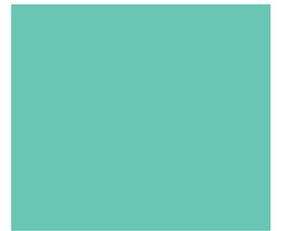
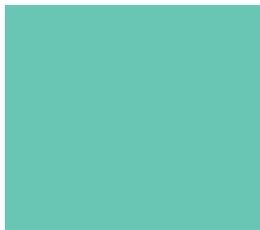


Annual Report  
2019



Value Built on Values  
Ascending Towards the Future



**A RENEWED  
COMMITMENT TO  
OUR RETAIL AND  
FOOD BUSINESS.  
A DRIVE TO BUILD,  
AND INVEST IN,  
WORLD-CLASS  
BRANDS WHICH  
ENJOY CONSUMER  
TRUST AND ARE  
MARKET LEADERS.**

# Strategic Report



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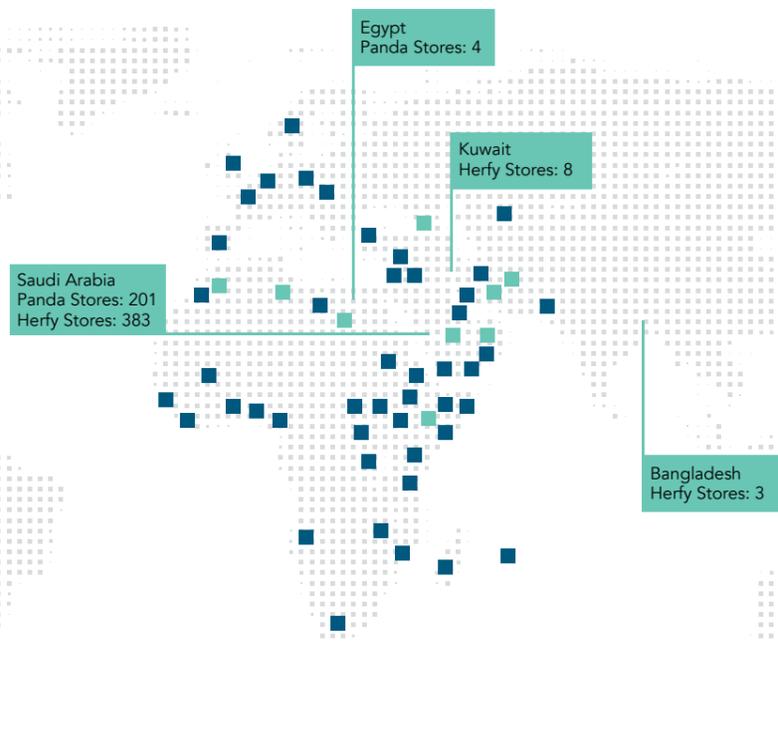
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Savola at a Glance

We are one of the leading strategic investment holding Groups in the food and retail sectors across the MENAT (Middle East, North Africa and Turkey) Region.

Major/Manufacturing Markets

Saudi Arabia Central Asia Egypt Algeria Sudan Turkey Morocco Iraq UAE



Export Markets

|              |          |            |            |                 |              |          |                |
|--------------|----------|------------|------------|-----------------|--------------|----------|----------------|
| Angola       | Comoros  | Ghana      | Liberia    | Morocco         | Rwanda       | Spain    | Uganda         |
| Bahrain      | Congo    | Iraq       | Libya      | Mozambique      | Senegal      | Sudan    | United Kingdom |
| Benin        | Djibouti | Jordan     | Madagascar | Netherlands     | Sierra Leone | Sweden   | USA            |
| Burundi      | Eritrea  | Kazakhstan | Malawi     | North Macedonia | Somalia      | Syria    | Yemen          |
| Cameron      | Ethiopia | Kenya      | Mali       | Oman            | South Africa | Tanzania |                |
| Canada       | France   | Kuwait     | Mauritania | Pakistan        | South Korea  | Turkey   |                |
| Central Asia | Germany  | Lebanon    | Mauritius  | Palestine       | South Sudan  | UAE      |                |

Throughout 40 years of excellence, Savola maintains a diverse and expanding portfolio of assets. Across our verticals in food and retail, we operate the largest grocery store chain in Saudi Arabia, and produce much-loved everyday household products including edible oil, sugar, pasta, bakery products, and frozen foods distributed to more than 50 countries. We believe in creating "Value Built on Values"; we are Savola. Since 1979, investors have chosen Savola for its strong performance and specialist market knowledge.

Food Investments

Our food vertical includes investments in large branded categories across the MENAT region. Savola Foods is a leader in basic branded consumer packaged goods, which are produced in more than 9 countries and offered in more than 50 markets. We are proud to say that many of our products are market leaders in their respective categories. We continue to build on our range of established products by expanding into higher-value

items and diversifying our portfolio. We also generate profits through our long-term strategic investments. We are the largest shareholder in the Middle East's leading food manufacturer and distributor, Almarai Company, with a 34.52% stake in the business, and in 2018 acquired a majority stake in Al Kabeer Group of Companies, one of the region's leaders in frozen foods manufacturing and distribution.



Retail Investments

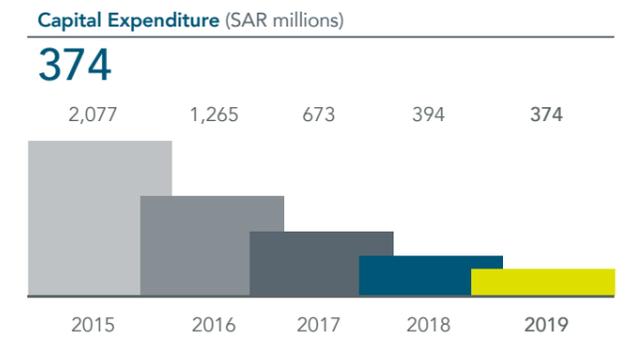
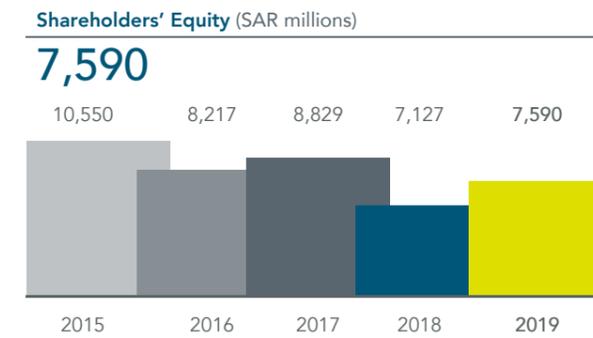
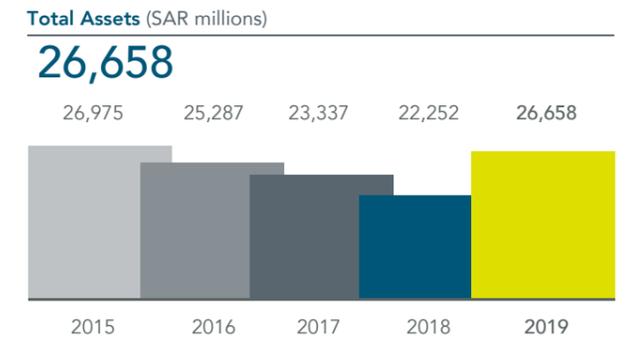
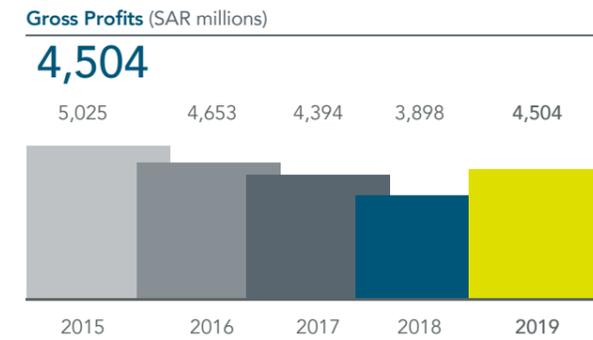
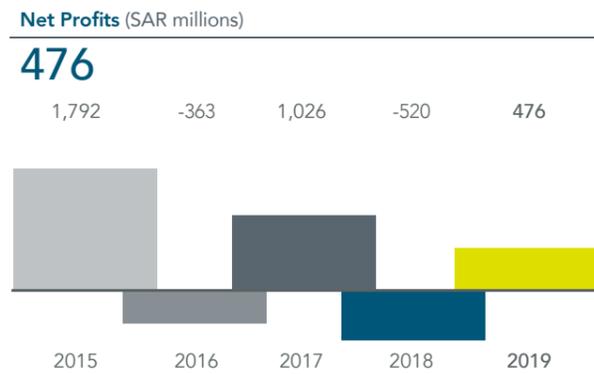
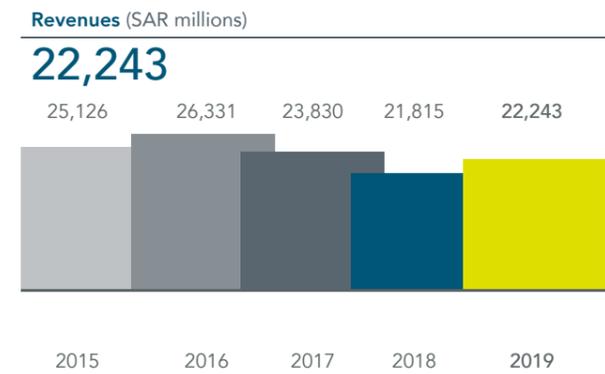
Panda Retail is the largest modern grocery chain in Saudi Arabia with 205 stores serving more than 106 million customers annually. Panda boasts a proud history, a leading market share and formidable geographic reach. We are the largest shareholder

in Herfy Food Services Company, one of the leading restaurant, industrial bakery and meat processing businesses in Saudi Arabia, with a 49% stake in the business.



Strategic And Financial Highlights

# A Year of Resilience and Recovery



Savola Group has seen its key operating companies perform strongly in the face of market challenges during 2019. This, combined with an emphasis on streamlined operations, restructuring, and the focus on inter-group synergies, means that Savola Group emerges from 2019 ready to capitalise on new opportunities while helping its operating companies and investments not only maintain but rather grow market share leadership.

2019 was a year of renewed focus and strong performances for the Group's core businesses. Meanwhile, consumer confidence rebounded in the Group's home market of Saudi Arabia. Substantially enhanced performances led to a net Group profit of SAR 475.6 million for 2019, reversing a net loss of SAR 520.4 million for the year before. The increased profit figures were driven by higher sales and better margins, with retail business transformation and restructuring proving effective across core group businesses.

Core retail and food businesses performed in a strong manner. Savola Group's food, restaurant and retail brands enjoy brand awareness, equity, recognition and consumer loyalty in key markets. This led to resilience in the face of competition, changing consumer preferences and other macroeconomic challenges due to extraneous factors.

Overall, consumer habits are evolving, and costs of doing business are increasing across regional markets. Nevertheless, the Group's focus on restructuring, growth avenues including inter-group synergies and drive for innovation has resulted in streamlined core businesses that are improving while recapturing or stabilizing market shares.

Savola Foods benefitted from a "Restore Greatness" strategy that has recaptured market share by rebasing costs, refocusing the organisation and realigning its products. Despite marginal volume drop compared to 2018, a leaner Savola Foods improved gross margins to 14.9 percent for 2019, from 12.5 percent in 2018.

The Group's retail brand Panda posted robust results despite challenging conditions. The brand refocused entirely on its hypermarket and supermarket portfolio, initiating a strategy of emphasizing the value proposition for consumers which yielded strong results. Basket size and footfall all rose, on a like-for-like basis, generating revenues of SAR 11.5 billion, a growth over last year despite store closures.

Overall, Savola Group, together with its core businesses, emerges from 2019 as a leaner, more agile organisation better suited to supporting its core businesses, and seizing tomorrow's opportunities.

# A Year of Optimism and Results



**Sulaiman A. Al Muhaidib**  
Chairman

## On behalf of the Board of Directors, I am pleased to present Savola Group's Annual Report for 2019.

The Savola Group's transition strategy demonstrated tangible results, with our key businesses showcasing stories of resilience, success and excellence. Our flagship businesses outperformed in the face of market headwinds and macro-economic uncertainty regionally, with single-minded implementation of focused strategies paying dividends.

We continued through the path paved over the past four decades emphasising our strengths in food and retail, playing a crucial role in safeguarding food security and contributing positively to people's daily lives through our businesses.

Consumer confidence has rebounded thanks to the initiatives put forward in the annual plan of the year 2019. While uncertainty persisted in some of our overseas markets, our businesses confronted these challenges with agility and drive, maintaining their leadership positions and recapturing market share.

Internally, our teams are more agile and cohesive. Our core businesses have undertaken restructuring where required, and have optimised cost and decision-making structures. These initiatives have not only borne results for 2019 but also hold the Group in excellent stead for taking advantage of future opportunities. We have strengthened our relationship with our subsidiaries, associates, companies that we hold stakes in, and also with global institutional investors. Savola Group is now represented to global investors through its inclusion in MSCI's Emerging Market Index.

We are also a responsible corporate citizen, and seek to benefit all our stakeholders in the markets we operate in. We firmly believe that employee engagement, community health and facing up to environmental challenges make the Group a stronger corporate performer. 2019 saw strides in transparent reporting and corporate governance at all levels of business, including our sustainability and CSR activities. With employee volunteering now a key part of our corporate culture, our teams continue making a beneficial impact on people's lives.

Savola Group is proud of its unique corporate governance system. Risk management continues to improve, as our integrated enterprise risk management framework continues

integrating with daily operations and informed decision-making across the Group.

During 2019, the Board of Directors' office term came to an end, where shareholders elected members for the new term during that year as well as electing Audit Committee members effective during July 2019. Hence, and upon commencing their duties, the newly elected Board of Directors restructured the remaining Board committees to enhance the Group's decision-making process.

2019 was also an encouraging year financially, and one where the Group witnessed a growth in top line while posting positive net income compared to a net loss the year before. These results came from an increase in food profitability, and lower retail losses. Our results are testament to our turnaround strategy, which is bearing fruit thanks to the dedication of our teams and the experience of our management. Meanwhile, the oversubscription of our refinanced sukuk in 2019 was a mark of investor confidence in Savola Group's track record and its prospects. Promising profit figures saw our Board recommend a SAR 160.2 million shareholder dividend for 2019.

On behalf of the Board of Directors, I wish to express our deep appreciation to the Saudi government, our shareholders and our stakeholders for their continued support and trust in Savola. We are also grateful to our employees and executive management, who have played a critical role in implementing our strategy and creating a culture of excellence that has yielded positive results this year. I am pleased to say Savola Group emerged from 2019 as a forward-looking, future-minded entity that is poised for continued and growth. We look forward to exploring new opportunities in Saudi Arabia and region-wide, while continuing to benefit our stakeholders and communities.

**Sulaiman A. Al Muhaidib**  
Group Board Chairman

*2019 was a year that saw us build momentum, resilience and excellence as we challenged the status quo while implementing and reinforcing a strategy first chalked out in 2018.*

## Board of Directors

Non-Executive Members of the Board of Directors:



**Mr. Sulaiman A. Al Muhaidib**  
Chairman of the Board; Non-Executive

**Current positions:** Chairman of the Board, Abdulkader Al Muhaidib & Sons Co., Board member of many companies that are Almarai Co., Rafal Real Estate Co, Amwal AlKhalaj Commercial Investment Co., Al Muhaidib Holding Co.

**Previous positions:** Chairman of the Board, Middle East Paper Co. (MEPCO), Chairman of the Board Al Oula for Real Estate Development Co., Thabat Construction Co.

**Qualifications:** Second Class, Faculty of Medicines, King Saud University, Saudi Arabia.

**Experience:** Business, industrial and banking management, as well as investment management and real estate development and contracting. He also sits on a number of other Boards and Committees.

**Mr. Bader Abdullah Al Issa**  
Vice Chairman of the Board; Non-Executive

**Current positions:** CEO, Assila Investment and Chairman of Savola Foods Company as well as his Board memberships in several Savola Group Companies.

**Previous positions:** CFO, Assila Investment; CEO, Amias Holding; Investment Portfolio Manager, HSBC Saudi Arabia Limited; Financial & Marketing Analyst, SABIC America; Financial Analyst, JP Morgan.

**Qualifications:** Master of Business Administration, Rice University, USA; Bachelor of Economics, University of Virginia, USA; Certified Financial Analyst (CFA).

**Experience:** Financial and administrative fields, portfolio management, studying and analyzing of listed companies. In addition, he also sits on a number of other Boards & Committees of listed and private companies

**Dr. Adnan Abdulfattah Sofi**  
Non-Executive Board member

**Current Position:** Founder and Managing Partner of DAS Partners. Member of NCB Capital Board. Chairman of the Advisory Committee of the CMA Board.

**Previous positions:** Member of the Board of Commissioners of the Capital Market Authority (CMA), a Royal Decree appointment. CEO of SEDCO Holding. Dean of the Faculty of Economics and Administration; Professor of Business Administration and International Finance at King Abdulaziz University (KAU). a Senior Associate Member of Oxford University's (St. Antony's College) in 2005

**Qualifications:** He is a Fulbright scholar, who holds a Ph.D. in Business Administration and International Finance from the George Washington University, USA.

**Experience:** an executive strategist leader, specialized in corporate governance as well as business development, institutional investment and managing transformations. In addition to membership in the boards of a number of companies and committees.



**Mr. Mohammed Ibrahim Al Issa**  
Non-Executive Board member\*

**Current positions:** CFO, Assila Investments; Board Member at Kinan International for Real Estate.

**Previous positions:** Head of Balance Sheet Management and Investment Saudi British Bank (SABB)

**Qualifications:** Bachelors of Commerce, Finance option, Sauder School of Business, University of British Columbia Vancouver, Canada.

**Experience:** Has a wealth of experience in the fields of financial management, investments and financial markets. He also served as a member of the Board of Directors of Sukoon Real Estate Company and Al Aqeeq Real Estate Company.

*\* Mr. Mohammad Ibrahim Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member at Kinan International Real Estate Development Co., which has a related party transaction with one of our subsidiaries.*

Independent Members of the Board of Directors:



**Mr. Fahad Abdullah Al Kassim**  
Independent Board member

**Current positions:** Chairman, Amwal Financial Consultants; Executive Board member at Al Rajhi United Investment Co.

**Previous positions:** CEO, Amwal Financial Consultants; GM, Al Othaim Trading Group; Managing Partner, KPMG International; The Executive Director, Dallah Hospital; and Partner, Al-Qasim Office Certified Public Accountants.

**Qualifications:** Bachelor of Science in Management with a major in Accounting, King Saud University, Saudi Arabia; Advanced Management and Leadership Program, Oxford University, United Kingdom.

**Experience:** Financial, administrative and auditing consultancy, Executive Management in a health institution, Executive Management in retail and wholesale and sits on other Boards and committees.

**Mr. Abdulrahman Mohammed Ramzi Addas**  
Independent Board member

**Current positions:** Board and Executive Committee member at Alinma Bank, Chairman of the board of Diyar Al Khayyal Real Estate Development Co., Chairman of the Board and member of the Risk Committee at Tunisian Saudi Bank (TSB), Board member of ARCOMA Group, Board member at Al Rabie Saudi Foods Co. Ltd., Board member at Mohammad Ahmed Saleh Baeshen & Co., Board member of Environment Fund, Risk Management Committee member at Saudi Ground Services Co. and Risk & Compliance Committee member at General Authority of Zakat and Tax.

**Previous positions:** 28 years of banking experience at NCB during that period he held several senior executive positions, he has 3 years' experience as Managing Director in charge of the real estate investments in SEDCO as well as a member in the executive committee and the strategy committee.

**Qualifications:** MBA, Univ. of Denver, Colorado, USA, Major in Finance, Bachelor degree of Business Administration from King Abdul Aziz University, Jeddah, Saudi Arabia.

**Experience:** Extensive experience in banking, risk management, strategic management and investment.



**Mr. Abdulaziz Khaled Al Ghufaily**  
Non-Executive Board member

**Current positions:** Retired – Public Sector and a Board member in some companies and committees.

**Previous positions:** General Director, Local Shares Dept, Hassana Investment Co.; Director, Direct Investments Dept., General Organization for Social Insurance (GOSI).

**Qualifications:** Masters of Economics, Western Illinois University, United States; Bachelor of Economics, King Saud University, Saudi Arabia.

**Experience:** Experience in the field of social insurance, investment portfolios and shares. He also sits on a number of other Boards and Committees.

**Mr. Essam Abdulkader Al Muhaidib**  
Non-Executive Board member

**Current positions:** Chief Executive Officer, Abdulkader Al Muhaidib & Sons Co. and Board member of some companies and committees.

**Previous positions:** Held a number of managerial and leadership positions, and board memberships in Al Muhaidib Group of Companies.

**Qualifications:** Bachelor of Science in Statistics, King Saud University, Saudi Arabia.

**Experience:** Experience in managing a number of companies in the food and contracting field. He also sits on a number of other Boards.

**Eng. Mutaz Qusai Alazawi**  
Non-Executive Board member

**Current positions:** Managing Director of his Group of Companies, Vice Chairman of Riyadh Bank, Chairman of Qatrana cement, and Board member of: Mobily, Arabian Cement Co., Herfy Foods Co. SICEP Co. ST&T Co. and Wusataa Co.

**Previous positions:** Running his group of companies, Director of Merrill Lynch KSA.

**Qualifications:** Bachelor of Computer Engineering, King Saud University, Saudi Arabia.

**Experience:** Investment, Trade, Financial Markets, Construction Management, Banking, M&A and sits on a number of other Boards and Committees.

**Mr. Bader Hamad Al Rabiah**  
Independent Board member

**Current positions:** Vice Chairman of Board and CEO of Noor Al-Salhiya Real Estate Co., a Board and Audit Committee member of Mezzan Bank and member of the Board and Audit committee & Chairman of Risk Management Committee of Noor Financia Investment Co. He is also the Vice-Chairman of Al-Manar Finance and Leasing Companu Board and a member of the Executvie Committee.

**Previous positions:** Supervisor of Real-Estate Financing in Kuwait Finance House, Head of Real Estate Investment at Noor Financial Investment Company and Chairman of Nakheel Agricultural Production Company.

**Qualifications:** Bachelor of Accounting, Kuwait University, 2003, and he is a member of Kuwait Association of Accountants & Auditors and Kuwait Economic Society.

**Experience:** He has wide experience in business management, financial auditing, risk management and real estate investment.

**Mr. Rakan Abdulaziz Al Fadl**  
Independent Board member

**Current positions:** Founder & Director of London Realty Limited (London, UK), Executive Director and Board Member at Alfadl Group, Board Member and President & CEO of Sahara Building Contractors, Board Member and Executive Committee Member at Rabya, Board Member and Investment Committee Member at Alfadl Investments, Board Member and Investment Committee Member at Alfadl Real Estate, and Board Member and Investment Committee Member at Al-Takamul Group.

**Previous positions:** Running his group of companies.

**Qualifications:** BA Finance and Economics; Babson College, Massachusetts, USA.

**Experience:** Held several managerial & leadership positions and board memberships in Al Fadl Group of Companies, He also sits on a number of other Boards & Committees.

## Group CEO's Message

# A Year of Positive Change



**Anees Ahmed Moumina**  
Group Chief Executive Officer

The year 2019 was a positive transition year for Savola Group, where we built momentum toward a sustainable growth path while implementing initiatives to deliver key milestones.

We are pleased to note that 2019 was a strong year for many of our core businesses. The year marked a significant improvement in the Group's performance, moving from losses to profit in a remarkable turnaround. The Group achieved a net income of SAR 475.6 million compared to a net loss of SAR 520.4 million in the previous year. Revenues rose to SAR 22.24 billion compared to SAR 21.81 billion the year before. We successfully reissued SAR 1 billion sukuk which were oversubscribed as institutional investors took the opportunity to participate in our offerings, banking on our growth prospects.

We renewed our commitment to our retail and food business, while simultaneously focusing on optimising our asset allocation, and adapting our investment strategy to dynamic markets in Saudi Arabia and abroad. Our restructuring approach, which prioritised innovation while also focusing on group-wide cost rationalisation and efficiencies, yielded results throughout the year. This was reflected in increased shareholder confidence, with Savola Group stock price outperforming the market – increasing 28.2 percent during the fiscal year 2019, outpacing Tadawul's performance.

### Business Improvements

Our Panda retail business continues to show improvement, with like-for-like growth in customer count and basket size supporting an increase in top-line for 2019. Savola Foods maintained market leadership positions in most of its global territories, while registering higher profitability compared to last year. We continue focusing on growth strategy, organisational uplift and institutionalisation efforts.

Internally, it was a year dedicated to ensuring strong focus on stakeholder value creation, including Panda's recovery milestones and Savola Foods' growth strategy. Our Group companies continue to find innovative ways to improve operations and introduce new products in support of growth priorities. Savola Group emphasised synergy while streamlining decision-making and resource allocation. These internal improvements supported growth and value-creation projects in line with strategic priorities.

### Attracting Foreign Investment

2019 was also the year Savola Group became one of the key companies from Saudi Arabia included in MSCI's Emerging Market Index. The inclusion makes Savola Group a conduit for foreign investment as encouraged by the Saudi Vision 2030. In support of our inclusion, and the nation's Vision, we focused on investor outreach and communication through the year. We introduced ourselves to global institutional investors, building confidence and relationships while showcasing the world-class Saudi business opportunities to the world. Our efforts saw

our foreign investor shareholding rise from 2 percent at the beginning of 2019 to 9 percent by the end of the year, with both passive and active investors choosing our stock.

### Our People

Our employee engagement continued bearing fruit, with a group-wide survey showing an increase in satisfaction and engagement. We are proud to have been certified as a "Great Place to Work". Our people and teams are an integral part of our success, and it is their commitment that powers us to stronger growth. As mandated in the Saudi Vision 2030, we are committed to Saudization while diversifying our workforce through the inclusion of women.

### Corporate Social Responsibility

Savola Group continued its commitment to sustainability, safeguarding corporate performance along with community well-being and environmental health. Savola World, our global outreach programme for socially responsible behavioural change was registered as a Foundation, allowing new avenues of funding and partnership-building. Through the year, we also addressed food waste reduction through our "Negaderha" initiative. We also joined hands with the world's largest food retailers in the World Resources Institute's 10x20x30 initiative, which brings together 10 of the world's biggest food retailers to each engage with 20 of their priority suppliers, with the aim of halving rates of food loss and waste by 2030. Our "Makeen" programme continued making strides towards the inclusion of persons with disabilities into the workforce. 2019 also saw corporate volunteering take centre-stage, involving Group employees in social initiatives while promoting personal and professional growth.

### Looking to the future

We look forward to the future with optimism. In 2020 and beyond, we will focus on delivering outperformance to our shareholders. We continue to support the Saudi Vision 2030 through focusing on consumer health and greener operations. In closing, I would like to thank all our shareholders, customers, employees, and partners for their support as we build a stronger Savola Group which continues to create value for all stakeholders, for years to come.

**Eng. Anees Ahmed Moumina**  
Group Chief Executive Officer

Executive Management

Our Executive Management team brings to Savola a wealth of experience from multiple sectors across the MENAT Region, with extensive accomplishments in several sectors including investment and finance, food and retail, pharmaceuticals and communications spanning several decades.



**Mr. Nouman Farrukh Muhammad Abdussalam**  
Chief Financial Officer

**Previous positions:** CFO Savola Foods Co.; CFO Attieh Group; CFO Emaar The Economic City; Deputy CFO Savola Group; Director Finance Savola Group; Senior General Manager Finance and IT Savola Foods Co.; Finance Manger Savola Bahrain Co.; Assistant Manager Cost and Budget at Pakistan based cement manufacturer.  
**Qualifications:** Holds professional qualifications in cost and management accountancy, and taxation management; an Associate of the Institute of Cost and Management Accountants; Fellow of the Institute of Taxation Management; Bachelor of Finance, Karachi University, Pakistan.  
**Experience:** More than 20 years' experience in the field of financial management, financing and accounting with Savola Group and its subsidiaries.

**Mr. Mohammad Nasr**  
Executive Director, Investment

**Previous positions:** Prior to joining Savola in 2019, 19 years of experience in Private Equity, M&A, and Consulting with leading global and regional companies such as Credit Suisse, Gulf Capital and Al Mal Capital (an investments subsidiary of Dubai Investments PJSC). He led its investment strategy and transactions across MENA, Europe, and Asia.  
**Qualifications:** Master's in Business Administration, London Business School, UK and Bachelors in Industrial and Manufacturing Systems Engineering, Lehigh University USA.  
**Experience:** Experience in investment and operational strategy leadership, deal origination, restructuring, M&A, managing investment portfolios and exit plans across several sectors.

**Mr. Elnour Ali Saad**  
Executive Director, Corporate Governance, Compliance and Legal Affairs and Board Secretary

**Previous positions:** Since joining Savola in 1999, he has held a number of positions in Savola Group including: Executive Director of Corporate Governance, Compliance and Legal Affairs, Director of CG and Board Affairs for Savola and its subsidiaries including (Foods and retail Sectors), Senior Manager of Corporates, Board Affairs and Communication.  
**Qualifications:** Master of Laws (LLM), University of Cumbria, UK, and bachelors and MBA, Sudan University of Science and Technology - Khartoum. Certified CG, Board, and committees Secretary.  
**Experience:** More than 18 years of extensive experience in corporate governance, compliance, legal, board of directors' and committee's affairs, investor relations and shareholders' matters and corporate communication.



**Eng. Anees Ahmed Moumina**  
Group CEO, Savola Group

**Previous positions:** CEO of SEDCO Holding Group. He has also worked with the Samba Financial Group where he advanced to roles including General Manager and Senior Credit Officer. He also worked with Proctor & Gamble Co.  
**Qualifications:** Master of Science in Engineering Administration with honors and a Bachelor of Science in Civil Engineering with honors, both from The George Washington University, United States.  
**Experience:** More than 25 years of experience in the private sector and the financial services industry and his career has given him experience across a variety of business sectors including investments, retail, manufacturing, and real estate. He also serves as a Board member in a number of companies.

**Mr. Sameh Hassan**  
CEO, Savola Foods Co.

**Previous positions:** Chief Portfolio Officer of Al-Faisaliah Group, Chief Executive Officer of Saudi Tadawi Healthcare Co., Chief Operating Officer of Basamh Trading & Industries Group. Served as a Board member in a number of companies.  
**Qualifications:** Bachelor's Degree in Economics, American University, Cairo, Egypt.  
**Experience:** Vast experience in leadership, planning and management of foods and industrial multinational companies and other diverse sectors.

**Dr. Bander Talaat Hamooh**  
CEO, Panda Retail Co.

**Previous positions:** CEO of Al Nahdi Medical Company; General Supervisor of Public Affairs at the Ministry of Health.  
**Qualifications:** Bachelor's Degree in Pharmaceutical science, King Saud University, Saudi Arabia.  
**Experience:** More than 30 years' experience in retail, pharmaceutical and food industries, he held several positions in both private and public sectors. He also serves as a Board member in a number of companies.



**Mr. Tarik Mohammed Ismail**  
Executive Director, CSR & Sustainability

**Previous positions:** Executive Director, Corporate Affairs & Sustainability, and Savola Board Secretary; Director, Corporate Communications and CSR; Senior Manager, Communication and CSR in Panda Retail Co.; Senior Manager, Investment and Marketing, Aayan Group; VIP department Manager at Emaar The Economic city  
**Qualifications:** Bachelor's degree in Management, University of Dubai, UAE; Certificate in Corporate Governance International Directors Program, INSEAD – France, Honorary Doctorates in Sustainability from United Nations.  
**Experience:** Experience in communication, marketing, CSR, real estate, investment, and board and committees affairs.

**Mr. Morhaf Mohammed Alsamman**  
Executive Director Human Resources and Corporate Services

**Previous positions:** Joined Savola in 2016 as the Head of Talent Acquisition. Prior to joining Savola, he worked in different local and multinational companies, including Emaar Economic City, NCB and Cristal Global.  
**Qualifications:** A certified Professional in Human Resources – Internationalism (PHRI) from the HR Certification Institute, Master's degree in Business Information Technology from DePaul University, Chicago, USA.  
**Experience:** Over 12 years of experience in the field of HR Management, mainly: HR business partnership, staffing and recruitment, organization development, performance management, training and development, Saudization programs, and HR policy and procedure.



# 40 YEARS

## Growing Market Leading Brands

Over forty years, Savola Group has established itself as a premier investment holding company focusing on retail and food. There are many milestones worth highlighting along this journey.



## Our Business Model and Strategy

# A Rebuilding Model that aims for Sustainable Growth

As a strategic shareholder focused on the consumer, we aim to manage, build and buy into businesses that maximize our share of the consumer wallet.

## Our Strengths

### Strategic Focus

Savola views businesses through a long-term consumer trend-driven lens, aiming to allocate and re-allocate capital to generate long-term value growth.

### Strong Governance Framework

A robust governance and transparency framework, prioritized throughout the Group's history, building shareholder trust.

### Infrastructure and Consumer Access

Through our holdings, we control Saudi Arabia's largest distribution network, retail space and brand portfolio in the country's consumer space and touch millions of consumers across all of our markets.

## Our Challenges

- **Challenging macro-environment in operating countries**
- **Change in consumer behaviour**

## How we add Value

### Capability Building

In an increasingly evolving market and on its path of rebuilding for the future that started with the launch of our new identity in 2016, value creation capability building has remained a high strategic priority for Savola.

We have succeeded in bolstering our teams, building a strong strategic and investment function, bolstering communications and Investor Relations and setting up a risk function. At the subsidiary level Panda's leadership overhaul has allowed us to affect our turnaround strategy with a view to build long term sustainability.

### Performance Monitoring and Management

As a strategic holding Group it is imperative for Savola to build the tools required for effective performance management across the portfolio.

Over the course of our rebuilding journey we have augmented our portfolio boards with representation from Savola as well as carefully selected industry veterans. We have improved monthly, quarterly and annual reporting and budgeting processes that are reflective of an active holding company and appointed dedicated portfolio managers to support our role.

### Dynamic Capital Allocation

As a strategic investment holding Savola aims to maximize return on investment and deploying or redeploying capital with a view to enhance shareholders returns by gaining access to segments with long term potential within the consumer space.

Our recent rebuilding journey has been focused largely on recovery of returns by investing in the turnaround of Panda and allocating capital to a vertical which we believe, despite recent challenges, is a core and robust segment within our Group. We, also, looked at and studied various possible opportunities to ensure the best capital allocation.

### Transformative M&A

As part of our strategy as an investment holding company we aim to focus on acquisitions to establish new business verticals and to enrich the Savola offerings to consumers across our markets, thereby continuing to maximize our share of consumer spend.

