paste, Snacks and Feta cheese products from the Dammam factory is solid and the factory did perform very strong in 2023. The OEE that does run at World Class levels did increase further to 86.4 %. The Dammam factory has been recognized and rated by the Smart Industry Readiness Index (SIRI) institute to be in the Top 10 factories for future factories.

#### **Logistics & Warehousing**

The network of our warehouses across the Kingdom has been upgraded further to meet our distribution requirements. Since December 2023 our new depot in Makkah is operational and this warehouse does have a double storage capacity (both frozen and ambient) compared to the old depot. In Yanbu the ground works, foundation, and construction of our new warehouse is ongoing and the depot is expected to be completed in Q3 of 2024. Our Central Frozen storage capacity in Jeddah, that is connected directly to the Ice-cream factory, has been expanded as well to facilitate our growth and stock build-up for the next and upcoming Ice-cream peak sales season.

The rectification process of our transport fleet has made significant progress and is in the finalization stage. The changing regulation and for example the recently implemented requirement to submit an electronic waybill, remains an important attention point to secure compliancy. By route optimization, driving trainings and investments in several new vehicles we realized significant savings on fuel consumption. By investing in our first electrical Frozen sales van, we are embarking further on our transition to a more sustainable fleet and carbon neutral company.

### **Commercial**

#### **AMBIENT**

2023 was a great year for the Saudia milk brand. In a strongly growing Long Life milk category, Saudia has outperformed the market with a strong double-digit growth in value and single digit in volume. Saudia value share in Long Life milk grew with more than 2pp (and more than 6pp in volume) on MAT level, reinforcing our existing market leadership. Main drivers for this are strong performances with the family packs and Flavoured milk segments with strong visibility support (instore and out of store).

On Tomato Paste Saudia had a good year as well, benefiting from a strong 108% growth in the category. Value market share grew more than 2pp (and more 6pp in volume) on MAT level.

#### **FROZEN**

Ice Cream continued strong Sales, Share and Distribution growth. Retail Coverage Expansion through Freezers Induction and Consumer Centric Innovations were the key growth drivers during the year. SADAFCO Ice Cream further strengthened the Market Leadership position by outmatching the overall category growth. This resulted in increased Market Share across the top five Ice Cream segments (Sticks, Cones, Cups, Tubs & Sandwich). Lemon Mint Stick was a popular introduction that significantly outperformed expectations.

French Fries also recorded a healthy sales growth for the year. The Category experienced Potato shortage due to less than expected crop yield globally. SADAFCO managed to procure the stock from local and international sources to ensure timely availability in market.

## COMMERCIAL OPERATIONS

Over the year, we continued to strengthen the base of our Commercial Operations via

- Strong Joint business planning with top customers across all channels
- Relentless focus on improving efficiency via focusing our Sales force on the top 3-4 metrics to improve Productivity and Sales turnover
- Executing strong trade and channel programs to improve our shelf and display presence and
- Leveraging & learning fast on emerging channels.

Our Modern Retail sales and operations strengthened in the second half of the year after a challenging start to the financial year to deliver strong double-digit growth, while our Traditional Retail & Wholesale channels continued to be key drivers of growth. Apart from this, we invested in eCommerce and Discounter channels as key levers of future growth, growing our presence and sales in these channels to prepare a strong base for the future.

## Human Resources

### Introduction

The year 2023 saw continued focus on employee development and engagement. This focus was due to the results of the employee engagement survey where we found these were the two major areas that needed to be addressed.

### Development:

During last year, our People Experience department facilitated learning through various platforms. Various face-to-face training sessions were initiated in addition to online training and on the job training.

### Sales Academy

The academy has been activated and various training programs initiated for the sales team. As part of continuous improvement, all sales managers were enrolled in an evaluation program to help identify their skill gaps and areas for development. The results of this evaluation will help the sales academy better identify areas for improvement.

**Succession Planning:** Biannual meetings are scheduled for succession planning. Potential successors have been identified, and development plans have been created to help facilitate their growth and readiness for the potential role.

**Rewards:** Annual salary review has been completed and payout was implemented. We are currently in the process of enhancing the annual salary review process to ensure efficiency and fairness of the process.




**Employee Health & Wellbeing:** Employee wellbeing will continue to be a key focus for the business. We participated in the corporate football match. This is a football tournament where various Jeddah companies competed. We continue to partially subsidize gym membership for all employees to encourage physical wellbeing. There was also a “Stress management” session that was conducted to help employees who are dealing with stress, their mental wellbeing.





**Engagement:** The HR department activated many of the recreational rooms across KSA and insured that the employees were utilizing the facilities to encourage teamwork and engagement between all employees. The Executive team have visited various depots, to connect with employees across all sites. Visits in Ramadan were also planned, and the executive team got chance to have iftar with employees across all depots.




**Internship:** The Saudia Falcons program has proved to be a great success. We have recruited a total of 19 falcons, out of which 4 have been given a full-time job. We have also been responsible for hiring interns, and coops providing them with the training they need to graduate from university.


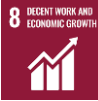
## Sustainability at SADAFCO

SADAFCO remains unwavering in its dedication to sustainability. Aligned with the overarching vision of National Vision 2030, our Sustainability initiatives create a positive impact on the environment, society, and economy. Throughout the year, we continue to make progress on our Environmental, Social, and Governance (ESG) commitments, navigating across the four pillars of sustainability.

Governance	
<ul style="list-style-type: none"> <li>Corporate Governance &amp; Compliance</li> <li>Ethics and Integrity</li> <li>Data Privacy and Security</li> </ul>	  
<ol style="list-style-type: none"> <li>By 2027, we plan to be one of the leading companies in corporate governance. To achieve this goal, it plans to implement ISO 37000:2021 standards by the end of 2024.</li> <li>The company demonstrates a strong commitment to adhering to CMA law and corporate governance regulations, as there have been no penalties, whether monetary or non-monetary, imposed by the CMA due to the company's compliance with the relevant laws and regulations.</li> <li>Our commitment to upholding human rights is reflected in our whistleblower policy, where we actively strive to mitigate the risks associated with human rights violations.</li> <li>We continuously strive to minimize security breaches through the implementation of proper controls and IT security processes. This includes planning and conducting Phishing Attack Simulations and providing cyber security awareness training.</li> </ol>	

Environment and Climate	
<ul style="list-style-type: none"> <li>Energy Management</li> <li>GHG Emissions &amp; Climate Change</li> <li>Water Management</li> <li>Waste Management</li> <li>Sustainable Sourcing &amp; Packaging</li> <li>Supply Chain Management</li> </ul>	     
<ol style="list-style-type: none"> <li>SADAFCO steadily increases renewable energy usage, with consumption reaching 1474 MWh by Dec 2023, marking a significant rise from 2022.</li> <li>Progressing towards a zero-emission fleet by 2045, SADAFCO collaborates with NTSC to install EV charging stations. The company launches the first Electric ice cream truck in KSA and the Middle East.</li> <li>SADAFCO's water governance system is based on the ISO14001 principles.</li> <li>Implementing water conservation measures, such as optimizing CIP systems and recycling filling lines water for condenser use.</li> <li>Committed to achieving 100% recycling by 2030, with a 94% recycling rate in 2023.</li> <li>Plans to reduce e-waste by repurposing end-of-life laptops for employee use</li> <li>Aim to eliminate plastic in all forms</li> <li>Continuously exploring reusable packaging options</li> <li>ESG expectation clauses to be added supplier code of conduct to stress the importance of ESG and to be signed by all new suppliers.</li> <li>Assessing top 5 suppliers for ESG commitments, ensuring alignment with SADAFCO's sustainability goals.</li> </ol>	

Consumers	
<b>Material Topics:</b> <ul style="list-style-type: none"> <li>Consumer Delight</li> <li>Health &amp; Nutrition</li> <li>Product Quality &amp; Safety</li> <li>Product Innovation</li> <li>Marketing and Labeling</li> </ul>	  
<ol style="list-style-type: none"> <li>80 Perfect Stores as of December 2023</li> <li>Introduced a culinary portfolio consisting of 100% natural and preservative-free products.</li> <li>Educated 1.5+ million students across 1900+ schools to increase Consumer Education on health &amp; nutrition aspects.</li> <li>Testing for 15% reduction of sugar on flavored milk, banana and chocolate planned for 2024. Launched Vanilla milk with low sugar content.</li> <li>SADAFCO continues to maintain certificates from reputable product quality certification bodies such as ISO 22000, Halal and Organic</li> <li>Reached the target of 7% innovation rate In the Frozen category in 2023</li> <li>SADAFCO aims to achieve and maintain a 100% conformance rate to marketing and labeling requirements by using New artwork approval software.</li> </ol>	

