

# Value Built on Values



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Savola Annual Report 2017

Investing strategically  
for the long term



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## Value built on values

Savola has grown and evolved, crossing national borders and impacting millions of lives across the Middle East, North Africa and Turkey (MENAT).

Our values have driven us forward during the good times, and protected us in lean years. We have always believed that the way we conduct business and the core values we hold dear are the pillars of our success.

From our strong financial foundations, we strive to create value for shareholders and investors, customers, partners, employees and their families, and for all the communities in which we operate.

### What we do:

We are in the business of creating sustainable value.



#### Shareholders/ Investors

We create value by delivering the best returns on their investments.



#### Employees

We create value by giving them career prospects and a work environment that offers learning, development, challenges and growth.



#### Partners

We create value through mutually beneficial dealings with our business partners.



#### Community

We create value by giving back to our communities with focused and sustainable corporate social responsibility activities based on social needs and causes that cater to the environment's social context.



#### Customers

We create value for society's different economic segments by providing value-for-money products and services, and world-class quality experiences.

# 01

## Strategic Report

# Savola at a glance:

## A strong food and retail portfolio

We are the leading strategic investment holding group focused on the food and retail sectors in the MENAT (Middle East, North Africa and Turkey) region. We have built and expanded a diverse portfolio of managed and non-managed assets. Across our core verticals in Food & Retail, we operate the largest grocery store chain in Saudi Arabia and produce much-loved everyday household products including oil, sugar and pasta in more than 30 countries. We are a company that believes 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 entails investments in large branded categories across the region, **Savola Foods** is a leader in basic branded consumer packaged goods with brands marketed in more than 30 countries, and we are proud to say that many of them are market leaders in their respective categories.

We continue to build on our established products by expanding into higher-value items and diversifying our portfolio. We also generate profits through our long-term strategic investments and are the largest shareholder in the Middle East's leading food manufacturer and distributor, **Almarai**, with a 34.52% stake in the business.

→ 20

Read more about Savola's Food Investments

### Retail investments

**Panda Retail** is the largest modern grocery chain in Saudi Arabia with 362 stores serving 134 million customers annually. Panda boasts a proud history, a leading market share and formidable geographic reach.

We also generate profits through our long-term strategic investments and 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. Following the adoption of IFRS, Herfy has become a subsidiary of Savola Group.

→ 26

Read more about Savola's Food Investments

367

Number of Panda stores in 48 cities

359

Number of Herfy stores in 3 countries

#### Major/manufacturing markets

Saudi Arabia	Egypt	Sudan	Morocco
Iran	Turkey	Algeria	Iraq

#### Export markets

Afghanistan	Ethiopia	Libya	Palestine	Sudan
Angola	France	Maldives	Qatar	Syria
Bahrain	Gambia	Mali	Rwanda	Tanzania
Benin	Ghana	Mauritius	Sierra Leone	Tunisia
Cameroon	Guinea	Mayotte	Singapore	Turkey
Canada	Iraq	Morocco	Somalia	UAE
Cape Verde	Italy	Mozambique	Somaliland	Uganda
China	Jordan	Nepal	South Africa	United Kingdom
Comoros	Kenya	Netherlands	South Korea	Yemen
Congo	Kuwait	New Zealand	South Sudan	
Djibouti	Lebanon	Oman	Spain	
Eritrea	Liberia	Pakistan	Sri Lanka	

#### Number of Panda stores

Saudi Arabia 362
Egypt 5

#### Number of Herfy stores

Saudi Arabia 348
Kuwait 9
Bangladesh 2

# Strategic and Financial Highlights

## Our key markets: Challenges and opportunities

Savola's transition to a strategic investment holding company gathered pace during 2017, propelled by the success achieved to date in consolidating its market-leading position in the food and retail sectors across the region.

Challenging macro-economic conditions across our markets continue to affect our business. Group revenue fell from SAR 26.3 billion in 2016 to SAR 23.8 billion in 2017 and operating income rose from SAR 473 million to SAR 800 million. Overall net income for the year was SAR 1.026 billion, compared to a loss of SAR 363 million in 2016.

While a multitude of regional economic pressures dampen profits, the fundamentals of our businesses remain strong and the innovation and foresight of our subsidiaries continue to generate opportunities for income diversification.