Our recent acquisition of Al Kabeer Group, cementing our position in the frozen foods segment with one of the market leaders in the GCC. Propelled by an increased focus on convenience, female participation in the workforce and expected growth in consumption through the HORECA channel, we expect Al Kabeer to provide a growth avenue for Savola in years to come, as its revenues witnessed an increase of more than 7% during 2019.

### Long-term Strategic Planning

Savola believes that in addition to managing our capital and operating companies for performance and long-term sustainability at the subsidiary level, our role is to look at our markets, our holdings and our operations with a view to realize our ambition of maximizing our share of consumer spend across our markets profitably over the long-term horizon.

To affect this, we dedicate time and effort to very long-term strategic thinking, pulling leadership teams out of the current situation to debate and align on the upcoming year's vision, expectations and risks which provide the framework through which we activate other strategic imperatives.

# Our Corporate Values

Our values underpin everything we do, they are a blueprint for concrete actions we take as individuals, as a team and as a company, every day. Since the Group was founded in 1979, this is how we do business:

## Personal Values

**Tawado:** Confident Humility; Having the confidence to perform our responsibilities while having the humility to minimize our ego

**It'qan:** Relentless pursuit of perfection; The ability, willingness desire and intention to do our best to ensure that work is completed to the best standards

**Azm:** Fierce Resolve; Apply what we learn to improve ourselves

**Iq'tida:** Apprenticeship; To seek out, interact with, and learn from those who are more knowledgeable than us

## Group Values

**Ihsan Al-Dhan:** Trusting; Trusting others intentions without doubting it

**Qabool:** Acceptance; Endure the views of others by going beyond tolerance or acceptance

**Iq'bal:** Approaching; Improve what we do by using what we have learned from the interaction with others

**Mu'azarah:** Caring; Provide support to our colleagues to help enable their success

## Corporate Values

**Amanah:** Honesty; Is the fulfillment of our responsibilities towards investors

**Taqwa:** Conscientiousness; Fulfillment of our responsibility toward external parties

**Birr:** Caring Justice; Fulfillments to our responsibility toward our colleagues and the employee of the company

**Mujahadah:** Personal control; Achieving the personal discipline necessary to fulfill our responsibilities

40 Year Journey

# A Strong History of Sustainable Growth

|  |   |   |
|--|---|---|
|   | <p><b>1979</b> Savola is established, with a paid-up capital of SAR 40 million and 50 employees</p>   |   |
| <p><b>1981</b> Savola's edible oil refinery in Jeddah begins operations, the first in Saudi Arabia</p>    | <p><b>1982</b> Launch of Afia premium corn oil. By the late 1980s, Savola captures 70% of the Saudi edible oil market</p>    |   |
| <p><b>1991</b> Acquisition of a 40% shareholding in Almarai (diluted after IPO in 2005). Savola's stake then increases to 36.5% in 2013 (then Savola sold 2% during 2017, the current stake in Almarai is 34.52%)<br/>Savola acquires Saudi Carton Factory to establish Savola Packaging Systems (divested in 2015)</p>  | <p><b>1992</b> Savola becomes a publicly listed company on the Saudi Stock Exchange<br/>Savola Bahrain and Savola Egypt commence edible oil operations<br/>Savola Snack Foods is established to acquire 100% of Tasali Company (divested in 2001)</p>   | <p><b>1993</b> Joint venture with Tate &amp; Lyle to establish United Sugar Company, Saudi Arabia's first sugar refinery<br/>Acquisition of 41% of Saudi Glass Company, increased to 60% the following year (divested in 2004)</p>  |
| <p><b>1995</b> Savola Packaging Systems acquires the Paper Cups and Container Company (divested in 2003)<br/>Afia International Egypt is formed through the merger of Savola Egypt and SIME Derby Egypt<br/>Savola acquires 50% of the merged operation. In 2009, Savola Foods' stake increases to 99%<br/>Savola Foods establishes an edible oil factory in Egypt</p> | <p><b>1998</b> Savola enters the retail sector following its merger with Azizia Panda<br/>Savola gains a 70% stake in Herfy through the Panda merger. Herfy was listed on the Saudi Stock Exchange, with Savola retaining a 49% stake (2010)<br/>Through the Panda merger, Savola inherits stakes in Al-Mawashi (divested in 2000), Deemah (divested in 2001) and Al-Azizia Commercial Investment Company (divested 2009)</p> |   |
|    | <p><b>2003</b> Panda launches the Hyper Panda format and expands abroad with the opening of a Hyper Panda store in Dubai (divested in 2017)<br/>Savola achieves its "Triple 5" strategic goal 12 months ahead of target: SAR 5bn sales, SAR 500m profit within 5 years</p>  |   |
| <p><b>2003</b> Savola Foods establishes edible oil businesses in Morocco and Sudan</p>   | <p><b>2004</b> New corporate governance standards are adopted, not only for legal compliance but as an ethical commitment aligned to Savola's corporate values<br/>Savola Foods enters Central Asia market by acquiring 49% of an edible oil business. Savola's stake is increased to 80% in 2004 and 90% in 2014<br/>Savola Foods acquires 90% of an edible oil business in Kazakhstan (divested in 2014)</p>                |   |
|    | <p><b>2005</b> Savola establishes Kinan Real Estate, subsequently divesting 70% through private placement<br/>Al Batool Franchising is formed to focus on emergent retail concepts: Mugg &amp; Bean, Bonia, Carlo Rino, Jacqueline, Tom Tailor, Yves Rocher (divested in 2011)</p>  | <p><b>2006</b> Savola invests in King Abdullah Economic City (KAEC) and Knowledge Economic City as a founding shareholder<br/>Savola Packaging Systems acquires New Marina Plastics in Egypt and Alsharq Plastics Industries in Saudi Arabia (divested in 2015)</p>  |
| <p><b>2007</b> Savola Foods acquires Yudum, an edible oil business in Turkey</p>   | <p><b>2008</b> Savola Foods' cane sugar refinery in Egypt begins commercial operation and establishes an edible oil refinery in Algeria<br/>Panda acquires Géant Stores and opens its first central distribution center in Riyadh</p>   |   |

|   |   |
|---|---|
| <p><b>2009</b> Panda acquires United Company for Central Markets in Lebanon (divested in 2013). Panda acquires Géant Stores operations and expands its network to 152 locations</p>    | <p><b>2010</b> Savola Group launches its first CSR program 'Makeen' to train and to empower people with disability</p>   |
| <p><b>2011</b> Standard &amp; Poor's, the Hawkamah Institute and the International Finance Corporation rank Savola 2nd for governance and transparency<br/>Savola Foods enters the pasta market by acquiring El Maleka Company and El Farasha Company in Egypt</p>  | <p><b>2012</b> Savola's first Sukuk issuance (SAR 1.5 billion)<br/>Savola acquires Al-Muhaidib's shares in Panda (18.6%) and Savola Foods (10%) in exchange for the issue of 33.9 million new Savola shares through a capital increase to SAR 5.34 billion<br/>Panda launches the Pandati convenience store concept (closed in 2018)</p>     |
| <p>Savola Foods establishes Tolue Pakshe Aftab, a distribution company for its products in Central Asia</p>   | <p><b>2013</b> Savola acquires Al-Muhaidib's shares in Panda (18.6%) and Savola Foods (10%) in exchange for the issue of 33.9 million new Savola shares through a capital increase to SAR 5.34 billion<br/>Panda launches the Pandati convenience store concept (closed in 2018)</p>  |
| <p><b>2015</b> Acquisition of 90% of Notrika, manufacturing Pech Pech confectionery products in Central Asia<br/>Joint venture with global seafood leader, Thai Union, to launch the famous John West brand in 12 markets across MENAT region<br/>Savola Foods launches Afia Distribution Company in Saudi Arabia<br/>Panda opens its second central distribution center in KAEC</p>  | <p><b>2014</b> Alexandria Sugar Company begins production of sugar from beet and establishes an agro-cultivation company<br/>Savola unveils a new brand identity, symbolizing its evolution toward becoming a strategic investment holding company<br/>Savola receives the Sa'afa Award from the Integrity and Transparency Foundation</p>  |
| <p><b>2017</b> Savola Group sells a 2% stake in Almarai, as a part of its capital re-allocation, whilst remaining the largest shareholder with a 34.52% stake<br/>Savola ranks top 10 for Transparency in corporate governance, environment and social practices in MENA (S&amp;P and Dow Jones indices and Hawkamah Institute, Dubai)<br/>Savola Group launches its second CSR program 'Negaderha'<br/>Commissions a new factory in Jeddah to manufacture specialty fats for the B2B market<br/>Establishes a joint venture in Iraq with Aves to create Bonus Food Company LLC, which is engaged in the refining and packaging of edible oils and vegetable ghee<br/>In line with the strategy to refocus on core markets, Panda Retail sells its UAE hypermarket for a total amount of AED 80 million</p> | <p><b>2016</b> Savola Group acquires a majority stake in Al Kabeer (51%), one of the region's leading frozen foods companies</p>   |
| <p><b>2018</b> Savola issued Sukuks for the 2nd time pursuant to a new program in an aggregate amount of SAR 1 billion<br/>Savola celebrated 40 years of operations through various internal and external activities</p>  |   |
| <p><b>2019</b> Savola was announced among the 31 companies added to MSCI (Morgan Stanley Capital International), as part of Saudi Stock Exchange (Tadawul) inclusion into the MSCI Emerging Market Index<br/>Standard &amp; Poor's, the Hawkamah Institute and the International Finance Corporation ranked Savola 4th in governance and transparency</p>   |   |

40 Year Journey

# Investing in and Growing Market Leading Brands

Savola Group builds world-class brands in food and retail. The Group's brands are market leaders which enjoy strong brand equity and consumer wallet share.



Savola Group focuses on building and investing in strong brands across the retail and food sectors in the MENACA region. 2019 was a strong year for the Group's brands, which enjoyed consumer recognition and high trust levels.

Savola foods' Afia corn and olive oils, Al Arabi frying oil and speciality fats business gather momentum building on the trust of the manufacturer's on its quality products sold under the brand name "Margarina". Al Osra sugar also maintained its market leadership by resisting the commoditisation of sugar to maintain excellent brand equity and consumer loyalty. Savola Foods' pasta business, concentrated in Egypt, saw flagship brand El Maleka continue its leadership of the packed pasta market.

Panda recaptured consumer loyalty, with increased footfall and basket sizes across its supermarket and hypermarket properties, on a like-for-like basis.

Meanwhile, restaurant chain Herfy continued being a consumer favourite in Saudi Arabia, backed by product and menu innovation. Herfy's baked products remain popular with consumers.

Al Kabeer, the frozen food brand, benefitted from integration focused work streams including governance and institutionalization initiatives, as well as strategic planning exercises to augment Al Kabeer's activities and positioning, setting up the company for future growth.

Almarai, the world's largest vertically integrated dairy company, of which Savola Group owns 34.52 percent, maintained market share leadership across dairy, poultry, bakery and foods. The brand's products are trusted, and enjoy consumer market recognition.





# FOOD INVESTMENTS

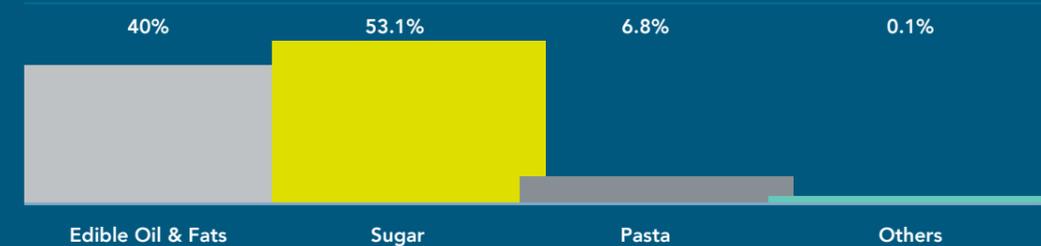
## Food Security and Trust

Savola Group's portfolio of food brands are market leaders in the countries they operate in.

Revenue Breakdown (SAR millions)



2019 Sales Volume by Business Line (%)



Oil, Vitamins (A & D), Chamomile Extract  
 International Co., P.O. Box 30439, Jeddah  
 at ambient temperature, away from

## A Story of Resilience and Excellence



Savola Foods is a leading producer of high-quality products including edible oils, vegetable ghee, sugar, pasta, seafood and baked goods. Savola Foods offers branded products, and specialty fats across more than 50 countries, and is a leader by market share in key markets throughout the Middle East, North Africa and Turkey (MENAT) Region.

### Strategic Overview

2019 was a dynamic year in Savola Foods' journey, with a strategy to improve performance. While boasting a track record spanning some forty years, Savola Foods has in recent times been faced with rapid changes in geopolitical factors, consumer preferences and price competition by the second tier brands in edible oils and sugar. While the company has in previous years been able to defend its premium brands and market share while maintaining strong brand equity, 2019 was the continuation of onslaught on our brands as we changed gears from defence to offence to protect leading position.

The 2019 strategy "Restoring Greatness" is designed to bring Savola Foods back to its heyday of outperformance over the medium-term. The strategy rests on two core pillars: Refocusing the business and Realigning the organisation.

### Refocusing the Business

Savola Foods refocused its business on its key categories; Edible Oil, Sugar, and Pasta. The focus has been on reenergizing the key categories dominance through stronger communication with the consumer, reemphasising premium brands, and continuing to excel in product quality and market share growth.

In 2019, Savola Foods began anchoring its current brands towards younger consumers by overhauling marketing and packaging. There was a focus on innovation, with research into new product formulations that younger consumers value. Market research was commissioned to better understand changing preferences. Innovation led to new products being introduced in both B2C and B2B categories; with fine sugar, wider range of spray oils, and new speciality fat products a few examples.

The refocus also emphasises promising B2B lines, such as Savola Foods' growing speciality oils and fats business, and a new food service offering that targets the HORECA sector.

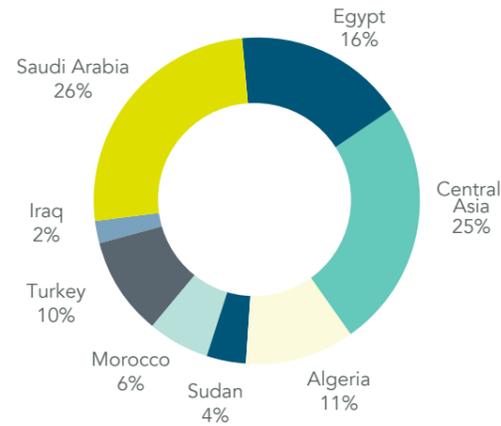


## Food Investments

MT\* Total sales volume (millions)

1.6

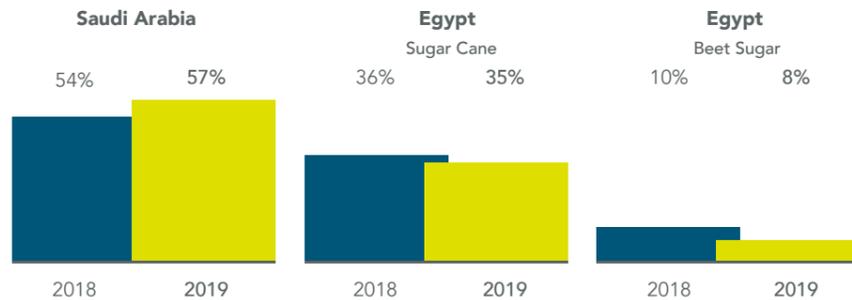
Edible oil sales volume by country (including exports)



MT\* Total sales volume (including exports) (millions)

2.2

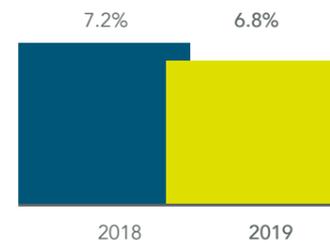
Sugar sales volume by country (including exports)



MT\* Total sales volume (including exports)

279,336

Pasta sales volume (including exports)



\* Metric Tonnes



### Realigning the Organisation

In 2019, Savola Foods began changing its internal structure to support the outreach and innovation its new strategy demanded. The previous geographically devolved manufacturing structure was replaced by a central Product Supply vertical led by a Chief Product Supply Officer. This centralisation of expertise and oversight aims to deliver best practice sharing, economies of scale and more efficient use of manufacturing facilities across Savola Foods' global presence. Some other functions, including export, were also centralised to benefit from synergy and economies of scale.

The internal realignment also saw the creation of a B2B vertical in 2019 to support the food services and speciality fats business. The new vertical aims at increasing Savola Foods presence in this important and growing part of the market.

By end 2019, the "Restore Greatness" strategy was already demonstrating results. Gross margins also improved to 14.9 percent for 2019, from 12.5 percent in 2018.

While macroeconomic conditions across key territories coupled with geopolitical turbulence in other markets resulted in a slight drop in volume in 2019, the broad-based efficiencies and a disciplined approach led to EBITDA improvement to SAR 741 million in 2019, compared to SAR 553 million the year before.

**+50%**

Edible Oils market share in Arabia

**+70%**

Al Osra brand market share

**8%**

Pasta revenue increase in Egypt

## Food Investments

### Segment Overview



#### Edible Oil

Edible oil is a leading business line for Savola Foods, and in 2019 continued its robust performance. Savola Foods maintained its market share leadership in Arabia, Turkey, Central Asia, Sudan and Egypt, and competed strongly for top spot in Algeria and Morocco.

In Saudi Arabia, Savola foods' Afia brand (corn oil and olive oil), Al Arabi frying oil and Shams sunflower oil continued performing strongly. Regionally, Savola Foods maintained leadership in Central Asia while growing its consumer base despite temporary supply challenges due to geopolitical developments. While Middle Eastern markets continued showing market volatility, brand equity and a focused strategy facilitated strong performance across the board.

Savola Foods also moved to establish a B2B stronghold in Saudi Arabia through the ramp up of speciality fats segment. International Food Industries (IFI), Savola Foods' state of the art speciality oils and fats facility in Jeddah, reached 31,000 metric tonnes of production in 2019, up from 20,000 the year before. The business line is gearing up to supply partners in the baking, biscuits, confectionary, dairy and culinary industries.

In Turkey, Savola Foods consolidated its leadership in the branded oil market through its key brands including Yudum, Egemden and Sirma. Market share was gained while achieving record sales volumes, despite unfavourable market conditions brought on by very volatile interest rates and currency fluctuations, particularly in the first half of the year.

Savola Foods continues to lead in olive oil exports from Turkey. While historically a B2C player in Turkey, Savola Foods' pivot towards speciality B2B products held it in good stead for further market growth, powered by a new manufacturing facility commissioned in 2018. By end 2019, the plant had moved to 60% of full margarine and shortening production capacity utilization as demand for the quality products increased backed by ever-increasing customer base.

Edible oils drove growth for Savola Foods across the board. In Algeria, market share grew despite macroeconomic and other challenges. In Egypt and Morocco, the edible oils business enjoyed a stable year of foundation-building and growth. In Sudan, logistical barriers and macroeconomic concerns did not deter Savola Foods from maintaining leadership in the market.

#### Sugar

Sugar had a strong year. In Saudi Arabia, Savola Foods' Al Osra brand maintained its market leadership by resisting the commoditisation of sugar and maintaining excellent brand equity. Sugar's positive performance came despite market headwinds brought on by a reduced expatriate population and new taxation schemes. While the overall sugar market in Saudi Arabia declined, Savola Foods' sugar business delivered an increase in net profit in the territory. Key factors powering sugar's performance included effective hedging, backed by strong brand equity, and price management through 2019.

Sugar's outperformance was also catalysed by ongoing product innovation. Since 2017, Savola Foods has been defending its leadership against commodity pricing competition by introducing new products, including sugar cubes and brown sugar. In 2019, innovation continued apace with sachets and fine sugar varieties introduced to the market to cater for the needs of ever changing consumer demands.

#### Pasta

Savola Foods' pasta business is concentrated in Egypt, where the company has acquired, and boosted brand equity in flagship brand El Maleka. The brand currently leads the packed pasta market.

Despite a historically strong position, Savola Foods' market share has been under pressure in recent years. In 2019, Savola Foods took decisive action to maintain its premier position in pasta. A renewed focus on product-based marketing has been put in place aiming to restore market share growth by 2020. A total of 279,336 metric tonnes of pasta were the sales volume in 2019.

There was also emphasis on diversifying through the development of export markets via new reseller and distributor relationships. The pasta business is focusing on the African continent as a high-potential destination, and is actively evaluating opportunities in that target geography. The pasta business should also benefit from an organisation-wide centralisation of export activities, with the function creating synergies between all food products exported to over 30 markets worldwide. Export centralisation should boost reach and growth by cross-selling through existing channels while developing new ones.

#### Bakery

Savola Foods operates a ready-to-eat baked goods line in Central Asia under its Pech Pech brand. In 2019, Pech Pech built on previous growth to register a 2 percent increase in sales. The bakery line is a rapidly growing business in a territory where a young population is looking for convenient alternatives to traditional foods. The brand was recognized in 2019 as the "Most Beloved Brand" in the snacks category by a national survey of 2.5 million plus consumers.

### Towards the Future

In 2020 and beyond, Savola Foods will continue its focus on its core products and brands. The company is driving cost efficiencies while retaining its focus on innovation and new product introduction. There is an emphasis on finding new opportunities across the region in the B2C sphere. Savola Foods is also growing its B2B product offerings, focusing on food service and food ingredients through its specialty fats lines.

Food Investments

# Almarai



Savola Group is the largest shareholder in Almarai Company, the Middle East's leading food manufacturer and distributor, with a 34.52 percent stake in the company.

### About Almarai

Founded in 1977, Almarai is now the world's largest vertically integrated dairy company, with primary lines encompassing dairy, juices, bakery, poultry and infant nutrition. Headquartered in Riyadh, Almarai's production and distribution footprint covers the GCC, Egypt and Jordan. With its 42 million plus consumer reach, Almarai is one of Saudi Arabia's strongest brands, and also one of the Middle East's most recognised names.

### 2019 Financial and Strategic Highlights

2019 was a year where the market returned to growth for Almarai after the previous year's performance had been buffeted by macroeconomic and demographic headwinds. Almarai maintained market share leadership across the majority of key segments, with dairy, poultry, bakery and foods registering particularly strong growth in the second half of 2019. Revenues from all product lines increased compared to a 2018 baseline, with dairy and juice revenues rising 2.9%, bakery 6.6% and poultry 18%. Poultry's outperformance came as Almarai expanded its food services segment and continued to

enhance its innovation pipeline of new products, as well as, expanding the range of dedicated products for the food service segment.

Saudi Arabia remained the best performing territory in terms of revenue growth for Almarai in 2019, followed by Egypt and Kuwait. Jordan, UAE and Oman also registered revenue growth.

Revenue for 2019 rose 5.9% over 2018, but operating profits witnessed a marginal decline on the back of higher feed costs, marketing spend and labour costs. On a positive note, free cash flow more than doubled compared to 2018, as Almarai continues to focus on asset utilization after a strong investment and growth phase.

Almarai also maintained a strong brand equity, and was once again feted as a top brand by the YouGov BrandIndex. Brand Finance called it the world's 7th most valuable dairy brand worldwide in 2019. Almarai also made Forbes' 2019 list of Global 2000: The World's Best Regarded Companies.

Revenues (SAR millions)



Net Profits (SAR millions)



**1.83**  
Earnings per share SAR

**34.52%**  
Savola Group shareholding

Food Investments

# Al Kabeer Group of Companies



Savola Group has a 51% stake in Al Kabeer Group of Companies, one of the region's leading frozen food manufacturers and distributors.

### About Al Kabeer Group of Companies

Founded in 1974 as a family business, Al Kabeer has become one of the leading frozen food suppliers in the GCC. The brand has three manufacturing facilities in the UAE and Saudi Arabia, and an in-house distribution network that services over 11,000 outlets through a fleet of over 300 vehicles backed by 9 cold stores in the region. The company manufactures over 200 products region wide, including frozen processed poultry, beef, seafood, popular snacks and ready-to-eat meals.

### 2019 Strategic and Financial Review

2019 cemented the collaboration between Savola Group and Al Kabeer towards strengthening corporate governance, business planning and strategic exercises and alignment.

Al Kabeer posted healthy revenue increases with growth for the year above 7%, partly due to a 2018 decision to move production for popular "Zing" or spicy products in-house. This alleviated supply chain disruption and boosted availability, as well as, had a positive impact on profitability on a normalized basis. However, a disruption to imported poultry operations in Saudi Arabia significantly impacted raw material prices, which in turn had a dampening effect on profitability.

Saudi Arabia was the fastest growing geography in Al Kabeer's portfolio, representing about two thirds of sales. The remainder of GCC countries, including UAE, Oman and Bahrain, posted positive growth during the year.

In 2019, opportunities persisted in the modern trade segment, while traditional trade remained challenging, especially in Saudi Arabia. However, the HORECA and food services segment offered growth opportunities given the sector's rapid growth in the Kingdom. The year also saw a focus on working capital management.

In 2020 and beyond, Al Kabeer is looking to tap new opportunities in the HORECA and food services segments. The Company is also looking to introduce new product ranges catering for a wider set of taste preferences, as well as, enter new markets. Financial prudence through 2019 has strengthened the balance sheet, allowing the business the leeway of exploring both organic and inorganic growth opportunities.

**+200**

Manufactured frozen products including poultry, beef, and seafood

**11,000**

Outlets Served through a fleet of +300 vehicles

**51%**

Savola Group shareholding



# RETAIL INVESTMENTS

## Brands that consumers trust

The Savola Group has invested in retail brands that consumers trust. In 2019, the Group's portfolio of brands performed strongly to reclaim sales while setting the stage for future growth.

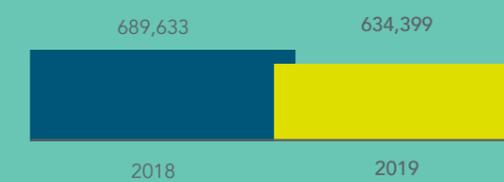
Total number of Panda Stores



Total number of Herfy Restaurants



Panda selling area (m<sup>2</sup>)

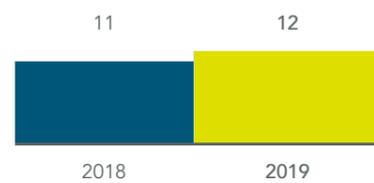


# A Turnaround Story

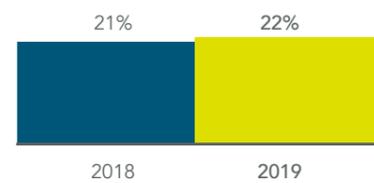


Panda Retail is the Middle East’s largest grocery retailer, with over 106+ million sales transactions through a chain of hypermarkets and supermarkets across the Kingdom. With 205 stores in more than 42 cities throughout Saudi Arabia, as well as a presence in Egypt, Panda continues to be one of the leading players in the Kingdom’s grocery retail sector.

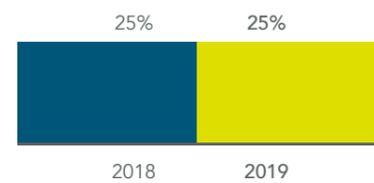
Panda revenues (SAR billion)



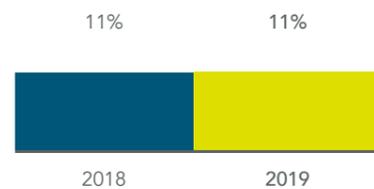
Panda gross margin (%)



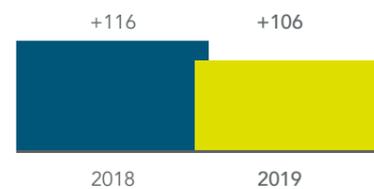
Market share modern trade (%)



Market share of total grocery retail (%)



Customer count 2019 (millions)

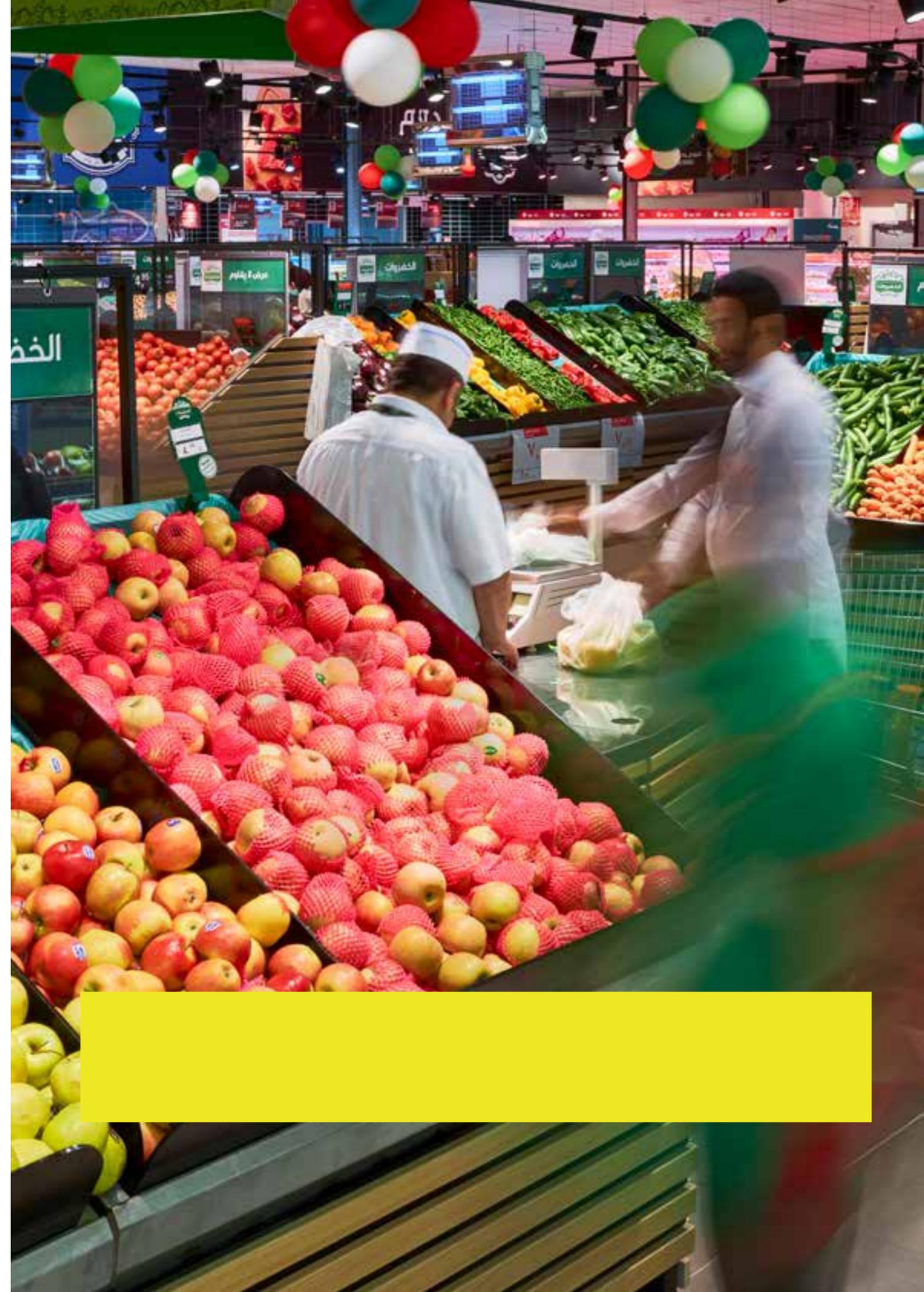


## Strategic Overview

2019 saw Panda Retail continue a turnaround process first started in 2017, when the company began feeling the impact of a reduction in Saudi Arabia’s expatriate population coupled with consumer price sensitivity brought on by the implementation of VAT. The transformation commenced with a new 2019 strategy resting on four key pillars:

- Fresh products as a driver of footfall, coupled with quality and availability
- Optimised store workforce structure
- Footprint optimisation
- Improving shelf availability for key products

The strategy began demonstrating rapid results, with an encouraging boost to financials by year closing. Gross profit improved by 10 percent compared to the year before, while EBITDA also turned positive (pre-IFRS 16 adjustment), up from a loss in 2018. The positive financial results were driven primarily by like-for-like growth in basket size, and increased customer count. They were a reflection of internal efficiencies and performance improvements, but also of a changing consumer market where buyer confidence is returning. The market liberalisation and diversification mandated by the Saudi Vision 2030 has rejuvenated longer-term confidence, resulting in freer spend on groceries and consumables.



## Retail Investments

### Tactical Implementation

In 2019, Panda Retail translated its strategy into a number of tactical initiatives to boost customer satisfaction, drive down costs and free up capital for long-term investment.

#### Towards Freshness

Panda Retail focused on delivering freshness straight to consumer baskets, emphasising the quality of its produce and ensuring availability. A strategy of serving local markets with local produce served to cut transition times and increase shelf freshness. Product quality took centre stage, with clear product specifications driving better control. Strategic partnerships with suppliers enabled Panda to ensure a consistent supply of quality products for its customers.

#### Improving Availability

Panda emphasised higher product availability, coupled with optimising distribution and supply chains. The aim was to list new items in grocery non-food products, roll all items out to a larger number of stores, and ensure that products were made available on shelves for consumers to access. In 2019, product availability rose to 91 percent, from 79 percent the year before. Corresponding increases in footfall and basket sizes provided evidence of this strategy making a positive difference.

#### Customer-centricity

The company put customers at the heart of its operations, focusing on understanding customer needs and satisfying them. Panda employees were a core focus on transformation given their direct impact on sales growth and customer satisfaction. Continuous improvement in Panda's staffing, training and personnel target-setting was initiated to transform the way the company's 18,000 plus employees serve customers.

#### Footprint Optimisation

2019 saw Panda Retail complete its pivot away from smaller Pandati corner shops to focus on optimising its supermarkets and hypermarkets. All existing properties were analysed for performance, with some closed and others relocated. The remaining Pandati corner shops were divested from, while capital was freed up by closing some 9 supermarket and 6 hypermarket units. The resulting footprint optimisation drove like-for-like sales 9 percent higher than in 2018, while also improving footfall and basket size.



### Towards the Future

#### Creating Cost Efficiencies

Panda Retail focused on lowering overheads to free up capital. Manpower was optimised through a new workforce structure at store level, backed by calibrated deployment lists. Overheads were optimised despite labour costs increasing, with this optimisation driving Panda Retail's financial turnaround.

#### Sound Capital Deployment

Panda Retail focused on creating cost efficiencies, and freeing up capital for longer-term optimisation. In 2019, Panda Retail invested considerably in store refit and maintenance to create a better consumer journey. The company also invested in supply chain optimisation to support product availability and freshness. Information Technology was another focus of investment, with capital expenditure on datacentres and ERP implementation in support of procurement and retail. IT investment will continue through 2020, driving efficiencies, and further streamlining the business's procurement and supply chain.