People and Community	
<b>Material topics:</b> <ul style="list-style-type: none"> <li>Employee Health &amp; Happiness</li> <li>Diversity &amp; Inclusion</li> <li>Community Impact</li> <li>Local Procurement</li> </ul>	     
<ol style="list-style-type: none"> <li>Achieved a prestigious ranking in the inaugural 2023 edition of Fortune 500 Arabia, securing XX position for its significant impact on the region's economy and society.</li> <li>Recognized as a Great Place to Work, SADAFCO underscores its dedication to fostering a positive workplace culture.</li> <li>Target is to achieve female employment of more than 35 % in all the operations by the year 2030.</li> <li>SADAFCO's ambition is to achieve an overall attrition rate of 10%</li> <li>Partnered with Modon to improve security which led to accident rate reduction by 50%</li> <li>Working with ministry to be involved in CSR projects in region/ depot.</li> <li>SADAFCO joined the National Companies Football League to encourage sports.</li> <li>SADAFCO is increasing its collaboration with local suppliers through partnerships to prioritize local procurement.</li> <li>95% of the packaging suppliers are local, while 9 % of the raw materials' suppliers are local.</li> </ol>	

## Community Impact

CSR activities can have significant economic, social, cultural, and/or environmental impacts on local communities and SADAFCO prides itself in being a responsible company serving the society at large. Some of the CSR Initiatives undertaken during the year are highlighted below:

<b>CSR Governance</b>
<ul style="list-style-type: none"> <li>On 28/06/2022, SADAFCO CSR policy was approved by the General Assembly based on the recommendation of the Board of Directors.</li> <li>SADAFCO Applied ISO26000 CSR Guidelines.</li> </ul>
<b>Sponsoring &amp; Participation in Events</b>
<ul style="list-style-type: none"> <li>Participated in Jeddah exhibition for Hajj and Umrah catering programs.</li> <li>Sponsorship of the Non-Profit Sector Empowerment Forum in Taif under the auspices of His Highness the Governor of Taif. Participated in the Awareness Forum For non-profit sector organizations and awarded as an active participant by Taif Governorate.</li> <li>Sponsored the “Future Industrialists” initiative which includes arrangements of student to SADAFCO factories in coordination with UBT university.</li> <li>SADAFCO sponsored sporting activities such as Jeddah United Basketball tournament.</li> </ul>
<b>Contribution In Cash and Products</b>
<ul style="list-style-type: none"> <li>The Company contributed products to charities and schools catering to special family needs such as NAMA and WAFA societies.</li> <li>SADAFCO supplied free products to charity and schools in various locations across the Kingdom.</li> <li>SADAFCO also contributed products to Quran schools.</li> </ul>
<b>Community volunteering</b>
<ul style="list-style-type: none"> <li>Welcoming pilgrims’ initiative during Hajj season and issued licenses for SADAFCO vans to sell and distribute SADAFCO products.</li> <li>Jeddah beach clean-up initiative 2023, under the Red Sea clean-up initiative 2023.</li> <li>Planting initiative 250 trees and completing around 200 hours as part of the National Green Saudi Program.</li> <li>Active efforts in reducing liquid and solid waste: by societal events such as plantation to counter desertification, and red sea beach clean-up to preserve marine life from plastic wastes.</li> </ul>
<b>Educational &amp; Vocational programs</b>
<ul style="list-style-type: none"> <li>In the mission to educate kids on healthy food and its significant impact on their bodies, SADAFCO aims to reach 1.3M kids in 2,500 schools around 18 different cities in Saudi Arabia with their new campaign.</li> </ul>
<b>Promoting Health and Wellbeing</b>
<ul style="list-style-type: none"> <li>In collaboration with Modon, SADAFCO constructed and provided free parking area to serve patients of Heraa Public hospital in MAKKAH region.</li> <li>Supported Ministry of Health vaccination programs.</li> <li>Provided day-care facility to for working mothers.</li> <li>Provided health awareness lectures with pioneering doctors to cover significant topics such as Breast Cancer via internal seminars with guest speakers from Zahra association magazine, as well as training programs to discuss how to reduce stress at work and encourage work-life balance.</li> </ul>

## 02 Corporate Governance



## 1. Corporate Governance

### a) Overview

A primary source of corporate governance for the Company is the Capital Market Law with its implementing regulations issued by the Capital Market Authority (CMA), specific provisions within the Companies' Law, and corporate governance best practices.

The corporate governance framework governs the relationships among the board, executive management, shareholders, and other stakeholders. This framework establishes rules, policies and procedures that streamline decision-making processes with the aim of safeguarding the rights of shareholders and other stakeholders. Furthermore, it promotes the values of integrity, fairness, and transparency in the Company's operations.

By adhering to this framework, which emphasize clear and transparent disclosure practices, the board ensures that it acts in the best interests of shareholders. Compliance with this framework also ensures that the Company presents a transparent and accurate view of its financial condition and operational results. The Company recognizes the significance of ongoing compliance with this framework as a key factor in its sustained success.

### b) Corporate Governance System



### c) Corporate Governance Code and Internal Policies

In accordance with Article 91 of the CMA Corporate Governance Regulations, the Board of Directors approved the Corporate Governance Code of the Company on 18/08/1434H (corresponding to 25 June 2013), and subsequently revised on 10/07/1440H (corresponding to 17 March 2019).

The Company's Corporate Governance Code includes the following internal rules, policies, and charters:

- Rights of Shareholders;
- Dividends Distribution policy;
- General Assembly procedures;
- Delegation of Powers principals;
- Risk Management policy;
- Conflict of interest policy;



- Relations with Stakeholders;
- Confidentiality Policy;
- Disclosure and Transparency policy;
- Board of Directors charter;
- Code of Conduct policy;
- Whistleblowing policy; and
- Monitoring, and Internal Control Systems.

#### **d) Corporate Governance Compliance**

The Company adheres to all the provisions outlined in the CMA Corporate Governance Regulations, except for the highlighted articles in the next section (e). As part of these CMA provisions, the company has already complied with:

- General shareholder rights (Articles 4 to 9);
- Rights relating to General Assembly Meetings (Articles 10 to 15);
- The Board of Directors: formation, responsibilities, competencies, procedures and training (Articles 16 to 39);
- Conflicts of interest (Articles 40 to 46);
- Company committees (Articles 47 to 69); and
- Internal controls, external auditors, company reports and policies, and various other matters (Articles 70 to 95).

In addition, in compliance with the CMA Corporate Governance Regulations:

- The Ordinary General Assembly of the Company formed the Audit Committee on 24/09/1442H (corresponding to 06 May 2021).
- The Board of Directors formed the Nomination and Remuneration Committee on 19/08/1442H (corresponding to 01 April 2021).
- The Company prepared the Audit Committee charter and the Nomination and Remuneration Committee charter, which were approved by the Board and ratified by the General Assembly.
- The Company prepared the Board Membership Policy, which was approved by the Board and ratified by the General Assembly.
- The Company prepared the Policy for Remuneration of Board of Directors, Its Committees and Executive Management, which were approved by the Board and ratified by the General Assembly.
- The Company prepared the Corporate Social Responsibility (CSR) Policy, which was approved by the Board and ratified by the General Assembly.
- The Company prepared the Competition Standards for Board Member with the Company's business., which was approved by the Board and ratified by the General Assembly.
- The Company has recently amended its bylaws to align with the changes mandated by the new Companies' Law. These amendments approved by the Board and ratified by the General Assembly.

Furthermore, the Company has put in place measures to comply with provisions that deal with conflicts of interest and competing activities (Articles 71, 72 and 73 of the Companies' Law and Articles 42 and 44 of the Corporate Governance Regulations). The Company will comply with the requirements of these provisions when it seeks the approval of the General Assembly for Related Party Transactions and Competing Activities.

Moreover, the management has established a number of committees to oversee specific functions within the Company and assist the Board in effectively supervising and operating the various departments. These management committees, though not formal committees of the Board, include: (i) Executive Management Committee; (ii) Sustainability Steering Committee; (iii) IT & Customer Board Committee; (iv) HR Committee; (v) Ethics Committee; and (vi) Risk Management Committee.

e) provisions have/have not been implemented of the Corporate Governance Regulations, with justifications:

Article/Sub Article	Details of Article / Sub Article	Justifications
39/e	<b>Board Evaluation:</b> The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.	Guiding Article.
51/c	The Chairman of the Audit Committee shall be an Independent Member.	Guiding Article.
51/d	Half of the audit committee's members must be Independent Directors or from those on whom the issues affecting independence in Article (19) of this Regulation do not apply	Guiding Article.
67	<b>Composition of the Risk Management Committee</b> 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.	Guiding Article.  Risk management is undertaken by Audit Committee in accordance with its charter.
68	<b>Competencies of the Risk Management Committee</b>	Guiding Article. Risk management is undertaken by Audit Committee in accordance with its charter.
69	<b>Meetings of the Risk Management Committee</b>	Guiding Article.  Risk management is undertaken by Audit Committee in accordance with its charter.
82/2	<b>Employee Incentives</b> 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.
92	<b>Formation of a Corporate Governance Committee</b> 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.  The Board is overseeing the Company's Governance activities.