In the foods sector, we maintain a growing market share across our product categories in all target geographies, despite the negative influences of rising energy costs, currency fluctuations and various government interventions affecting key markets.

Further diversifying its activities, the company commissioned a new factory in Jeddah in 2017 to manufacture high quality specialty fats for the B2B market, and entered into a joint venture in Iraq to acquire a 51% stake in a company engaged in branded edible oils and vegetable ghee.

Within the retail space in our home market of Saudi Arabia, economic and demographic changes and their resultant effects on consumer confidence continue to affect our customer base and hamper the growth of Panda. However, the strategic realignment and consolidation of our activities in the sector continues, based on a comprehensive 3-to-4-year transformation plan being executed by a new CEO and executive team.

In 2017, we also engaged in some divestments. Under Panda, we sold our UAE-based hypermarket business in order to focus on our core retail operations in Saudi Arabia. We also divested a 2% stake in Almarai at a value of SAR 1.12 billion, as part of our ongoing capital reallocation activities. In the non-core segment, we sold our ownership interest in Dar Al Tamleek in 2017 for SAR 28.02 million, realizing a gain of SAR 3.27 million, and received funds in the form of a significant divestment from the portfolio of Intaj, in which we retain a holding valued at SAR 39.67 million.

As Herfy's largest shareholder – both pre- and post-IPO – Savola Group has de facto control of the company by virtue of ownership. Herfy became a Savola Group subsidiary following the adoption of IFRS, after which Savola Group consolidated Herfy within its financial statements.

Through further perceptive capital allocation and active portfolio management, our holistic transformation as a Group remains on course to deliver an agile market leader with the financial weight and reputation necessary to secure long-term success across our international footprint.

### Net income

**1,026m**

SAR million



### Revenues

**23,830m**

SAR million



### Gross profit

**4,391m**

SAR million



### Total assets

**23,209m**

SAR million



### Shareholders' equity

**8,829m**

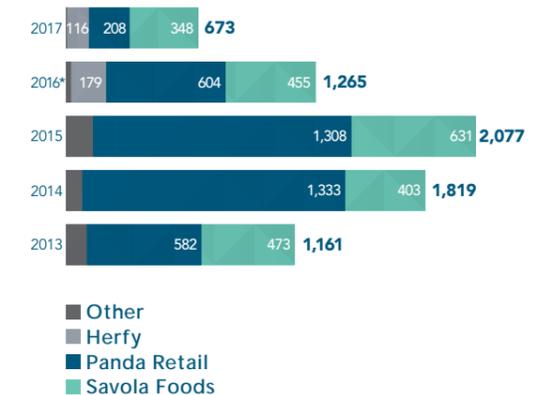
SAR million



### Capital expenditure

**673m**

SAR million



\* All 2016 figures are IFRS adjusted.

# Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present Savola Group's Annual Report for 2017.

In a highly challenging year across all our markets, the Group has achieved encouraging performance and made positive contributions as a conscientious employer and investor, supporting economic development and enriching lives with our products and services.

We continue to pursue our comprehensive transition to a strategic investment holding company, primed to leverage our scale and capitalize on the many opportunities that lie ahead.

We also remain focused on creating value for our shareholders, employees and the communities we serve. Through active portfolio management and strategic capital allocation, we will continue to establish our position as the leading strategic investment group for food and retail in the MENAT region.

As the economic paradigm in the Kingdom evolves, Savola Group remains firmly committed to supporting the national objectives of Vision 2030 and poised to cultivate prospects for increased efficiency and growth as market conditions improve.

Despite the difficult economic environment, Savola Foods Company remained at the forefront of the regional edible oil industry in 2017. With a robust foundation built upon three decades of investment, it aspires to consolidate its success as a market leader in the edible oil, sugar and pasta segments and expand its portfolio.

Meanwhile, Panda Retail continues to work towards achieving a significant turnaround, albeit in a challenging environment, aimed at reversing a downward trend and achieving stability. We have appointed a new CEO who, together with his executive team, will guide the company during this period of transformation and development to create a best-in-class, customer centric and profitable organization. Although this turnaround will take time, we believe that Panda's scale and legacy will allow us to ramp up performance over the course of the next few years.