Panda continues to face a challenging market in Saudi Arabia. Under its new leadership and executive team, Panda has started work on key areas for improvement. In 2020 and beyond, Panda will continue a customer-centric turnaround strategy where footprint, product availability, freshness and people are the core focus. Panda's aim is to improve productivity while maintaining its current footprint in terms of size. Meanwhile, footprint optimisation will see stores change based on geographic location and consumer preferences. The coming years will build on Panda's recent emphasis on customer satisfaction, retention and loyalty.

Panda will address gaps in its product range, creating a compelling offering that caters to evolving customer preferences. Well-designed displays will create an exciting shopping experience. Strategic supplier partnerships will boost planning and improve availability. Product availability and freshness will remain centre stage as the brand looks forward to breaking even in 2021.

Panda's outlook for its home market in Saudi Arabia is expected to improve further, with recovering consumer confidence coupled with the successful implementation of turnaround initiatives. The company is laying the foundation for sustainable growth in the years to come.

**60**  
Hypermarkets

**145**  
Supermarkets

Retail Investments

# Herfy Food Service Company



With a 49% stake, Savola Group is the largest shareholder in Herfy Food Services Company. Herfy is one of Saudi Arabia's most popular and recognised fast food restaurant brands.

**About Herfy**

Established in 1981, Herfy Food Services Company owns and operates Saudi Arabia's leading fast food chain, "Herfy", with 383 branches in the Kingdom. Also, the company franchises restaurants in Kuwait and Bangladesh. In addition, it operates pastry shops and has established itself as one of the Kingdom's first fully-integrated food services companies, with its own bakery, cake, rusk and meat processing factories.

**2019 Financial and Strategic Highlights**

In 2019, Herfy recorded sales of SAR 1.3 billion, a 5.0% increase over 2018. The top line boost came in a competitive environment where F&B operators were struggling with increased raw material costs and

taxation on fizzy drinks. Gross profit of SAR 392.6 million was 13.8% higher than the previous year, while net profit reached to SAR 196.1 million impacted by higher selling & marketing expenses, general & administration expenses and finance cost due to IFRS 16 implementation.

Herfy maintained its excellent brand equity through 2019 by investing in product and menu innovation along with promotional campaigns. Despite a rising cost base and new market dynamics, Herfy's organizational transformation, cost rationalization and menu innovations hold it in good stead as it looks to the 2020 and beyond.

Revenues (SAR millions)



Net Profits (SAR millions)



**49%**

Savola Group shareholding

**3.03**

Earnings per Share SAR



# OUR PEOPLE

## Developing Exceptional People

The exceptional people working across all levels of the Group, and its subsidiaries, are crucial to Savola Group's long-term success and ethos of sustainable growth.



# Building Sustainable Value for the Long-term

Savola Group remains focused on attracting, engaging, and retaining the best talent to power sustainable success with over 26,000 employees, including more than 20,000 employed in Saudi Arabia. The Group also invests in professional and personal development for employees, while ensuring that engagement remains high and lines of communication open.

The Group's Human Capital value proposition is to create a healthy working environment which produces positive outcomes and offers industry-leading benefits. Meanwhile, a wide range of programs ensured employee welfare, recognized individual achievement, and promoted a positive and transparent work environment. 2019 also saw a focus on talent management, with plans put in place for key positions.

### Groupwide Synergies

2019 was a year of streamlining and restructuring across Savola Group's operating companies as we aim to rationalize cost, introduce new leadership, and create centralized verticals for improving synergies across common functions. At Group level, portfolio manager roles were strengthened to focus more on strategic and investment matters.

The portfolio managers were tasked with proactively engaging with portfolio companies to ensure synergy attainment as well as performance analysis and business feasibility. This hands-on engagement created a follow-through on central Group strategy, and also ensured that the Savola Group's values and workplace culture were propagated across the entire Savola ecosystem.

These formal steps were bolstered by activities to build collaboration, cooperation, and lateral communication. An integrated internal communications plan outlined a roadmap for cultural initiatives in Group operating companies, with frequent committee meetings creating follow-up and reinforcement. This year saw several

team building initiatives conducted in co-operation with Group operating companies which include classroom and field training for various professional skills.

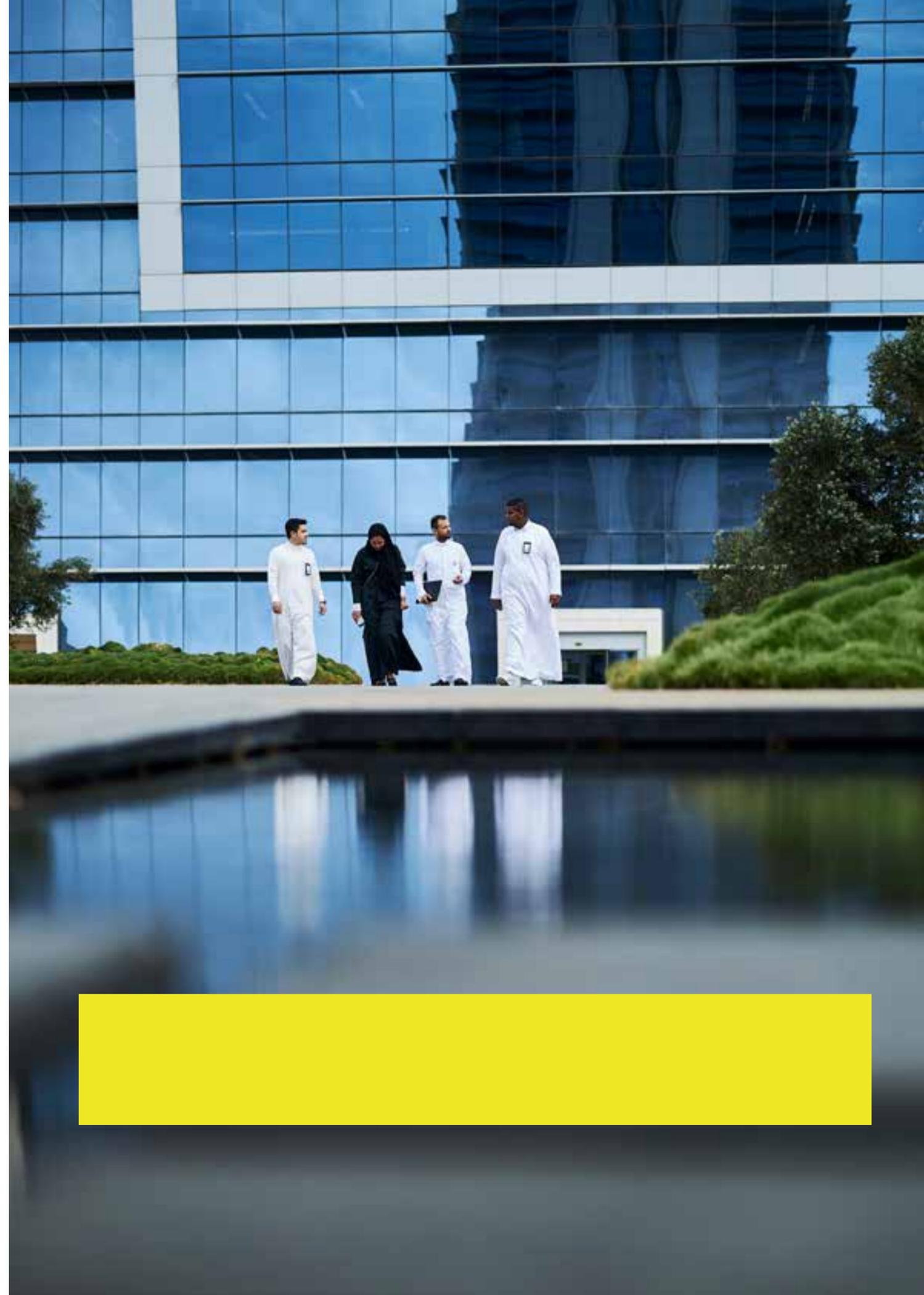
### Nationalization

The Savola Group continued its commitment to Saudization maintaining its Platinum Zone in Nitaqat rating in 2019. Operating company Savola Foods also maintained its Platinum Zone, while Panda continued making strides in increasing Saudi nationals to the workforce at all levels, maintaining its Green Zone.

### Being an Employer of Choice

Savola Group believes that the exceptional people working across all levels of the Group and its subsidiaries are crucial to the Group's long-term success and sustainable growth. Savola Group also wants to be the employer of choice for the food and retail industries, believing that an investment in human capital holds immense value for the organization and the shareholders.

As part of this mandate, the Group designs policies to attract and sustain the best available talent, develop a highly-skilled workforce, enhance its employer brand, adhere to the nationalization directives within its home market, and promote an engaged environment which supports productivity and welcomes change. In 2019, an enhanced onboarding process helped foster engagement with new employees. All new hires were offered mentoring and communications to help familiarize themselves with their new workplace.



## Our People

The year saw increased social media outreach on platforms such as LinkedIn, with potential job seekers targeted with Savola Group news, communication and employment opportunities.

In 2019, Savola Group's insistence on creating a favourable work culture resulted in the certification of "Great Place to Work". Great Place to Work® is the global authority that focuses on building, sustaining, and recognizing outstanding high-trust, high-performing workplace cultures.

### Towards Greater Engagement

Savola Group measures, benchmark and improves employee engagement through its Tawer program, a group wide employee engagement survey initially introduced in 2016.

In 2019, the Tawer employee engagement survey results showed a 78% engagement rate, which was a 7% improvement over the 71 percent indicated in 2018. The enhanced engagement came about as a result of several new programs and initiatives. The Group introduced several measures to improve communication both vertically and horizontally.

### Diversity

Diversity in employment is crucial to the Group's strong corporate performance and ethos of sustainability. Savola Group is widely recognized for female workforce inclusion and empowerment with a total number of 1,200 females, representing a growth of 47% in KSA's female workforce compared to last year. The Group's Makeen program continued making strides towards empowering and including Persons with Disability (PwD), as outlined in the report's section on CSR and Sustainability.

Makeen's importance and effectiveness is reflected in the current employment of more than 300 PwD across the Group in the Kingdom. Makeen continued both internal and external outreach through 2019. Feedback sessions were arranged with differently-abled employees from across the Savola Group, to gather suggestions on enhancing the workplace for them. Multiple training sessions and job opportunity drives were also held. The Group continued its efforts in ensuring a friendly and accessible workplace.

### Improving Workplace Culture

2019 saw Savola Group undertake ecosystem-wide activities to encourage a healthy work-life balance, while creating an approachable culture of communication, camaraderie and performance. A highlight was the "The Happiness Campaign" that aimed to boost positivity and create a friendly working environment.

The importance of family was emphasized through the Sela program which brought employees and their families together offsite at informal gatherings several times through the year. Additionally, children were invited to The Group offices to create memorable experiences with their parents, while special "Back to School" events also celebrated the education aspect.

Savola continued providing its employees with a range of unique benefits, such as an employee home loan scheme for Saudi employees, Takaful insurance to support families in the case of death or disability, and (Tawoon) fund to assist junior staff in dealing with financial emergencies. The Group also obtained discounted corporate employee rates with leading



brands and corporates including those in sectors such as healthcare, retail, restaurants, hotels, and many others through the introduction of a branded mobile application.

Savola Group is also committed to safeguarding employee well-being and improve their work-life balance. In 2019, Savola Group organized health conferences for employees to increase health awareness as well as launching campaigns around specific wellness themes such as breast cancer.

### Employee Volunteering Activities

Employee volunteering took center stage in 2019, with the Savola Group creating volunteering opportunities through its network of civil society partners. As part of its efforts to ensure serving the community, the Group introduced the participation in volunteering activities to its employees' initiatives. The Group also partnered with non-profit organizations and charitable establishments to create channels for Group employees to donate towards charitable causes during the holy month of Ramadan.

98%

Participated in "Tawer Program" in the Group employee engagement survey

7%

"Tawer Program" engagement increase

47%

Female workforce increase in KSA



# CSR & SUSTAINABILITY

## An Interconnected World

Savola Group recognises its role in an interconnected world where corporate actions impact commercial performance, the well-being of the community, and the health of the environment.

# An Interconnected World

Savola Group believes in a deeply interconnected world, where corporate actions impact commercial performance, the well-being of the community, and the health of the environment. The Group champions a sustainability approach that safeguards both company success and stakeholder well-being. Savola Group's approach to sustainability is embedded in its commitment to deliver "values built on values".



## Savola Group CSR Strategy (Overarching Theme)



### Savola World becomes a Foundation

Launched in March 2017 with the aim of promoting socially and environmentally responsible practices, Savola World works towards an internationally recognized role model for sustainability and CSR in business practices. Savola World reaches out to promote socially responsible behavioral change among customers and stakeholders across the four pillars of Community, Employees, Environment and Sector. In late 2019, Savola Group increased and formalized the importance of sustainability and CSR by transforming Savola World to a standalone private foundation called Savola World Foundation. The new legal structure empowers Savola World Foundation to seek funding, and form partnerships with government and private sector entities. This enables it to more effectively champion the sustainability and social development objectives of the Saudi Arabia Vision 2030. In 2019, the Foundation commenced operating as a not-for-profit concern to financially sustain its activities.

Stakeholder engagement remained a priority for Savola World in 2019, with input from external parties shaping the Foundation's planning and strategic objectives. The Foundation continued working alongside highly-qualified, internationally-acclaimed experts to maximize programs impact. Savola World Foundation focuses on social awareness campaigns, coaching and consultancy, training, events management, research and studies, social impact, and accreditation.

In 2020 and beyond, Savola World Foundation will accelerate its current sustainability strategy based on a new vision, and will create sectoral-based

CSR programs that converge with its new strategic direction, the priorities enumerated in the Saudi Arabia Vision 2030, and the UN's Sustainable Development Goals.

### Tackling Food Security and Waste

The idea of resource preservation and reducing food waste is a key element of Savola Group's sustainability efforts. Food wastage is also an issue of national importance as laid out in the National Strategy for Food Security. In response to this, Negaderha (The Food Waste Management Program) was established. February 2019 saw Savola Group sign an MoU with the Saudi Grains Organization (SAGO), a national institution safeguarding the supply of the nation's most important food commodities. The MoU was signed during the launch of Saudi Arabia's Index of Food Waste & Loss in the Kingdom. The partnership calls for joint programs bringing together multi-sectoral stakeholders to address food security and wastage.

Later in the year, Savola Group joined the world's largest food retailers under a World Resources Institute (WRI) initiative to optimise supply chains in the fight against food loss and waste. The initiative – termed "10x20x30" – convened the world's 10 biggest food retailers to work with 20 of their top suppliers to halve their rates of food loss and waste by 2030. The commitment is a significant advancement toward the UNSDG Target 12.3, which calls for a 50 percent reduction in food loss and waste by 2030 worldwide. Savola Group actively reaches out to local stakeholders with its Negaderha Program, highlighting the importance of preventing food waste in the Kingdom.

## CSR & Sustainability



**Makeen and Inclusion for People with Disability**  
Savola Group has long been a regional pioneer in recruiting persons with disabilities (PWDs), and promoting their participation in the broader socio-economic fabric. In 2017, Savola Group became Saudi Arabia's first company to become a member of the International Labour Organization (ILO) Global Business and Disability Network. Savola Group is also one of the founders of the Qaderoon Business Disability Network and holds a gold category Mowaamah certificate for the advancement of PWD. Makeen program is the centerpiece of the company's commitment to PWD rights, and the vehicle through which the group promotes employment, inclusion and awareness opportunities for PWD. 2019 was a busy year for Makeen, with numerous initiatives taken to promote PWD rights. The Savola Group website was enhanced in line with W3C Visual Accessibility standards to make it easier to peruse for the visually impaired. The first edition of the Makeen Newsletter was produced to create another channel of communication between the program and its beneficiaries. An initiative on Saudi Arabia's Southern border secured various job opportunities for PWD in the region. Internally, steps continued being taken for a more inclusive and representative workplace across Savola Group and its subsidiaries. Feedback sessions were arranged with our employees with disability from across the Savola ecosystem to gather suggestions for enhancing the workplace for Them.

Meanwhile, Makeen's Mentor and Buddy program, which offers support in creating an inclusive work environment for PWD, received a content and training upgrade. Makeen signed an agreement with learning, development and training concern Safea to upgrade the program's content and delivery. PWDs will benefit from more effective training, while the improved content will help Mentor and Buddy qualify for accreditation from the Technical and Vocational Training Corporation (TVTC). A Mentor and Buddy session was also organized in Umm Al-Qura University during the year. Separately, a sign language training session was organized in association with Qadroon Network. Makeen celebrated a number of global occasions highlighting people with disabilities, such as Awareness about Accessibility Day and Autism Spectrum Disorder Day. International Day for PWDs was also marked with enthusiasm, with Makeen inviting and honoring the Saudi National Football Team for Intellectual Disabilities for winning the World Football Championships four times in a row.

Negaderha conducts research to obtain an in-depth understanding of the drivers, actors and volumes of food waste in Saudi Arabia. It then creates frameworks and action plans to spark sustainable behavioural change.

In 2019, Negaderha continued engaging with two crucial stakeholders: individual households and HORECA businesses. A number of informative short videos were produced to offer tips on food storage, portion planning and grocery shopping for households. The Negaderha mobile app was also launched during the year, and made available on both Android and iOS platforms. The app increases Negaderha's outreach, and offers users a suite of tools, interactive media and tips. It encourages mindful grocery shopping habits, offers tips on food storage techniques, and also offers recipes to transform leftovers into delicious new dishes. A portion planner eliminates the guesswork from estimating food requirements, so households can cook only what is needed.

For HORECA stakeholders, Negaderha produced a manual on food waste management targeting restaurants, hotels and cafes. The manual raises awareness of food waste, and helps HORECA owners and workers to optimize food usage at every point of the consumption cycle. The manual was compiled in association with global institutions, nutritional experts, chefs and business owners from around the world. Negaderha planned to reach out to younger audiences during 2019 - engaging with children between 6-10-year-old via a cartoon superhero which empowers them to reduce food waste. Two interactive comic books were also created, showcasing the superhero's waste-busting adventures. 2020 will see this campaign gain further traction, supported by an on-the-ground campaign.



In 2020 and beyond, we are looking to evolve a more structured volunteering program with its own brand name and a dedicated portal featuring available volunteering opportunities.

Finally, the Makeen team attended a number of symposia and forums through the year – including the Hope Smile Forum under the patronage of HRH Prince Mohammad bin Nasir bin Abdul Aziz, Governor of Jazan Province; ILO- GBDN annual conference in Genève; and a remote working workshop organized by the Ministry of Labour and Social Development in Jeddah.

### Employee Volunteering

2019 saw corporate volunteering take center-stage, involving Group employees in social initiatives while promoting personal and professional growth. Savola Group's volunteering program is aligned with the Saudi Arabia Vision 2030 goal of expanding the impact of the non-profit sector.

The new corporate volunteering program partnered with several organizations – including Ita'am, Namaa Society and Dallah Academy – to create volunteering opportunities for employees. Through 2019, Savola Group employees, along with team members from subsidiary companies, organized internal workshops on special occasions relating to PWDs, undertook hospital and rehab center visits, and participated in food drives to feed those in need.

In 2020 and beyond, we are looking to evolve a more structured volunteering program with its own brand name and a dedicated portal featuring available volunteering opportunities.

### Sustainability Reporting

Savola is recognized for its world-class sustainability reports, and is a national champion in preparing detailed reports according to GRI standards. Reporting was previously done biannually, but from 2018 has become an annual exercise.

### Social Return on Investment Study (SROI)

Social Return on Investment (SROI) analyses was conducted for Makeen and Negaderha programs in 2019. SROI predicts the expected impact, or assesses the actual impact, of a community initiative, taking into account change theories, financial parameters, outputs, and outcomes.

The SROI study for both programs demonstrated that the two programs create measurable value for their stakeholders and the society and that they generate a positive return on investment and high financial value.

### Panda Retail

As part of Savola's commitment to giving back to the community, Panda Retail's ongoing 'Leave the Change' charitable initiative encourages Panda's customers to donate the small change from their purchases at retail outlets. The amount collected from this program is allocated to a number of charities across the Kingdom.

# Directors' Report



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*Disclosures, Corporate Governance and Audit Committee Report*

## Directors' Report

## Main Activities and Financial Disclosures

**1) The Group's Main Activities:**

The Group has a broad portfolio of activities. In the foods sector, this is mainly the production, marketing and distribution of edible oils, vegetable ghee, sugar, pasta, baked goods, specialty fats, seafood and frozen food. The retail sector operates a chain of hypermarkets and supermarkets. Savola also has significant investments in leading Saudi non-listed and listed companies such as Almarai Co. and Herfy Food Services Co. which operate in the food and retail sectors, and real estate development companies such as Knowledge Economic City, King Abdullah Economic City (Emaar), and Kinan International for Real Estate Development Co., as well as holdings in private equity funds.

**Savola's subsidiaries, sister companies, investments, activities and country of incorporation are:**

| No.   | Company name   | Country of incorporation      | Core activities                               | Country presence  | Ownership % (direct and indirect) | Capital (nominal share value) | Number of shares |
|---|--|-------------------------------|---|---|-----------------------------------|-------------------------------|------------------|
| <b>1) Direct subsidiaries of the Company:</b> |  |                               |   |   |                                   |                               |                  |
| <b>a. Operating subsidiaries:</b>             |  |                               |   |   |                                   |                               |                  |
| 1   | Savola Foods Co.   | Kingdom of Saudi Arabia (KSA) | Foods   | Holding company that manages investment in foods sector in KSA & overseas | 100%                              | SAR 2,200,000,000             | 220,000,000      |
| 2.  | Panda Retail Co. (Panda)                                       | KSA                           | Retail  | KSA and Egypt   | 98.87%                            | SAR 1,480,000,000             | 148,000,000      |
| 3.  | Good Food Co. (GFC)  | KSA                           | Holding Company                               | KSA and some GCC countries  | 100%                              | SAR 10,000,000                | 100,000          |
| 4.  | Al Matoun International for Real Estate Investment Holding Co. | KSA                           | Real Estate                                   | KSA   | 80%                               | SAR 100,000,000               | 100,000          |
| 5.  | Herfy Food Services Co.  | KSA                           | Restaurants and Manufacturing Bakery Products | KSA, Bangladesh and some GCC countries                                    | 49%                               | SAR 646,800,000               | 64,680,000       |
| <b>b. Holding and Dormant subsidiaries:</b>   |  |                               |   |   |                                   |                               |                  |
| 6.  | Adeem Arabia Company   | KSA                           | Holding Company                               | KSA   | 100%                              | SAR 1,000,000                 | 10,000           |
| 7.  | Al Utur Arabian for Commercial Investment                      | KSA                           | Holding Company                               | KSA   | 100%                              | SAR 1,000,000                 | 10,000           |
| 8.  | Al Mojammat Al Mowahadah Real Estate Co.                       | KSA                           | Liquidated during 2019                        | KSA   | 100%                              | SAR 2,000,000                 | 200,000          |
| 9.  | Madarek Investment Co.   | Jordan                        | Holding Company                               | Jordan  | 100%                              | JOD 1,000,000                 | 1,000,000        |
| 10.   | United Properties Development Co.                              | KSA                           | Dormant Company                               | KSA   | 70%                               | SAR 4,000,000                 | 400              |

**1) The Group's Main Activities:** continued**Savola's subsidiaries, sister companies, investments, activities and country of incorporation are:** continued

| No.   | Company name   | Country of incorporation     | Core activities                         | Country presence                 | Ownership % (direct and indirect) | Capital (nominal share value) | Number of shares |
|---|--|------------------------------|---|----------------------------------|-----------------------------------|-------------------------------|------------------|
| <b>2) Savola Foods Company</b>  |  |                              |   |                                  |                                   |                               |                  |
| <b>a. Subsidiaries controlled through SFC:</b>  |  |                              |   |                                  |                                   |                               |                  |
| (% referred to SFC's direct and indirect ownership – SFC is 100% owned by Savola Group) |  |                              |   |                                  |                                   |                               |                  |
| 11.   | Afia International Co. (AIC)                                 | KSA                          | Manufacturing of Edible Oils            | KSA, Egypt, Iran, Turkey, Jordan | 95.19%                            | SAR 500,000,000               | 50,000,000       |
| 12.   | Savola Industrial Investment Co. (SIIC)                      | KSA                          | Holding Company                         | KSA                              | 100%                              | SAR 205,907,000               | 205,907          |
| 13.   | El-Maleka for Food Industries Co.                            | Egypt                        | Manufacturing of Pasta                  | Egypt                            | 100%                              | EGP 268,898,960               | 433,708          |
| 14.   | El Farasha for Food Industries Co.                           | Egypt                        | Manufacturing of Pasta                  | Egypt                            | 100%                              | EGP 20,000,000                | 20,000           |
| 15.   | Savola Foods Emerging Markets (SFEM)                         | British Virgin Islands (BVI) | Holding Company                         | Offshore Company                 | 95.4%                             | SAR 130,000,000               | 13,000,000       |
| 16.   | Afia International Distribution and Marketing Co.            | KSA                          | Trading and Distribution                | KSA                              | 100%                              | SAR 6,500,000                 | 6,500            |
| 17.   | Savola Foods for Sugar Co.                                   | Cayman Islands               | Dormant Company                         | Offshore Company                 | 100%                              | USD 50,000                    | 5,000            |
| 18.   | Savola Foods International Ltd. (SFCI)                       | UAE                          | Holding Company                         | UAE                              | 100%                              | AED 500,000                   | 500              |
| 19.   | International Foods Industries Co. (IFI)                     | KSA                          | Manufacturing of Specialty Fats         | KSA                              | 100%                              | SAR 107,000,000               | 10,700,000       |
| 20.   | Seafood International Two FZCO                               | UAE                          | Seafood Products Trading & Distribution | UAE                              | 60%                               | AED 100,000                   | 100              |
| 21.   | Afia Foods Arabia Co.  | KSA                          | Holding Company                         | KSA                              | 100%                              | SAR 1,000,000                 | 1,000            |
| 22.   | Al Maoun International Holding Co. (Al Maoun)                | KSA                          | Holding Company                         | KSA                              | 100%                              | SAR 1,000,000                 | 1,000            |
| 23.   | Marasina International Real Estate Investment Co. (Marasina) | KSA                          | Holding Company                         | KSA                              | 100%                              | SAR 200,000                   | 200              |

## Directors' Report

## Main Activities and Financial Disclosures continued

## 1) The Group's Main Activities: continued

Savola's subsidiaries, sister companies, investments, activities and country of incorporation are: continued

| No.   | Company name                                 | Country of incorporation | Core activities                              | Country presence  | Ownership % (direct and indirect) | Capital (nominal share value) | Number of shares |
|---|--|--------------------------|--|-------------------|-----------------------------------|-------------------------------|------------------|
| <b>2) Savola Foods Company: continued</b>   |  |                          |  |                   |                                   |                               |                  |
| <b>b. Subsidiaries controlled through AIC:</b><br>(% referred to AIC's direct and indirect ownership; AIC is 95.19% owned by SFC) |  |                          |  |                   |                                   |                               |                  |
| 24.   | Savola Behshahr Co. (SBeC)                   | Iran                     | Holding Company                              | Iran              | 90%                               | IRR 740,000,000,000           | 740,000,000      |
| 25.   | Malintra Holdings Ltd.                       | Luxembourg               | Dormant Company                              | Offshore Company  | 100%                              | EUR 1,250,000                 | 1,250            |
| 26.   | Savola Foods Ltd. (SFL)                      | BVI                      | Holding Company                              | Offshore Company  | 100%                              | USD 52,000                    | 52,000           |
| 27.   | Afia International Co. – Jordan              | Jordan                   | Trading and Distribution (under Liquidation) | Jordan and Levant | 97.4%                             | JOD 8,000,000                 | 8,000,000        |
| 28.   | Inveszk Inc.                                 | BVI                      | Dormant Company                              | Offshore Company  | 90%                               | USD 138,847                   | 138,847          |
| 29.   | Afia Trading International                   | BVI                      | Dormant Company                              | Offshore Company  | 100%                              | USD 500,000                   | 500,000          |
| 30.   | Savola Foods International                   | BVI                      | Dormant Company                              | Offshore Company  | 100%                              | USD 50,000                    | 50,000           |
| 31.   | KUGU Gida Yatım ve Ticaret A.Ş (KUGU)        | Turkey                   | Holding Company                              | Turkey            | 100%                              | TRL 26,301,280                | 2,630,128        |
| 32.   | Aseel Food – Holding Co.                     | Cayman Islands           | Holding Company                              | Offshore Company  | 100%                              | USD 50,000                    | 50,000           |
| <b>Under SBeC: (% referred to SBeC's ownership; SBeC is 90% owned by AIC)</b>   |  |                          |  |                   |                                   |                               |                  |
| 33.   | Behshahr Industrial Co.                      | Iran                     | Manufacturing of Edible Oils                 | Iran              | 79.9%                             | IRR 1,023,000,000,000         | 1,023,000,000    |
| 34.   | Tolue Pakshe Aftab Co.                       | Iran                     | Trading and Distribution                     | Iran              | 100%                              | IRR 100,000,000,000           | 100,000,000      |
| 35.   | Savola Behshahr Sugar Co.                    | Iran                     | Trading and Distribution                     | Iran              | 100%                              | IRR 100,000,000               | 100,000          |
| 36.   | Notrika Golden Wheat Co.                     | Iran                     | Manufacturing of Food and Confectionery      | Iran              | 90%                               | IRR 500,000,000,000           | 500,000,000      |
| <b>Under SFL: (% referred to SFL's ownership; SFL is 100% owned by AIC)</b>   |  |                          |  |                   |                                   |                               |                  |
| 37.   | Afia International Co. Egypt                 | Egypt                    | Manufacturing of Edible Oils                 | Egypt             | 99.95%                            | EGP 154,651,500               | 30,930,300       |
| <b>Under KUGU: (% referred to KUGU's direct and indirect ownership; KUGU is 100% owned by AIC)</b>                                |  |                          |  |                   |                                   |                               |                  |
| 38.   | Savola Gıda Sanayi ve Ticaret Anonim Şirketi | Turkey                   | Manufacturing of Edible Oils                 | Turkey            | 100%                              | TRL 4,433,569                 | 443,356,900      |

## 1) The Group's Main Activities: continued

Savola's subsidiaries, sister companies, investments, activities and country of incorporation are: continued

| No.  | Company name                                      | Country of incorporation | Core activities              | Country presence | Ownership % (direct and indirect)   | Capital (nominal share value) | Number of shares |
|--|---|--------------------------|------------------------------|------------------|-------------------------------------|-------------------------------|------------------|
| <b>2) Savola Foods Company: continued</b>  |   |                          |                              |                  |                                     |                               |                  |
| <b>c. Subsidiaries controlled through SIIC: (% referred to SIIC's ownership; SIIC is 100% owned by SFC)</b>  |   |                          |                              |                  |                                     |                               |                  |
| 39.  | United Sugar Co. (USC)                            | KSA                      | Manufacturing of Sugar       | KSA              | 74.48%                              | SAR 395,000,000               | 395,000          |
| <b>Under USC: (% referred to USC's direct and indirect ownership; USC is 74.48% owned by SIIC)</b>   |   |                          |                              |                  |                                     |                               |                  |
| 40.  | Alexandria Sugar Co. – Egypt (ASCE)               | Egypt                    | Manufacturing of Sugar       | Egypt            | 68.01 % (71.66% including Savola %) | EGP 281,838,000               | 281,838          |
| 41.  | Beet Sugar Industries                             | Cayman Islands           | Dormant Company              | Offshore Company | 100%                                | USD 1,000                     | 1,000            |
| <b>d. Under ASCE: (% referred to ASCE ownership; ASCE is 73.14% owned by SFC directly and indirectly)</b>  |   |                          |                              |                  |                                     |                               |                  |
| 42.  | Alexandria United Co. for Land Reclamation (AUCR) | Egypt                    | Agro Cultivation             | Egypt            | 100%                                | USD 22,500,000                | 225,000          |
| <b>e. Subsidiaries controlled through SFEM: (% referred to SFEM's direct and indirect ownership; SFEM is 95.4% owned by SFC)</b>                           |   |                          |                              |                  |                                     |                               |                  |
| 43.  | Savola Morocco Co.                                | Morocco                  | Manufacturing of Edible Oils | Morocco          | 100%                                | MAD 46,000,000                | 460,000          |
| 44.  | Savola Edible Oils (Sudan) Co.                    | Sudan                    | Manufacturing of Edible Oils | Sudan            | 100%                                | SDG 45,800,000                | 45,800,000       |
| 45.  | Afia International Co. – Algeria                  | Algeria                  | Manufacturing of Edible Oils | Algeria          | 100%                                | DZD 3,028,071,000             | 3,028,071        |
| <b>f. Subsidiaries controlled through SFCI: (% referred to SFCI's ownership; SFCI is 100% owned by SFC)</b>  |   |                          |                              |                  |                                     |                               |                  |
| 46.  | Modern Behtaam Royan Kaveh Co.                    | Iran                     | Food and Confectionery       | Iran             | 100%                                | IRR 1,000,000                 | 1,000            |
| <b>g. Subsidiaries controlled through Al Maoun and Marasina: (% referred to Al Maoun &amp; Marasina's ownership; both companies are 100% owned by SFC)</b> |   |                          |                              |                  |                                     |                               |                  |
| 47.  | Alofog Trading DMCC                               | UAE                      | Trading and Distribution     | UAE              | 100%                                | AED 2,000                     | 50               |