## 2. Board of Directors

Under the bylaws, the Board of Directors shall be comprised of (nine) directors appointed by the General Assembly by means of cumulative voting. The Companies' Law, corporate governance regulations, the Company's bylaws and corporate governance code determine the duties and responsibilities of the Board of Directors. The term of the appointed Board of Directors is for a period of (three) years starting from the date of its formation on 01 April 2021 and ends on 31 March 2024.

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

	Name	Current Positions in SADAFACO & Other Company	Previous Positions in SADAFACO & Other Company	Qualifications	Experience
1-	Sheikh Hamad Al-Ahmad	Chairman	Chairman	Diploma from Storm King School, USA	<ul style="list-style-type: none"> <li>- Chairman of SADAFACO – Saudi Arabia</li> <li>- Chairman of KIPCO Holding – Kuwait</li> <li>- Chairman of Masharee Al-Khair Charity Organisation – Kuwait</li> <li>- Chairman of Gulf Egypt Hotels &amp; Tourism Company – Egypt</li> </ul>
2-	Mr. Faisal Mubarak Al-Ayyar	Vice Chairman	Vice Chairman	Fighter Pilot, USA	<ul style="list-style-type: none"> <li>- Vice Chairman of SADAFACO – Saudi Arabia</li> <li>- Vice Chairman of KIPCO (Holding) – Kuwait</li> <li>- Vice Chairman of Gulf Insurance Group – Kuwait</li> <li>- Vice Chairman of United Gulf Holding - Bahrain</li> <li>- Vice Chairman of United Gulf Bank – Bahrain</li> <li>- Vice Chairman of Jordan Kuwait Bank – Jordan</li> </ul>
3-	Sheikh Sabah Al-Sabah	Member	Board member in various companies	Bachelor's Degree in Business Administration & Organisation Management, Kuwait University	<ul style="list-style-type: none"> <li>- Board Member SADAFACO – Saudi Arabia</li> <li>- Chairman of National Petroleum Service Co.</li> <li>- Chief Strategic Projects Officer of KIPCO Holding – Kuwait</li> <li>- Vice Chairman &amp; CEO of Qurain Petrochemical Industries Co. – Kuwait</li> <li>- Vice Chairman &amp; Board Member of Jassim Transport &amp; Stevedoring Co. – Kuwait</li> <li>- Chairman of United Oil Projects – Kuwait</li> <li>- Chairman of United Building Co. – Kuwait</li> <li>- Vice Chairman &amp; Acting CEO of United Industries Company – Kuwait</li> <li>- Assistant Manager/Officer at Local &amp; Gulf Trading Dept. of Manafa Investment Co. – Kuwait</li> </ul>
4-	Mr. Saied Ahmed Basamh	Member	Board member in various companies	B.Sc Business Administration – Marketing & Logistics Ohio State University, USA	<ul style="list-style-type: none"> <li>- Board Member SADAFACO – Saudi Arabia</li> <li>- Board Member – Sahra International Petrochemical Co. (International Sipchem)</li> <li>- Board Member - International Medical Center</li> <li>- Chairman- Al-Khair Inorganic Chemical Industries Co (inochem)</li> </ul>

					<ul style="list-style-type: none"> <li>- Board Member - Basamh Group of Companies</li> <li>- Board Member - Hala Supply Chain Services Company</li> <li>- Board Member - IDEA International Investment &amp; Development – Saudi Arabia</li> <li>- Board Member - Future Resources Co. – Saudi Arabia</li> <li>- Board Member Sorooh Al-Madinah for Real Estate Investments Co. – Saudi Arabia</li> <li>- Board Member – Jeddah Development &amp; Urban Regeneration Co. (JDURC) – Saudi Arabia</li> </ul>
5-	Mr. Ahmed Mohamed Al-Marzouki	Member	Member	MBA - California State University - America	<ul style="list-style-type: none"> <li>- Sales &amp; Marketing SADAFCO – Saudi Arabia</li> <li>- Board Member SADAFCO – Saudi Arabia</li> <li>- Executive Management in various companies</li> <li>- Vice-Chairman of Buruj Co-Op Insurance Company</li> </ul>
6-	Mr. Suleiman Saud Al-Jarallah	Member	Member	Military School - Saudi Arabia	<ul style="list-style-type: none"> <li>- Manager Al Jarallah for Gold and Jewellery – Saudi Arabia</li> <li>- Board Member SADAFCO – Saudi Arabia</li> </ul>
7-	Mr. Mussad Abdullah Al-Nassar	Member	Member	Bachelor of Public Administration - Al Bakrki University - USA	<ul style="list-style-type: none"> <li>- Board Member SADAFCO – Saudi Arabia</li> <li>- Sales Administration SADAFCO</li> <li>- Executive Manager SADAFCO</li> <li>- Manager of SADAFCO Bahrain</li> <li>- Manager of SADAFCO Qatar</li> <li>- Vice Chairman of SADAFCO Jordan</li> <li>- Board member SADAFCO Poland Sp. z.o.o.</li> </ul>
8-	Mr. Hani Abdulaziz 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"> <li>- Board Member SADAFCO – Saudi Arabia</li> <li>- Chairman of Textiles and Garments Company 'Giordano Fashion Agency</li> <li>- Chairman of East Trading Activities Co.</li> <li>- Chairman of Qurtubah Private School Co.</li> <li>- General Manager of Al Faneyah Electromechanical Co.</li> <li>- General Manager of Prime Star Technologies Co. Ltd.</li> <li>- General Manager of Allied Motors Co.</li> <li>- General Manager of Eastern Trading Activities</li> <li>- General Manager of East Duct Factory</li> <li>- Board Member of Makkah Region Council, Chairman of the Social Development Committee</li> <li>- Board Member of Chamber of Commerce and Industry in Jeddah</li> </ul>
9-	Mr. Abdullah Hamdan Al Nassar	Member	Member	- (First Division) in International Business Management – University of West London, Bachelor of Arts (Honors), United Kingdom	<ul style="list-style-type: none"> <li>- Business &amp; product Development at STC Solutions</li> <li>- Business Owner at Fnaa alfan Est</li> <li>- Director of the Project Support Department for economic policies and planning in the Ministry of Economy and Planning project</li> </ul>

				- School (France) Management Executive Management – Grenoble  - (First Division) – University of Brighton (United Kingdom MSc in Management Innovation  - Business foundation – (A) Honors – Oxford Business College	
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## b) Board of Directors Formation and Capacity

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

Name	Capacity
HH Sheikh Hamad Sabah Al-Ahmad	Non-executive
Mr. Faisal Hamad Mubarak Al-Ayyar	Non-executive
HH Sheikh Sabah Mohammed Al-Sabah	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

## c) 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 Al-Ahmad	- Saudia Dairy & Foodstuff Co. (SADAFCO) - KIPCO Holding - Masharee Al-Khair Organisation - Gulf Egypt Hotels & Tourism Company	KSA  Kuwait Kuwait  Egypt	Listed  Listed Charity  Limited	- Burgan Bank - National Mobile Co. - United Real Estate Co. - United Gulf Bank	Kuwait Kuwait Kuwait Bahrain	Listed Listed Listed Listed
Mr. Faisal Hamad Al-Ayyar	- Saudia Dairy & Foodstuff Co. (SADAFCO) - KIPCO Holding	KSA Kuwait	Listed Listed	- Gulf Insurance Group - United Gulf Bank - Jordan Kuwait Bank	Kuwait Bahrain Jordan	Listed Listed Listed