#### Governance and sustainability

Savola Group remains a market leader in terms of corporate governance, exemplified by our implementation of a new best practice whistle-blowing platform. In addition, the launch of our sustainability platform, Savola World (savolaworld.com), positions us firmly at the forefront of the sustainability movement in the Kingdom.

As a result of our outstanding efforts in the field of corporate governance and sustainability, Savola has been recognized as among the top 10 highest scoring companies in Transparency in the field of corporate governance, environment and social practices in the MENA Region according to S&P and Dow Jones indices and the Hawkamah Institute, Dubai.

#### Financial results

The Group recorded a net profit of SAR 1.03 billion in 2017, compared to a net loss of SAR 363 million last year. We booked impairment costs of SAR 222 million, while earnings per share for 2017 stood at SAR 1.92.

Our results continue to be affected by economic turbulence throughout the region, including numerous challenges in the form of macroeconomic adjustments, currency fluctuations, decreased subsidies, population

contractions, intensifying competition, consumer uncertainty and increasingly conservative spending habits.

In the face of these headwinds, we remain wholly committed to the ongoing retail transformation process and derive strength from the clarity of its overriding objectives. Above all, we understand our markets and benefit from a large portfolio, which provides us with the resilience required to ensure our long-term success in the face of short-term volatility.

#### A mindset for long-term success

On behalf of the Board of Directors, I wish to express our deep gratitude and appreciation to the government and our shareholders for their continued support and trust.

I would also like to thank our dedicated executive management and employees across Savola Group. Together, we look to the future with confidence, secure in the knowledge that the changes we have implemented, as well as those that remain underway and lie ahead, will build on our strengths and solidify our position as the Kingdom's largest strategic investor in food production, distribution and retail.

Sulaiman A. Al Muhaidib  
Chairman



## Board of Directors



**Mr. Sulaiman A. Al Muhaidib**

Chairman of the Board; Non-Executive

**Current Positions**

Chairman of the Board, Al Muhaidib & Sons Co.;  
Chairman of the Board, Aloula for Real Estate Development

**Previous positions**

Chairman of the Board, Middle East Paper Co. (MEPCO)

**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.

**Mr. Bader Abdullah Al Issa**

Vice Chairman of the Board; Non-Executive

**Current Positions**

CEO, Amias Holding; CFO, Aseela Investment

**Previous positions**

Investment Portfolio Manager, HSBC Saudi Arabia Limited (2006-2008); Financial & Marketing Analyst, SABIC America; Financial Analyst, JP Morgan

**Qualifications**

Master of Business Administration, Rice University, United States; Bachelor of Economics, University of Virginia, United States; 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.

**Eng. Abdullah Mohammed Nour Rehami**

Non-Executive Board member

**Current Positions**

Retired - Government Official

**Previous positions**

Managing Director/CEO, Savola Group (2015-2016); President, General Authority of Civil Aviation (2003-2011); Assistant Director General, SIDF (1998-2003)

**Qualifications**

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

**Experience**

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. Abdulaziz Ibrahim Al Issa**

Independent Board member

**Current Positions**

CEO, United International Markets Co.

**Previous positions**

Senior Vice President – Business Development & Strategic Planning (CEO Corporate Office), Riyadh Bank (February 2014-July 2014); Regional General Manager – Central Region, Banque Saudi Fransi (2012-2013); In addition, he has held a number of other positions in investment and sales development within the same bank (2004- 2012)

**Qualifications**

Bachelor's in Business Management and International Business, Menlo College, United States

**Experience**

With extensive experience in banking, serving as Vice President of Business Development & Strategic Planning at Riyadh Bank. He also held a number of positions at Banque Saudi Fransi.



**Mr. Abdulaziz Khaled Al Ghufaily**

Non-Executive Board member

**Current Positions**

Retired – Public Sector

**Previous positions**

General Director, Local Shares Dept, Hassana Investment Co. (2014-2017); Director, Direct Investments Dept., Public Institution for Social Insurance (1981-2013)

**Qualifications**

Masters of Economics, 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.