## Directors' Report

## Main Activities and Financial Disclosures continued

## 1) The Group's Main Activities: continued

Savola's subsidiaries, sister companies, investments, activities and country of incorporation are: continued

| No.  | Company name   | Country of incorporation | Core activities           | Country presence | Ownership % (direct and indirect)   | Capital (nominal share value) | Number of shares |
|--|--|--------------------------|---------------------------|------------------|-------------------------------------|-------------------------------|------------------|
| <b>3) Subsidiaries controlled through Panda:</b><br>(% referred to Panda's direct and indirect ownership; Panda is 98.87% owned by Savola)                                 |  |                          |                           |                  |                                     |                               |                  |
| 48.  | Giant Stores Trading Co.                                     | KSA                      | Retail                    | KSA              | 100%                                | SAR 500,000                   | 500              |
| 49.  | Panda for Operations, Maintenance & Contracting Services Co. | KSA                      | Services and Maintenance  | KSA              | 100%                                | SAR 500,000                   | 500              |
| 50.  | Panda International for Retail Trading                       | Egypt                    | Retail                    | Egypt            | 100%                                | EGP 50,000,000                | 50,000,000       |
| 51.  | Panda Bakeries Co.   | KSA                      | Bakery                    | KSA              | 100%                                | SAR 500,000                   | 500              |
| <b>Under Giant:</b> (% referred to Giant's ownership; Giant is 100% owned by Panda)  |  |                          |                           |                  |                                     |                               |                  |
| 52.  | Lebanese Sweets and Bakeries Co.                             | KSA                      | Dormant Company           | KSA              | 95% (99% including Savola direct %) | SAR 5,000,000                 | 5,000            |
| <b>4) Al Kabeer Group Companies:</b><br><b>Subsidiaries Controlled through GFC:</b> (% referred to GFC's direct and indirect ownership; GFC is 100% owned by Savola)       |  |                          |                           |                  |                                     |                               |                  |
| 53.  | Variety Foods Factory Co.                                    | KSA                      | Frozen Food Manufacturing | KSA              | 51%                                 | SAR 5,000,000                 | 5,000            |
| 54.  | Al Helal for Import & Export Co.                             | Bahrain                  | Trading and Distribution  | Bahrain          | 51%                                 | BHD 20,000                    | 200              |
| 55.  | Al Kabeer Holding Co.  | UAE                      | Holding Company           | UAE              | 51%                                 | USD 100                       | 100              |
| 56.  | Best Foodstuff Trading Co.                                   | UAE                      | Trading and Distribution  | UAE              | 51%                                 | AED 3,000,000                 | 3,000            |
| 57.  | Sahar Enterprises Co.  | UAE                      | Trading and Distribution  | UAE              | 51%                                 | AED 181,500,000               | 181,500          |
| 58.  | Sahar Food Industries Co.                                    | UAE                      | Frozen Food Manufacturing | UAE              | 51%                                 | AED 300,000                   | 300              |
| 59.  | Al Ahsan Trading Co.   | KSA                      | Trading and Distribution  | KSA              | 51%                                 | SAR 27,000,000                | 27,000           |
| <b>a. Subsidiaries Controlled through Al Kabeer Holding Co.:</b><br>(% referred to Al Kabeer Holding direct and indirect ownership; Al Kabeer Holding is 51% owned by GFC) |  |                          |                           |                  |                                     |                               |                  |
| 60.  | Al Sabah Foodstuff Enterprises Co.                           | UAE                      | Trading and Distribution  | UAE              | 100%                                | AED 500,000                   | 500              |
| 61.  | Cascade Marine Foods Co.                                     | UAE                      | Frozen Food Manufacturing | UAE              | 100%                                | AED 750,000                   | 100              |
| 62.  | Cascade Investments Limited                                  | UAE                      | Investment Company        | UAE              | 100%                                | USD 125,000                   | 1,250            |

## 1) The Group's Main Activities: continued

Savola's subsidiaries, sister companies, investments, activities and country of incorporation are: continued

| No.   | Company name  | Country of incorporation | Core activities                         | Country presence | Ownership % (direct and indirect)   | Capital (nominal share value) | Number of shares |
|---|---|--------------------------|---|------------------|-------------------------------------|-------------------------------|------------------|
| <b>Subsidiaries Controlled through Cascade Investments:</b><br>(% referred to Cascade Investments' direct and indirect ownership; Cascade Investments is 100% owned by Al Kabeer Holding) |   |                          |   |                  |                                     |                               |                  |
| 63.   | Best Foods Co.                                      | Oman                     | Food Distribution                       | Oman             | 100%                                | OMR 150,000                   | 150,000          |
| <b>5) Investees:</b> (investments in sister companies)  |   |                          |   |                  |                                     |                               |                  |
| 64.   | Almarai Co.   | KSA                      | Fresh Food Products                     | KSA              | 34.52%                              | SAR 10,000,000,000            | 1,000,000,000    |
| 65.   | Kinan International for Real Estate Development Co. | KSA                      | Real Estate Development                 | KSA              | 29.9%                               | SAR 1,694,000,000             | 169,400,000      |
| 66.   | United Sugar Co. Egypt (USCE)                       | Egypt                    | Manufacturing of Sugar                  | Egypt            | 33.82% (Savola effective ownership) | USD 156,000,000               | 15,600,000       |
| 67.   | Al Seera Co. for Real Estate Development            | KSA                      | Real Estate Development                 | KSA              | 40%                                 | SAR 20,000,000                | 200,000          |
| 68.   | Knowledge Economic City Developers Co.              | KSA                      | Real Estate                             | KSA              | 2.07%                               | SAR 830,000,000               | 83,000,000       |
| 69.   | Intaj Capital Ltd.                                  | Republic of Tunisia      | Fund Management                         | Tunisia          | 49%                                 | USD 260,000,000               | 260,000          |
| 70.   | United Edible Oils Holding Ltd.                     | Cayman Islands           | Holding Company                         | Offshore Company | 51%                                 | USD 50,000                    | 50,000,000       |
| 71.   | Seafood International One FZCO                      | UAE                      | Seafood Products Trading & Distribution | UAE              | 50%                                 | AED 100,000                   | 100              |
| <b>6) Available for sale investments: Listed:</b>   |   |                          |   |                  |                                     |                               |                  |
| 72.   | Knowledge Economic City                             | KSA                      | Real Estate Development                 | KSA              | 11.5%                               | SAR 3,393,000,000             | 339,300,000      |
| 73.   | King Abdullah Economic City                         | KSA                      | Real Estate                             | KSA              | 0.87%                               | SAR 8,500,000,000             | 850,000,000      |
| 74.   | Arab Phoenix Holdings Co.                           | Jordan                   | Real Estate Development                 | Jordan           | 5%                                  | JOD 86,840,292                | 86,840,292       |
| <b>Unlisted:</b>  |   |                          |   |                  |                                     |                               |                  |
| 75.   | Joussor Holding Co.                                 | KSA                      | Investment Funds (under Liquidation)    | KSA              | 14.81%                              | SAR 600,000,000               | 60,000,000       |
| 76.   | Swicorp Co.   | KSA                      | Investment Management                   | KSA              | 15%                                 | SAR 500,000,000               | 50,000,000       |

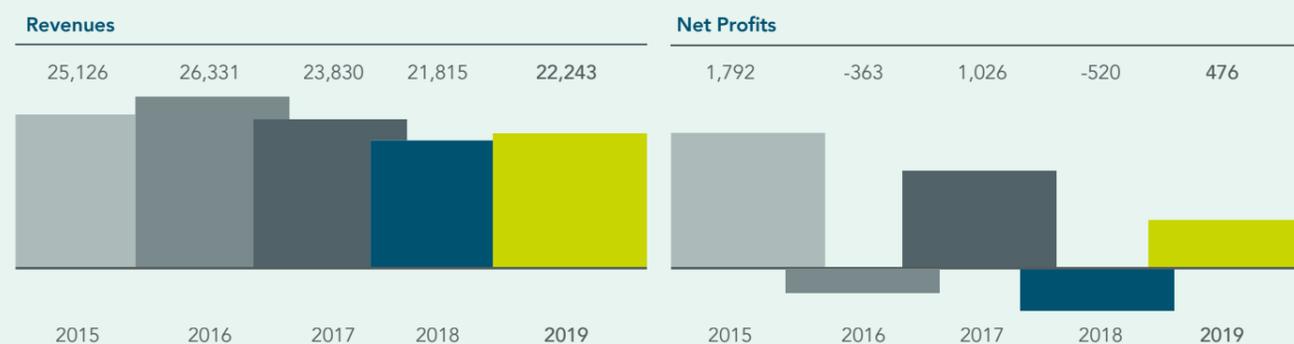
## Directors' Report

## Main Activities and Financial Disclosures continued

## 2) Consolidated Performance of the Group

## 2-1) Summary of the Company's assets &amp; liabilities and financial results for the last five years

## a) Comparison of the Company's financial results (SAR millions)



| Item (SAR '000)   | 2019         | 2018         | 2017         | 2016         | 2015         |
|-------------------|--------------|--------------|--------------|--------------|--------------|
| Revenues          | 22,243,363   | 21,814,563   | 23,830,475   | 26,330,802   | 25,125,596   |
| Cost of Revenues  | (17,739,059) | (17,916,606) | (19,436,360) | (21,677,838) | (20,100,206) |
| Gross Profit      | 4,504,304    | 3,897,957    | 4,394,115    | 4,652,964    | 5,025,390    |
| Net Profit (loss) | 475,630      | (520,380)    | 1,025,618    | (363,287)    | 1,791,747    |

## b) Comparison of the Company's assets and liabilities (SAR millions)



| Item (SAR '000)          | 2019              | 2018              | 2017              | 2016              | 2015              |
|--------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Current assets           | 5,969,924         | 5,906,124         | 6,678,054         | 8,449,057         | 9,331,719         |
| Non-current assets       | 20,687,787        | 16,346,327        | 16,659,276        | 16,838,339        | 17,643,635        |
| <b>Total assets</b>      | <b>26,657,711</b> | <b>22,252,451</b> | <b>23,337,330</b> | <b>25,287,396</b> | <b>26,975,354</b> |
| Current liabilities      | 8,863,915         | 8,426,642         | 8,642,368         | 10,406,259        | 9,967,229         |
| Non-current liabilities  | 9,254,726         | 5,803,868         | 4,986,982         | 5,631,303         | 5,502,059         |
| <b>Total liabilities</b> | <b>18,118,641</b> | <b>14,230,510</b> | <b>13,629,350</b> | <b>16,037,562</b> | <b>15,469,288</b> |

\* All 2016 related figures were reclassified according to IFRS

## 2) Consolidated Performance of the Group continued

## 2-2) Geographical analysis of the Company's and its subsidiaries' revenues

Below is the Group's consolidated revenue for 2019 compared to the previous year, business-wise (edible oils and vegetable ghee, sugar and sweeteners, pasta, seafood, retail sector, fast food, specialty fats and frozen food), including geographical analysis based on availability of brands and products in countries:

| Business line/country                               | Brands  | 2019<br>(SAR '000) | 2018<br>(SAR '000) |
|---|---|--------------------|--------------------|
| <b>Edible oil and vegetable ghee</b>                |   |                    |                    |
| KSA, GCC and Yemen                                  | Afia, Al-Arabi, Olite, Shams, Sun Glow, Dalal, Nakeel | 1,808,170          | 1,917,003          |
| Egypt, Levant                                       | Rawabi, Afia, Ganna, Slite, Helwa                     | 948,169            | 950,009            |
| Central Asia  | Ladan, Aftab, Bahar, Afia                             | 1,150,718          | 1,808,636          |
| Sudan   | Al Tayeb, Sabah, Shams                                | 250,436            | 211,900            |
| Morocco   | Afia, Hala  | 350,196            | 358,538            |
| Turkey  | Yudum, Sirma, Afia                                    | 725,460            | 724,860            |
| Algeria   | Afia, Oleor   | 678,241            | 598,460            |
| <b>Total edible oil and vegetable ghee revenues</b> |   | <b>5,911,390</b>   | <b>6,569,406</b>   |
| <b>Sugar and sweeteners</b>                         |   |                    |                    |
| KSA, GCC, and Yemen                                 | Al Osra, Ziadah, Safaa, Nehar, Halla, Sweeva          | 2,199,348          | 2,096,484          |
| Egypt   | Al Osra   | 346,548            | 412,101            |
| <b>Total sugar and sweeteners revenues</b>          |   | <b>2,545,896</b>   | <b>2,508,585</b>   |
| Total pasta products – Egypt                        | El Maleka, Macaronto, Italiano                        | 510,492            | 471,440            |
| Total seafood products – Egypt & GCC                | John West   | 39,397             | 60,301             |
| Total baked food products – Central Asia            | Pech Pech   | 38,382             | 37,458             |
| Total specialty fats and margarine – KSA & Turkey   | Culina, Margarina, Vala, Sava                         | 163,656            | 88,281             |
| <b>Total foods revenues</b>                         |   | <b>9,209,213</b>   | <b>9,735,471</b>   |
| <b>Retail - Panda</b>                               |   |                    |                    |
| KSA   | Hyper Panda, Panda Supermarket                        | 11,394,578         | 11,016,334         |
| Egypt   | Panda Supermarket                                     | 102,127            | 97,907             |
| <b>Total retail revenues - Panda</b>                |   | <b>11,496,705</b>  | <b>11,114,241</b>  |
| <b>Fast food</b>                                    |   |                    |                    |
| Fast food and restaurants                           | Herfy   | 1,288,310          | 1,227,270          |
| <b>Total Fast food and restaurants</b>              |   | <b>1,288,310</b>   | <b>1,227,270</b>   |
| <b>Frozen food products</b>                         |   |                    |                    |
| KSA and GCC   | Al-Kabeer, Tayebat Al Emarat, Tabarruk                | 620,055            | 94,107             |
| <b>Total frozen food products</b>                   |   | <b>620,055</b>     | <b>94,107</b>      |
| <b>Others</b>                                       |   |                    |                    |
| Real estate – KSA                                   |   | 43,599             | 47,035             |
| <b>Total other activities revenues</b>              |   | <b>43,599</b>      | <b>47,035</b>      |
| <b>Gross revenues</b>                               |   | <b>22,657,882</b>  | <b>22,218,124</b>  |
| Consolidated intercompany elimination               |   | (414,519)          | (403,561)          |
| <b>Total revenues</b>                               |   | <b>22,243,363</b>  | <b>21,814,563</b>  |

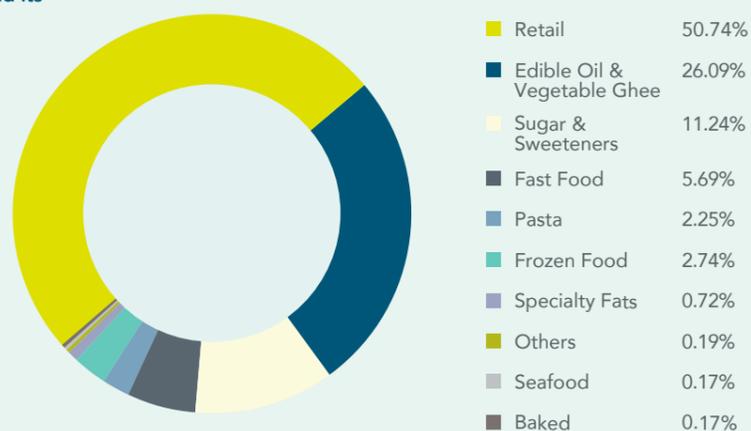
## Directors' Report

## Main Activities and Financial Disclosures continued

2) Consolidated Performance of the Group continued  
2-2) Geographical analysis of the Company's and its subsidiary revenues continued

## Revenues

Breakdown of sector and main Group activity contributions to 2019 consolidated revenues



## Statement of any material differences in the operational results compared to the preceding year's results

| Income statement             | 2019<br>(SAR '000) | 2018<br>(SAR '000) | Variance (+) or (-)<br>(SAR '000) | Variance % |
|------------------------------|--------------------|--------------------|-----------------------------------|------------|
| Revenues                     | 22,243,363         | 21,814,563         | 428,800                           | 2.0%       |
| Cost of revenues             | (17,739,059)       | (17,916,606)       | 177,547                           | -1.0%      |
| Gross profit                 | 4,504,304          | 3,897,957          | 606,347                           | 15.6%      |
| Operational revenues – Other | 639,357            | 574,742            | 64,615                            | 11.2%      |
| Operational expenses – Other | (3,834,704)        | (4,195,379)        | 360,675                           | -8.6%      |
| Operational profit (loss)    | 1,308,957          | 277,320            | 1,031,637                         | 372.0%     |

Declarations: The Company did not announce any financial expectations during 2019

## The reasons for the change in net profit for 2019 compared to last year:

Net profit improved to SAR 475.6 million for 2019 due to substantially enhanced performance as compared to the net loss of SAR 520.4 million for previous year. The profit achieved is mainly attributed to higher gross profits due to higher sales and margins; lower operating expenses mainly due to the significant decrease in the impairment losses; higher share of profits from associates; an exceptional expense was recorded in the comparable period relating to an associate's subsidiary; and zakat and tax provision reversal relating to prior years' assessments for the subsidiaries. The net profit for the year was achieved despite of increase in the net finance cost resulting mainly from the adoption of new leasing standard (IFRS 16) applied during 2019, being partially compensated by the reduced foreign currency exchange losses.

## 2-4) Details of long and short-term loans and payment status

Savola has a long-standing policy to adopt Shariah-compliant financial transactions wherever possible. Accordingly, all Group loans and deposits within Saudi Arabia are Shariah-compliant, as well as some arranged by overseas subsidiaries.

In January 2013, the Group completed its initial offering by issuing Sukuk with a total value of SAR 1.5 billion with a tenor of 7 years. The Sukuk matured in January, 2020 and accordingly has been classified as short-term loans and borrowings as at December 2019. In July, 2019, the Group completed the offering of its new Sukuk, under the new program, with a total value of SAR 1 billion with a tenor of 7 years. The Sukuk will mature in July, 2026. The issuance included SAR 507 million of the previous Sukuk, which was redeemed and exchanged. Accordingly, the nominal value of the previous Sukuk decreases from SAR 1.5 billion to SAR 993 million. Certain loans arranged by overseas subsidiaries are subject to structure and policies adopted in those countries, which may differ from those in Saudi Arabia.

Finance charges for Group loans (short-term and long-term borrowings) from various commercial banks and financial institutions during 2019 (at prevailing market rates) reached SAR 429 million compared to SAR 398.8 million in the previous year. With regards to loan guarantees granted by the Group to its subsidiaries (see table below), the Group usually signs promissory notes as a guarantee to its own loans and a corporate guarantee for some of its subsidiaries' loans, according to the requirements of the lending banks or financial institutions.

## Main Activities and Financial Disclosures continued

## 2) Consolidated Performance of the Group continued

## 2-4) Details of long and short-term loans and payment status continued

Details of long-term and short-term loans of the Group and its subsidiaries obtained in the normal course of business are as follows:

## a) Long-term loans of the Group and its subsidiaries, and their payment status as of 31/12/2019 (SAR '000):

| No.                                      | Borrowing company             | Lender                         | Loan period  | Date issued | Original amount | Amount paid in 2019 | Balance Dec-2019 | Balance Dec-2018 |        |
|--|-------------------------------|--------------------------------|--------------|-------------|-----------------|---------------------|------------------|------------------|--------|
| 1  | Savola Group                  | National Commercial Bank       | 5 years      | Oct-16      | 500,000         | 125,000             | 218,750          | 343,750          |        |
|  |                               | Gulf International Bank        | 2.08 years   | Dec-18      | 480,000         | –                   | 480,000          | 480,000          |        |
|  |                               | Samba Financial Group          | 7 years      | Dec-18      | 294,000         | 42,000              | 252,000          | 294,000          |        |
|  |                               | Bank Al Jazira                 | 7 years      | Nov-18      | 300,000         | –                   | 300,000          | 300,000          |        |
|  |                               | Bank Al Jazira                 | 2 years      | Dec-18      | 300,000         | 300,000             | –                | 300,000          |        |
|  |                               | Bank Al Jazira                 | 7 years      | Dec-19      | 350,000         | –                   | 350,000          | –                |        |
|  |                               | Saudi British Bank             | 5 years      | Sep-18      | 750,000         | 150,000             | 600,000          | 750,000          |        |
|  |                               | Saudi British Bank             | 7 years      | Feb-19      | 800,000         | 41,000              | 759,000          | –                |        |
|  |                               | Sukuk                          | 7 years      | Jan-13      | 1,500,000       | 507,000             | 993,000          | 1,500,000        |        |
|  |                               | Sukuk                          | 7 years      | Jul-19      | 1,000,000       | –                   | 1,000,000        | –                |        |
| <b>Savola Group</b>                      |                               |                                |              |             |                 |                     | <b>4,952,750</b> | <b>3,967,750</b> |        |
| 2  | Panda                         | Banque Saudi Fransi            | 5 years      | Mar-14      | 500,000         | 166,667             | –                | 166,667          |        |
|  |                               | National Commercial Bank       | 4 years      | Jul-15      | 300,000         | 100,000             | –                | 100,000          |        |
|  |                               | Saudi British Bank             | 5 years      | Dec-15      | 300,000         | 75,000              | 75,000           | 150,000          |        |
|  |                               | Saudi British Bank             | 6 years      | Dec-16      | 400,000         | 160,000             | 160,000          | 320,000          |        |
|  |                               | Al Rajhi Bank                  | 4 years      | Mar-16      | 250,000         | 83,333              | –                | 83,333           |        |
| <b>Panda Retail Co.</b>                  |                               |                                |              |             |                 |                     | <b>235,000</b>   | <b>820,000</b>   |        |
| 3  | Afia – KSA                    | Saudi British Bank             | 5 years      | Dec-14      | 350,000         | 84,375              | –                | 84,375           |        |
|  |                               | Afia – Egypt                   | Emirates NBD | 5 years     | Jan-16          | 13,656              | 17,668           | –                | 17,668 |
|  |                               | Emirates NBD*                  | 5 years      | Jan-16      | 11,386          | –                   | 9,470            | 8,774            |        |
|  |                               | National Bank of Kuwait*       | 5 years      | Jan-19      | 16,000          | –                   | 15,993           | –                |        |
| <b>Afia International Co.</b>            |                               |                                |              |             |                 |                     | <b>25,463</b>    | <b>110,817</b>   |        |
| 4  | Savola Edible Oils (Sudan)    | Bank of Khartoum               | 3 years      | May-16      | 4,268           | 296                 | –                | 296              |        |
|  |                               |                                | 3 years      | May-16      | 4,371           | 293                 | –                | 293              |        |
| <b>Savola Foods Emerging Markets Co.</b> |                               |                                |              |             |                 |                     | <b>–</b>         | <b>589</b>       |        |
| 5  | El Maleka for Food Industries | National Bank of Kuwait        | 3.5 years    | Sep-14      | 17,744          | 4,019               | –                | 4,019            |        |
|  |                               |                                | 5.3 years    | Dec-18      | 28,173          | 2,884               | 24,587           | 27,471           |        |
| <b>Pasta</b>                             |                               |                                |              |             |                 |                     | <b>24,587</b>    | <b>31,490</b>    |        |
| 6  | ASC Egypt                     | Commercial International Bank* | 13 years     | Mar-10      | 529,937         | 7,621               | 137,280          | 130,368          |        |
|  |                               |                                | 5 years      | Jan-19      | 18,969          | –                   | 20,782           | –                |        |
| 7  | AUCR                          | National Bank of Kuwait*       | 4 years      | Jan-18      | 27,473          | 6,714               | 14,986           | 23,488           |        |
| <b>Savola Industrial Investment Co.</b>  |                               |                                |              |             |                 |                     | <b>–</b>         | <b>173,048</b>   |        |
| 8  | IFI                           | Saudi British Bank             | 4.75 years   | Nov-15      | 170,000         | 42,500              | 31,875           | 74,375           |        |

## Directors' Report

## 2) Consolidated Performance of the Group continued

## 2-4) Details of long and short-term loans and payment status continued

| No.                                       | Borrowing company | Lender                            | Loan period | Date issued | Original amount | Amount paid in 2019 | Balance Dec-2019 | Balance Dec-2018 |
|---|-------------------|-----------------------------------|-------------|-------------|-----------------|---------------------|------------------|------------------|
| <b>International Foods Industries Co.</b> |                   |                                   |             |             |                 |                     | <b>31,875</b>    | 74,375           |
| 9   | Herfy             | Al Rajhi Bank                     | 4-6 years   | 2014-2017   | 499,996         | 87,937              | 93,690           | 181,627          |
|   |                   | Saudi Industrial Development Fund | 6 years     | 2013-2016   | 42,903          | 10,281              | 17,630           | 27,911           |
|   |                   | Saudi British Bank                | 3 years     | Jan-18      | 15,600          | 1,998               | 13,704           | 15,702           |
|   |                   | Saudi British Bank**              | 3 years     | Oct-19      | 70,000          | -                   | 70,280           | -                |
|   |                   | Riyad Bank                        | 3 years     | Apr-18      | 20,000          | 20,111              | -                | 20,111           |
| <b>Herfy Food Services Company</b>        |                   |                                   |             |             |                 |                     | <b>195,304</b>   | 245,351          |
| <b>Total long-term loans</b>              |                   |                                   |             |             |                 |                     | <b>5,638,027</b> | 5,404,228        |

\* Dec 2019 loan value changed due to currency effect

\*\* December 2019 balance includes accrued interest.

## b) Short-term loans of the Group and its subsidiaries, and their payment status as of 31/12/2019 (SAR '000):

| No.                     | Borrowing company      | Lender                                       | Loan period | Date issued | Balance Dec-2019 | Balance Dec-2018 |         |
|-------------------------|------------------------|--|-------------|-------------|------------------|------------------|---------|
| 1                       | Savola Group           |  |             |             |                  |                  |         |
| <b>Savola Group</b>     |                        |  |             |             |                  | -                | 200,000 |
| 2                       | Panda                  |  |             |             |                  |                  |         |
| <b>Panda Retail Co.</b> |                        |  |             |             |                  | -                | 145,000 |
| 3                       | Afia International Co. | Saudi British Bank                           | 1 month     | Dec-19      | 45,000           |                  |         |
|                         |                        | Saudi British Bank                           | 1 month     | Dec-19      | 100,000          |                  |         |
|                         |                        | Saudi British Bank                           | 1 month     | Dec-19      | 150,000          |                  |         |
|                         |                        | National Commercial Bank                     | 1 month     | Dec-19      | 200,000          |                  |         |
|                         |                        | Samba Financial Group                        | 1 month     | Dec-19      | 150,000          |                  |         |
|                         |                        | Samba Financial Group                        | 1 month     | Dec-19      | 140,000          |                  |         |
| 4                       | Afia Intl. Co. – Egypt | Hongkong and Shanghai Banking Corp.          | 1 year      | Dec-19      | 40,410           |                  |         |
|                         |                        | Emirates NBD                                 | 1 year      | Dec-19      | 40,180           |                  |         |
|                         |                        | National Bank of Kuwait                      | 1 year      | Dec-19      | 37,149           |                  |         |
|                         |                        | Egyptian Saudi Finance Bank (El Baraka Bank) | 1 year      | Dec-19      | 20,308           |                  |         |
|                         |                        | National Bank of Egypt                       | 1 year      | Dec-19      | 60               |                  |         |
|                         |                        | First Abu Dhabi Bank                         | 1 year      | Dec-19      | 17,036           |                  |         |
|                         |                        | Ahli United Bank                             | 1 year      | Dec-19      | 15,152           |                  |         |
|                         |                        | Attijari Wafa Bank Egypt                     | 1 year      | Dec-19      | 12,161           |                  |         |

## 2) Consolidated Performance of the Group continued

## 2-4) Details of long and short-term loans and payment status continued

## b) Short-term loans of the Group and its subsidiaries, and their payment status as of December 31, 2019 (SAR '000): continued

| No.                           | Borrowing company                | Lender                              | Loan period | Date issued | Balance Dec-2019 | Balance Dec-2018 |
|-------------------------------|----------------------------------|-------------------------------------|-------------|-------------|------------------|------------------|
| 5                             | Behshahr Industrial Co.          | EN Bank                             | 1 year      | Jan-19      | 887              |                  |
|                               |                                  | Karafarin Bank                      | 3 months    | Dec-19      | 21,936           |                  |
|                               |                                  | EN Bank                             | 3 months    | Sep-19      | 15,552           |                  |
|                               |                                  | EN Bank                             | 3 months    | Sep-19      | 15,552           |                  |
|                               |                                  | Khavarmianeh Bank                   | 3 months    | Sep-19      | 4,283            |                  |
|                               |                                  | Khavarmianeh Bank                   | 3 months    | Sep-19      | 4,279            |                  |
|                               |                                  | Bank Pasargad                       | 3 months    | Oct-19      | 4,314            |                  |
| 6                             | Savola Gida Sanayi ve Ticaret AS | Hongkong and Shanghai Banking Corp. | 2 months    | Nov-19      | 35,365           |                  |
|                               |                                  | Hongkong and Shanghai Banking Corp. | 38 days     | Nov-19      | 6,068            |                  |
|                               |                                  | Hongkong and Shanghai Banking Corp. | 1 month     | Dec-19      | 7,897            |                  |
|                               |                                  | Hongkong and Shanghai Banking Corp. | 1 month     | Dec-19      | 8,321            |                  |
|                               |                                  | Garanti Investment Credit           | 1 month     | Dec-19      | 43,812           |                  |
|                               |                                  | Ziraat Bank                         | 6 months    | Nov-19      | 31,565           |                  |
|                               |                                  | Vakif Bank                          | 1 year      | Dec-19      | 1,064            |                  |
|                               |                                  | Yapi ve kredi Bankasi               | 1 year      | Dec-19      | 25,252           |                  |
|                               |                                  | ISBank                              | 1 year      | Dec-19      | 12,624           |                  |
| <b>Afia International Co.</b> |                                  |                                     |             |             | <b>1,206,227</b> | <b>1,350,398</b> |
| 7                             | Afia Intl. Co. – Algeria         | Fransabank el Djazair               | 6 months    | Jul-19      | 55,710           |                  |
|                               |                                  | Arab Bank Plc                       | 6 months    | May-19      | 66,375           |                  |
|                               |                                  | Hongkong and Shanghai Banking Corp. | 6 months    | Jul-19      | 58,928           |                  |
|                               |                                  | Societe Generale Algerie            | 3 months    | Sep-19      | 30,557           |                  |
|                               |                                  | Credit du Maroc                     | 1 year      | Dec-19      | 10,845           |                  |
|                               |                                  | Credit du Maroc                     | 1 year      | Dec-19      | 10,885           |                  |
| 8                             | Savola Morocco Co.               | Attijari Wafa Bank                  | 1 year      | Feb-19      | 28,199           |                  |
|                               |                                  | Attijari Wafa Bank                  | 1 year      | Feb-19      | 7,059            |                  |
| 9                             | Savola Edible Oils (Sudan) Ltd.  | Arab Sudanese Bank                  | 3 months    | Dec-19      | 994              |                  |
|                               |                                  | Arab Sudanese Bank                  | 3 months    | Apr-19      | 115              |                  |
|                               |                                  | Arab Sudanese Bank                  | 3 months    | Jun-19      | 284              |                  |
|                               |                                  | Arab Sudanese Bank                  | 3 months    | Oct-19      | 809              |                  |
|                               |                                  | Arab Sudanese Bank                  | 3 months    | Nov-19      | 710              |                  |
|                               |                                  | Bank of Khartoum                    | 1 year      | Jul-19      | 725              |                  |
|                               |                                  | Bank of Khartoum                    | 1 year      | Jul-19      | 243              |                  |
|                               |                                  | Bank of Khartoum                    | 1 year      | Jul-19      | 387              |                  |

## Directors' Report

## Main Activities and Financial Disclosures continued

## 2) Consolidated Performance of the Group continued

## 2-4) Details of long and short-term loans and payment status continued

| Borrowing company                            | Lender                              | Loan period | Date issued | Balance Dec-2019 | Balance Dec-2018 |
|--|-------------------------------------|-------------|-------------|------------------|------------------|
| 9. Savola Edible Oils (Sudan) Ltd. continued | Bank of Khartoum                    | 1 year      | Jul-19      | 731              |                  |
|  | Bank of Khartoum                    | 1 year      | Sep-19      | 3,884            |                  |
|  | Bank of Khartoum                    | 1 year      | Oct-19      | 4,597            |                  |
|  | Bank of Khartoum                    | 1 year      | Nov-19      | 6,471            |                  |
|  | Bank of Khartoum                    | 1 year      | Dec-19      | 5,109            |                  |
|  | National Bank of Egypt              | 6 months    | Dec-19      | 2,710            |                  |
|  | Industrial Development Bank         | 9 months    | Jun-19      | 677              |                  |
| <b>Savola Foods Emerging Markets Co.</b>     |                                     |             |             | <b>297,004</b>   | <b>172,548</b>   |
| 10. El Maleka For food Industries Co.        | Emirates NBD                        | 1 year      | Nov-19      | 3,740            |                  |
|  | National Bank of Kuwait             | 1 year      | Dec-19      | 27,768           |                  |
|  | EBE Bank                            | 1 year      | Nov-19      | 6,758            |                  |
|  | National Bank of Kuwait             | 1 year      | Nov-19      | 6,147            |                  |
| 11. El Farasha for food Industries Co.       | National Bank of Kuwait             | 1 year      | Nov-19      | 4,973            |                  |
| <b>Pasta</b>                                 |                                     |             |             | <b>49,386</b>    | <b>47,146</b>    |
| 12. United Sugar Co.                         | Samba Financial Group               | 1 month     | Dec-19      | 120,000          |                  |
|  | Samba Financial Group               | 1 month     | Dec-19      | 35,000           |                  |
|  | Saudi British Bank                  | 1 month     | Dec-19      | 70,000           |                  |
| 13. Alexandria Sugar Co.                     | Commercial International Bank       | 1 year      | Nov-19      | 39,869           |                  |
|  | Hongkong and Shanghai Banking Corp. | 1 year      | Oct-19      | 23,255           |                  |
| 14. Alexandria UCLR                          | National Bank of Kuwait             | 1 year      | Dec-19      | 6,078            |                  |
|  | National Bank of Kuwait             | 1 year      | Dec-19      | 11,849           |                  |
| <b>Savola Industrial Investment Co.</b>      |                                     |             |             | <b>306,051</b>   | <b>540,147</b>   |
| 15. Seafood International Two FZCO           | Hongkong and Shanghai Banking Corp. | 1 year      | Apr-19      | 5,625            |                  |
| <b>Seafood International Two FZCO</b>        |                                     |             |             | <b>5,625</b>     | <b>22,000</b>    |
| 16. Sahar Enterprises LLC.                   | Dubai Islamic Bank                  | 3-4 months  | Dec-19      | 3,831            |                  |
|  | National Bank of Fujairah           | 3-4 months  | Dec-19      | 8,230            |                  |
|  | Habib Bank Limited                  | 3-4 months  | Dec-19      | 6,605            |                  |
|  | Habib Bank AG Zurich                | 3-4 months  | Dec-19      | 3,668            |                  |
|  | First Abu Dhabi Bank                | 3-4 months  | Dec-19      | 6,489            |                  |
|  | Standard Chartered Bank             | 3-4 months  | Dec-19      | 5,444            |                  |
|  | Hongkong and Shanghai Banking Corp. | 3-4 months  | Dec-19      | 7,908            |                  |
| <b>Good Food Co.</b>                         |                                     |             |             | <b>42,175</b>    | <b>96,444</b>    |
| <b>Total short-term borrowing</b>            |                                     |             |             | <b>1,906,468</b> | <b>2,551,683</b> |

## 2) Consolidated Performance of the Group continued

## 2-5) Summary of payments made and due to the government (in SAR '000)

| No. | Item (payments)                                       | Paid    | Due until the end of the financial period but not paid | Description                            | Reasons/ Justifications  |
|-----|---|---------|--|--|--|
| 1.  | Customs duties  | 164,365 | 10,219   | –                                      | According to the requirements of the laws and applicable regulations |
| 2.  | Zakat   | 84,224  | 21,039   | –                                      |  |
| 3.  | Income tax and withholding tax                        | 97,633  | 64,030   | Income and withholding tax             |  |
| 4.  | GOSI (for KSA) and social insurance (for outside KSA) | 133,704 | 5,352  | Employees' GOSI and social insurance   |  |
| 5.  | Visas and passport office fees                        | 66,750  | 15,060   | Iqama renewal, exit and re-entry visas |  |
| 6.  | Labor office fees                                     | 105,284 | 335  | Work permits                           |  |
| 7.  | Other duties and government levies                    | 23,493  | 433  | License fees, and other fees           |  |

## 3) Potential risks to Savola Group Operations:

## 3-1) Overview

## a) Risk Management

Strengthening our risk management culture and capabilities

Savola seeks to protect its stakeholders, reputation and the value of its assets, and is committed to continually developing its risk management culture by way of its risk governance framework and continual team development.