	- Panther Media Group	UAE	Limited			
HH Sheikh Sabah Al-Sabah	- Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed	- Qurain Petrochemical Industries Co.	Kuwait	Listed
	- National Petroleum Service	Kuwait	Listed	- Manafa Investment Co.	Kuwait	Listed
	- KIPCO Holding	Kuwait	Listed	- United Industries Co.	Kuwait	Unlisted
	- Jassim Transport & Stevedoring Co.	Kuwait	Listed			
	- United Oil Projects Co.	Kuwait	Unlisted			
Mr. Saied Ahmed Basamh	- United Building Co.	Kuwait	Unlisted			
	- Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed	- IDEA International Investment & Development	KSA	Limited
	- Sahra International Petrochemical Co. (International Sipchem)	KSA	listed	- Jeddah Development & Urban Regeneration Co. (JDURC) – Saudi Arabia	KSA	Unlisted
	- International Medical Center	KSA	Unlisted	- Sorooh Al-Madinah for Real Estate Investments Co.	KSA	Limited
	- Al-Khair Inorganic Chemical Industries Co (inochem)	KSA	Unlisted			
Mr. Ahmed Mohamed Al-Marzouki	- Basamh Group of Companies	KSA	Limited			
	- Hala Supply Chain Services Co.	KSA	Limited			
	- Future Resources Co.	KSA	Limited			
	- Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed	- Swiss Premium Food	Egypt	Unlisted
	- Saudi Arabian Drug Store	KSA	Limited	- Saudi New Zealand Milk Products Co.	KSA	Limited
Mr. Suleiman Saud Al-Jarallah	- Buruj Cooperative Insurance Company	KSA	Listed	- Multiple Investments for Medical Services	KSA	Limited
	- Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed			
	- Al Jarallah for Gold & Jewellery	KSA	Est.			
	- Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed	- National Buildings Real Estate	KSA	Unlisted
	- SADAFCO Jordan	Jordan	Limited	- United Gulfers Transport	KSA	Unlisted
Mr. Mussad Abdullah Al-Nassar	- SADAFCO Qatar	Qatar	Limited	- National Sights Holding	KSA	Unlisted
	- SADAFCO Bahrain	Bahrain	Limited	- Swiss Premium Food	Egypt	Unlisted
	- SADAFCO Poland Sp. z.o.o.	Poland	Limited	- Saudi New Zealand Milk Products Co.	KSA	Limited
	- Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed	- Western Auto Co.	KSA	Limited
	- Company 'Giordano Fashion Agency'	KSA	Limited	- Almadinah Press, Printing and Publishing Corporation.	KSA	Limited
Mr. Hani Abdulaziz Sabb	- East Trading Activities Co.	KSA	Limited			
	- Qurtubah Private School Co.	KSA	Limited			
	- Al Faneyah Electromechanical Co.	KSA	Limited			
	- Prime Star Technologies Co. Ltd	KSA	Limited			
	- Allied Motors Co.	KSA	Limited			
Mr. Hani Abdulaziz Sabb	- Eastren Trading Activities.	KSA	Limited			
	- East Duct Factory.	KSA	Limited			

Mr. Abdullah Hamdan Al-Nassar	- Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed	None	None	None
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#### d) Number and date of Board of Directors Meetings during the financial year (01/04/2023 to 31/12/2023)

The Board convened a total of 4 meetings, and 17 resolutions were approved by circulation.

Name	Attended (4)				Resolution by Circulation (17)																Total	
	13/06/2023	26/09/2023	08/11/2023	10/12/2023	11/04/2023	21/05/2023	28/05/2023	01/06/2023	11/06/2023	15/06/2023	19/06/2023	22/06/2023	17/07/2023	25/07/202	21/09/202	19/10/202	29/10/202	14/11/202	14/11/202	10/12/202	11/12/202	21
Sheikh Hamad Sabah Al-Ahmad	✓	✓	✓	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	20
Mr. Faisal Hamad Al-Ayyar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Sheikh Sabah Mohammed Al-Sabah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Saeid Ahmed Basamh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Ahmed Mohamed Al-Marzouki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Suleiman Saud Al-Jarallah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Mussad Abdullah Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Hani Abdulaziz Saab.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Abdullah Hamdan Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21

The last Extraordinary General Assembly Meeting was held on 22 Aug 2023

#### e) Share Ownership of Board of Directors, Spouses and Minor Children

	Name	1 <sup>st</sup> April 2023	31 <sup>st</sup> December 2023	Change (+/-)
1	HH Sheikh Hamad Sabah Al-Ahmad	0	0	-
2	Mr. Faisal Hamad Mubarak Al-Ayyar	0	0	-
3	HH Sheikh Sabah Mohammed Al-Sabah	0	0	-
4	Mr. Saied Ahmed Saied Basamh	0	0	-
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	2,000	2,000	-
9	Mr. Abdullah Hamdan Abdullah Al-Nassar	1000	1000	-

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



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

Name	Extraordinary General Assembly Meeting 22/08/2023
HH Sheikh Hamad Sabah Al-Ahmad	x
Mr. Faisal Hamad Mubarak Al-Ayyar	x
HH Sheikh Sabah Mohammed Al-Sabah	x
Mr. Saied Ahmed Saied Basamh	✓
Mr. Ahmed Mohamed Hamed Al-Marzouki	✓
Mr. Suleiman Saud Jarallah Al-Jarallah	✓
Mr. Mussad Abdullah Abdul Aziz Al-Nassar	✓
Mr. Hani Abdulaziz Ahmed Saab.	✓
Mr. Abdullah Hamdan Abdullah Al-Nassar	✓

**g) 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 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.

**h) Training, Support and Assessment**

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 Implementing Regulations, the Company's Bylaw, and any applicable laws.

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

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.

The company provides training programs designed for executive management. Additionally, programs are being prepared for the recently appointed Board members, committee members, and Executive Management to acquaint them with the Company's business progress and activities. These programs particularly focus on the following areas:

- Familiarizing members with the Company's strategy and objectives.
- Providing insights into the financial and operational aspects of the Company's activities.
- Educating Board members about their obligations, duties, responsibilities, and rights.
- Enhancing understanding of the duties and competencies of the Board committees.

Recognizing that the current board members already possess the requisite capabilities and expertise.



### 3. Board Committees

To enhance the management of the Company, the Board of Directors has established several committees. Each committee is obliged to adopt a charter that outlines its role, authority, responsibilities, and meeting protocols in order to effectively fulfill its obligations.

The following provides an overview of the committee structure, responsibilities, and the current individuals serving on each committee:

#### a) 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:

- **Financial Reports:**

- 1) 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;
- 2) 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;
- 3) Analysing any important or non-familiar issues contained in the financial reports;
- 4) 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;
- 5) Examining the accounting estimates in respect of significant matters that are contained in the financial reports; and
- 6) Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
- 7) 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
- 8) 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.

- **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.

- **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.

• **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.

• **Audit Committee Members Profile**

The Audit Committee consists of three (3) members appointed by the shareholders. The following members of the Audit Committee were appointed during the Ordinary General Assembly meeting held on 24/09/1442H (corresponding to 06 May 2021) effective from 06 May 2021 ending 31<sup>st</sup> March 2024.

	Name	Current Position	Previous Position	Qualifications	Experiences
1	Mr. Faisal Hamad Al-Ayyar	Chairman	Chairman	Fighter Pilot, USA	<ul style="list-style-type: none"> <li>- Vice Chairman of SADAFCO – Saudi Arabia</li> <li>- Vice Chairman of KIPCO (Holding) – Kuwait</li> <li>- Vice Chairman of Gulf Insurance Group – Kuwait</li> <li>- Vice Chairman of United Gulf Holding - Bahrain</li> <li>- Vice Chairman of United Gulf Bank – Bahrain</li> <li>- Vice Chairman of Jordan Kuwait Bank – Jordan</li> </ul>
2	Mr. Saied Ahmed Basamh	Member	Member	B.Sc Business Administration – Marketing & Logistics Ohio State University, USA	<ul style="list-style-type: none"> <li>- Board Member SADAFCO – Saudi Arabia</li> <li>- Board Member – Sahra International Petrochemical Co. (International Sipchem)</li> <li>- Board Member - International Medical Center</li> <li>- Chairman- Al-Khair Inorganic Chemical Industries Co (inochem)</li> <li>- Board Member - Basamh Group of Companies</li> <li>- Board Member - Hala Supply Chain Services Company</li> <li>- Board Member - IDEA International Investment &amp; Development – Saudi Arabia</li> <li>- Board Member - Future Resources Co. – Saudi Arabia</li> <li>- Board Member Sorooh Al-Madinah for Real Estate Investments Co. – Saudi Arabia</li> </ul>

					- Board Member – Jeddah Development & Urban Regeneration Co. (JDURC) – Saudi Arabia
3	Mr. Ahmed Mohamed Al-Marzouki	Member	Member	MBA - California State University - USA	- Sales & Marketing SADAFICO – Saudi Arabia - Board Member SADAFICO – Saudi Arabia - Executive Management in various companies - Vice Chairman of Buruj Co-Op Insurance Co.