**Mr. Essam Abdulkader Al Muhaidib**

Non-Executive Board member

**Current Positions**

Managing Director, Al Muhaidib & Sons Co. and Board member of various of Savola Group subsidiaries

**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.



**Mr. Fahad Abdullah AL Kassim**

Independent Board member

**Current Positions**

Chairman, Amwal Financial Consultants; Board Advisor, Al Rajhi United Investment Co.

**Previous positions**

CEO, Amwal Financial Consultants (2001-2011); GM, Al Othaim Trading Group (2000-2001); Managing Partner, KPMG International (1995-1999); The Executive Director, Dallah Hospital (1991-1995); Partner, Al-Qasim Office Certified Public Accountants (1990-1991)

**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 (20 years), Executive Management in a health institution (5 years), Executive Management in retail and wholesale (1 year) and sits on a number of other Boards.

**Mr. Mohammad A. Al Fadl**

Independent Board member

**Current Positions**

Chairman of the Board, Al Fadl Group

**Previous positions**

CEO, Al Fadl Group of Companies

**Qualifications**

Bachelor of Economics and Marketing, University of San Francisco, United States

**Experience**

More than 30 years' experience in corporate management through management of Al Fadl Group of Companies, which includes many companies in various fields. He also sits on a number of other Boards.

**Eng. Mutaz Qusai Alazawi**

Non-Executive Board member

**Current Positions**

CEO of the Saudi Co. for Construction, Industrial and Engineering Projects

**Previous positions**

Running his private business since graduating from university

**Qualifications**

Bachelor of Information Technology Engineering, King Saud University, Saudi Arabia

**Experience**

25 years of experience in investment, trade, and construction management, and sits on a number of other Boards.



**Mr. Omar Hadir N. Al-Farisi**

Independent Board member

**Current Positions**

Managing Member of Diyala Advisors LLC, New York

**Previous positions**

Credit Suisse First Boston Bank, New York (2000-2004); Lawyer and Member in Financial and Commercial Department, White & Case, New York (1994-2000)

**Qualifications**

Bachelor in Economics, University of Notre Dame, United States; JD, Columbia University School of Law, United States

**Experience**

Experience in financing, investment, law and mergers and acquisitions. He is also a Board member of Gulf International Bank (Bahrain).



**Dr. Sami Mohsen Baroum**

Independent Board member

**Current Positions**

Retired – private business

**Previous positions**

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)

**Qualifications**

PhD in Operation Management and Information Technology, Indiana University, United States; Master's in Business Management with Honors, Wharton Management School, Pennsylvania University, United States

**Experience**

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.

# CEO's Message

In a highly turbulent time for our economies and industries, Savola continues to steer a course toward efficiency, productivity and profit. We remain in the midst of an important whole-scale transition of the Group, building our future as a streamlined strategic investment holding company for a new era.

Despite the strength of our brand and its extensive heritage, an ambitious transition plan such as ours cannot be implemented in haste. This process requires a highly dynamic corporate mindset, particularly when facing a raft of economic pressures across our markets that are beyond our control.

Whilst this environment is less than conducive to growth and profit, we measure our strength and success as an organization by our response to difficult circumstances such as these.

In 2017, we continued to push through the turnaround of Panda, exited several non-core holdings and sold a relatively small 2% stake in Almarai to reallocate capital at attractive terms to other opportunities, without affecting our strategic positioning. This reflects our current philosophy: pushing for operational efficiency and performance in our food and retail businesses, while adopting a diligent approach to portfolio management and capital allocation.



## Investing for sustainable industry leadership

The Group achieved a revenue of SAR 23.8 billion in 2017, maintaining our firm position at the pinnacle of the food and retail sectors in the Kingdom.

Savola Foods generated SAR 11.4 billion in revenue during the year and 3.4 million metric tons in sales volumes. The company retained its leadership positions with stable or increasing market share across its markets, responding to evolving dynamics with new product launches, active and integrated promotional activities and a continued focus on distribution and reach.

Savola Foods continues to diversify its activities; in 2017 we commissioned our International Food Industries Co. factory, a state of the art facility producing specialty fats for the B2B market, and the first of its kind in the Kingdom.