Savola operates a "Three Lines of Defense" model to ensure accountability across the Group for governance, monitoring, reporting and management of risks, and the control environment.

Each of the Three Lines of Defense plays a distinct role within Savola's wider governance framework. The Board and senior management are the primary stakeholders served by the Three Lines of Defense model, and they are the parties best positioned to help in ensuring that the Three Lines of Defense are reflected in Savola's risk management and internal control processes.

## 3 Lines of Defense



## Directors' Report

### Main Activities and Financial Disclosures continued

#### 3) Potential risks to Savola Group Operations continued

##### 3-1) Overview continued

Savola has developed – in line with the market best practices – an integrated Enterprise Risk Management (ERM) framework to support the success of the business and achievement of its strategic goals through a collaborative risk management environment that proactively identifies, monitors and mitigates risks.

The ERM program is designed to ensure that the outcomes of risk-taking activities are consistent with Savola's strategies and risk appetite. It is designed to deliver quality, relevant and actionable information in order to:

- Optimize the cost of managing business risks
- Enable informed and conscious risk management choices on an enterprise-wide basis
- Improve overall business performance

In line with the continuous efforts to strengthen risk management culture and capabilities, Savola has:

- Established a dedicated risk management function at the group and its main subsidiaries
- Developed a risk management framework & governance policy, approved by the Board of Directors
- Launched WAEI risk guide program as part of promoting its risk management culture
- Conducted multiple risk awareness sessions across the Group and its subsidiaries
- Identified risk champions across the Group to enhance risk management accountability.
- Identified the key risk indicators and consequently in the process of developing the risk appetite statement
- Conducted a risk assessment for three key functions at the group and its main subsidiaries
- Evaluated and approved the risk assessment project for four of its key operating units: USCA, AICA, IFI and ADC.
- Proactively identified emerging external risks and communicated them with the relative functions for assessment

Moreover, a Governance, Risk and Compliance system is being implemented across Savola Group to effectively enhance the participation of the Board and the executive management team in the risk management process to ensure a unified vision of the risks faced by the Group. The system is now at the testing phase with a targeted go live date in Q2 2020.

#### Enterprise Risk Management framework

Enterprise Risk Management is a process that is applied strategically across the Group and is designed to identify potential risks and manage these risks within the Group's risk appetite in order to enhance the outcome of the Group's business objectives.

Savola's ERM framework incorporates leading risk management standards and practices. The framework has been developed in line with current leading ERM practices and ISO 31000. In developing the ERM framework, the focus was to design a process that addresses Savola's business needs while remaining simple and pragmatic.

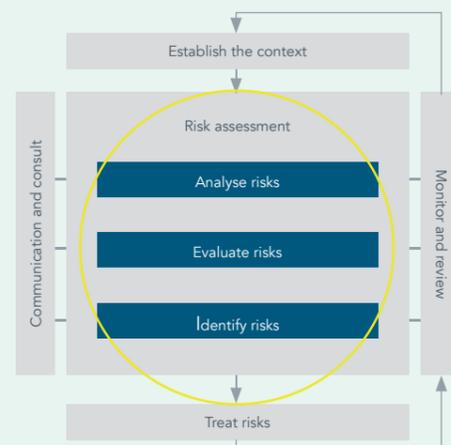
Savola ERM framework outlines the series of activities that Savola will use in identifying, assessing and managing its risks.

#### b) Savola's ERM framework

Risk is being managed through a common set of processes at Savola, which enable the flow of risk information to the person with the authority and responsibility for making decisions pertaining to the activity associated with the risk. By establishing a common language and set of tools, Savola's risk management process can be replicated at any level within the Group.

An effective ERM process requires consistent assessment, mitigation, monitoring and reporting of risks across the full breadth of the enterprise. The entire process will be aligned with annual budgeting and strategic planning processes. Each function will be required to present the results of the risk management exercise on a regular basis as part of their commitment to the management of Savola's risks.

The risk management function comprises a dedicated team leading the risk management activities across the Group, as well as assigned risk champions who implement risk management activities within respective business units/functions.



#### 3) Potential risks to Savola Group Operations continued

##### 3-1) Overview continued

#### Promoting Risk Management Culture – WAEI

In its continuing efforts to promote a risk management culture, enhance corporate excellence and bolster internal controls, Savola has launched WAEI, which is a:

- Modern method to share the knowledge of already identified and known business-related risks
- Initiative to reflect, explore and identify those risks that Savola may not fully be aware of or understand today
- Program that brings together people and expertise from across the Group to assess potential risks that Savola may face in the future
- Opportunity to review how Savola is currently managing risks and to reflect on the best and most cost-efficient ways of managing risks on a sustainable basis
- Framework that guides Savola on how to raise, share, inform and report risks to appropriate levels

The Group, like any other economic entity, may be affected by risks through the nature of its commercial activities in basic food commodities, retail and other investments. These risks may be summarized in the possibility of the Group operations being exposed to geopolitical risks that result from its operations outside the Kingdom, as well as fluctuations in raw material prices, currencies, speculation and unfair price competition in the local and international markets where it operates. There are also economic and political risks in the countries where it operates and risks pertaining to new markets in the region, in line with the Group's geographic expansion strategy.

Further risks include: fluctuation in foreign currency, exchange rates against the Saudi Riyal or other currencies of the countries that the Group operates in and inflation in the economies of countries where the Group operates; risks related to entering into new investments; and risks that might be associated with the current economic conditions and political situation in countries where the Group operates or exports its products.

The Group faces other risks from its various investment shareholdings in different companies and funds, locally and internationally. The Group and its subsidiaries manage these risks through its Board of Directors, Audit Committee, executive management and various departments and task forces within the Group. The Group is focused on continuously developing and improving a sound risk management system across the Group. The company has established a dedicated Risk Management department at holding level and its major subsidiary i.e. SFC and Panda.

### 3-2) Financial instruments and risk management

#### a) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

#### b) Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are market risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for establishment and oversight of the Group's risk management framework. The executive management team is responsible for developing and monitoring the Group's risk management policies. The team regularly meets, and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee oversees compliance by management with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, trade and other receivables, investments, long term receivables, borrowings, derivatives, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

## Directors' Report

## Main Activities and Financial Disclosures continued

**3) Potential risks to Savola Group Operations** continued  
**3-2) Financial instruments and risk management** continued

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

**c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

**c-1) 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 positions and cash flows.

The Group's interest rate risks arise mainly from its borrowings and short-term deposits, which are at floating rate of interest and are subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

**c-2) Currency risk:**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyals, US Dollars, Iranian Riyals, Egyptian Pounds, United Arab Emirates Dirhams, Sudanese Pounds and Turkish Lira. The Group operates internationally and is exposed to foreign exchange risk. The Group's investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between foreign currencies against Iranian Riyals, Egyptian Pounds, Sudanese Pounds and Turkish Lira. Such fluctuations are recorded as a separate component of equity "Foreign Currency Translation Reserve" in the accompanying consolidated financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group. In addition, interest on borrowings is denominated in the currency of the borrowings. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

**c-3) Price risk**

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk since the Group holds investment in certain listed equities which are classified on the statement of financial position as FVOCI investments. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Such investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. In addition, United Sugar Company uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

**d) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. The management also regularly monitors the credit exposure towards the customers whereby the customers are grouped according to their credit characteristics, payment history, whether they are an individual or a legal entity, whether they are a wholesale/retail or manufacturers, their geographic location, existence of any financial/economic difficulties including the default risk associated with the industry and country in which they operate and accordingly records impairment loss against those balances considered doubtful of recovery. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

**e) 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.

**3) Potential risks to Savola Group Operations** continued  
**3-2) Financial instruments and risk management** continued

**f) Fair value of assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. For further details, the same item can be reviewed in the clarification notes accompanying the Company's financial statements for 2019.

**Internal Control, and Risk Team:**

As part of the organizational structure, following is a summary of the internal control, Audit, and Risk team CVs, whereas a summary of the Board and Committee members and the Executive team CVs – as per the structure – were detailed in different sections of this Report as well as Ex- Board members for the period ended on 30/06/2019:



**Mr. Aly Assem Barakat**  
Group Chief Audit Officer

**Previous positions:**

Senior Manager at Abu Dhabi Accountability Authority  
Manager at KPMG  
Manager at Ernst & Young

**Qualifications:**

Bachelor's degree in Commerce, University of Helwan (major Accounting), Egypt  
Licensed Certified Public Accountant - USA and Chartered Global Management Accountant - Association of International and Professional Accountants

**Experience:**

Extensive experience over 25 years in internal and external audit, governance, risk management, compliance and financial affairs

**Mr. Yasser Hassan Dahlawi**  
Executive Director, Risk Management

**Previous positions:**

Head of Regulatory Compliance, Enterprise Risk Management at The National Commercial Bank (NCB)  
Senior Advisor at KPMG Saudi Arabia

**Qualifications:**

Master of Science, Engineering & Technology Management, Portland State University, USA

Bachelor of Science, Industrial Engineering, King Fahad University of Petroleum & Minerals (KFUPM), Saudi Arabia

**Experience:**

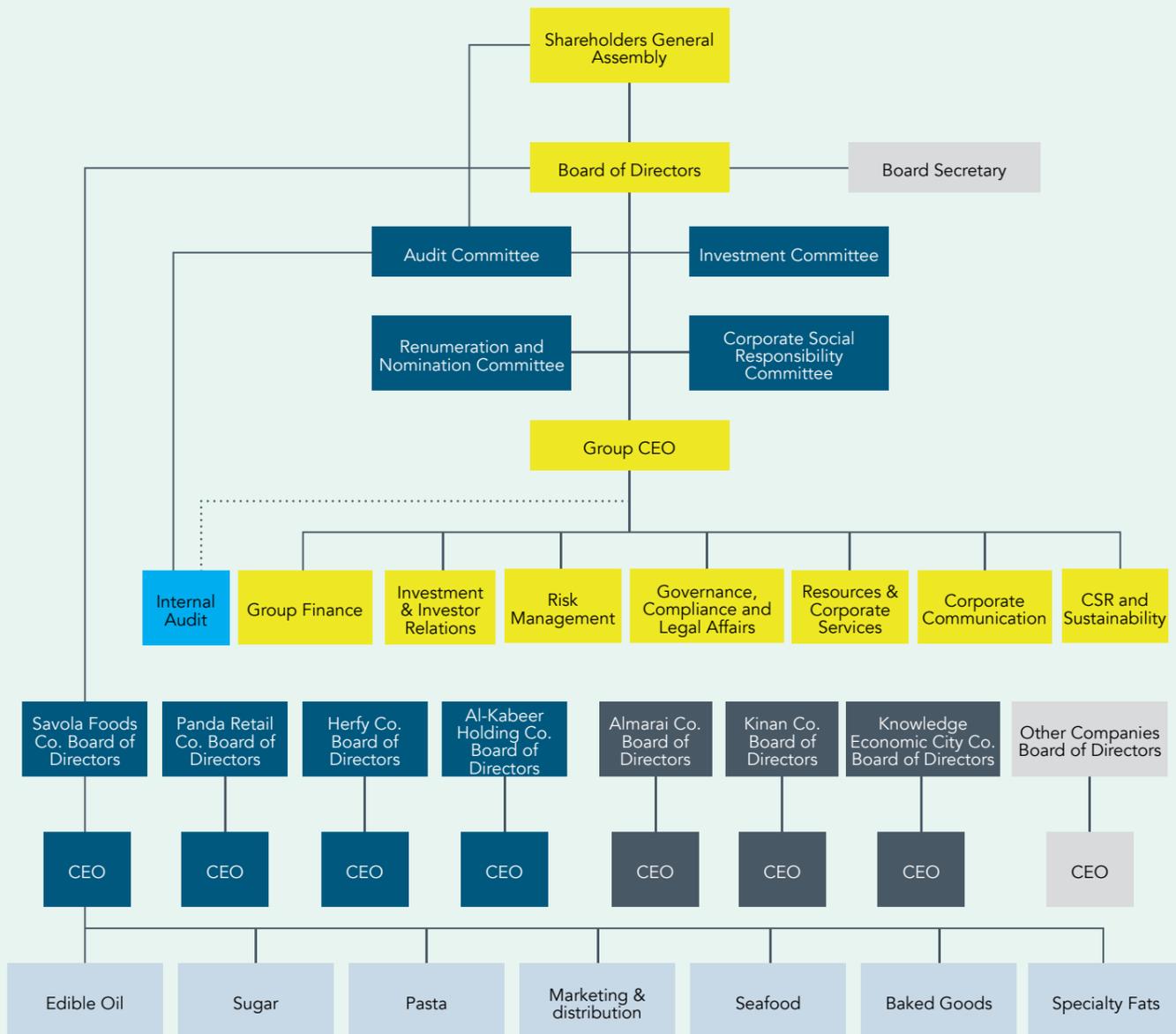
Wide experience in Risk Management, mainly:  
- Enterprise Risk Management  
- Risk Reporting  
- Basel II/III  
- Capital planning & allocation  
- Risk policy & procedure

Directors' Report

Corporate Governance Report and major relevant disclosures

Corporate Governance Report and major relevant disclosures

a) Group Organizational Structure



■ Consolidated Business Units ■ Non-consolidated Investments ■ Other Non-consolidated Investments

Note: To ensure the sustainability of the CSR programs, Savola Group established Savola World Foundation (a non-profit organization under the supervision of the Ministry of Human Resources and Social Development) funded by Savola Group which will replace the CSR & Sustainability Department during 2020. The Savola World foundation will be managed through the Board of trustees instead of the CSR Committee.

Corporate Governance Report and major relevant disclosures continued

b) Composition of the Board and members classification continued

b-1) Summary of the role and responsibilities of the Board of Directors:

The Board of Directors is the highest authoritative body responsible to shareholders for managing the Company in accordance with its bylaws, laws and relevant regulations. The main roles of the Board of Directors includes: setting overall corporate strategies, plans, policies and main objectives of the Company establishing and reviewing internal control measures, corporate governance, ensuring proper mechanisms to manage risks and ensuring the effectiveness of internal controls across the Group. The Board approves financial budgets, statements, and monitors the performance of the Group and executive management's performance. The Board protects the interests of its shareholders and other relevant parties including approving policies that ensure the application, supervision and execution of the laws and regulations, and commits to disclose any key information related to the Company and its performance that may assist shareholders in evaluating its assets and liabilities. The detailed role of the Board which has been articulated in the bylaws and Corporate Governance Manual, which are available on the Company's website ([www.savola.com](http://www.savola.com)).

b-2) Composition of the Board and members classification:

The Company's bylaws has set the number of members of the Board of Directors to be 11 members, which is in line with the Companies Law issued by MoCI and Corporate Governance Regulations issued by the CMA. Due to the end of the Board members 'office term on June 30, 2019 after completing three years (the period set out in the company's bylaws for the Board membership duration), a new Board was elected for the current term that began on July 1, 2019 for the period of three years ending June 30, 2022. All the elected members are either non-executive or independent (to review the qualifications, experience of the members and their classification please refer to the beginning of this report).

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

## b-3) Details (current and previous memberships, positions, qualifications and experience) of the persons related to organizational structure previously indicated:

a) names of the companies, whatever their legal form are, inside and outside the Kingdom, which a Board member is a member of their current or previous board or manager in:

The following statement/schedule includes the names of the companies, whatever their legal form are, inside and outside the Kingdom, in which a Board member is a member or manager of their current or previous board:

| No.                                      | Board member name                   | Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors | Inside the Kingdom/ outside the Kingdom | Legal entity (listed/ unlisted/ limited liability) | Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors | Inside the Kingdom/ outside the Kingdom | Legal Entity (listed/ unlisted/ limited liability) |
|--|-------------------------------------|---|---|--|---|---|--|
| 1.                                       | Mr. Sulaiman Abdulkadir Al Muhaidib | Savola Group  | Inside                                  | Listed   | Saudi British Bank  | Inside                                  | Listed   |
|  |                                     | Almarai Co.   | Inside                                  | Listed   | Nationals Industrialization Co.   | Inside                                  | Listed   |
|  |                                     | Rafal Real Estate Development Co.   | Inside                                  | Unlisted   | Middle East Paper Co.   | Inside                                  | Listed   |
|  |                                     | Acwa Power International  | Inside                                  | Unlisted   | Al-Oula Real Estate Development Co.   | Inside                                  | Unlisted   |
|  |                                     | Vision Invest Holding Co.   | Inside                                  | Unlisted   | Swicorp Joussour Co.  | Inside                                  | Unlisted   |
|  |                                     | Al Muhaidib & Sons Co.  | Inside                                  | Limited Liability                                  | United Mining Industries Co.  | Inside                                  | Unlisted   |
|  |                                     | Al Muhaidib Holding Co.   | Inside                                  | Limited Liability                                  | Thabat Construction Co.   | Inside                                  | Limited Liability                                  |
|  |                                     | Al Muhaidib Land Transport  | Inside                                  | Limited Liability                                  | Architectural Supplies Works Co.  | Inside                                  | Limited Liability                                  |
|  |                                     | Sulaiman Abdulkadir Al Muhaidib & Partners Co.  | Inside                                  | Limited Liability                                  | International Timber Co.  | Inside                                  | Limited Liability                                  |
|  |                                     | Emad Abdulkadir Al Muhaidib & Partners Co.  | Inside                                  | Limited Liability                                  | Mayar Foods Co.   | Inside                                  | Limited Liability                                  |
|  |                                     | Awatef Abdulkadir Al Muhaidib & Partners Co.  | Inside                                  | Limited Liability                                  | Mayar Transport & Warehousing Co.   | Inside                                  | Limited Liability                                  |
|  |                                     | Maryam Abdulkadir Al Muhaidib & Partners Co.  | Inside                                  | Limited Liability                                  | Gulf Marasy for Marine Services Co.   | Inside                                  | Limited Liability                                  |
|  |                                     | Tamader Abdulkadir Al Muhaidib & Partners Co.   | Inside                                  | Limited Liability                                  | Citadel Trading & Contracting Co.   | Inside                                  | Limited Liability                                  |
|  |                                     | Loloah Sulaiman Almudaiheem & Partners Co.  | Inside                                  | Limited Liability                                  | Al Muhaidib for Development Co.   | Inside                                  | Limited Liability                                  |
|  |                                     | Essam Abdulkadir Al Muhaidib & Partners Co.   | Inside                                  | Limited Liability                                  |   |   |  |
|  |                                     | Amwal Al Ajjal Trading Company  | Inside                                  | Limited Liability                                  |   |   |  |
|  |                                     | Amwal Al Khaleej for Commercial Investment Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|  |                                     | Zat Al Sawary Co.   | Inside                                  | Limited Liability                                  |   |   |  |
|  |                                     | Taj Al Awfia Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|  |                                     | Tarabot Investment & Development  | Inside                                  | Limited Liability                                  |   |   |  |
|  |                                     | Ariz Arabian Co.  | Inside                                  | Limited Liability                                  |   |   |  |
| Muhail for Operation and Maintenance Co. | Inside                              | Limited Liability   |   |  |   |   |  |
| Al Shamiyah Urban Development Co. Ltd.   | Inside                              | Limited Liability   |   |  |   |   |  |
| Arabian Safenat for Construction Co.     | Inside                              | Limited Liability   |   |  |   |   |  |
| United Feed Manufacturing Co.            | Inside                              | Limited Liability   |   |  |   |   |  |

| No. | Board member name                | Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors | Inside the Kingdom/ outside the Kingdom | Legal entity (listed/ unlisted/ limited liability) | Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors | Inside the Kingdom/ outside the Kingdom | Legal Entity (listed/ unlisted/ limited liability) |
|-----|----------------------------------|---|---|--|---|---|--|
| 2.  | Mr. Bader Abdullah Al Issa       | Savola Group  | Inside                                  | Listed   | Knowledge Economic City Co.   | Inside                                  | Listed   |
|     |                                  | Banque Saudi Fransi   | Inside                                  | Listed   | Savola Packaging Systems Co.  | Inside                                  | Unlisted   |
|     |                                  | Dur Hospitality   | Inside                                  | Listed   | Kinan International Real Estate Development Co.   | Inside                                  | Unlisted   |
|     |                                  | Almarai Co.   | Inside                                  | Listed   | Al Aqeeq Real Estate Development Co.  | Inside                                  | Unlisted   |
|     |                                  | Savola Foods Co.  | Inside                                  | Unlisted   | Sukoon International  | Inside                                  | Unlisted   |
|     |                                  | Panda Retail Co.  | Inside                                  | Unlisted   | Assila Investment Co.   | Inside                                  | Unlisted   |
|     |                                  | Afia International Co.  | Inside                                  | Unlisted   |   |   |  |
|     |                                  | United Sugar Co.  | Inside                                  | Unlisted   |   |   |  |
|     |                                  | Afia International Co. Egypt  | Outside                                 | Unlisted   |   |   |  |
|     |                                  | United Sugar Co. Egypt  | Outside                                 | Unlisted   |   |   |  |
|     |                                  | Alexandria Sugar Co. Egypt  | Outside                                 | Unlisted   |   |   |  |
|     |                                  | El Maleka for Food Industries Co.   | Outside                                 | Unlisted   |   |   |  |
|     |                                  | El Farasha for Food Industries Co.  | Outside                                 | Unlisted   |   |   |  |
|     |                                  | Savola Gida   | Outside                                 | Unlisted   |   |   |  |
| 3.  | Mr. Essam Abdulkadir Al Muhaidib | Savola Group  | Inside                                  | Listed   | Middle East Paper Co. (MEPCO)   | Inside                                  | Listed   |
|     |                                  | Herfy Food Services Co.   | Inside                                  | Listed   | Al Salam Bank Bahrain   | Outside                                 | Listed   |
|     |                                  | Bawan Co.   | Inside                                  | Listed   | Al Yamamah Steel Industries Co.   | Inside                                  | Unlisted   |
|     |                                  | Panda Retail Co.  | Inside                                  | Unlisted   | Al Oula for Real Estate Development Co.   | Inside                                  | Unlisted   |
|     |                                  | Abdulkadir Al Muhaidib & Sons Co.   | Inside                                  | Unlisted   | Zohoor Alreef Trading Co.   | Inside                                  | Unlisted   |
|     |                                  | Masdar Building Materials Co.   | Inside                                  | Unlisted   | Emdad Human Resources & Manpower Supply Co.   | Inside                                  | Unlisted   |
|     |                                  | Rafal Real Estate Co.   | Inside                                  | Unlisted   | International Timber Co.  | Inside                                  | Unlisted   |
|     |                                  | National Housing Co.  | Inside                                  | Unlisted   | Albalad Amin Co.  | Inside                                  | Unlisted   |
|     |                                  | International Company for Water and Energy Development  | Inside                                  | Unlisted   | Rafal Real Estate Co.   | Inside                                  | Unlisted   |
|     |                                  | Tharwa City for Development & Real Estate Investment Co.  | Inside                                  | Unlisted   | Bloom Invest Co.  | Inside                                  | Limited Liability                                  |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

| No.                                      | Board member name                          | Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors | Inside the Kingdom/ outside the Kingdom | Legal entity (listed/ unlisted/ limited liability) | Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors | Inside the Kingdom/ outside the Kingdom | Legal Entity (listed/ unlisted/ limited liability) |
|--|--|---|---|--|---|---|--|
| 3.                                       | Mr. Essam Abdulkadir Al Muhaidib continued | Saudi Tabreed Co.   | Inside                                  | Unlisted   | Al Latifia Trading & Contracting Co.  | Inside                                  | Limited Liability                                  |
|  |  | Vision Invest Holding Co.   | Inside                                  | Unlisted   | Amwal Al Khaleej for Commercial Investment Co.  | Inside                                  | Limited Liability                                  |
|  |  | Masdar Building Materials Co.   | Inside                                  | Unlisted   | Nesaj Real Estate Development Co.   | Inside                                  | Limited Liability                                  |
|  |  | Sulaiman Abdulkadir Al Muhaidib & Partners Co.  | Inside                                  | Unlisted   | Saudi Tabreed Co.   | Inside                                  | Limited Liability                                  |
|  |  | Emad Abdulkadir Al Muhaidib Co.   | Inside                                  | Unlisted   | Emaar Middle East Co.   | Inside                                  | Limited Liability                                  |
|  |  | Al Muhaidib Holding   | Inside                                  | Unlisted   | Thabat Construction Co. Limited   | Inside                                  | Limited Liability                                  |
|  |  | Maryam Abdulkadir Al Muhaidib & Partners Co.  | Inside                                  | Unlisted   |   |   |  |
|  |  | Romansiah Co. Limited   | Inside                                  | Unlisted   |   |   |  |
|  |  | Shaas for Water Services Co.  | Inside                                  | Unlisted   |   |   |  |
|  |  | Tanmiat Al Ahlam for Construction   | Inside                                  | Unlisted   |   |   |  |
|  |  | Mayar Transport & Warehousing Co.   | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Saudi Tharwa for Real Estate Investment & Development Co.   | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Atheel Arabia for Services Co. Limited  | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Amwal Al Ajyal Trading Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Hayfa Abdulkadir Al Muhaidib Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Lolwah Sulaiman Almudaiheem & Partners  | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Essam Abdulkadir Al Muhaidib & Partners Co.   | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Nestle Water Factory Co. Ltd.   | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Taj Al Awfia Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|  |  | Himmah Logistics Co.  | Inside                                  | Limited Liability                                  |   |   |  |
| Mayar Foods Co.                          | Inside                                     | Limited Liability   |   |  |   |   |  |
| Atheel Holding Co.                       | Inside                                     | Limited Liability   |   |  |   |   |  |
| Al Manhal Water Services Factory         | Inside                                     | Limited Liability   |   |  |   |   |  |
| Shaas for Water Services Co. Ltd.        | Inside                                     | Limited Liability   |   |  |   |   |  |
| Spring Water Factory Co. Ltd.            | Inside                                     | Limited Liability   |   |  |   |   |  |
| Muhail for Operation and Maintenance Co. | Inside                                     | Limited Liability   |   |  |   |   |  |
| Safenat Arabian Contracting Company      | Inside                                     | Limited Liability   |   |  |   |   |  |

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

| No.                        | Board member name                          | Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors | Inside the Kingdom/ outside the Kingdom | Legal entity (listed/ unlisted/ limited liability) | Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors | Inside the Kingdom/ outside the Kingdom | Legal Entity (listed/ unlisted/ limited liability) |
|----------------------------|--|---|---|--|---|---|--|
| 3.                         | Mr. Essam Abdulkadir Al Muhaidib continued | Tamader Abdulkadir Al Muhaidib Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|                            |  | Awatf Abdulkadir Al Muhaidib & Partners Co.   | Inside                                  | Limited Liability                                  |   |   |  |
|                            |  | Rivers Water Factory Co. Ltd.   | Inside                                  | Limited Liability                                  |   |   |  |
|                            |  | That Al Sawary Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|                            |  | International Timber Co.  | Inside                                  | Limited Liability                                  |   |   |  |
| 4.                         | Mr. Abulaziz Khaled Al Ghufaily            | Savola Group  | Inside                                  | Listed   | Herfy Food Services Co.   | Inside                                  | Listed   |
|                            |  | Alrajhi Bank  | Inside                                  | Listed   | Tabuk Agriculture Development Co.   | Inside                                  | Listed   |
|                            |  | Al Rajhi Capital  | Inside                                  | Unlisted   | National Medical Care Co.   | Inside                                  | Listed   |
|                            |  | Savola Food Co.   | Inside                                  | Unlisted   | The Industrialization & Energy Services Co.   | Inside                                  | Unlisted   |
|                            |  |   |   |  | Riyadh Hotels & Entertainment Co.   | Inside                                  | Unlisted   |
|                            |  |   |   |  | Saudi Industries Development Co.  | Inside                                  | Unlisted   |
|                            |  |   |   |  | Panda Retail Co.  | Inside                                  | Unlisted   |
|                            |  |   |   |  | Merrill Lynch Kingdom of Saudi Arabia   | Inside                                  | Unlisted   |
|                            |  |   |   |  |   |   |  |
|                            |  |   |   |  |   |   |  |
| 5.                         | Eng. Mutaz Qusai Alazawi                   | Savola Group  | Inside                                  | Listed   |   |   |  |
|                            |  | Herfy Food Services Co.   | Inside                                  | Listed   |   |   |  |
|                            |  | Arabian Cement Co.  | Inside                                  | Listed   |   |   |  |
|                            |  | Riyad Bank  | Inside                                  | Listed   |   |   |  |
|                            |  | Ethad Etisalat (Mobily)   | Inside                                  | Listed   |   |   |  |
|                            |  | Ready Mix Concrete & Construction Supplies Ltd.   | Outside                                 | Listed   |   |   |  |
|                            |  | Savola Foods Co.  | Inside                                  | Unlisted   |   |   |  |
|                            |  | United Sugar Co.  | Inside                                  | Unlisted   |   |   |  |
|                            |  | Afia International Co.  | Inside                                  | Unlisted   |   |   |  |
|                            |  | United Sugar Co. Egypt  | Outside                                 | Unlisted   |   |   |  |
|                            |  | Alexandria Sugar Co. Egypt  | Outside                                 | Unlisted   |   |   |  |
|                            |  | El Maleka for Food Industries Co.   | Outside                                 | Unlisted   |   |   |  |
|                            |  | El Farasha for Food Industries Co.  | Outside                                 | Unlisted   |   |   |  |
|                            |  | Qatrana Cement Co.  | Outside                                 | Unlisted   |   |   |  |
|                            |  | Afia International Co. Egypt  | Outside                                 | Unlisted   |   |   |  |
|                            |  | Saudi Industrial Construction & Engineering Projects Ltd.   | Inside                                  | Limited Liability                                  |   |   |  |
|                            |  | Saudi Technology and Trade Co.  | Inside                                  | Limited Liability                                  |   |   |  |
| Al Wusataa for Development | Inside                                     | Limited Liability   |   |  |   |   |  |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

| No                 | Board member Name            | Names of the companies in which the member of the Board of Directors was a director or manager of its current board of directors | Inside the Kingdom/ outside the Kingdom | Legal entity (listed/ unlisted/ limited liability) | Names of the companies in which the member of the Board of Directors is a director or manager of its previous board of directors | Inside the Kingdom/ outside the Kingdom | Legal Entity (listed/ unlisted/ limited liability) |
|--------------------|------------------------------|--|---|--|--|---|--|
| 6.                 | Mr. Fahad Abdullah Al Kassim | Savola Group   | Inside                                  | Listed   | Albilad Bank   | Inside                                  |  |
|                    |                              | Jarir Marketing Co.  | Inside                                  | Listed   | Abdullatif Al Issa Holding Group   | Inside                                  |  |
|                    |                              | Dur Hospitality  | Inside                                  | Listed   | Naqel Co.  | Inside                                  | Unlisted   |
|                    |                              | Dallah Health  | Inside                                  | Listed   | Al-Rajhi Alpha Investment Holding Co.  | Inside                                  | Limited Liability                                  |
|                    |                              | Al-Riyadh Development Co.  | Inside                                  | Listed   | Raj Real Estate Co.  | Inside                                  | Limited Liability                                  |
|                    |                              | Fahad Bin Abdullah Al Kassim & Sons Trading & Investment Co.   | Inside                                  | Unlisted   | National General Automotive co.  | Inside                                  | Limited Liability                                  |
|                    |                              | Saudi Heritage Hospitality Co.   | Inside                                  | Unlisted   | Saudi Post   | Inside                                  | Gov. Corporation                                   |
|                    |                              | Dr. Mohammed Rashid Al Fagih & Associates  | Inside                                  | Unlisted   |  |   |  |
|                    |                              | Rakeen Najd International Co.  | Inside                                  | Unlisted   |  |   |  |
|                    |                              | Al Rajhi United Investment Holding Co.   | Inside                                  | Unlisted   |  |   |  |
|                    |                              | Alargan Projects Company   | Inside                                  | Unlisted   |  |   |  |
|                    |                              | Fincorp Investment Holding Co.   | Outside                                 | Unlisted   |  |   |  |
|                    |                              | Areez Commercial investment Co. Ltd.   | Inside                                  | Limited Liability                                  |  |   |  |
|                    |                              | Abdullah Ibrahim Al Subeaei Holding (AIMS)   | Inside                                  | Limited Liability                                  |  |   |  |
| 7.                 | Mr. Mohammed Ibrahim Al Issa | Al Kassim Fund for Investment & Commercial Development   | Inside                                  | Limited Liability                                  |  |   |  |
|                    |                              | Amwal Financial Consultations  | Inside                                  | Limited Liability                                  |  |   |  |
|                    |                              | Century 21 & Partner for Real Estate Appraisal Co.   | Inside                                  | Professional Co.                                   |  |   |  |
|                    |                              | Fahad Abdullah Al Kassim Auditing Office   | Inside                                  | Individual entity                                  |  |   |  |
|                    |                              | Savola Group   | Inside                                  | Listed   | Sukoon Real Estate   | Inside                                  | Unlisted   |
|                    |                              | Kinan International for Real Estate Development Co.  | Inside                                  | Unlisted   | Al Aqeeq Real Estate   | Inside                                  | Unlisted   |
| Assila Investments | Inside                       | Unlisted   |   |  |  |   |  |