• **Audit Committee Members, their Meetings and Resolutions during the financial year (01/04/2023 to 31/12/2023)**

Name	Capacity	Attended (4)				By Circulation (4)				Total
		24/07/2023	26/10/2023	18/12/2023	24/12/2023	28/05/2023	14/06/2023	26/06/2023	09/11/2023	
Mr. Faisal Hamad Al-Ayyar	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Saied Ahmed Basamh	Member	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Ahmed Mohamed Al-Marzouki	Member	✓	✓	✓	✓	✓	✓	✓	✓	8

**b) Nomination and Remuneration Committee**

The competences of the Nomination and Remuneration Committee are:

• 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.

• 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) Analysing and reviewing the company organisational 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.

#### • Nomination & Remuneration Committee Members Profile

The Nomination & Remuneration Committee consists of three (3) members appointed by the Board of Directors for a period of three (3) years, effective from 1<sup>st</sup> April 2021 ending 31<sup>st</sup> March 2024.

	Name	Current Position	Previous Position	Qualifications	Experiences
1	Mr. Ahmed Mohamed Al-Marzouki	Chairman	Member	MBA - California State University - USA	- Sales & Marketing SADAFCO – Saudi Arabia - Board Member SADAFCO – Saudi Arabia - Executive Management in various companies - Vice Chairman of Buruj Co-Op Insurance Co.
2	Mr. Faisal Hamad Al-Ayyar	Member	Member	Aviation, USA	- Vice Chairman of KIPCO – Kuwait - Vice Chairman of Gulf Insurance Co – 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 Al-Jarallah	Member	Chairman	Military School - Saudi Arabia	- Manager Jarallah Jewellery – Saudi Arabia - Board Member SADAFCO – Saudi Arabia

- **Nomination & Remuneration Committee Members, their Meetings and Resolutions during the financial year (01/04/2023 to 31/12/2023)**

Name	Capacity	Attended (3)			By Circulation (2)		Total
		14/05/2023	19/09/2023	18/12/2023	08/06/2023	09/11/2023	5
Mr. Ahmed Mohamed Hamed Al-Marzouki	Chairman	✓	✓	✓	✓	✓	5
Mr. Faisal Hamad Mubarak Al-Ayyar	Member	✓	✓	✓	✓	✓	5
Mr. Suleiman Saud Jarallah Al-Jarallah	Member	✓	✓	✓	✓	✓	5

### c) Investment Committee

Responsibilities, Authorities and Duties of the Investment Committee are:

- Committee Responsibilities:
  1. Working with Executive Management to develop an investment strategy for the Company commensurate with the nature of its business, activities and risk exposure; and making appropriate recommendation thereon to the Board.
  2. Overseeing the Company's investment activities and assessing the investment performance.
  3. Studying and evaluating the investment opportunities proposed by the Executive Management, and making appropriate recommendation thereon to the Board, such investment opportunities include:
    - Merger or acquisition of companies, businesses, or assets.
    - Joint ventures, divestitures, or liquidation.
    - Investment in new or existing projects, or expansion of projects owned by the Company.
    - Investment opportunities that the Executive Management wishes to enter.
  4. The Committee shall perform such other duties consistent with the Committee's purpose or that are assigned to it by the Board.
- Committee Authorities:
  1. Requesting the information and data necessary to assist the Committee in studying the topics that fall within its competences or referred thereto by the Board.
  2. The Committee may seek assistance, at the Company's expense, from investment advisers, experts, legal or accounting advisors and other professionals as it deems necessary.
  3. Approving or rejecting any investment opportunity, proposed by Executive Management, whose value is equal to or less than Fifty Mln Saudi Riyals (SAR 50,000,000) per the fiscal year, provided that the justification for the approval or rejection is recorded in the minutes of meeting. The Board shall be notified of the Committee's decisions in this regard.
  4. Recommending to the Board approval or rejection of an investment opportunity, proposed by Executive Management, whose value is equal to or more than Fifty Mln Saudi Riyals (SAR 50,000,000) per the fiscal year.
- Committee Duties:
  - 1- Complying with the provisions of the Companies Law, the Capital Market Law and its implementing regulations, the Company's Bylaw and other related laws and regulations in exercising his/her duties.
  - 2- Refraining from doing or participating in any act that would harm the interests of the Company.

- 3- Confidentiality: Committee's members and the secretary must maintain the Confidentiality of the information or documents made available to them. He/She may in no case -even if his/her membership is terminated- disclose such information to any individual or entity, nor may he/she use any such information for his/her own personal benefits or that of his/her relatives or third parties.
- 4- Conflicts of Interest: Members must avoid situation that led to Conflicts of Interest with the Company. A Conflicts of Interest means that there is a direct or indirect interest to a member in any matter listed on the Committee agenda, and such an interest may (or is believed to) influence the independence of the member's opinion. If a member has a conflict of interest; he/she must disclose such conflict before starting the discussion of the matter. In such a case, the member must not attend nor participate in the discussion of the matter nor vote thereon, and to be stated in the minutes of meeting.

### • Investment Committee Members Profile

The Investment Committee consists of five (5) members appointed by the Board of Directors, effective from 18 September 2022 ending 31<sup>st</sup> March 2024.

	Name	Current Position	Previous Position	Qualifications	Experiences
1	Mr. Faisal Hamad Al-Ayyar	Chairman	Chairman	Aviation, USA	<ul style="list-style-type: none"> <li>- Vice Chairman of KIPCO – Kuwait</li> <li>- Vice Chairman of Gulf Insurance Company – Kuwait</li> <li>- Vice Chairman of Kuwait Jordanian Bank – Jordan</li> <li>- Vice Chairman of SADAFCO – Saudi Arabia</li> <li>- Vice Chairman of United Gulf Bank – Bahrain</li> </ul>
2	Mr. Ahmed Mohamed Al-Marzouki	Member	Member	MBA - California State University - USA	<ul style="list-style-type: none"> <li>- Sales &amp; Marketing SADAFCO – Saudi Arabia</li> <li>- Board Member SADAFCO – Saudi Arabia</li> <li>- Executive Management in various companies</li> <li>- Vice Chairman of Buruj Co-Op Insurance Company</li> </ul>
3	Mr. Saied Ahmed Basamh	Member	Member	B.Sc Business Administration – Marketing & Logistics Ohio State University, USA	<ul style="list-style-type: none"> <li>- Board Member SADAFCO – Saudi Arabia</li> <li>- Board Member – Sahra International Petrochemical Co. (International Sipchem)</li> <li>- Board Member - International Medical Center</li> <li>- Chairman- Al-Khair Inorganic Chemical Industries Co (inochem)</li> <li>- Board Member - Basamh Group of Companies</li> <li>- Board Member - Hala Supply Chain Services Company</li> <li>- Board Member - IDEA International Investment &amp; Development – Saudi Arabia</li> <li>- Board Member - Future Resources Co. – Saudi Arabia</li> <li>- Board Member Sorooh Al-Madinah for Real Estate Investments Co. – Saudi Arabia</li> <li>- Board Member – Jeddah Development &amp; Urban Regeneration Co. (JDURC) – Saudi Arabia</li> </ul>
4	Mr. Hani Abdulaziz Saab	Member	Member	B.Sc. Business Administration – University of California San Diego, USA.	<ul style="list-style-type: none"> <li>- Board Member SADAFCO – Saudi Arabia</li> <li>- Chairman of Textiles and Garments Company 'Giordano Fashion Agency'</li> <li>- Chairman of East Trading Activities Co.</li> <li>- Chairman of Qurtubah Private School Co.</li> <li>- General Manager of Al Faneyah Electromechanical Co.</li> <li>- General Manager of Prime Star Technologies Co. Ltd</li> <li>- General Manager of Allied Motors Co.</li> <li>- General Manager of Eastern Trading Activities.</li> <li>- General Manager of East Duct Factory.</li> <li>- Board Member of Makkah Region Council, Chairman of the Social Development Committee.</li> </ul>

					- Board Member of Chamber of Commerce and Industry in Jeddah.
5	Mr. Mussad Abdullah Al-Nassar	Member	Member	Bachelor of Public Administration - Al Bakrki University - USA	<ul style="list-style-type: none"> <li>- Board Member SADAFCO – Saudi Arabia</li> <li>- Sales Administration SADAFCO</li> <li>- Executive Manager SADAFCO</li> <li>- Manager of SADAFCO Bahrain</li> <li>- Manager of SADAFCO Qatar</li> <li>- Vice Chairman of SADAFCO Jordan</li> <li>- Board member SADAFCO Poland Sp.z.o.o.</li> </ul>

• **Investment Committee Members, their Meetings and Resolutions during the financial year (01/04/2023 to 31/12/2023)**

Name	Capacity	Attended (1)	Total
		12/06/2023	1
Mr. Faisal Hamad Mubarak Al-Ayyar	Chairman	✓	1
Mr. Saied Ahmed Saied Basamh	Member	✓	1
Mr. Ahmed Mohamed Hamed Al-Marzouki	Member	✓	1
Mr. Hani Abdulaziz Ahmed Saab	Member	✓	1
Mr. Mussad Abdullah Abdul Aziz Al-Nassar	Member	✓	1

## 4. Executive Management

SADAFCO enjoys an experienced management team, which brings a wealth of knowledge and expertise, having successfully navigated the fast-moving consumer goods (FMCG) industries for many years. Their deep understanding of market dynamics, consumer trends, and industry best practices enables SADAFCO to make informed decisions, drive innovation, and maintain a competitive edge in the market. With their strategic vision and proven track record, the management team plays a pivotal role in steering SADAFCO towards sustainable growth and delivering exceptional value to its stakeholders.

### a) Executive Team Member Profiles

**Patrick Stillhart**  
**Chief Executive Officer**

Patrick joined SADAFCO as its Chief Executive Officer on 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 organisations. 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 USD 2 Bln.



**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.

**Subir Dhwan**

**Chief Financial Officer**

With over 25 years, he has led teams across several multinational companies driving progressive financial management. He has led the transformation of finance functions across multiple industries. He brings a wealth of financial experience supporting in commercial, supply chain, and manufacturing functions, in both FMCG and pharmaceutical industries.

Before joining SADAFCO, Dhwan has held numerous positions within the region and globally. He managed financial operations, oversaw business strategies, and led teams in dynamic and complex environments at Frieslandcampina, GlaxoSmithKline, British American Tobacco, and Mars. As a result of these roles, he has gained a comprehensive understanding of the food industry on both a global and local level.

A strong advocate for change and transformation, Dhwan aims to foster a positive, supportive work environment for his team members to grow and develop. His extensive experience working in multinational corporations across multiple geographies makes him culturally flexible and versatile. With a proven record of adapting to new cultures quickly and collaborating effectively with diverse teams, he is able to effectively contribute to teams from different backgrounds.

**Education:** He holds a B.A. of Commerce from Pune University, an MBA, and a Chartered Accountant Certification (CA).

**Brian Strong**

**Chief Transformation Officer**

Brian is an accomplished executive serving as the Chief Transformation Officer with a strong focus on sustainability and ESG activities, Brian plays a pivotal role in steering the company towards a more sustainable future. He is passionate about integrating responsible business practices and driving positive impact through strategic initiatives.

As the Chief Transformation Officer, Brian is responsible for leading transformative projects that redefine the company's direction and enhance its competitive edge. He spearheads the introduction of new products and services, leveraging his keen market insights to identify growth opportunities and drive innovation.

With a wealth of experience in supply chain, sustainability and ESG practices, Brian ensures that the company operates in an environmentally conscious and socially responsible manner. He collaborates with cross-functional teams to develop and implement strategies that minimize the company's ecological footprint and contribute to the well-being of the communities it serves.

Brian has recently rejoined the SADAFCO team in November 2020 and brings with him 30 years of FMCG and Retail experience, of which 25 years has been in KSA.

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

**Tjerk Oostveen**

**Chief Supply Chain Officer**

With over 25 years of experience in Supply Chain management for leading dairy companies, Oostveen has worked extensively in complex and emerging markets worldwide.

His roles have spanned the End-to-End Supply Chain, encompassing sourcing, production, delivery, and planning of various consumer products such as liquid milk, yoghurt, baby food, milk powders, and cheese.



Prior to joining SADAFCO, Oostveen held the role of Business Group Director Plan & Deliver at FrieslandCampina, overseeing the Asian region. His key achievements included upgrading the manufacturing network, leading to the establishment of two greenfield factories in Malaysia and Indonesia. In Russia, he spearheaded business growth and transitioned the route-to-market network, resulting in improved service levels and significant cost savings. Additionally, Oostveen served as Director of Supply Chain for fresh cheese operations at FrieslandCampina in the Netherlands.

Oostveen currently manages the end-to-end supply chain, supporting growth and cross-functional effectiveness, poised to drive SADAFCO's expansion.

**Education:** He holds a Master of Science degree in Industrial Engineering from the Eindhoven University of Technology. During his work he did join several courses like inhouse Dairy Technology trainings, Supply Chain Management at INSEAD and a Leadership program at the IMD in Switzerland. He is fluent in English, Dutch and German and speaks basic Russian and French.

### **Devasheesh Singh**

#### **Chief Commercial Operations Officer**

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 Organisation 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.

### **Jim Versteylen**

#### **Chief Marketing Officer**

Jim joined SADAFCO (March 2022) as Marketing Director.

Jim Versteylen 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 led 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.

### **Umar Farrukh**

#### **Vice President – Frozen Business Unit**

Umar is responsible for building a Frozen Organisation 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)

#### **Nadia Malaika**

##### **Chief Human Resource Officer**

She has a total of 22 years of experience in various industries. She started her career in corporate banking, where she spent a total of two years and later moved to work for Unilever in marketing for three years. She made a career shift in 2005 when she entered the world of academia and taught marketing in a business college, in addition to managing its career center. She re-joined Unilever in 2011, as part of the HR team where she spent 6 years between various HR functions. She later moved to Consumer Johnson & Johnson as an HR manager, and then worked for Glaxo Smith Kline for a total of 3.5 years as HR manager for the Jeddah and Algeria factory.

An accomplished HR professional with a solid history of achievement in all aspects of the business. Well versed in a variety of Human resource functions such as recruitment, training and business partnering. Skilled in HR Policies, Business Transformation, Organisation Development, Employee Relations, and leadership Development.

Education: Master's degree from Bournemouth University in Marketing and has gotten her bachelor's degree from King Abdul Aziz University in English literature and linguistics.

#### **Sultan Ahmed Alghamdi**

##### **Chief Legal & Governance Officer**

Sultan joined SADAFCO in March 2020. · He is currently assuming the chief of Legal Affairs and Corporate Governance position, overseeing multiple legal practice areas such as litigation, legal advisory and studies, contracts and agreements, investigation, compliance, and corporate governance. Sultan has more than ten years of practical experience, and before joining SADAFCO, he worked for Rabigh Refining and Petrochemical Co. (Petro Rabigh), and he has collaborated with several law firms, providing his expertise and legal services.

Education: Master's degree in Law and Legal Practice from King Abdulaziz University in Jeddah, and a Bachelor's degree in Law from the same University, he also holds several accredited certificates in the field of governance and the secretariat of board affairs and its committees.

#### **Shrikanth Andali**

##### **Chief Information Officer**

Shrikanth joined SADAFCO as Head of IT in April 2022. His international career spans over 27 years in Food Manufacturing, FMCG and Banking blue-chip multinationals; 10+ years with Associated British Foods (ABF); 7+ years each at Mars Inc. and Johnson & Johnson; 2+ years in Bank of America. Shrikanth relocated from India to the UK in 1997 where he was based for over twenty-five years. He is a CIO with a consistent track record of establishing business-led IT strategy and has passionately delivered IT enabled business transformation. He is a credible IT partner who engages in fruitful relationships with all stakeholders. Shrikanth operates seamlessly between strategy & delivery layers and is an inspiring people leader having setup, nurtured & led high performing intercontinental teams.

Education: Master of Business Administration degree in Marketing and Behavioral Science from the University of Delhi. Prior to this, he completed a BS degree in Physics from the University of Madras (India).

**Additionally, Mr. Fahim Hamdani, Director Treasury & Risk, Mr. Fahad Al Amoudi, the Vice President of the Out of Home Business Unit; Mr. Talal Alnounou, the Director of Public Relations & Government Relations; and Mrs. Najwa Hakeem, the Executive Office Manager for the CEO and Executive Team, are integral members of the Executive Management team.**

## b) Share Ownership of Executive Management Team, Spouses and Minor Children

	Name	1 <sup>st</sup> April 2023	31 <sup>st</sup> December 2023	Change (+/-)
1	Mr. Patrick Stillhart	0	0	-
2	Mr. Subir Dhawan	0	0	-
3	Mrs. Nadia Malaika	10	10	-
4	Mr. Brian Strong	0	0	-
5	Mr. Devasheesh Singh	0	0	-
6	Mr. Jim Versteyleen	0	0	-
7	Mr. Umar Farrukh	2050	0	-2050
8	Mr. Tjerk Oostveen	0	0	-
9	Mr. Sultan Alghamdi	1	1	-
10	Mr. Shrikanth Andali	0	0	-

The 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.