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

| No. | Board member name                    | Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors | Inside the Kingdom/ outside the Kingdom | Legal entity (listed/ unlisted/ limited liability) | Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors | Inside the Kingdom/ outside the Kingdom | Legal Entity (listed/ unlisted/ limited liability) |
|-----|--------------------------------------|---|---|--|---|---|--|
| 8.  | Mr. Abdulrahman Mohammed Ramzi Addas | Savola Group  | Inside                                  | Listed   | Bank Albilad  | Inside                                  | Listed   |
|     |                                      | Alinma Bank   | Inside                                  | Listed   | Al Soraie Industrial & Trading Co.  | Inside                                  | Listed   |
|     |                                      | Diyar Al Khayyal Real Estate Development Co.  | Inside                                  | Unlisted   | Red Sea Markets Co. Ltd.  | Inside                                  | Limited Liability                                  |
|     |                                      | Ahmed Mohammed Saleh Baeshen & Co.  | Inside                                  | Unlisted   | Keppel Alnumu Co.   | Inside                                  | Limited Liability                                  |
|     |                                      | Tunisian Saudi Bank   | Outside                                 | Joint venture for the Saudi Ministry of Finance    | Sedco Capital   | Inside                                  | Limited Liability                                  |
|     |                                      | ARCOMA  | Inside                                  | Limited Liability                                  | Abdulaziz Al Saghair Holding Co.  | Inside                                  | Limited Liability                                  |
|     |                                      | Al Rabie Saudi Foods Co. Ltd.   | Inside                                  | Limited Liability                                  | Quantum Investment Bank   | Outside                                 | Limited Liability                                  |
|     |                                      | Environment Fund  | Inside                                  | Gov. Entity  |   |   |  |
| 9.  | Mr. Rakan Abdulaziz Al Fadl          | Savola Group  | Inside                                  | Listed   | -   |   |  |
|     |                                      | Alfadl Group  | Inside                                  | Limited Liability                                  |   |   |  |
|     |                                      | Sahara Building Contractors Co.   | Inside                                  | Limited Liability                                  |   |   |  |
|     |                                      | Rabya Co.   | Inside                                  | Limited Liability                                  |   |   |  |
|     |                                      | Alfadl Investments Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|     |                                      | Alfadl Real Estate Co.  | Inside                                  | Limited Liability                                  |   |   |  |
|     |                                      | Al-Takumul Group Co.  | Inside                                  | Holding Co.  |   |   |  |
| 10. | Dr. Adnan Abdulfattah Soufi          | Savola Group  | Inside                                  | Listed   | Bupa Arabia Co.   | Inside                                  | Listed   |
|     |                                      | Fitaihi Group Co.   | Inside                                  | Listed   | Arabian Cement Co.  | Inside                                  | Listed   |
|     |                                      | Alahli Capital Co.  | inside                                  | Unlisted   | SEDCO Holding Group   | Inside                                  | Unlisted   |
|     |                                      | Wadi Jeddah Co.   | Inside                                  | Unlisted   | Awj Holding Co.   | Inside                                  | Limited Liability                                  |
|     |                                      | Panda Retail Co.  | Inside                                  | Unlisted   |   |   |  |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

| No. | Board member name         | Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors | Inside the Kingdom/ outside the Kingdom | Legal entity (listed/ unlisted/ limited liability) | Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors | Inside the Kingdom/ outside the Kingdom | Legal Entity (listed/ unlisted/ limited liability) |
|-----|---------------------------|---|---|--|---|---|--|
| 11. | Mr. Bader Hamad Al Rabiha | Savola Group  | Inside                                  | Listed   | -   |   |  |
|     |                           | Al Manar Financing and Leasing Co.  | Outside                                 | Listed   |   |   |  |
|     |                           | Noor Financial Investment Co.   | Outside                                 | Listed   |   |   |  |
|     |                           | Palms Agro Production Co.   | Outside                                 | Listed   |   |   |  |
|     |                           | Meezan Bank   | Outside                                 | Listed   |   |   |  |
|     |                           | Al Durra National Real Estate Co.   | Outside                                 | Unlisted   |   |   |  |
|     |                           | Noor Al Salhiya Real Estate Co.   | Outside                                 | Unlisted   |   |   |  |

## b-4) Ex- Board members (for the term that ended on 30/06/2019):

## b-4-1) Boards Memberships:

|                                    |   |        |   |   |                |                 |
|------------------------------------|---|--------|---|---|----------------|-----------------|
| Eng. Abdullah Mohammed Nour Rehami | Arabian Cement Co.                                  | Inside | Listed  | Savola Group  | Inside         | Listed          |
|                                    | Savola Foods Co.                                    | Inside | Unlisted  | Knowledge Economic City Co.                         | Inside         | Listed          |
|                                    |   |        |   | Almarai Co.   | Inside         | Listed          |
|                                    |   |        |   | Eastern Cement Co.                                  | Inside         | Listed          |
|                                    |   |        |   | National Insurance Co.                              | Inside         | Listed          |
|                                    |   |        |   | National Commercial Bank                            | Inside         | Listed          |
|                                    |   |        |   | Alujain Co.   | Inside         | Listed          |
|                                    |   |        |   | Saudi Cable Co.                                     | Inside         | Listed          |
|                                    |   |        |   | Panda Retail Co.                                    | Inside         | Unlisted        |
|                                    |   |        |   | Saudi Arabian Airlines                              | Inside         | Unlisted        |
| Mr. Mohammad Abdulqader Al Fadl    | Jeddah Holding Co.                                  | Inside | Unlisted  | Savola Group  | Inside         | Listed          |
|                                    | Kinan International for Real Estate Development Co. | Inside | Unlisted  |   |                |                 |
|                                    |   |        |   | Saudi Turkish Holding Co. for Investment            | Inside         | Unlisted        |
|                                    |   |        |   | Yamani Airlines co.                                 | Outside        | Unlisted        |
|                                    |   |        |   | Saudi Foundation for Developing of Entrepreneurship | Inside         | Non-Profit Org. |
|                                    |   |        | Social Development Bank (formerly Saudi Credit & Saving Bank) | Inside  | Gov. Institute |                 |

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

| No. | Board member name        | Names of the companies in which the member of the Board of Directors is a director or manager of its current board of directors | Inside the Kingdom/ outside the Kingdom | Legal entity (listed/ unlisted/ limited liability) | Names of the companies in which the member of the Board of Directors was a director or manager of its previous board of directors | Inside the Kingdom/ outside the Kingdom | Legal Entity (listed/ unlisted/ limited liability) |
|-----|--------------------------|---|---|--|---|---|--|
|     | Mr. Omar Hadir Al-Farisi | Arabian Centres Company   | Inside                                  | Listed   | Savola Group  | Inside                                  | Listed   |
|     |                          |   |   |  | Gulf International Bank   | Outside                                 | Listed   |
|     | Dr. Sami Mohsen Baroum   | Arabian Cement Co.  | Inside                                  | Listed   | Savola Group  | Inside                                  | Listed   |
|     |                          | Jeddah International College Co.  | Inside                                  | Unlisted   | Knowledge Economic City Co.   | Inside                                  | Listed   |
|     |                          | Arab Investment Company (Sanabel)   | Inside                                  | Unlisted   | Almarai Co.   | Inside                                  | Listed   |
|     |                          |   |   |  | Kinan International for Real Estate Development Co.   | Inside                                  | Unlisted   |
|     |                          |   |   |  | Afia International Co.  | Inside                                  | Unlisted   |
|     |                          |   |   |  | United Sugar Co.  | Inside                                  | Unlisted   |
|     |                          |   |   |  | Panda Retail Co.  | Inside                                  | Unlisted   |
|     |                          |   |   |  | Savola Plastic Packaging Systems Co.  | Inside                                  | Unlisted   |
|     |                          |   |   |  | Al Roba'ia Co. for Real Estate Development  | Inside                                  | Unlisted   |
|     |                          |   |   |  | Saudi Stock Exchange Tadawul  | Inside                                  | Unlisted   |
|     |                          |   |   |  | Afia International Co. Egypt  | Outside                                 | Unlisted   |
|     |                          |   |   |  | Venture Capital Bank Bahrain  | Outside                                 | Unlisted   |

## b-4-2) Summary of CVs for Ex- Board members (for the term that ended on 30/06/2019):

| No | Member name                        | Current positions                    | Previous positions  | Qualifications  | Experience   |
|----|------------------------------------|--------------------------------------|---|---|--|
| -  | Eng. Abdullah Mohammed Nour Rehami | Retired – Government Official        | Managing Director/CEO, Savola Group (2015-2016); President, General Authority of Civil Aviation (2003-2011); Assistant Director General, SIDF (1998-2003) | Bachelor of Mechanical Engineering, King Fahad University of Petroleum and Minerals Sciences, Saudi Arabia; Chase Manhattan Bank Credit Program (JP Morgan Chase) and various leadership programs | Extensive skills in leadership, management, finance, strategic planning, and restructuring. He has held several positions in the public and private sectors, and sits on a number of other Boards. |
| -  | Mr. Mohammad Abdulqader Al Fadl    | Chairman of the Board, Al Fadl Group | CEO, Al Fadl Group of Companies   | Bachelor of Economics and Marketing, University of San Francisco, United States   | More than 40 years' experience in Corporate Management through managing of Al Fadl Group of Companies, which includes many companies in various fields and sits on a number of other Boards.       |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

## b-4-2) Summary of CVs for Ex- Board members (for the term that ended on 30/06/2019): continued

| No. | Member name             | Current positions                                | Previous positions   | Qualifications   | Experience  |
|-----|-------------------------|--|--|--|---|
| -   | Dr. Sami Mohsen Baroum  | Private Business                                 | Managing Director, Savola Group (2007-2010); Various senior positions in different sectors of Savola (1993-2007), including Financial Management, Retail, Foods, Real Estate and Plastics; Faculty Member, College of Engineering, Abdul Aziz University (1992-1993) | PhD in Operation Management and Information Technology, Indiana University, United States; Master's Degree in Business Management with Honors, Wharton Management School, Pennsylvania University, United States | Experience in strategic management, financial planning, investment, planning management of Joint Stock Companies, and information technology. He also sits on a number of other Boards. |
| -   | Mr. Omar Hadir Al Farsi | Managing Member of Diyala Advisors LLC, New York | Investment Banker, Credit Suisse First Boston Bank, New York (2000-2004); Lawyer and Member in Financial and Commercial Corporate Department, White & Case, New York (1994-2000)   | Bachelor of Economics, University of Notre Dame, United States; JD, Columbia University School of Law, United States   | Experience in financing and law, investment, and mergers and acquisitions. He is also a former Board member of Gulf International Bank (Bahrain).                                       |

## b) Summary of Committee members' CVs:

| No   | Member name                          | Current positions  | Previous positions  | Qualifications   | Experience   |
|--|--------------------------------------|--|---|--|--|
| Remuneration and Nominations Committee members:                                    |                                      |  |   |  |  |
| Remuneration and Nominations Committee members of the period started on 01/07/2019 |                                      |  |   |  |  |
|  | Mr. Rakan Abdulaziz Al Fadl          |  |   |  |  |
|  | Mr. Bader Abdullah Al Issa           |  |   |  |  |
|  | Mr. Essam Abdulkadir Al Muhaidib     |  |   |  | Their current and previous positions, qualifications and experience were mentioned earlier in this Report  |
|  | Mr. Abdulrahman Mohammed Ramzi Addas |  |   |  |  |
|  | Mr. Johan Brand                      | Managing Director/ Owner, Johan Brand Leadership Advisory DWC-LLC (2016-present) | Senior Partner and Consultant, Egon Zehnder (1995-2016); PepsiCo, Director PCI Management Institute (1993-1995) | MSc, Business Economics, Erasmus University Rotterdam, The Netherlands; MA, Business Law, and MA, Private Law, Erasmus University Rotterdam, The Netherlands; Certified Professional Director, Hawkamah/ Mudara Institute of Directors | Has wide and independent experience as a leadership professional, and his focus is on making Boards and C-level leadership more effective. Advisor to Chairmen, Family Heads and CEOs. |
| Remuneration and Nominations Committee members of the period ended on 30/6/2019    |                                      |  |   |  |  |
|  | Mr. Mohammad Abdulqader Al Fadl      |  |   |  |  |
|  | Eng. Abdullah Mohammed Nour Rehami   |  |   |  | Their current and previous positions, qualifications and experience were mentioned earlier in this report  |
| Investment Committee members:  |                                      |  |   |  |  |
| Investment Committee members of the period started on 01/07/2019                   |                                      |  |   |  |  |
| 1.   | Eng. Mutaz Qusai Alazawi             |  |   |  |  |
| 2.   | Mr. Abdulaziz Khaled Al Ghufaily     |  |   |  |  |
| 3.   | Mr. Fahad Abdullah Al Kassim         |  |   |  | Their current and previous positions, qualifications and experience were mentioned earlier in this Report  |
| 4.   | Dr. Adnan Abdulfattah Soufi          |  |   |  |  |
| 5.   | Mr. Mohammed Ibrahim Al Issa *       |  |   |  |  |

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

| No.   | Member name                          | Current positions   | Previous positions   | Qualifications  | Experience   |
|---|--------------------------------------|---|--|---|--|
| Investment Committee members of the period ended on 30/6/2019                       |                                      |   |  |   |  |
| -   | Mr. Omar Hadir Al-Farisi             |   |  |   | Their current and previous positions, qualifications and experience were mentioned earlier in this report  |
| -   | Dr. Sami Mohsen Baroum               |   |  |   |  |
| Corporate Social Responsibility Committee members:                                  |                                      |   |  |   |  |
| Corporate Social Responsibility Committee members of the period started on 1/7/2019 |                                      |   |  |   |  |
| 1.  | Mr. Abdulrahman Mohammed Ramzi Addas |   |  |   |  |
| 2.  | Mr. Fahad Abdullah Al Kassim         |   |  |   | Their current and previous positions, qualifications and experience were mentioned earlier in this report  |
| 3.  | Eng. Abdullah Mohammed Nour Rehami   |   |  |   |  |
| 4.  | Eng. Anees Ahmad Moumina             |   |  |   |  |
| Corporate Social Responsibility Committee members of the period ended on 30/06/2019 |                                      |   |  |   |  |
| -   | Mr. Mohammed Ibrahim Al Issa         |   |  |   | Their current and previous positions, qualifications and experience were mentioned earlier in this report  |
| -   | Dr. Mervat Ahmed Tashkandi           | Executive Director for Strategic Planning – Fakeeh Care Group Dr. Soliman Fakeeh Hospital Jeddah, KSA | Advisor to the Minister for Social Empowerment of Persons with Disabilities and Females – Ministry of Economic and Planning; Advisor to the Minister for Gender Diversity, Equality & Employment of Persons with Disabilities – Ministry of Labor and Social Development; Number of Academic positions in several universities | Doctoral Degree in Special Education and Family Counseling, University of South Africa, Pretoria – Republic of South Africa; Master of Arts in Special Education – Early Childhood, Teachers College, Columbia University New York – USA; Master of Arts in Special Education – Learning Disabilities, Fairleigh Dickinson University, Teaneck – New Jersey, USA; Bachelor, Arts in Psychology, Fairleigh Dickinson University, Teaneck – New Jersey USA. | Experiences in the following fields: CSR; Empowerment programs for persons with disabilities; National and Corporate Strategic Planning                    |
| -   | Mr. Ahmed Saleh Al Rammah            | Senior Consultant for Social Responsibility, Aramco   |  | Aramco and many engineering sectors inside and outside the Kingdom  | University of Petroleum and Minerals, Saudi Arabia.  |
| -   | Mr. Mahmoud Mansour Abdul Ghaffar    | CEO, Jadat Itqan Consulting   | Chief of Corporate Affairs & Board Secretary, Savola Group   | Bachelor, Industrial Safety, University of San Francisco, USA.  | Corporate social responsibility, board affairs, governance, investor relations, public relations, communication, human resources and government relations. |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## b) Composition of the Board and members classification continued

## b-5) Board meetings attendance record:

In order to enhance its role and responsibilities, the Board held six meetings during the year. The below schedule shows the attendance records for each meeting:

| No. | Member                                | Meetings during 2019                         |       |  |        |        |        | No of attendance |
|-----|---------------------------------------|--|-------|--|--------|--------|--------|------------------|
|     |                                       | Previous Board term (Ended on June 30, 2019) |       | Current Board term (Began on July 1, 2019) |        |        |        |                  |
|     |                                       | 7 Feb  | 8 May | 26 Sep                                     | 28 Oct | 21 Dec | 22 Dec |                  |
| 1.  | Mr. Sulaiman Abdulkadir Al Muhaidib   | ✓  | ✓     | ✓  | ✓      | ✓      | ✓      | 6 of 6           |
| 2.  | Mr. Bader Abdullah Al Issa            | ✓  | ✓     | ✓  | ✓      | ✓      | ✓      | 6 of 6           |
| 3.  | Mr. Essam Abdulkadir Al Muhaidib      | ✓  | ✓     | ✓  | ✓      | ✓      | ✓      | 6 of 6           |
| 4.  | Mr. Abdulaziz Khaled Al Ghufaily      | ✓  | ✓     | ✓  | ✓      | ✓      | ✓      | 6 of 6           |
| 5.  | Eng. Mutaz Qusai Alazawi              | ✓  | ✓     | ✓  | ✓      | ✓      | ✓      | 6 of 6           |
| 6.  | Mr. Fahad Abdullah Al Kassim          | ✓  | ✓     | ✓  | ✓      | ✓      | ✓      | 6 of 6           |
| 7.  | Mr. Mohammed Ibrahim Al Issa          | ✓  | ✓     | ✓  | ✓      | x      | x      | 4 of 6           |
| 8.  | Mr. Abdulrahman Mohammed Ramzi Addas  | NA   | ✓     | ✓  | ✓      | ✓      | ✓      | 4 of 4           |
| 9.  | Mr. Rakan Abdulaziz Al Fadl           | NA   | ✓     | ✓  | ✓      | ✓      | ✓      | 4 of 4           |
| 10. | Dr. Adnan Abdulfattah Soufi           | NA   | ✓     | ✓  | ✓      | ✓      | ✓      | 4 of 4           |
| 11. | Mr. Bader Hamad Al-Rabiah             | NA   | ✓     | ✓  | ✓      | ✓      | ✓      | 4 of 4           |
| 12. | Mr. Elnour Ali Saad (Board Secretary) | NA   | ✓     | ✓  | ✓      | ✓      | ✓      | 4 of 4           |

## Previous Board members (for the term that ended on 30/06/2019)

|   |   |   |   |    |        |
|---|---|---|---|----|--------|
| - | Eng. Abdullah Mohammed Nour Rehaimi             | ✓ | ✓ | NA | 2 of 2 |
| - | Mr. Mohammad Abdulqader Al Fadl                 | ✓ | ✓ | NA | 2 of 2 |
| - | Mr. Omar Hadir Al-Farisi                        | ✓ | ✓ | NA | 2 of 2 |
| - | Dr. Sami Mohsen Baroom                          | x | ✓ | NA | 1 of 2 |
| - | Mr. Tarik Mohammed Ismail (Ex- Board Secretary) | ✓ | ✓ | NA | 2 of 2 |

The last meeting of the General Assembly was held on 8/05/2019 and the attendance records above reflects the attendance of the Board members during the full year before and after the General Assembly.

Notes: \* The financial results for Q2 2019 were approved by the BOD by circulation based on the Audit Committee recommendation in its meeting held on 19/08/2019.

## b-6) Board members attendance record for the General Assembly meeting:

One meeting of the Shareholders General Assembly was held during the last fiscal year. The following is a list of the members of the Board of Directors present during the meeting:

| No. | Board Member                        | EGM No. 31 (8 May 2019) | No. of meetings attended |
|-----|-------------------------------------|-------------------------|--------------------------|
| 1.  | Mr. Sulaiman Abdulkadir Al Muhaidib | ✓                       | 1 of 1                   |
| 2.  | Mr. Bader Abdullah Al Issa          | ✓                       | 1 of 1                   |
| 3.  | Eng. Abdullah Mohammed Nour Rehaimi | ✓                       | 1 of 1                   |
| 4.  | Mr. Abdulaziz Khaled Al Ghufaily    | ✓                       | 1 of 1                   |
| 5.  | Mr. Essam Abdulkadir Al Muhaidib    | ✓                       | 1 of 1                   |
| 6.  | Mr. Fahad Abdullah Al Kassim        | ✓                       | 1 of 1                   |
| 7.  | Mr. Mohammad Abdulkadir Al Fadl     | ✓                       | 1 of 1                   |
| 8.  | Eng. Mutaz Qusai Alazawi            | ✓                       | 1 of 1                   |
| 9.  | Mr. Omar Hadir Al-Farisi            | ✓                       | 1 of 1                   |
| 10. | Mr. Mohammed Ibrahim Al Issa        | ✓                       | 1 of 1                   |
| 11. | Dr. Sami Mohsen Baroom              | x                       | 0 of 1                   |

## Corporate Governance Report and major relevant disclosures continued

## c) Board Committees:

## c-1) Remuneration and Nomination Committee:

## • Meetings and role of the Committee:

The Remuneration and Nomination Committee (RNC) consists of five members who are independent and non-executive Board members with experience in the field of the Committee's mandates. The Committee held (6) meetings during 2019 following up its responsibilities in the field of remuneration, nominations and Corporate Governance. During 2019, the committee was re-formed after the election of a new Board of Directors for the new office that term started as of 01/07/2019. Also, the Corporate Governance role was added to the Committee's responsibilities and duties, thus the Committee Charter will be amended accordingly and presented to the nearest GA meeting for approval. A summary of the main responsibilities of the Committee, statement of its membership and attendance during the year is as follows:

## • Summary of Committee Role and Duties and Main Responsibilities:

The Committee shall assume responsibilities related to three areas, namely Remuneration, Nomination and Corporate Governance, and will update the Board regularly about its activities. The Committee's duties and responsibilities include:

## a) With regards to Remuneration:

Prepare a clear remuneration policy for Board members, its Committees and the executive management and clarify the relationship between the paid remuneration and the adopted remuneration policy, and highlight any material deviation from that policy. In addition, review the remuneration policy periodically and assess its effectiveness in achieving its objectives.

## b) With regards to Nomination:

Recommend clear policies and standards for Board membership, executive management and Savola's representatives in its subsidiaries and associates, review the requirements suitable for membership of the Board and executive management annually and assess the performance of the Board in terms of strengths and weaknesses and recommend necessary solutions in the best interests of the Company. Ensure on an annual basis, 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 another company.

## c) With regards to Corporate Governance (CG):

Ensure that the Company is in compliance with CG regulation issued by CMA and the Company's CG Manual and policies, and review; update CG Manual and rules pursuant to statutory requirements and best practices; as well as review and develop code of professional conduct representing the Company's values and other internal policies and procedures in order to fulfill the Company's requirements, and comply with best practices; Regularly inform the Board members of the developments in corporate governance and best practices. as well as all the competences stipulated in Article (94) of the CG regulation issued by CMA.

For more details about role and responsibilities of the Committee, please refer to the Committee Charter on Savola's website ([www.savola.com](http://www.savola.com)).

## • Statement of attendance for Committee meetings held during 2019:

| No.  | Member  | Meetings during 2019 |       |        |       |        |        | Total  |
|--|---|----------------------|-------|--------|-------|--------|--------|--------|
|  |   | 16 Jan               | 7 Feb | 31 Mar | 8 May | 26 Sep | 28 Oct |        |
| 1.   | Mr. Rakan Abdulaziz Al Fadl (Chairman) (Independent Savola Board member as of 01/07/2019) |                      |       | NA     |       | ✓      | ✓      | 2 of 2 |
| 2.   | Mr. Essam Abdulkadir Al Muhaidib (Non-executive Savola Board member)                      | ✓                    | ✓     | ✓      | ✓     | ✓      | ✓      | 6 of 6 |
| 3.   | Mr. Bader Abdullah Al Issa (Non-executive Savola Board member)                            | ✓                    | ✓     | ✓      | ✓     | ✓      | ✓      | 6 of 6 |
| 4.   | Mr. Abdulrahman Mohammed Ramzi Addas (Independent Savola Board member as of 01/07/2019)   |                      |       | NA     |       | ✓      | ✓      | 2 of 2 |
| 5.   | Mr. Johan Brand (Independent external member)   | ✓                    | ✓     | ✓      | ✓     | ✓      | ✓      | 6 of 6 |
| -  | Mr. Morhaf Mohammed Alsamman (Committee Secretary)  | ✓                    | ✓     | ✓      | ✓     | ✓      | ✓      | 6 of 6 |
| <b>Ex- Committee members form (01/01/2019 till 30/06/2019)</b> |   |                      |       |        |       |        |        |        |
| -  | Mr. Mohammad Abdulqader Al Fadl (Ex- Chairman) (Ex- Independent Savola Board member)      | ✓                    | ✓     | ✓      | ✓     |        | NA     | 4 of 4 |
| -  | Eng. Abdullah Mohammed Nour Rehaimi (Ex- Non-executive Savola Board member)               | ✓                    | ✓     | ✓      | ✓     |        | NA     | 4 of 4 |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## c) Board Committees continued

## c-2) Investment Committee:

## • Meetings and role of the Committee:

The Investment Committee consists of five members, who are non-executives and independents Board members.

The Committee held (4) meetings during 2019 to enhance the role of the Board in following and implementing the strategic plans in relation to investment opportunities. During 2019, the committee was re-formed after the election of a new Board of Directors for the new office term commenced from 01/07/2019. Below is a summary of the Committee's role, responsibilities, membership, and the number of meetings held during 2019:

## • Summary of Committee Role and Duties and Main Responsibilities:

Review and recommend to the Board for its approval an overall capital allocation framework and implementation model for the Company's investment activities, which take into account relevant factors such as return on invested capital targets and benchmarks, allocation guidelines and limits, risks limits and strategic objectives. As well as review and recommend to the Board for its approval investment opportunities, acquisitions, joint ventures or divestitures all in accordance with the Company's existing delegation of authority matrices that are approved by the Board. In addition to review the balance sheet impact of specific proposed transactions including funding requirements and impact on the Company's liquidity and debt ratios as part of determining whether to recommend them to the Board for approval.

For more details about role and responsibilities of the Committee, please refer to the Committee Charter on Savola's website ([www.savola.com](http://www.savola.com)).

## • Statement of attendance for Committee meetings held during 2019:

| No. | Member  | Meetings during 2019 |       |        |        | Total  |
|-----|---|----------------------|-------|--------|--------|--------|
|     |   | 7 Feb                | 7 May | 25 Sep | 27 Oct |        |
| 1.  | Eng. Mutaz Qusai Alazawi (Chairman)<br>(Non-executive Savola Board member)          | ✓                    | ✓     | ✓      | ✓      | 4 of 4 |
| 2.  | Mr. Abdulaziz Khaled Al Ghufaily<br>(Non-executive Savola Board member)             | ✓                    | ✓     | ✓      | ✓      | 4 of 4 |
| 3.  | Mr. Fahad Abdullah Al-Kassim<br>(Independent Savola Board member)                   | ✓                    | ✓     | ✓      | ✓      | 4 of 4 |
| 4.  | Dr. Adnan Abdulfattah Soufi<br>(Non-executive Savola Board member as of 01/07/2019) | NA                   |       | ✓      | ✓      | 2 of 2 |
| 5.  | Mr. Mohammed Ibrahim Al Issa<br>(Non-executive Savola Board member)*                | NA                   |       | ✓      | ✓      | 2 of 2 |
| -   | Mr. Elnour Ali Saad (Committee Secretary)   | ✓                    | ✓     | ✓      | ✓      | 4 of 4 |

## Ex- Committee members form (01/01/2019 till 30/06/2019)

|   |  |   |   |  |    |        |
|---|--|---|---|--|----|--------|
| - | Mr. Omar Hadir Al-Farisi (Ex- Chairman)<br>(Ex- Independent Savola Board member) | ✓ | ✓ |  | NA | 2 of 2 |
| - | Dr. Sami Mohsen Baroum<br>(Ex-Independent Savola Board member)                   | x | ✓ |  | NA | 1 of 2 |

\*Mr. Mohammad Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member of Kinan International for Real Estate Development Co, which has a related party transaction with one of our subsidiaries.

## c-3) Corporate Social Responsibility Committee:

## • Meetings and role of the Committee:

The Corporate Social Responsibility (CSR) Committee consists of four members, each one of them has relevant experience (one executive and independents). In fulfilling its roles and responsibilities, the Committee held (4) meetings in 2019 to review the Group's CSR programs and plans as detailed in the CSR section of this Report. During 2019 the committee was re-formed after the election of a new Board of Directors for the new office term started as of 01/07/2019. Below is a summary of the Committee's role, responsibilities, membership, and the number of meetings held during the year 2019:

## • Summary of Committee Role and Duties and Main Responsibilities:

The Committee responsibilities include promoting the CSR initiatives and programs, in addition to developing and pursuing programs that contribute to deepening the sense of social responsibility of Savola and its subsidiaries, and developing criteria and standards for monitoring implementation. Particularly, the Committee's duties and responsibilities include the following:

1. Developing the CSR strategy and achieving sustainable social impact.
2. Overseeing all CSR activities and issues including and/or health and safety activities, environmental issues and employees' rights.
3. Activating the role of Savola in adopting policies, initiatives and CSR programs toward its contributors, importers, customers, the environment and the entire community in order to support and enhance Savola's reputation.
4. Establishing indicators that link Savola's performance with its social initiatives.

For more details about role and responsibilities of the Committee, please refer to the Committee Charter on Savola's website ([www.savola.com](http://www.savola.com)).

## Corporate Governance Report and major relevant disclosures continued

## c) Board Committees continued

## • Statement of attendance for Committees meetings that held during 2019:

| No. | Member  | Meetings during 2019 |       |         |        | Total  |
|-----|---|----------------------|-------|---------|--------|--------|
|     |   | 5 Feb                | 7 May | 24 July | 28 Oct |        |
| 1.  | Mr. Abdulrahman Mohammed Ramzi Addas (Chairman)<br>(Independent Savola Board member as of 01/07/2019) | NA                   |       | ✓       | ✓      | 2 of 2 |
| 2.  | Mr. Fahad Abdullah Al-Kassim<br>(Independent Savola Board member)                                     | NA                   |       | ✓       | ✓      | 2 of 2 |
| 3.  | Eng. Abdullah Mohammed Nour Rehami<br>(External member - Non-executive)**                             | NA                   |       | x       | ✓      | 1 of 2 |
| 4.  | Eng. Anees Ahmad Moumina<br>(executive member - Group CEO)  | ✓                    | ✓     | ✓       | ✓      | 4 of 4 |
| -   | Mr. Tarik Mohammed Ismail (Committee Secretary)   | ✓                    | ✓     | ✓       | ✓      | 4 of 4 |

## ex- Committee members form (01/01/2019 till 30/06/2019)

|   |  |   |   |  |    |        |
|---|--|---|---|--|----|--------|
| - | Mr. Mohammed Ibrahim Al Issa (Ex-Chairman)<br>(Non-executive Savola Board member)* | ✓ | ✓ |  | NA | 2 of 2 |
| - | Dr. Mervat Ahmed Tashkandi<br>(Ex-Independent, External member)                    | ✓ | ✓ |  | NA | 2 of 2 |
|   | Mr. Ahmed Saleh Al Rammah<br>(Ex-Independent, External member)                     | ✓ | ✓ |  | NA | 2 of 2 |
|   | Mr. Mahmoud Mansour Abdul Ghaffar<br>(Ex-Independent, External member)             | ✓ | ✓ |  | NA | 2 of 2 |

\*Mr. Mohammad Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member of Kinan International for Real Estate Development Co, which has a related party transaction with one of our subsidiaries.

\*\* Eng. Abdullah Mohammed Nour Rehami was a Non-Executive Board member from 01/01/2019 till 30/06/2019

## d) The Methods Used by the Board of Directors to Assess their Performance as well as the Committees and Members Performance:

Savola has been conducting Board effectiveness reviews since 2009 aiming to identify the strengths and weaknesses of the Board and Committees, with a view to propose solutions in the best interest of the company. In line with this practice, Savola engaged Governance Compass, an external and independent consulting firm which is a non-related party to the Group. Governance Compass is a qualified consulting firm specialized in Board effectiveness and leadership. The assessment performed by Governance Compass covered the performance of the Board, Directors, Committees and their meetings throughout 2018.

The assessment was made under the RNC supervision. The mechanisms, methodology and criteria for the assessment were presented to the Board for alignment before execution. This included interviews with all Board and Committee members in addition to a comprehensive questionnaire, which was carried out and completed by all members. Areas included in the questionnaire and interviews covered the duties and responsibilities of the Board and Committees in line with their fiduciary obligations. In addition, the assessment included the effectiveness of the Board and Committees meetings such as members' participation and interaction in the discussions during the meetings to reach informed decisions that enhance the company performance and ability to achieve its objectives. The assessments results were shared with Board and an action plan has been developed to address the recommendations.

During 2019, the Board adopted all of the external consultant recommendation, and it is still being implemented. There is also a periodic and continuous evaluation of the effectiveness of the discussions and decision-making during the Board and Committees meetings for all the meetings held during the year 2019 and will continue for 2020 meeting.

## Directors' Report

# Corporate Governance Report and major relevant disclosures continued

### Corporate Governance Report and major relevant disclosures continued

#### e) Remuneration of the Board, Committee members and executive management

##### e-1) General standards for Remuneration:

The shareholders' AGM held on 2nd November 2017, approved the Remuneration Policy of the Board of Directors, Committees and Executive Management. This policy regulates the remuneration of the Board of Directors, Committees and the Executive Management of Savola Group to meet the provisions of paragraph (1) of Article (61) of the CMA Corporate Governance Regulation.

The Remuneration and Nomination Committee (RNC) responsibilities include recommending to the Board the remuneration of the Board, its Committees and the executive management in accordance with the approved criteria, as follows:

1. Be proportionate to Savola's activities and the required skills for its management.
2. The variable part of the remuneration shall be linked to the long-term performance.
3. Remuneration shall be consistent with the strategy, objectives, the magnitude, nature and level of risks faced by Savola.
4. Benchmarking shall be used to take into consideration the remuneration practices of other companies. The disadvantages of such comparisons that might lead to unjustifiable increases in remuneration and compensation shall be avoided.
5. Shall be prepared in coordination with the RNC with respect to new appointments.
6. Remuneration shall be based on job level, duties and responsibilities, educational qualifications, practical experience, skills and level of performance.
7. Be fair and proportionate to the Board or Committee members' activities carried out and responsibilities borne by the Board or Committee members, in addition to the objectives set out by the Board to be achieved during the financial year.
8. Take into consideration the sector in which Savola operates, its size and experience of its Board members.
9. Be reasonably sufficient to attract and retain highly-qualified and experienced board members.
10. The remuneration of different Board members may vary depending on the Board member's experience, expertise, duties he/she undertakes and independence and number of Board meetings he/she attended in addition to other considerations.
11. The remuneration shall be suspended if it has been determined that such remuneration was based on inaccurate information provided by a member of the Board or the executive management.
12. If the Company developed a program to grant some of its shares to Board members, executive management and employees; whether it is a new issue or shares purchased by the Company, the RNC shall supervise this program in light of the Company's bylaws and the relevant CMA laws and regulations.