## 5. Details of Compensation and Remuneration

### a. Board Members Remuneration during the Short Fiscal Year until the end of its terms on 31<sup>st</sup> March 2024

	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		
<b>Independent Members</b>															
Mr. Ahmed Marzouki	400,000		80,000				480,000							480,000	
Mr. Hani Sabb	400,000		10,000				410,000							410,000	
Mr. Abdullah Nassar	400,000						400,000							400,000	
<b>Total</b>	<b>1,200,000</b>		<b>90,000</b>				<b>1,290,000</b>							<b>1,290,000</b>	
<b>Non -Executive Members</b>															

HH Hamad AlAhmad	400,000				400,000								400,000	
Mr. Faisal Al-Ayyar	400,000	80,000			480,000								480,000	
HH Sabah AlSabah	400,000				400,000								400,000	
Mr. Saied Basamh	400,000	50,000			450,000								450,000	
Mr. Suleiman Jarallah	400,000	30,000			430,000								430,000	
<b>Total</b>	<b>2,000,000</b>	<b>160,000</b>			<b>2,160,000</b>								<b>2,160,000</b>	
<b>Executive Members</b>														
Mr. Mussad Nassar	400,000	10,000		927,591	1,337,591							87,735	1,425,326	
<b>Total</b>	<b>400,000</b>			<b>927,591</b>	<b>1,337,591</b>							<b>87,735</b>	<b>1,425,326</b>	

**b. Board Committees Remuneration during the Short Financial Year ended on 31<sup>st</sup> December 2023:**

**Remuneration for Audit Committee**

	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
	<b>Total</b>	<b>-</b>	<b>120,000</b>	<b>120,000</b>

**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	-	30,000	30,000
2	Mr. Faisal Hamad Mubarak Al-Ayyar	-	30,000	30,000
3	Mr. Suleiman Saud Jarallah Al-Jarallah	-	30,000	30,000
	<b>Total</b>	<b>-</b>	<b>90,000</b>	<b>90,000</b>

**Remuneration for Investment Committee**

	Member	Fixed remuneration (except for the allowance for attending meetings)	Allowance for attending the meetings	Total (SAR)
1	Mr. Faisal Hamad Mubarak Al-Ayyar	-	10,000	10,000
2	Mr. Saied Ahmed Saied Basamh	-	10,000	10,000
3	Mr. Ahmed Mohamed Hamed Al-Marzouki	-	10,000	10,000

4	Mr. Hani Abdulaziz Ahmed Saab	-	10,000	10,000
5	Mr. Mussad Abdullah Abdul Aziz Al-Nassar	-	10,000	10,000
	<b>Total</b>		<b>50,000</b>	<b>50,000</b>

**c. Executive Management Remuneration during the Short Financial Year ended on 31<sup>st</sup> December 2023 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)			
No. of staff (6)	3,379,274	1,156,240		4,535,514			1,924,750			1,924,750	309,666	6,769,930
<b>Total</b>	<b>3,379,274</b>	<b>1,156,240</b>		<b>4,535,514</b>			<b>1,924,750</b>			<b>1,924,750</b>	<b>309,666</b>	<b>6,769,930</b>

\* 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.

## **d. Remuneration Policy for Board of Directors, Committees and Executive Management**

### **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:

1. 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.
2. 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.
3. To determine remuneration based on job level, duties and responsibilities, educational qualifications, practical experiences, skills, and level of performance.

4. To be consistent with the magnitude, nature and level of risks faced by the Company.
5. 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.
6. To attract talented professionals, retain and motivate them without exaggeration.
7. Such remuneration shall be reasonably sufficient for attracting, motivating, and retaining qualified and experienced members.
8. 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.
9. To take into consideration the company scope of business, magnitude, and the experiences of its Board of Directors members.
10. 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.
11. 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.

## 6. Relation Between the Paid Remuneration and Compliance

The remuneration is paid to the members of the Board of Directors, the members of the board committees and senior executives, that is shown in the related tables in this report, in accordance with the "Remuneration Policy for Board of Directors, Committees and Executive Management" approved by the Shareholders General Assembly and based on the recommendation of the Nomination and Remuneration Committee. Knowing that there was no deviation in the remuneration payment from the policy.

## 7. Subsidiaries and Affiliates

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.

\*\* After 31<sup>st</sup> December 2023, Mlekoma Dairy Sp. z o.o. has been sold at profits.

The Group's parent entity is Kuwait Projects Company Holding ("KIPCO") KIPCO holds shareholding equal to 40.11% of the share capital. KIPCO is listed on Kuwait Stock Exchange.

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

## 8. Shareholders Register Applications

The below table summarizes the number and dates of Shareholders Register applications requested by the Company and the reasons for that during the short fiscal year ended on 31 December 2023:

No. of Request	Date of Request	Reason
1	14/08/2023	Shareholders General Assembly
2	24/08/2023	Dividend Distribution
3	17/12/2023	Company's procedures

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

	Name	Number of Shares on 1 <sup>st</sup> April 2023	Number of Shares on 31 <sup>st</sup> December 2023	Percentage Ownership on 1 <sup>st</sup> April 2023	Percentage Ownership on 31 <sup>st</sup> December 2023	Change (+/-)
1	Kuwait Investment Projects Co (KIPCO)	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%	-

## 10. Dividends

### a) Dividends Distribution Policy

The Dividend Distribution Policy is prepared as per the requirements of Article (9) of Corporate Governance Regulations, Companies Law and SADAFCO's Bylaws.



- Payment Date of Dividends

The Board shall execute the General Assembly resolution regarding distribution of dividends to the registered shareholders who owned shares on the eligibility date within 15 days from the due date determined in the General Assembly resolution, or Board resolution for distributing interim dividends.

Dividends shall be paid to the shareholders in the place and date determined by Board.

- Dividends Distribution Announcement

1- Announcement for the Distribution of Interim Dividends.

The company is obliged to make a prompt disclosure and announcement on TADAWUL, whenever a resolution is made by the Board for the distribution of interim dividends on a biannual or quarterly basis. Moreover, it shall provide the CMA with a copy of the Board resolution after the issuance.

2- Announcement for the Distribution of Annual Dividends.

Based on the Board recommendation, the Shareholders General Assembly shall vote for the distribution of annual dividends. The Company is committed to the Board resolution to recommend an annual dividend to the General Assembly for voting and immediately should disclose and announce that on TADAWUL website.

The announcement issued by the company should include the following:

- Date of the Board resolution.
- Distribution period (annual, interim, biannual or quarterly).
- Total distributed amount.
- Number of shares entitled for dividends.
- Distribution amount per share.
- Distribution percentage to the nominal share value.
- Date of entitlement. The eligibility will be to those shareholders who owned shares on the eligibility day, and registered in the Securities Depository Centre on the end of the second trading day following the eligibility day.
- Date of distribution (In case if distribution date is not fixed), "Date to be announced" shall be mentioned.

- Sources and Amounts of Dividends:

a) 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 76 of the Companies' Law and Article 24 of the Company Bylaws, 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 Board member shall not exceed SAR 500,000.

b) Distribution of interim dividends:

A Company may distribute interim dividends to its shareholders on a biannual 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 shall enjoy regular positive profitability.
- 3) The company shall enjoy reasonable liquidity, and 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 shall be sufficient to cover the proposed dividend distribution, after deducting the amounts distributed and capitalized of the dividends, after the date of these financial statements.

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

- **Eligible Shareholders for Dividends:**

The entitlement of receiving dividends is for shareholders who owned shares in the due date specified in the Board resolution to distribute biannual or quarterly basis interim dividends, which will be announced on TADAWUL. Alternatively, it is for those who owned the shares at the end of trading day of AGM meeting, and AGM approval to distribute annual dividends. The resolution shall highlight the entitlement and distribution dates, provided that this resolution shall be implemented in accordance with the stated rules and procedures issued for the implementation of the Bylaws of the listed joint stock companies.

- **Revision and Enforcement:**

1. The Board shall revise the content of this policy, as may be necessary.
2. This policy will be effective and enforceable after the approval of the Board on 27/02/2018
3. Texts or rules, whatsoever, not stated in this policy, will be subject to the application of the Saudi Corporates' Law, its regulations, Capital Market Authority law and its executive regulations, the Company Bylaws and resolutions issued by the concerned bodies

## **Dividends Distribution for the periods of the Short financial year 2023 (From 1st April 2023 to 31st December 2023)**

	1 <sup>st</sup> Half Year Dividend	Q3 and Final Dividend recommended for distribution	Total Dividend
%	60%	60%	120%
<b>Total (SAR Mln)</b>	<b>192.00</b>	<b>192.00</b>	<b>384.00</b>

## **11. Annual Review of Internal Controls Effectiveness**

The IA department reviews the adequacy, efficiency and effectiveness of internal controls, risk management and governance processes to ensure their effectiveness, through annual plan-throughout the year, as approved by the board of directors (the "Board"). The Board also ensures that management is acting on reported issues and managing risks systemically, which will lead to controls enhancement.

Based on the work of the internal auditors and the conclusions contained in their audit reports issued during the current period and management's representation with respect to the effectiveness of the company's internal and financial control systems, no major control issues have been noted and thus the Board believes that these systems are effectively run. Management has updated the (business continuity plan manual) for certain personnel related changes and is now working on activating the same.

## 12. 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 CMA Corporate Governance Regulations and Companies' law 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	6.7	1.86

SADAFCO entered into an Agreement with Al Buruj Cooperative Insurance Co. (offering insurance services) as its offer was the most suitable in terms of the price and benefits without preferential terms. Mr. Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO) is the Vice Chairman of the Gulf Insurance Co. owning 28.5% in Al Buruj Cooperative Insurance Co. Also, to be considered that Mr. Ahmed Al Marzouki is the Vice Chairman of Buruj Cooperative Insurance Co. and Board member of SADAFCO. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 6,756,784. (Indirect interest)

(2)

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
PKC Advisory	India	Consultation Services	1.4	0

SADAFCO has a Consultancy Agreement with PKC Advisory for various business advisory services as its offer was the most suitable in terms of the price and benefits without preferential terms. Since PKC Advisory is part of Kuwait Investment Projects Company (KIPCO) Group, where Sheikh Hamad Sabah Al Ahmed and Mr. Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman SADAFCO and Chairman and Board member of KIPCO, respectively. Also, to be considered that Sheikh Sabah Mohammed Al-Sabah is a Board Member of SADAFCO and member of the executive team of KIPCO. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 1,469,418.5 (Indirect interest).

(3)

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
AXA Cooperative Insurance Co	KSA	Insurance Services	0.5	0.007

SADAFCO entered into an Agreement with AXA Cooperative Insurance Co. (offering insurance services) as its offer was the most suitable in terms of the price and benefits without preferential terms. Mr. Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO), is the Vice Chairman of the Gulf Insurance Co. which owning 50% in AXA Cooperative Insurance Co. Also, Gulf Insurance Co. is part of Kuwait Investment Projects Co. (KIPCO) Group. Noting that Sheikh Hamad Sabah Al-Ahmed and Mr. Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of SADAFCO and Chairman and Board member of KIPCO, respectively. Also, to be considered that Sheikh Sabah Mohammed Al-Sabah is a Board Member of SADAFCO and member of the executive team of KIPCO. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 515,949 (Indirect interest).

(4)

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
Alternative Energy Project Co.	KUWAIT	Solar Project of JCW	0.5	0.071

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 in installments based on completion, 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 SADAFCO and Chairman and Board member of KIPCO, respectively. Also, to be considered that Sheikh Sabah Mohammed Al-Sabah is a Board Member of SADAFCO and member of the executive team of KIPCO. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 541,891 (Indirect interest).

(5)

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
Specialized Food Services Co. (SFS)	KSA	Distribution of foodstuff to retail stores, hotels, restaurants and catering customers	0.15	0.15

SADAFCO entered into an Agreement with Specialized Food Services Co. (SFS) for the distribution of specific SADAFCO products in the Foodservice channel as its offer was the most suitable in terms of the price and benefits without preferential terms. Noting that Mr. Saied Ahmed Saied Basamh a Board Member of SADAFCO, has ownership in SFS. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 149,779.68 (Direct interest).

### 13. Competition Activities

Information relating to any competing business with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses

Board Member Name	Competitor Name	Nature of the activity	Member status	Competition nature
Mr. Saied Ahmed Saied Basamh	Basamh Group of Companies	Distribution of foodstuff to retail stores	Ownership	Direct
	Saudi Goody Products Marketing Co., Ltd	Owner of a trademark for foodstuff	Ownership	Direct
	Saudi Specialized Food Services, Ltd	Distribution of foodstuff to retail stores, hotels, restaurants and catering customers	Ownership	Direct
	Basamh Industrial Co. Ltd	Manufacturing and Owner of a trademark for foodstuff	-Ownership -Board Membership	Direct
	Refined Food Co.	Manufacturing and Owner of a trademark for foodstuff	-Ownership -Board Membership	Direct

## 14. Major Decisions and Future Plans

### **New Makkah depot**

On December 24, 2023, the Company announced the successful completion of the construction of a new Depot in Makkah Industrial City. The Project includes fully prepared buildings and cold stores, along with the installation of safety, protection, and environmental systems in compliance with applicable laws and regulations. The new Depot is now fully operational, serving as a long-term infrastructure solution for both distribution and logistics operations. It is anticipated that this facility, which replaces the previously rented location, will contribute to future cost savings and create opportunities for growth.

### **New Yanbu depot**

The Board of Directors has granted approval for the Executive Management to initiate the construction of a new Depot in Yanbu. The land, measuring 5,083 square meters, will be leased from the Saudi Industrial Property Authority (Modon) for a period of 20 years, starting from 08-03-1444H. The estimated cost of the project is SAR 20 million. The commercial production of the Depot is expected to commence in the first quarter of the fiscal year ending in December 2025.

This new Depot, replacing the current rented depot, is anticipated to provide enduring infrastructure solutions for distribution and logistics operations. This transition is expected to yield future cost savings and create opportunities for growth.

### **Riyadh North Lands**

The Board has approved the purchase of a 30,000 sqm land in North Riyadh (Sodus) for an approximate total amount of SAR 30 million. This strategic investment will greatly assist the company in expanding its operations in Riyadh and facilitating its future growth.

### **ESG Initiatives**

Our commitment to environmental, social, and governance (ESG) practices remains steadfast. We have made significant progress in the year by implementing various initiatives to reduce our electricity consumption through solar panels. Additionally, we have implemented water-saving measures and implemented water recycling systems in our factories, further contributing to our sustainability efforts.

Furthermore, we are proud to announce the addition of our first electric ice cream truck. This marks a significant step towards reducing our carbon footprint and transitioning to more environmentally friendly transportation options. We are excited about the positive impact this will have on our operations and our commitment to sustainable practices.

### **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.

## 15. 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 18<sup>th</sup> 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 3<sup>rd</sup> December 2019 and 18<sup>th</sup> November 2020 and 15<sup>th</sup> 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 31<sup>st</sup> March 2021, SADAFCO has purchased 500,250 shares, at a cost of SAR 51.6 million.

## 16. Financial instruments risk management objective and policies

The Group's principal financial liabilities comprise trade and other payables, accrued expenses and other liabilities, dividend payables, 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.

### Risk management framework

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 on 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 changes in the 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.

The sensitivity analyses in the following sections relate to the position as at December 31, 2023 and March 31, 2023.

### 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 December 31, 2023 and March 31, 2023, the Group does not have any borrowings, and accordingly, no interest rate risk sensitivity is presented. Interest-bearing financial assets comprise of short term Murabaha deposits and long-term investment in sukuks certificates which are at fixed interest rates; therefore, they have no material exposure to cash flow interest rate risk and fair value interest rate risk.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional and reporting currency is in Saudi Arabian Riyals. The Company's transactions are principally in Saudi Arabian Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant. The Company is not exposed to any significant foreign currency risk from Saudi Arabian Riyals, and US Dollars denominated financial instruments. However, the Group has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Bahraini Dinars, Polish Złoty, Kuwaiti Dinars, Jordanian Dinars, and Qatari Riyals. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

### 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.

### ***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, trade receivables, investments and other receivables.

### ***Trade receivables***

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures, and controls relating to customer credit risk management. The 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 each reporting date, the Group assesses whether trade receivables carried at amortised cost are credit impaired. A trade receivable is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the trade receivables have occurred. A trade receivable that has been renegotiated due to deterioration in the customer's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

On December 31, 2023, the Group had five customers that accounted for approximately 47% (March 31, 2023: 43%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 88% (March 31, 2023: 82%) in KSA, 4% (March 31, 2023: 4%) in GCC (other than KSA) and 8% (March 31, 2023: 14%) 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 impairment is analysed 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. Where recoveries are made, these are recognised in the consolidated statement of profit or loss. The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

### ***Cash and cash equivalents and investments***

Credit risk from balances with banks and investments 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 and investments can be assessed by reference to external credit ratings.

The cash and cash equivalents and investments are treated under stage 1 and are held with bank and financial institution counterparties, which are rated A1 to A2, based on Moody's 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 facilities with banks in order to ensure continued funding of operations.



## 17. Penalties and Sanctions

No penalties have been imposed on the Company by the Capital Market Authority during the short fiscal year 2023 (financial period from 1st April 2023 to 31st December 2023).

## 18. Declarations

Board of Directors 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; SADAFCO 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 KPMG, it was reported that SADAFCO'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 Organisation 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 SADAFCO's financial position and in line with the requirements of Regulations of Companies and SADAFCO 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 December 2023.
- 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.