##### e-2) Summary of the Remuneration Policy of the Board and Committees:

- The remuneration of Savola Board members may consist of: a specified sum; an attendance fee; allowance; other in-kind benefits; a certain percentage of the net profits; or a combination of two or more of these benefits. In no event, shall the remuneration of a Board member exceed the limit stated in the Companies Law and CMA regulations. The remuneration of the various Board members may vary in light of the policy recommended by the RNC and approved by the GA. The policy stipulated that the annual remuneration of the Board member shall be SAR 200,000 and an attendance fee of SAR 5,000 for the session, as well as the other expenses related to the Board activity.
- The remuneration of independent Board members shall not be a percentage of the profits that are realized by Savola, nor shall it be based directly or indirectly on Savola's profitability.
- The Board shall determine and approve its Committee's remuneration – excluding the Audit Committee remuneration, attendance fees and other benefits based on the RNC recommendation.
- Committee member remuneration shall consist of an annual remuneration of SAR 100,000 and attendance fees of SAR 5,000 for the session, in line with the approved policy.
- Audit Committee members' remuneration shall be determined by the General Assembly based on the Board's recommendation as per the regulations, which was approved to be SAR 150,000 and attendance fees of SAR 5,000 for the session, in line with the approved policy.
- The remuneration policy of the Board and Committees shall be reviewed from time to time by the RNC, provided that any recommended changes are presented by the board to the General Assembly in the next meeting for approval.

##### e-3) Summary of the Remuneration Policy of the Executive Management:

The RNC shall review and approve the salary scale and the incentive scheme for all employees and executive management, on a regular basis, based on the management recommendations and the executive management remuneration includes:

- Basic salary (to be paid on a monthly basis at the end of each Gregorian month).
- Allowances that include, but are not limited to, housing, transportation, children education/school fees and phone allowances.
- Medical insurance benefits for all employees and executive management and eligible family members.
- Life insurance policy (including events of partial or permanent disability and natural or unnatural death).
- Annual bonus based on KPIs/SMART associated with individual annual appraisal evaluation.
- Short-term incentive plans linked with extraordinary/exceptional performance and long-term incentive plans such as stock option programs (whenever it exists).
- Other benefits include, but are not limited to, annual leave, annual air tickets, executive airport services and end of service benefits according to labor law and HR policies adopted by the Company.
- Executive management team's compensation plans, programs and general guidelines shall be approved by the RNC.
- The CEO implements the remuneration policy for all employees and executive management in light of the plans, programs and general guidelines approved by the RNC.

For more details about the remuneration policy for Board, Committees and the Executive Management of Savola Group, please refer to the polices on Savola's website (www.savola.com).

#### Corporate Governance Report and major relevant disclosures continued e-4) Remuneration of the Board Members

Below are the details of Board member's remunerations (SAR):

| No.  | Member name   | Title      | Fixed remunerations |  |  |                  | Variable remunerations                                       |   |       |                           |                        | Aggregate Amount | Expenses allowance |                            |                           |
|--|---|------------|---------------------|--|--|------------------|--|---|-------|---------------------------|------------------------|------------------|--------------------|----------------------------|---------------------------|
|  |   |            | Specific amount     | Allowance for attending Board meetings | Total allowance for attending Committee meetings | In-kind benefits | Remunerations for technical management and consultative work | Remunerations of the Chairman, Manager or Secretary if a member | Total | Percentage of the profits | Periodic remunerations |                  |                    | Short-term incentive plans | Long-term incentive plans |
| <b>First: Independent Directors:</b>   |   |            |                     |  |  |                  |  |   |       |                           |                        |                  |                    |                            |                           |
| 1  | Mr. Bader Hamed Al-Rabiah   | Member     | 100,000             | 20,000                                 | 10,000   | -                | -  | 130,000   | -     | -                         | -                      | -                | -                  | 130,000                    | 24,120                    |
| 2  | Mr. Fahad Abdullah Al-Kassim  | Member     | 200,000             | 30,000                                 | 50,000   | -                | -  | 280,000   | -     | -                         | -                      | -                | -                  | 280,000                    | 35,045                    |
| 3  | Mr. Abdurahman Mohammed Ramzi Addas                                 | Member     | 100,000             | 20,000                                 | 20,000   | -                | -  | 140,000   | -     | -                         | -                      | -                | -                  | 140,000                    | -                         |
| 4  | Mr. Rakan Abdulaziz Al-Fadi   | Member     | 100,000             | 20,000                                 | 10,000   | -                | -  | 130,000   | -     | -                         | -                      | -                | -                  | 130,000                    | -                         |
| <b>Second: Non-Executive Directors:</b>  |   |            |                     |  |  |                  |  |   |       |                           |                        |                  |                    |                            |                           |
| 5  | Mr. Sulaiman Abdulkadir Al-Muhaidib (Not a member in any committee) | Chairman   | 200,000             | 30,000                                 | NA   | -                | -  | 230,000   | -     | -                         | -                      | -                | -                  | 230,000                    | 30,175                    |
| 6  | Mr. Bader Abdullah Al Issa  | V-Chairman | 200,000             | 30,000                                 | 30,000   | -                | -  | 260,000   | -     | -                         | -                      | -                | -                  | 260,000                    | 38,602                    |
| 7  | Mr. Essam Abdulkadir Al-Muhaidib                                    | Member     | 200,000             | 30,000                                 | 30,000   | -                | -  | 260,000   | -     | -                         | -                      | -                | -                  | 260,000                    | 42,752                    |
| 8  | Mr. Abdulaziz Khaled Al-Ghufaily                                    | Member     | 200,000             | 30,000                                 | 30,000   | -                | -  | 260,000   | -     | -                         | -                      | -                | -                  | 260,000                    | 32,610                    |
| 9  | Dr. Adnan Abdulfattah Soufi   | Member     | 100,000             | 20,000                                 | 10,000   | -                | -  | 130,000   | -     | -                         | -                      | -                | -                  | 130,000                    | -                         |
| 10   | Eng. Mutaz Qusai Alazawi  | Member     | 200,000             | 30,000                                 | 20,000   | -                | -  | 250,000   | -     | -                         | -                      | -                | -                  | 250,000                    | 32,601                    |
| 11   | Mr. Mohammed Ibrahim Al Issa*                                       | Member     | 200,000             | 20,000                                 | 40,000   | -                | -  | 260,000   | -     | -                         | -                      | -                | -                  | 260,000                    | 29,045                    |
| <b>Third: ex-Board members of the previous office term that ended on 30/06/2019:</b> |   |            |                     |  |  |                  |  |   |       |                           |                        |                  |                    |                            |                           |
| -  | Mr. Mohammad Abdulqader Al Fadi                                     | Ex-Member  | 100,000             | 10,000                                 | 20,000   | -                | -  | 130,000   | -     | -                         | -                      | -                | -                  | 130,000                    | -                         |
| -  | Mr. Omar Hadir Al-Farisi  | Ex-Member  | 100,000             | 10,000                                 | 10,000   | -                | -  | 120,000   | -     | -                         | -                      | -                | -                  | 120,000                    | 43,517                    |
| -  | Dr. Sami Mohsen Baroum  | Ex-Member  | 50,000              | 5,000                                  | 5,000  | -                | -  | 60,000  | -     | -                         | -                      | -                | -                  | 60,000                     | -                         |
| -  | Eng. Abdullah Mohammed Nour Rehami                                  | Ex-Member  | 100,000             | 10,000                                 | 25,000   | -                | -  | 135,000   | -     | -                         | -                      | -                | -                  | 135,000                    | -                         |
| <b>Total</b>   |   |            | <b>2,150,000</b>    | <b>315,000</b>                         | <b>310,000</b>                                   |                  |  | <b>2,775,000</b>  |       |                           |                        |                  |                    | <b>2,775,000</b>           | <b>308,467</b>            |

\*Mr. Mohammad Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member of Kinan International for Real Estate Development Co., which has a related party transaction with one of our subsidiaries.

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

e-5) Remuneration of Committees Members: Below are the details of Committees members' remunerations (SAR):

| No.   | Committee/Member Name  | Title                       | Fixed remuneration<br>(excluding the allowance for<br>attending Board meetings) | Attendance<br>fees (5,000 per<br>meeting) | Total          | Expenses allowance                              |
|---|--|-----------------------------|---|---|----------------|---|
| <b>Audit Committee Members:</b>                         |  |                             |   |   |                |   |
| 1.  | Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)            | Chairman                    | 150,000   | 20,000                                    | 170,000        | Mentioned in the Board remuneration Table (e-4) |
| 2.  | Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)**        | Member                      | 150,000   | 20,000                                    | 170,000        | Mentioned in the Board remuneration Table (e-4) |
| 3.  | Mr. Bader Hamad Al-Rabiah (Independent, Savola Board member)               | Member (as of 01/07/2019)   | 75,000  | 10,000                                    | 85,000         | Mentioned in the Board remuneration Table (e-4) |
| 4.  | Dr. Abdul Raouf Suliman Banaja (Independent, external member)              | Member                      | 150,000   | 20,000                                    | 170,000        | none  |
| 5.  | Dr. Ammr Khalid Kurdi (Independent, external member)                       | Member                      | 150,000   | 20,000                                    | 170,000        | 9,465   |
| <b>Ex-members (from 01/01/2019 till 30/06/2019)</b>     |  |                             |   |   |                |   |
| -   | Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)      | Ex-Member                   | 75,000  | 10,000                                    | 85,000         | Mentioned in the Board remuneration Table (e-4) |
| <b>Total</b>  |  |                             | <b>750,000</b>  | <b>100,000</b>                            | <b>850,000</b> | <b>9,465</b>                                    |
| <b>Remuneration &amp; Nomination Committee Members:</b> |  |                             |   |   |                |   |
| 1.  | Mr. Rakan Abdulaziz Al Fadl (Independent, Savola Board member)             | Chairman (as of 01/07/2019) | 50,000  | 10,000                                    | 60,000         | none  |
| 2.  | Mr. Bader Abdullah Al Issa (Non-executive, Savola Board member)            | Member                      | 100,000   | 30,000                                    | 130,000        | Mentioned in the Board remuneration Table (e-4) |
| 3.  | Mr. Essam Abdulkadir Al Muhaidib (Non-executive, Savola Board member)      | Member                      | 100,000   | 30,000                                    | 130,000        | Mentioned in the Board remuneration Table (e-4) |
| 4.  | Mr. Abdulrahman Mohammed Ramzi Addas (Independent, Savola Board member)    | Member (as of 01/07/2019)   | 50,000  | 10,000                                    | 60,000         | none  |
| 5.  | Mr. Johan Brand (Independent, external member)                             | Member                      | 100,000   | 30,000                                    | 130,000        | 18,578  |
| <b>Ex-members (from 01/01/2019 till 30/06/2019)</b>     |  |                             |   |   |                |   |
| -   | Mr. Mohammad Abdulqader Al Fadl (Ex-Independent, Savola Board member)      | Ex-Chairman                 | 50,000  | 20,000                                    | 70,000         | None  |
| -   | Eng. Abdullah Mohammed Nour Rehami (Ex-Non-executive, Savola Board member) | EX-Member                   | 50,000  | 20,000                                    | 70,000         | None  |
| <b>Total</b>  |  |                             | <b>500,000</b>  | <b>150,000</b>                            | <b>650,000</b> | <b>18,578</b>                                   |

## Corporate Governance Report and major relevant disclosures continued

e-5) Remuneration Of Committees Members: Below are the details of Committees member's remunerations (SAR): continued

| No.   | Committee/Member Name  | Title                       | Fixed remuneration<br>(excluding the allowance for<br>attending Board meetings) | Attendance<br>fees (5,000<br>per meeting) | Total          | Expenses allowance                              |
|---|--|-----------------------------|---|---|----------------|---|
| <b>Investment Committee Members:</b>                |  |                             |   |   |                |   |
| 1.  | Eng. Mutaz Qusai Alazawi (Non-executive, Savola Board member)              | Chairman (as of 01/07/2019) | 50,000  | 10,000                                    | 60,000         | none  |
| 2.  | Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member)      | Member                      | 100,000   | 30,000                                    | 130,000        | Mentioned in the Board remuneration Table (e-4) |
| 3.  | Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)            | Member                      | 100,000   | 30,000                                    | 130,000        | Mentioned in the Board remuneration Table (e-4) |
| 4.  | Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)**        | Member (as of 01/07/2019)   | 50,000  | 10,000                                    | 60,000         | None  |
| 5.  | Dr. Adnan Abdulfattah Soufi (Non-executive, Savola Board member)           | Member                      | 100,000   | 30,000                                    | 130,000        | 18,578  |
| <b>Ex-members (from 01/01/2019 till 30/06/2019)</b> |  |                             |   |   |                |   |
| -   | Mr. Mohammad Abdulqader Al Fadl (Ex-Independent, Savola Board member)      | Ex-Chairman                 | 50,000  | 20,000                                    | 70,000         | None  |
| -   | Eng. Abdullah Mohammed Nour Rehami (Ex-Non-executive, Savola Board member) | EX-Member                   | 50,000  | 20,000                                    | 70,000         | None  |
| <b>Total</b>  |  |                             | <b>475,000</b>  | <b>95,000</b>                             | <b>570,000</b> | <b>-</b>  |
| <b>CSR Committee Members:</b>                       |  |                             |   |   |                |   |
| 1.  | Mr. Abdulrahman Mohammed Ramzi Addas (Independent, Savola Board member)    | Chairman (as of 01/07/2019) | 50,000  | 10,000                                    | 60,000         | none  |
| 2.  | Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)            | Member (as of 01/07/2019)   | 50,000  | 10,000                                    | 60,000         | Mentioned in the Board remuneration Table (e-4) |
| 3.  | Eng. Abdullah Mohammed Nour Rehami (External member, Non-executive)        | Member (as of 01/07/2019)   | 50,000  | 10,000                                    | 60,000         | None  |
| 4.  | Eng. Anees Ahmed Moumina (Executive -CEO)                                  | Member                      | N/A   | 20,000                                    | 20,000         | None  |
| <b>Ex-members (from 01/01/2019 till 30/06/2019)</b> |  |                             |   |   |                |   |
| -   | Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)**        | EX-Chairman                 | 50,000  | 10,000                                    | 60,000         | Mentioned in the Board remuneration Table (e-4) |
| -   | Mr. Ahmed Saleh Alrammah (Ex-Independent external member)                  | EX-Member                   | 50,000  | 10,000                                    | 60,000         | 3,536   |
| -   | Dr. Mervat Ahmed Tashkandi (Ex-Independent external member)                | Ex-Member                   | 50,000  | 10,000                                    | 60,000         | None  |
| -   | Mr. Mahmoud Mansour Abdul Ghaffar (Ex-Independent External member)         | Ex-Member                   | 50,000  | 10,000                                    | 60,000         | None  |
| <b>Total</b>  |  |                             | <b>350,000</b>  | <b>90,000</b>                             | <b>440,000</b> | <b>3,536</b>                                    |

\*\*Mr. Mohammad Al Issa was an independent Board member for the period from 01/01/2019 till 26/10/2019. Then, he became a non-executive member as of 27/10/2019 as he was elected as a Board member of Kinan International for Real Estate Development Co, which has a related party transaction with one of our subsidiaries.

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## e-6) Senior executives' compensation of Savola Group for 2019:

Compensation and benefits paid to (5) senior executives including the CEO and CFO of the Group who have received the highest remuneration during 2019 were:

| No.                                   | Description   | Senior executives' (5 in total) compensation including the CEO and the CFO (SAR '000) |
|---------------------------------------|---|---|
| <b>Fixed remuneration</b>             |   |   |
| -                                     | Salaries  | 13,920  |
| -                                     | Allowances (including housing, transportation, health insurance, education allowance, etc.) | 4,872   |
| -                                     | In-kind benefits  | 533   |
| <b>Total of fixed remuneration</b>    |   | <b>19,325</b>   |
| <b>Variable Remuneration</b>          |   |   |
| -                                     | Periodic remuneration   | -   |
| -                                     | Profits   | -   |
| -                                     | Short-term incentive plans (including performance-related bonus for 2019)                   | 12,225  |
| -                                     | Long-term incentive plans   | -   |
| -                                     | The value of the Granted shares   | -   |
| <b>Total of variable remuneration</b> |   | <b>12,225</b>   |
| -                                     | End of service award  | 855   |
| -                                     | Total remuneration for Board executives, if any   | 60  |
| <b>Grand total</b>                    |   | <b>32,465</b>   |

## e-7) The Relation Between the Paid Remuneration and the Adopted Remuneration Policy:

Based on the remuneration policy of the Board of Directors and its Committees and Executive Management, mentioned earlier in this Report, and in light of the remuneration paid for the Board, its Committees, and the executive management and what is proposed for the Board, it shows Savola conforming with the approved policy without any material deviation from it.

## Corporate Governance Report and major relevant disclosures continued

## f) Description of any Interest of the Board Members, Senior Executives and Their Relatives

## f-1) Description of any interest of the Board members and their relatives in shares or debt instruments of the Company:

| No.   | Names of members whom the interest, contractual securities or rights issue belongs to | Board members and their relatives |                  |                 |                  | Net change | Percentage of change |
|---|---|-----------------------------------|------------------|-----------------|------------------|------------|----------------------|
|   |   | Beginning of the year             |                  | End of the year |                  |            |                      |
|   |   | Shares                            | Debt instruments | Shares          | Debt instruments |            |                      |
| <b>First: Board members for the current office term that started as of 01/07/2019:</b>                  |   |                                   |                  |                 |                  |            |                      |
| 1.  | Mr. Sulaiman Abdulkadir Al Muhaidib   | 1,000                             | -                | 1,000           | -                | 0          | 0%                   |
| 2.  | Mr. Bader Abdullah Al Issa  | 1,025                             | -                | 1,025           | -                | 0          | 0%                   |
| 3.  | Mr. Abdulaziz Khaled Al Ghufaily  | 1,000                             | -                | 1,000           | -                | 0          | 0%                   |
| 4.  | Mr. Essam Abdulkadir Al Muhaidib  | 2,500                             | -                | 2,500           | -                | 0          | 0%                   |
| 5.  | Eng. Mutaz Qusai Alazawi  | 1,000                             | -                | 1,000           | -                | 0          | 0%                   |
| 6.  | Mr. Fahad Abdullah Al Kassim  | 2,000                             | -                | 2,000           | -                | 0          | 0%                   |
| 7.  | Mr. Mohammed Ibrahim Al Issa  | 1,000                             | -                | 1,000           | -                | 0          | 0%                   |
| 8.  | Mr. Abdulrahman Mohammed Ramzi Addas  | 0                                 | -                | 1,000           | -                | 1,000      | 100%                 |
| 9.  | Dr. Adnan Abdulfattah Soufi   | 0                                 | -                | 1,000           | -                | 1,000      | 100%                 |
| 10.   | Mr. Rakan Abdulaziz Al Fadl   | 148,500                           | -                | 225,660         | -                | 77,160     | 51.95%               |
| 11.   | Mr. Bader Hamad Al-Rabiah   | 2,500                             | -                | 2,500           | -                | 0          | 0%                   |
| <b>Second: Relatives of Board members for the current office term that started as of 01/07/2019: NA</b> |   |                                   |                  |                 |                  |            |                      |
| <b>Third: ex-Board members for the previous office term that ended on 30/06/2019:</b>                   |   |                                   |                  |                 |                  |            |                      |
|   | Eng. Abdullah Mohammed Nour Rehami  | 4,000                             | -                | 4,000           | -                | 0          | 0%                   |
|   | Mr. Mohammad Abdulqader Al Fadl   | 6,304                             | -                | 6,304           | -                | 0          | 0%                   |
|   | Mr. Omar Hadir Al-Farisi  | 1,000                             | -                | 0               | -                | -1,000     | 100%                 |
|   | Dr. Sami Mohsen Baroum  | 1,000                             | -                | 0               | -                | -1,000     | 100%                 |
| <b>Forth: Relatives of Ex-Board members for the previous office term that ended on 30/06/2019:</b>      |   |                                   |                  |                 |                  |            |                      |
|   | Mr. Mohammad Abdulqader Al Fadl's wife  | 144                               | -                | 144             | -                | 0          | 0%                   |
|   | Dr. Sami Mohsen Baroum's 3 children   | 774                               | -                | 854             | -                | 80         | 10.33%               |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## f) Description of any Interest of the Board Members, Senior Executives and Their Relatives continued

## f-2) Description of any interest of the senior executives and their relatives in shares or debt instruments of the Company:

| Senior Executives and their relatives:                |   |                       |                  |                 |                  |            |                      |
|---|---|-----------------------|------------------|-----------------|------------------|------------|----------------------|
| No.   | Names of Executives whom the interest, contractual securities or rights issue belongs to          | Beginning of the year |                  | End of the year |                  | Net change | Percentage of change |
|   |   | Shares                | Debt instruments | Shares          | Debt instruments |            |                      |
| <b>First: Senior Executives:</b>                      |   |                       |                  |                 |                  |            |                      |
| 1.  | Eng. Anees Ahmed Moumina (Savola Group CEO)   | 0                     | -                | 0               | -                | 0          | 0%                   |
| 2.  | Mr. Sameh Hassan (Savola Foods Co. CEO)   | 0                     | -                | 0               | -                | 0          | 0%                   |
| 3.  | Dr. Bander Talaat Hamooh (Panda Retail Co. CEO)   | 26                    | -                | 26              | -                | 0          | 0%                   |
| 4.  | Mr. Nouman Farrukh Muhammad Abdussalam (Chief Financial Officer)                                  | 0                     | -                | 0               | -                | 0          | 0%                   |
| 5.  | Mr. Mohammed Nasr (Executive Director -Investment)  | 0                     | -                | 0               | -                | 0          | 0%                   |
| 6.  | Mr. Elnour Ali Saad (Executive Director Corporate Governance & Legal Affairs and Board Secretary) | 0                     | -                | 0               | -                | 0          | 0%                   |
| 7.  | Mr. Tarik Mohammed Ismail (Executive Director – CSR & Sustainability)                             | 10                    | -                | 10              | -                | 0          | 0%                   |
| 8.  | Mr. Morhaf Mohammed Alsamman (Executive Director Human Resources & Corporate Services)            | 0                     | -                | 0               | -                | 0          | 0%                   |
| <b>Second: Senior Executive resigned during 2019*</b> |   |                       |                  |                 |                  |            |                      |
|   | Ms. Huda Al Lawati (Chief Investment Officer)   | 0                     | -                | 0               | -                | 0          | 0%                   |
| <b>Third: Senior executives' relatives: N/A</b>       |   |                       |                  |                 |                  |            |                      |

## f-3) Description of any interest of Board members and their relatives in shares or debt instruments in Herfy Food Services Co. (a listed subsidiary of Savola Group):

| No.   | Names of Executives whom the interest, contractual securities or rights issue belongs to | Beginning of the year |                  | End of the year |                  | Net change | Percentage of change |
|---|--|-----------------------|------------------|-----------------|------------------|------------|----------------------|
|   |  | Shares                | Debt instruments | Shares          | Debt instruments |            |                      |
| <b>First: Board members:</b>                      |  |                       |                  |                 |                  |            |                      |
| 1.  | Mr. Essam Abdulkadir Al Muhaidib   | 1,960                 | -                | 1,960           | -                | 0          | 0%                   |
| 2.  | Eng. Mutaz Qusai Alazawi   | 1,400                 | -                | 1,400           | -                | 0          | 0%                   |
| <b>Second: Board members relatives: N/A</b>       |  |                       |                  |                 |                  |            |                      |
| <b>Third: executive management:</b>               |  |                       |                  |                 |                  |            |                      |
| 1.  | Eng. Anees Ahmed Moumina   | 64                    | -                | 64              | -                | 0          | 0%                   |
| <b>Forth: executive management relatives: N/A</b> |  |                       |                  |                 |                  |            |                      |

## Corporate Governance Report and major relevant disclosures continued

## g) The major Board resolutions and important events during the year, which some of them announced through Tadawul or were published in the Company website:

| No  | Date       | Announcement  |
|-----|------------|---|
| 1.  | 10/02/2019 | Savola announces the opening of nomination for membership to the Board of Directors for the next office term  |
| 2.  | 19/03/2019 | Savola announces its annual financial results for the year ended on 31/12/2018  |
| 3.  | 14/04/2019 | Savola invites its shareholders to attend the Extraordinary General Assembly Meeting (No.31) (First Meeting)  |
| 4.  | 02/05/2019 | Savola announces to its Shareholders the commencement of the Electronic Voting on the Agenda of its Extraordinary General Assembly Meeting (No. 31) (First Meeting) |
| 5.  | 06/05/2019 | Savola invites its shareholders to attend the Extraordinary General Assembly Meeting (No.31) (First Meeting) (Reminder)   |
| 6.  | 08/05/2019 | Savola announces its interim financial results for the period ending on 31/03/2019 ( Three Months )   |
| 7.  | 09/05/2019 | Savola announces the results of the Extraordinary General Meeting (No.31) (First Meeting)   |
| 8.  | 09/05/2019 | Savola announces intent to issue Sukuk denominated in Saudi Arabian Riyals  |
| 9.  | 12/05/2019 | Addendum Announcement from Savola regarding interim financial results announcement for the period ended on 31/03/2019 (Three Months)                                |
| 10. | 18/06/2019 | Savola Group announces the start of offering the first issuance of Sukuk pursuant to its Sukuk program  |
| 11. | 01/07/2019 | Savola announces the appointment of the Chairman, Vice Chairman, and Committees Formation   |
| 12. | 01/07/2019 | Savola announces the appointment of Two Members in the Audit Committee  |
| 13. | 09/07/2019 | Savola announces the successful completion of offering a Sukuk issuance pursuant to its Sukuk program   |
| 14. | 20/08/2019 | Savola announces the interim financial results for the period ended on 30/06/2019 (Six Months)  |
| 15. | 28/10/2019 | Savola announces its interim financial results for the period ending on 30/09/2019 (Nine Months )   |

## h) Shareholders rights and investor relations

Illustrating Savola's commitment to enhancing its relationship with shareholders, investors and all stakeholders, and because of the Group's strong beliefs in the importance of corporate governance to protect shareholders' rights and maintain effective internal controls through the activation of the Board and its Committees' roles, and commitment to the principles of disclosure and transparency, during 2019, the Group continued to implement and comply with the Corporate Governance Regulations of Saudi Arabia's Capital Market Authority and other relevant regulations. In addition to the performance and financial results previously outlined, Savola discloses information that is of interest to its shareholders and investor community in line with relevant regulations and best international practices adopted by the Group in corporate governance and transparency. These are:

## h-1) Shareholder rights and mechanisms of communication:

Due to the Group's belief, interest and care in the rights of its shareholders, and in light of applicable regulations, these rights form part of Savola's bylaws and Corporate Governance Manual, which can be viewed on Savola's website.

## h-2) Enable shareholders and investors to access information:

Savola publishes financial statements, announcements and key decisions on the Saudi Stock Exchange (Tadawul) website, in daily newspapers and in the annual Directors' Report. A dedicated department manages and deals with shareholder affairs and responds to their enquiries.

## h-3) Procedures for informing the Board members of the shareholders' suggestions and notes on the Company and its performance:

Keeping the Board members informed of the shareholders' proposals and comments on the Company and its performance through the following procedures:

1. Presenting the shareholders' proposals and comments (if any) to the Board members at the nearest meeting or any other effective means of communication to achieve the purpose on an ongoing basis.
2. Organizing continuous meetings with investors (Investor Relation Programs) and briefing the Board on the substantive proposals they make.
3. The Board members are attending the General Assembly meetings where shareholders raise their suggestions to the Board during the meeting and the Board responds to these suggestions during the meeting.

In addition, the Chairman of the Board discusses the shareholders' suggestions (if any) and the performance without the presence of any of the executives (whenever deemed necessary).

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## h) Shareholders rights and investor relations continued

## h-4) Savola Group equity profile as of 31/12/2019:

| No. | Detail  | Value in SAR/Number of shares |
|-----|---|-------------------------------|
| 1.  | Company authorized capital                                | SAR 5,339,806,840             |
| 2.  | Issued shares (all Company's shares are ordinary shares)* | 533,980,684                   |
| 3.  | Floated issued shares (by Tadawul records)**              | 498,114,918                   |
| 4.  | Paid-up capital   | SAR 5,339,806,840             |
| 5.  | Nominal value per share                                   | SAR 10                        |
| 6.  | Paid-up value per share                                   | SAR 10                        |

## Declaration:

\*The Group does not have preferred shares or shares with special priority rights of voting, issued to either shareholders, Board of Directors or employees. All shares of the Group are ordinary shares of equal nominal value and rank equally in voting rights and other rights as specified by regulations.

\*\*The total number of floated shares changes from time to time based on the trading movement of Savola Group shares on the Saudi Stock Exchange. Please note that the number of floated shares has been taken from Tadawul's records on 01/03/2020.

## h-5) Dates of key events for shareholders and investors

In accordance with international best practice in corporate governance, Savola shares the dates of key anticipated events during 2020 which may be of interest to our valued shareholders and investors:

| No. | Dates          | Key events for 2020  |
|-----|----------------|--|
| 1   | 29 January     | Audit Committee meeting to recommend to the Board approval of the financial results for the fourth quarter of 2019   |
| 2   | 29 January     | Board of Directors' meeting regarding the financial results for the fourth quarter of 2019 which will be announced in the light of the Board's decision during the prescribed period |
| 3   | 16 March       | Audit Committee meeting regarding the audited financial results for 2019   |
| 4   | 16 -17 March   | The annual financial results for 2019 will be approved by Board of Directors   |
| 5   | 17 - 18 March  | Date of publishing the Annual financial results of year 2019 on Tadawul and then Savola website  |
| 6   | 18 - 31 March  | Date of publishing the Savola Group Annual Report for 2019   |
| 7   | 29 April       | Audit Committee meeting to recommend to the Board approval of the financial results for the first quarter of 2020  |
| 8   | 29 April       | Board of Directors' meeting regarding the financial results for the first quarter of 2020 which will be announced in the light of the Board's decision during the prescribed period  |
| 9   | 29 April       | Hold the Annual General meeting (AGM) which will be announced as per regulation (proposed date subject to the approval of the official authorities)                                  |
| 10  | 12 August      | Audit Committee meeting to recommend to the Board approval of the financial results for the second quarter of 2020   |
| 11  | 13-14 August   | Date of publishing the financial results for the second quarter of 2020 on Tadawul once approved by the Board based on the recommendation of the Audit Committee                     |
| 12  | 28 October     | Audit Committee meeting to recommend to the Board approval of the financial results for the third quarter of 2020  |
| 13  | 28 October     | Board of Directors' meeting regarding the financial results for the third quarter of 2020 which will be announced in the light of the Board's decision during the prescribed period  |
| 14  | 19-20 December | Annual workshop for the Board of Directors to review the strategic and business plan for the Group and its subsidiaries and to approve the budget for 2021                           |

Note: Savola would like to point out that the above dates are approximate and may change according to notifications received from official authorities. Although Savola is determined to carry out these events on the planned dates, we assume no obligation from failure to do so.

## Corporate Governance Report and major relevant disclosures continued

## h) Shareholders rights and investor relations continued

## h-6) The Dividends Distribution Policy:

## a) The policy:

As per Article (45) of the Company bylaws the Company's annual net profits shall be distributed as follows:

- 10% of the net profits shall be set aside to form a statutory reserve. However, the ordinary general assembly may discontinue such procedures when the reserve totals 30% of the paid-up capital.
- The ordinary general assembly may decide to allocate other reserves, in the amount that serves the Company's interests or ensures distribution of stable profits as much as possible to shareholders. The said assembly may, as well, deduct from the net profits such amounts as are required for the setting-up of or providing aid to social institutions for the Company's employees.
- The remaining profits shall be distributed to shareholders pursuant to a recommendation of the Board of Directors as required by the regulations in this regard, taking into account the provisions of Article (46) of the bylaws which states that:
  - Shareholder shall be entitled to his share of dividends as per the general assembly resolution issued in this regard in the recommendation of the Board of Directors. The resolution shall specify the maturity date and the distribution date. The entitlement of profits shall be to the shareholders who are registered in the shareholders' records at the end of the maturity date.
  - The Company may, under its bylaws, distribute interim dividends (quarterly or biannual) to its shareholders after fulfilling the statutory requirements.

## b) Dividends proposed for distribution for 2019 and their payment process:

In light of the above Dividends Distribution Policy, the Savola Group Board in its meeting on 29/01/2020, and in light of the achieved net profit amounted to SAR 475.6 million, recommended the distribution of SAR 160.2 million (i.e. SAR 0.30 per share) as cash dividends for the year 2019, which represents 3% of the Company nominal share value. The maturity date for these cash dividends will be for all shareholders who are registered in Tadawul at the end of the second trading day following the day of the Annual General Assembly Meeting (AGM) which will be fixed after securing the formal approval from the relevant official authorities, and accordingly, the said AGM will ratify the Board's recommendation. The dividends will be paid after the approval of the AGM and will be deposited in the shareholders' accounts as will be detailed in the announcement, which will be published on Tadawul at a later date.

## • The following statement shows the proposed dividends to be distributed for 2019:

The following statement shows the proposed dividends to be distributed for 2019:

|            | Percentage of interim dividends distributed during the year | Proposed dividend ratios at the end of the year                            | Total recommended dividends (SAR) |
|------------|---|--|-----------------------------------|
| Percentage | No interim dividends were distributed during the year 2019  | (SAR 0.30 per share) which represents 3% of the nominal value of the share | SAR 160.2 million                 |
| Total      | No interim dividends were distributed during the year 2019  | (SAR 0.30 per share) which represents 3% of the nominal value of the share | SAR 160.2 million                 |

## h-7) Major shareholders list:

Below are shareholders owning 5% or more of the total shares of the Group, and movements during 2019:

| No. | Name   | Nationality                  | Description of any interest in a class of voting shares held by persons (other than the Company's Directors, senior executives and their relatives) who have notified the Company of their holdings, together with any change to such interests during the last fiscal year |                                    |                           |                      |               |                   |
|-----|--|------------------------------|---|------------------------------------|---------------------------|----------------------|---------------|-------------------|
|     |  |                              | Shares at the beginning of 2019   | Ownership at the beginning of 2019 | Shares at the end of 2019 | % at the end of 2019 | Shares change | Percentage change |
| 1.  | Assila Investment Co.                            | Saudi company                | 60,000,000  | 11.24%                             | 60,000,000                | 11.24%               | 0             | 0%                |
| 2.  | General Organization for Social Insurance (GOSI) | Saudi government institution | 54,795,992  | 10.26%                             | 35,626,085                | 6.67%                | 19,169,907-   | 3.59%-            |
| 3.  | Abdulkadir Al Muhaidib & Sons Co.                | Saudi company                | 43,966,110  | 8.23%                              | 43,966,110                | 8.23%                | 0             | 0%                |
| 4.  | Mr. Abdullah M.A. Al Rabiah                      | Saudi                        | 43,892,500  | 8.22%                              | 43,892,500                | 8.22%                | 0             | 0%                |
| 5.  | Al Muhaidib Holding Co.                          | Saudi company                | 33,980,684  | 6.36%                              | 33,980,684                | 6.36%                | 0             | 0%                |

Declaration: Regarding the declaration of movements in major shareholders' ownership in accordance with listing rules, the Group confirms that it has not received any written notification during 2019 from any of its major shareholders indicating any changes or movement in their ownership percentages. The disclosed information is based on the Saudi Stock Exchange (Tadawul) records on 31/12/2019.

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## h) Shareholders rights and investor relations continued

## h-8) Numbers of Company's requests of shareholders records, dates and reasons thereof for 2019:

| No.          | Date of request  | Reason  |
|--------------|--|---|
| 1.           | May 8, 2019  | To determine the eligibility for attending the Extraordinary General Assembly Meeting (No. 31)  |
| 2.           | 3-10-17-24-31) Jan, (7-14-21-28) Feb, (7-14-21-28) Mar, (4-11-18-25) April, (2-9-16-23-30) May, (13-20-27) June, (4-11-18-25) July, (1-8-22-29) Aug, (5-12-19-26) Sep, (3-10-17-24-31) Oct, (7-14-21-28) Nov, (5-12-19-26) Dec | (50 reports) To review the changes in share ownership for investor relations purposes and to update the transparency screen which is being published on the Company's website |
| <b>Total</b> |  | <b>51</b>   |

## i) Transactions with related parties that took place during 2019, these transactions will be ratified in the upcoming AGM meeting as per laws and regulation in this regard:

## i-1) Information relating to any business or contract to which the Company is a party and in which a Board member, a senior executive or any person related to any of them is or was of interest:

1) Transactions and contracts with a direct or indirect interest between the Company and Abdulkadir Al Muhaidib & Sons Co. and Al Muhaidib Group and their subsidiaries or any person related to any of them:

| No.  | The nature of the transaction or contract   | The value amount of the transaction or contract for 2019 | The conditions of the transaction or contract   | The duration of the transaction or contract | Name of the Board member/ Senior executive or any person related to any one of them  |
|--|---|--|---|---|--|
| a. Savola and Al Muhaidib:<br>Business or contract in which Abdulkadir Al Muhaidib & Sons Co. and its subsidiaries or any person related to any of them has direct or indirect interest, the total amount of the transactions is SAR 641.42 million. |   |  |   |   |  |
| 1.   | Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Mayar Foods Co.  | SAR 134.73 million                                       | In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.) | Annually                                    | Mr. Sulaiman Abdulkadir Al Muhaidib who is also the Chairman of Abdulkadir Al Muhaidib & Sons Co. as well as the chairman of Savola, in addition to, Mr. Essam Abdulkadir Al Muhaidib who is the Managing Director of Abdulkadir Al Muhaidib & Sons Co. as well as a board member in Savola. |
| 2.   | Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Del Monte Saudi Arabia.  | SAR 70.80 million  | In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.).                   |   |  |
| 3.   | Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Nestle Group and its subsidiaries  | SAR 383.24 million                                       |   |   |  |
| 4.   | Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Manhal Water Factory Co. Ltd.  | SAR 5.79 million   |   |   |  |
| 5.   | Leasing spaces by Panda Retail Co. (a subsidiary of Savola) from Abdulkadir Al Muhaidib & Sons Co.  | SAR 6.78 million   |   |   |  |
| 6.   | Leasing spaces to sell its products along with trading foods products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Almejbaj Alshamiyah Trading Co. | SAR 30.20 million  |   |   |  |
| 7.   | Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Del Monte Saudi Arabia.   | SAR 3.30 million   |   |   |  |
| 8.   | Scrap Sales by Panda Retail Co. (a subsidiary of Savola) to Waste Collection & Recycling Company  | SAR 5.94 million   |   |   |  |
| 9.   | Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Zohoor Alreef Co.   | SAR 482 thousand   |   |   |  |
| 10.  | Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from AL Jazirah Dates & Food Factory  | SAR 164 thousand   |   |   |  |
| <b>Total</b>   |   | <b>SAR 641.42 million</b>                                |   |   |  |

## Corporate Governance Report and major relevant disclosures continued

## i) Transactions with related parties that took place during 2019, these transaction will be ratified in the upcoming AGM meeting as per laws and regulation in this regard: continued

## 2) Transactions and contracts with a direct or indirect interest between the Company and Almarai Co.:

| No.   | The nature of the transaction or contract  | The value amount of the transaction or contract for 2019 | The conditions of the transaction or contract   | The duration of the transaction or contract | Name of the Board member/ Senior executive or any person related to any one of them  |
|---|--|--|---|---|--|
| b. Savola and Almarai Co:<br>Business or contract in which Almarai Co. and its subsidiaries, or any person related to any of them, has a direct or indirect interest, the total amount of the transactions is SAR 852.82 million. |  |  |   |   |  |
| 1.  | Purchasing consumer foods goods by Panda Retail Co. (a subsidiary of Savola) from Almarai Co. and its subsidiaries             | SAR 740.20 million                                       | In the ordinary course of business and general commercial terms worked without any preferential treatment (including product quality, payment method, pricing, delivery, delay penalties, etc.) | Annually                                    | Almarai, a listed company in which Savola Group owns 34.52%. Three of Savola Directors are members of Almarai's Board (Mr. Sulaiman Abdulkadir Al Muhaidib, Mr. Bader Abdullah Al Issa) as well as Eng. Anees Ahmed Moumina Group CEO. |
| 2.  | Selling sugar by United Sugar Company (a subsidiary of Savola Foods Co.) to Almarai Co. and its subsidiaries                   | SAR 62.95 million  |   |   |  |
| 3.  | Selling specialty fats products by International Company for Food Industries (a subsidiary of Savola Foods Co.) to Almarai Co. | SAR 43.27 million  |   |   |  |
| 4.  | Selling edible oil products by Afia International (a subsidiary of Savola Foods Co.) to Al Marai Co.                           | SAR 6.40 million   |   |   |  |
| <b>Total</b>  |  | <b>SAR 852.82 million</b>                                |   |   |  |

## 3) Transactions and contracts with a direct or indirect interest between the Company and Herfy Food Services Co.:

| No.  | The nature of the transaction or contract  | The value amount of the transaction or contract for 2019 | The conditions of the transaction or contract  | The duration of the transaction or contract | Name of the Board member/ Senior executive or any person related to any one of them   |
|--|--|--|--|---|---|
| c. Savola and Herfy Co:<br>Business or contract in which Herfy Food Services Co. and its subsidiaries or any person related to any of them has direct or indirect interest, the total amount of the transactions is SAR 40.95 million. |  |  |  |   |   |
| 1.   | Leasing shops and retail purchases of food products by Panda Retail Co. (a subsidiary of Savola) to/from Herfy Food Services Co.                   | SAR 32.81 million  | In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.) | Annually                                    | Herfy Food Services Co., a listed company, in which Savola Group owns 49% (directly and indirectly); Savola has (3) representatives on Herfy's Board: Mr. Essam Abdulkadir Al Muhaidib, who is the chairman of Herfy Board, and Eng. Mutaz Qusai Alazawi who are also Board members of Savola Group, as well as Eng. Anees Ahmed Moumina Group CEO. |
| 2.   | Selling edible oil products by Afia International (a subsidiary of Savola Foods Co.) to Herfy Food Services Co.                                    | SAR 2.23 million   |  |   |   |
| 3.   | Selling sugar by United Sugar Co. (a subsidiary of Savola Food Co.) to Herfy Food Services Co.   | SAR 2.18 million   |  |   |   |
| 4.   | The sale of Specialty Fats products by the International Co. for Food Industries Co. (a subsidiary of Savola Foods Co.) to Herfy Food Services Co. | SAR 3.73 million   |  |   |   |
| <b>Total</b>   |  | <b>SAR 40.95 million</b>                                 |  |   |   |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

i) Transactions with related parties that took place during 2019, these transaction will be ratified in the upcoming AGM meeting as per laws and regulation in this regard: continued

## 4) Transactions and contracts with a direct or indirect interest between the Company and other companies:

| No. | The nature of the transaction or contract  | The value amount of the transaction or contract for 2019 | The conditions of the transaction or contract   | The duration of the transaction or contract | Name of the Board member/ Senior executive or any person related to any one of them  |
|-----|--|--|---|---|--|
| 1.  | Leasing of shop by Panda Retail Co. (a subsidiary of Savola) from Dur Hospitality Co.                                  | SAR 10.50 million  | In the ordinary course of business and general commercial terms worked without any preferential treatment | Annually                                    | Dur Hospitality Co., where Mr. Badr Abdullah Al-Issa is a board member and he is also a Board member of Panda Retail Co. (a subsidiary of Savola)  |
| 2.  | Leasing of shops by Panda Retail Co. (a subsidiary of Savola) from Kinan International for Real Estate Development Co. | SAR 31.13 million  | including renewal, payment methods, maintenance, insurance, etc.  |   | Kinan International for Real Estate Development Co., of which Savola owns 29.99%, and Savola has two members on Kinan's Board: Mr. Mohammed Ibrahim Al-Issa a Savola Board member, and Eng. Anees Ahmad Moumina Group CEO. |

## j) A description of any transaction between the Company and any related party:

The following transactions mainly represent sale and purchase of products and leases of stores in the normal course of business with associates and other entities related to subsidiaries. The terms of such transactions are mutually agreed between the parties, with the same conditions and with no preference over third parties:

| No. | Related party  | Relationship   | Transaction | Duration    | Value/Amount       |
|-----|--|--|-------------|-------------|--------------------|
| 1.  | Certain shareholders of USC  | Shareholder of a subsidiary  | Trade       | During 2019 | SAR 131.02 million |
| 2.  | Certain shareholders of AIC  | Shareholder of a subsidiary  | Trade       | During 2019 | SAR 70.74 million  |
| 3.  | Intaj – Savola investments   | Associate  | Non-trade   | During 2019 | SAR 6.81 million   |
| 4.  | Arabian Centers Company – Al Hokair                                    | Shareholder of a subsidiary  | Non-trade   | During 2019 | SAR 52.2 million   |
| 5.  | Seafood International One FZCO – SFC                                   | Associate  | Trade       | During 2019 | SAR 28.46 million  |
|     |  |  | Non-trade   | During 2019 | SAR 147 thousand   |
| 6.  | Khairat Al Sharq for General Trade and Manufacturing Foodstuff Company | Associate  | Non-trade   | During 2019 | SAR 19.85 million  |
| 7.  | United Sugar Co. Egypt – SFC   | Associate  | Trade       | During 2019 | SAR 14.16 million  |
|     |  |  | Non-trade   | During 2019 | SAR 49.06 million  |
| 8.  | Knowledge Economic City (KEC)  | Associate, and Eng. Anees Ahmed Moumina (Savola Group CEO) is a Board member in KEC. | Non-trade   | During 2019 | SAR 468 thousand   |

## Corporate Governance Report and major relevant disclosures continued

k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, and initiatives:

## k-1) Board Declaration according to CMA CG Regulations for 2019:

As per the CG regulations requirement for the Company to make a declaration regarding non-applicable or non-existing matters, the Board undertakes the following:

| No. | Declaration/Confirmation  |
|-----|---|
| 1.  | The external auditors' report for the year 2019 does not contain any reservations on the relevant annual financial statements. The Board is committed to provide the CMA with any additional information as may be required in the event of auditors expressing any reservations on the annual financial statements.  |
| 2.  | The Company's books and records comply with the accounting standards issued by SOCPA.   |
| 3.  | There was no recommendation by the Board of Directors to replace the external auditors (KPMG), appointed for the fiscal year of 2019 to audit the Group's financials and they were not replaced during the year.  |
| 4.  | The external auditors did not provide consultancy services to the Group during 2019 and did not receive any fees in this regard.  |
| 5.  | The Board of Directors did not receive any request from the external auditor to convene a General Assembly.   |
| 6.  | The Company has not granted any cash loans whatsoever to any of its Board members or rendered guarantees with respect to any loan entered into by a Board member with third parties.  |
| 7.  | There were no penalties or precautionary attachments imposed on the Company by the Capital Market Authority, or by any other supervisory, regulatory or judicial body.  |
| 8.  | The Company has avoided taking any action that might hamper the use of shareholders' voting rights.   |
| 9.  | The Company did not receive any request to convene a General Assembly or a request to add one or more items to the agenda upon its preparation from a number of shareholders whose shareholdings represent at least 5% of the equity share capital.   |
| 10. | The Company confirms that during 2019 it does not apply any programs for granting stock options or part of the dividends to the employees, or any pension programs, and there are no special funds for these programs. And the Company is committed to declaring this whenever applicable after obtaining the required approvals from the concerned authorities. However, on 29/01/2020 Savola Group announced on the Saudi Stock Exchange its intention to purchase its shares to retain them as Treasury Shares under the Employees Long-Term Incentive Program after obtaining the Extraordinary General Assembly Consent on the Purchase. |
| 11. | The Chairman of the Board did not receive a written request to call for an unscheduled meeting from any two or more of the Board members during 2019.   |
| 12. | The Board of Directors did not waive any of the Company's debts during the year 2019.   |
| 13. | There is no interest, contractual documents and subscription rights that belong to the members of the Board of Directors and their relatives in the shares or debt instruments of the subsidiaries except as mentioned in this Report in (f-3) regarding the ownership of some of them in Herfy Food Services Co.   |
| 14. | There is no interest, contractual documents and subscription rights of senior executives and their relatives in the shares or debt instruments of subsidiaries. Note: The Company has disclosed the conflict of interest for Board Members and Senior Executives and their relatives.   |
| 15. | The Company confirms that there are no treasury shares held by the Company for any purpose and accordingly there are no details to be disclosed regarding the uses of the Company treasury shares. However, on 29/01/2020 Savola Group announced on the Saudi Stock Exchange its intention to purchase its shares to retain them as Treasury Shares under the Employees Long-Term Incentive Program after Obtaining the Extraordinary General Assembly Consent on the Purchase.   |
| 16. | There are no debt instruments issued to Savola Group and its subsidiaries except as detailed in this Report in the loans section.   |
| 17. | There is no class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the Company during the fiscal year.   |
| 18. | There are no conversion or subscription rights under any convertible debt instruments, contractually-based securities, warrants or similar rights issued or granted by the Company.   |
| 19. | There is no redemption, purchase or cancellation by the Company of any redeemable debt instruments and the value of such securities outstanding, whether listed securities purchased by the Company and those purchased by its affiliates.  |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, and initiatives continued

| No. | Declaration/Confirmation  |
|-----|---|
| 20. | There are no interests in any class of voting shares for anyone (except to the Board members and senior executives and their relatives) who have notified the Company with these interests, and any changes in these rights during the last fiscal year.  |
| 21. | A description of waiving any salary or compensation by an arrangement or agreement with:<br>A Director: (applicable): Mr. Sulaiman Abdulkadir Al Muhaidib (the Chairman of the Board of Directors), has waived his annual Board remuneration, attendance allowance, expenses allowance for the fiscal year 2019 and donated his total remuneration of SAR 260,175 to support the Group's Employee Takaful Fund.<br>A senior executive of the Group: (not applicable).                       |
| 22. | There is no arrangement or agreement under which a shareholder of the issuer has waived any rights to dividends.  |
| 23. | The Board confirms that:<br>A) The Company's accounting records were properly prepared.<br>B) Savola Group's internal control systems and procedures were properly developed and effectively executed.<br>C) There are no doubts about the Group's ability to continue its business activities.   |
| 24. | There was no recommendation by the Audit Committee that conflicted with the Board of Directors' decisions. The Board did not reject any recommendations regarding the appointment of the Company's external auditor, its dismissal, the determination of its fees, the performance evaluation or the appointment of the internal auditor during the year.   |
| 25. | The Company issued during January 2013 the first tranche of the Sukuk Program to a number of investors in an aggregate amount of SAR 1.5 billion and in July 2019, issued other Sukuk pursuant to a new Program in an aggregate amount of SAR 1 billion, some were issued for monetary consideration, and some in exchanged with the previous Sukuk issued in 2013; while the remainder issued under the previous Program was redeemed on its original maturity date (due in January 2020). |

## k-2) Procedure set by the Group to monitor the effectiveness of Savola's CG Code:

- The Group has a Corporate Governance (CG) Manual which was developed and approved for the first time in 2004, and has been updated in line with the CG regulations issued by the CMA and international best practice in CG and transparency. The Company has reviewed and updated its CG framework and policies during 2017-2019 following the issuance of the Corporate Governance Regulations in February 2017 and the amendment issued in 2018, and all updates were approved by the competent administrative bodies, whether the Board of Directors or the General Assembly (where applicable).
- The CG role was added to the RNC committee responsibilities and duties as of 01/07/2019. Also the Board of Directors and the executive management monitor the Corporate Governance requirements. In addition, the Compliance Officer has a support team at Group-level to monitor CG code implementation and compliance, ensure proper implementation of the Board's resolution regarding CG and submit regular reports to the Board. The Group Board and CEO supervise the overall implementation and development of the governance code in general.
- The Group appoints from time to time CG Experts Firms in order to enhance its CG practices to meet regional and international best practices in this field.
- The Group shares its CG experience with local, regional and international rating agencies and institutions with the objective to identify its strengths and weaknesses and accordingly develop a plan for improvement.
- The Group has disclosed its CG framework and all policies in this respect on its website ([www.savola.com](http://www.savola.com)).

## Corporate Governance Report and major relevant disclosures continued

## k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, and initiatives continued

k-3) What provisions have/have not been implemented of the Corporate Governance Regulations, with justifications:  
The Company applies all the provisions of the Corporate Governance Regulations issued by the CMA, except for the following:

| No. | Article/<br>Clause No.          | The Article/Clause  | Reasons for not adopting optional items  |
|-----|---------------------------------|---|--|
| 1.  | Article 70 (optional)           | Composition of the Risk Management Committee: "The Company's Board shall, by resolution therefrom, form a committee to be named the (Risk Management Committee). The 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."                 | The Board postponed the formation of Risk Management Committee (RMC) till the infrastructure of risk management department is completed, currently the risk management department was established under the leadership of a specialized risk management officer and the Risk Management policy was approved by the Board. The Risk Officer is currently working on forming the department and appointing a specialized team to carry out the Risk Management role, activities, and procedures. In addition, the Company is using an external entity specialized in the Risk area. Also the Company is working on implementing a Governance, Risk and Compliance system across Savola Group to effectively enhance the participation of the Board and the executive management team in the risk management process to ensure a unified vision of the risks faced by the Group and its subsidiaries. The RMC will be formed by the Board after completion of the infrastructure of risk management department and whenever it deems necessary. |
| 2.  | Article 71 (optional)           | Competencies of the Risk Management Committee   | The RMC has not been formed due to the above-mentioned reasons in No. (1).   |
| 3.  | Article 72 (optional)           | Meetings of the Risk Management Committee: "The Risk Management Committee shall convene periodically at least once every six months and as may be necessary."   | The RMC has not been formed due to the above-mentioned reasons in No. (1).   |
| 4.  | Article 95 (optional)           | Formation of a Corporate Governance Committee: "If the Board forms a Corporate Governance Committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such Committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually." | There is no standalone committee for Corporate Governance, however, to ensure and monitor the implementation of CG requirements, the CG role was added to the RNC committee responsibilities and duties as of 01/07/2019. Also the CG requirements are overseen and monitored by the Board of Directors and the top executive management, in addition, there is a CG and Compliance Department with qualified team members at the Group-level to monitor CG code implementation and compliance, ensure proper implementation of the Board's resolutions issued regarding CG and submit regular reports to the Board. In addition, the Board and CEO supervise the overall implementation and development of the governance code. However, the Board will form the CG Committee whenever it deems necessary.  |
| 5.  | Article 32, Item (b) (optional) | The Board Meetings: "The Board shall convene no less than four meetings per year, and no less than one meeting every three months."   | The Board held six meetings during the year. However, the Board did not conduct any meeting in the period from 08/05 to 26/09/2019, which exceeded the "three month" period indicated in said article, as no meetings were scheduled during that period due to non-availability of the majority of members because of summer vacation and holidays, thus the financial results for the second quarter 2019 were approved by circulation based on the recommendation of the Audit Committee during its meeting on 19/08/2019.   |

## Directors' Report

## Corporate Governance Report and major relevant disclosures continued

## Corporate Governance Report and major relevant disclosures continued

## k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, and initiatives continued

**k-3) What provisions have/have not been implemented of the Corporate Governance Regulations, with justifications:**

The Company applies all the provisions of the Corporate Governance Regulations issued by the CMA, except for the following:

| No. | Article/<br>Clause No.          | The Article/Clause  | Reasons for non-compliance (for the optional items)  |
|-----|---------------------------------|---|--|
| 6.  | Article 85, Item (2) (optional) | Employee Incentives: "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."   | The Company's Bylaws were amended to enable the Company to establish a scheme of granting its shares to employees. The Board (based on RNC recommendation) approved on 29/01/2020 the Employees Long-Term Incentive Program (LTIP) scope and terms for Savola executives which aims to attract and retain outstanding talent and to motivate them to further strengthen their performance to achieve the Savola Group objectives. Also, Savola announced on the Saudi Stock Exchange its intention to purchase its shares to retain them as Treasury Shares under the LTIP Program.  |
| 7.  | Article 87 (optional)           | Social Responsibility: "The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community." | <p>Savola has a clear policy and strategy in the field of CSR, which has already been approved by its Board of Directors. The Group has been very keen to implement such a strategy for many years. Moreover, CSR activities and initiatives are being disclosed in the annual Directors' Report as well as the Company's website.</p> <p>In addition, there is a CSR Committee affiliated from the Board, mainly to oversee and follow-up CSR projects and activities, beside the presence of a dedicated team and department to implement these programs and initiatives. However, the Board will present this subject to the shareholders' general assembly whenever it deems necessary.</p> <p>Note: To ensure the sustainability of the CSR programs, Savola Group dedicated strong efforts to establish Savola World Foundation (a non-profit organization under the supervision of the ministry of social development) funded by Savola Group which will replace the CSR &amp; Sustainability Department during 2020. The Savola World foundation will be managed through the Board of trustees instead of the CSR Committee.</p> |

## Savola Group Audit Committee Report

for the year ended 31/12/2019

**Introduction**

The Audit Committee of Savola Group was formed and its charter was adopted by a resolution issued from the general assembly of shareholders according to the requirements of Articles (101) and (104) of the Companies Law. In line with article (104) of the Companies Law which states that, "The audit committee shall review the company's financial statements and the auditor's reports and notes and give its comments thereon, if any. Further, the audit committee must prepare a report including its opinion regarding appropriateness of the company's internal control system as well as the tasks it has carried out to the extent of its powers. The board of directors shall file sufficient copies of such reports at the company's head office at least twenty-one days before the scheduled meeting of the general assembly with a view to deliver a copy of such report to those shareholders who desire to obtain the same. The report shall be recited at the meeting of the assembly".

We are pleased to share with you Savola Group Audit Committee Report for the year 2019, prepared in line with the requirements of the Companies Law, the Regulations and Rules of the Capital Market Authority and the Committee's charter, and will be glad to answer any questions in this regard after reciting the summary of the report during General Assembly Meeting.

**1 Appointment**

Savola Group Audit Committee was appointed at the Extraordinary General Assembly Meeting No. (31), held on Wednesday 8/5/2019 corresponding to Ramadan 3, 1440H, in line with the Companies Law Article No. (101), which approved by a majority vote of 356,743,526 (representing 98.67% of attending votes and 66.8% of the total company's issued shares of 533,980,684) the formation of the Audit Committee and the charter describing its functions, responsibilities and guidelines, as well as remuneration of selected members for the new office term, beginning from 1/07/2019 to 30/09/2022 (3 years and 3 months). The appointment of Mr. Fahad Abdullah Al Kassim, Dr. Abdul Raouf Suliman Banaja, and Dr. Ammr Khaled Kurdi as Audit Committee members was approved at Extraordinary General Assembly Meeting after the end of the previous office term on 30/06/2019. In addition, the Group Board appointed Mr. Mohammed Ibrahim Al Issa (as a non-executive Board member) and Mr. Bader Hamad Al Rabiah (as an independent Board member) as Audit Committee Members effective from 1/07/2019 until the end of the new office term of the Audit Committee. However, the appointment of the two new members is not final until presented to the nearest General Assembly Meeting for approval.

**2 Meetings**

In line with its charter, the Audit Committee will convene periodically based on chairman invitation, at least four times per year, and as may be necessary, and majority attendance of members constitute a quorum whether in person or by proxy. The Committee held four meetings during 2019 and the quorum for each meeting was reached.

**3 Savola Group Operating Model**

The organizational structure "Operating model" adopted by the Group as a strategic investment holding company reflects the independence of the operational aspects of the Group's subsidiaries.

Conversely, all interaction between the Group's Audit Committee on one hand and its subsidiaries' Audit Committees on the other hand are governed by the Group's representation membership at the Audit Committees of the subsidiaries.

## Directors' Report

## Savola Group Audit Committee Report continued

**4 Audit Committee members' qualifications**

The schedule below describes current and previous positions, qualifications and experience of the Audit Committee members as follows:

| No   | Member name                   | Current positions  | Previous positions  | Qualifications   | Experience  |
|--|-------------------------------|--|---|--|---|
| <b>Audit Committee members (for new office term began July 1, 2019):</b> |                               |  |   |  |   |
| 1.   | Mr. Fahad Abdullah Al Kassim  |  |   |  |   |
| 2.   | Mr. Mohammed Ibrahim Al Issa  | Current and previous positions, qualifications and experience were mentioned earlier in the Director's Report.               |   |  |   |
| 3.   | Mr. Bader Hamad Al-Rabiah     |  |   |  |   |
| 4.   | Dr. Abdul Rauf Suliman Banaja | Holds number of membership in boards and committees such as Audit Committee member in Herfy and other Joint Stock Companies. | Advisor to the Deputy Governor, the Saudi Arabian Monetary Agency (SAMA)<br><br>Economic Advisor, Ministry of Finance                   | PhD in Economics, University of California, Santa Barbara, United States, 1981   | Assumed several positions in a number of local and regional banks.  |
| 5.   | Dr. Ammr Khaled Kurdi         | CEO of Business services at Saudi Industrial Investment Co. (Dusar)  | Chief Financial Officer at Saudi Arabian Amiantit Company.<br><br>Chief Audit Executive at King Fahd University of Petroleum & Minerals | <ul style="list-style-type: none"> <li>Bachelor's degree in Accounting from King Fahad University of Petroleum &amp; Minerals in 2001</li> <li>Master's degree in Accounting from the University of Arizona, United States, 2004</li> <li>PhD in Accounting, University of North Texas, United States, 2010</li> <li>Certified Management Accountant (CMA), and member of Global Board of Directors of the Institute of Management Accountants, United States</li> </ul> | Has extensive experience in a number of areas, including Accounting, Auditing, Financial Management, Corporate Governance, and Risk Management. In addition, he is Audit Committee member in several Joint Stock Companies. |

**Ex- Member of Savola Group Audit Committee until 30/06/2019:**

|   |                                  |  |  |  |  |
|---|----------------------------------|--|--|--|--|
| - | Mr. Abdulaziz Khaled Al Ghufaily | Current and previous positions, qualifications and experience were mentioned earlier in the Directors' Report. |  |  |  |
|---|----------------------------------|--|--|--|--|

## Savola Group Audit Committee Report continued

**5 Audit Committee attendance:**

The members of the Audit Committee attendance for the meetings of the Committee held during the year 2019 are listed below:

| Sr. | Name   | Previous office term ended June 30, 2019 |       | New office term began July 1, 2019 |        | Total  |
|-----|--|--|-------|------------------------------------|--------|--------|
|     |  | 17 Mar                                   | 8 May | 19 Aug                             | 28 Oct |        |
| 1   | Mr. Fahad Abdullah Al Kassim (Chairman) (Independent, Savola Board member) | ✓  | ✓     | ✓                                  | ✓      | 4 of 4 |
| 2   | Mr. Mohammed Ibrahim Al Issa* (Non-executive, Savola Board member)         | ✓  | ✓     | ✓                                  | ✓      | 4 of 4 |
| 3   | Mr. Bader Hamad Al-Rabiah** (Independent, Savola Board member)             |  | NA    | ✓                                  | ✓      | 2 of 2 |
| 4   | Dr. Abdul Raouf Suliman Banaja (Independent, External member)              | ✓  | ✓     | ✓                                  | ✓      | 4 of 4 |
| 5   | Dr. Ammr Khaled Kurdi (Independent, External member)                       | ✓  | ✓     | ✓                                  | ✓      | 4 of 4 |
| -   | Mr. Aly Asim Barakat (Committee Secretary)                                 | ✓  | ✓     | ✓                                  | ✓      | 4 of 4 |

**Ex-member of Savola Group Audit Committee until June 30, 2019:**

|   |   |   |   |  |    |        |
|---|---|---|---|--|----|--------|
| - | Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member) | ✓ | ✓ |  | NA | 2 of 2 |
|---|---|---|---|--|----|--------|

Note: \* Mr. Mohammed Ibrahim Al Issa was an independent Board member for the period from 01/01/2019 until 26/10/2019. Afterwards, Mr. Al Issa membership has been reclassified as non-executive Board member due to his appointment as a Board member in Kinan International for Real Estate Development Co that has commercial transactions with one of the Group's subsidiaries.  
\*\* Mr. Bader Hamad Al-Rabiah was appointed by the Group Board as a member in the Audit Committee of the Savola Group (as an independent Board member) for the new office term effective 01/07/2019 for three years and three months ending on 30/09/2022.

**6 Audit Committee remuneration for 2019 (Saudi Riyals):**

| Sr.   | Name  | Title                     | Fixed Remuneration (Except for the allowance for attending meetings) | Allowance for attending meetings | Total          | Other expenses                                  |
|---|---|---------------------------|--|----------------------------------|----------------|---|
| 1   | Mr. Fahad Abdullah Al Kassim (Independent, Savola Board member)       | Chairman                  | 150,000  | 20,000                           | 170,000        |   |
| 2   | Mr. Mohammed Ibrahim Al Issa (Non-executive, Savola Board member)     | Member                    | 150,000  | 20,000                           | 170,000        | Mentioned in the Board remuneration Table (e-4) |
| 3   | Mr. Bader Hamad Al-Rabiah (Independent, Savola Board member)          | Member (as of 01/07/2019) | 75,000   | 10,000                           | 85,000         |   |
| 4   | Dr. Abdul Raouf Suliman Banaja (Independent, External member)         | Member                    | 150,000  | 20,000                           | 170,000        | -   |
| 5   | Dr. Ammr Khaled Kurdi (Independent, External member)                  | Member                    | 150,000  | 20,000                           | 170,000        | 9,465   |
| <b>Ex-member of Savola Group Audit Committee until June 30, 2019:</b> |   |                           |  |                                  |                |   |
| -   | Mr. Abdulaziz Khaled Al Ghufaily (Non-executive, Savola Board member) | Member                    | 75,000   | 10,000                           | 85,000         | Mentioned in the Board remuneration Table (e-4) |
| <b>Total</b>  |   |                           | <b>750,000</b>   | <b>100,000</b>                   | <b>850,000</b> | <b>9,465</b>                                    |

## Directors' Report

Savola Group Audit Committee Report continued

### 7 Summary of Audit Committee duties, responsibilities and achievements executed in 2019

#### a Financial reporting

- Review and recommend to the Group's Board of Directors the approval of the preliminary quarterly results and year-end consolidated financial statements focusing particularly on the reliability of the information disclosed therein, changes in accounting policy, significant and unusual events, reasonableness of accounting estimates for significant issues, as well as compliance with accounting standards and other legal requirements.

#### b Internal audit

- Review and approve the Group's internal audit department charter, plan and outputs and ensure whether the function has the necessary authority and resources to carry out its work while maintaining its independence.
- Review and assess Savola Group internal audit reports and monitor the tracking and follow-up of implementation process determining whether or not appropriate actions are taken in respect of the internal audit recommendations therein.

#### c External audit

- Review the external auditors service delivery plan, scope of work, the results of the financial audits, the relevant audit reports and management letter together with management responses or comments to the audit findings.
- Ensure that appropriate assistance was given by the Group's executive management team to the external auditors and that no difficulties were encountered during the course of the audit, including any restrictions on the scope of activities or access to required information.

#### d Related party transactions

- Review the results of external auditors' limited review of Savola related party transactions for 2019 included in the related party transactions report prepared by the chairman of Board of Directors in relation to the related party transactions executed by the Company during the year and provide any recommendation to the Board based on the results, if any.

#### e Savola Integrity Hotline

- Oversee the Group's wide whistleblowing reporting facility "Integrity Hotline" which captures and records matters raised by any stakeholders, including the executive management team, senior managers and employees (permanent, temporary and part-time), shareholders, trainers, clients, individuals, agency staff, consultants, suppliers and vendors. These matters are communicated to the management and regular procedures for follow-up are adopted.

Savola Group Audit Committee Report continued

### 8 The annual review of the effectiveness of internal control producers and its results at the Group

- The executive management of the Group and its subsidiaries certifies on an annual basis their responsibility for establishing and maintaining internal control procedures designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations. The reasonable assurance provided by the signed internal control certifications is supported by the results of a questionnaire completed by all heads of functions across the Group and its subsidiaries designed in line with the Internal Control-Integrated Framework published by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. The signed internal control certificates for 2019 were handed over and filed with the Group's legal counsel.
- The internal audit department at the Group and its subsidiaries execute the annual audit plan approved by the Audit Committee at the Group and its subsidiaries to evaluate the existing condition of internal control procedures focusing on the assessment of the control environment, organization's structure, risks, policies and procedures, segregation of duties and information systems. A random sample of activities within the planned audit area is selected with the objective of testing the effectiveness and efficiency of internal control procedures design and operation. All internal control recommendations resulting from the execution of annual audit plans are communicated to concerned management parties and followed-up by internal audit departments at the Group and its subsidiaries to support maintaining effective internal control procedures.
- The Group's external auditors conducted their audit in accordance with international auditing standards adopted in Saudi Arabia which require that they plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. This resulted in providing an unqualified opinion on the Group's consolidated financial statements for the year ended at 31/12/2019.
- Based on the results of the above-mentioned procedures, the Group's Audit Committee believes that reasonable assurance was provided regarding the effectiveness of internal control procedures.
- However, we emphasize that due to the geographical spread of the Group's operations locally and regionally we cannot conclude exclusively on the comprehensiveness of the internal control procedures, as these procedures in substance, rely on selecting random samples as above mentioned.
- Accordingly, the Audit Committees at the Group and its subsidiaries efforts are focused continuously to develop and improve the effectiveness and efficiency of the internal control procedures review mechanism in place across the Group and its subsidiaries.

#### Conclusion

This report was prepared by the Audit Committee during the year 2019 in line with the regulatory requirements and the charter of the Committee and will be submitted to the general assembly when the Board of Directors issue its invitation. The meeting will be held during the first half of 2020 (according to the dates approved by the regulatory authorities). The Committee is glad to answer all inquiries and questions of the shareholders - as stated in this report - during the General Assembly meeting of shareholders, and ALLAH is the guardian of success.