Still the largest modern retailer in Saudi Arabia, Panda – our retail subsidiary – achieved a revenue of SAR 11.7 billion over the year. In 2017, the company continued to work on its turnaround plan by realigning its vast infrastructure and human capital to meet new market realities. We appointed a CEO to the helm of Panda in 2017 to lead the company through this ongoing reorientation, which will see the business develop into a best-in-class, customer centric organization. With Panda's deep heritage, loyal customer base and positive free cash flow, I am confident that the company's new leaders will steer it through this difficult period and back to profitability.

Meanwhile, Herfy became a Savola Group subsidiary following the adoption of IFRS. Savola is Herfy's largest shareholder – both pre and post IPO – and has de facto control of the company.

## Building a fit and profitable Group

Through these and other carefully managed activities, Savola Group will emerge from the current period of market uncertainty and change as a stronger, more focused strategic investment holding company with strong financial resources and a highly regarded brand.

I wish to express my gratitude to all our stakeholders for their steadfast support during this important transition. With the commitment, foresight and understanding of our shareholders, employees, customers, suppliers and partners, Savola Group represents the ideal platform from which to create a lean, dynamic new organization, fit to grasp the many opportunities in the region's food and retail sectors.

Rayan Mohammed Fayez  
Chief Executive Officer

## Executive Management



**Eng. Rayan Mohammed Fayez**



**Eng. Bader Hamed Al Aujan**



**Dr. Bander Talaat Hamooh**

**Current Positions**

CEO, Savola Group (until 8 February 2018)

CEO, Savola Foods Co.

CEO, Panda Retail Co.

**Previous positions**

Managing Director of Al Muhaidib Foods Group; Chairman of the Board of Directors for Eastern Industrial Company of Fiber Glass Manufacturing; Board Member of United Arab Can Manufacturing Company; Aujan Coca Cola Beverage Company; Boards of a number of companies in Saudi Arabia, the GCC and in the wider Middle East such as in Egypt, Turkey, Morocco, Algeria, recently in Bonus Foods Kurdistan, Iraq and India

Managing Director of Al Muhaidib Foods Group; Managing Director Aujan Coca Cola Beverage Company; Chairman of the Board of Directors for Eastern Industrial Company (EICO); Boards of a number of companies in Saudi Arabia, the GCC and in the wider Middle East such as in Egypt, Turkey, Morocco, Algeria, Iraq and India

CEO of Al Nahdi Medical Company; General Supervisor of Public Affairs at the Ministry of Health

**Qualifications**

Bachelor's degree in Mechanical Engineering, Massachusetts Institute of Technology, United States

Bachelor's Degree in Mechanical Engineering, King Saud University, Saudi Arabia

Bachelor Degree in Pharmaceutical, King Saud University, Saudi Arabia

**Experience**

More than 15 years' experience in leading managerial positions with global banks and financial institutions in New York, London, and Saudi Arabia.

Illustrious experience in the planning and management of foods companies and other diverse sectors

More than 25 years' experience in retail, pharmaceutical and food industries, he held several positions in both private and public sectors



**Mr. Nouman Farrukh Muhammad Abdussalam**

**Current Positions**

Chief Financial Officer



**Ms. Huda Al Lawati**

Chief Investment Officer



**Mr. Tarik M. Ismail**

Executive Director, Corporate Affairs & Sustainability, and Board Secretary

**Previous positions**

CFO Savola Foods Company; CFO Attieh Group; CFO Emaar The Economic City; Deputy CFO Savola Group; Director of Finance Senior Manager Treasury & IT at Savola Foods; Finance Manger Savola Bahrain; Assistance Manger in Cost & Budget of Pakistan based cement manufacturer

13 years at the Abraaj Group, last position she held was Partner and Chief Investment Officer MENA and a member of the Investment Committee. She led its investment strategy and transactions across MENA

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**

Holds professional qualifications in cost and management accountancy, and taxation management; an Associate of the Institute of Cost & Management Accountants; Fellow of the Institute of Taxation Management; Bachelor of Finance, University of Karachi, Pakistan

Bachelor (Hons) in Business Economics, Brown University, United States; Bachelor in Neuroscience, Brown University, United States

Bachelor's degree in Management, University of Dubai, UAE; Certificate in Corporate Governance, INSEAD International Directors Program; Honorary Doctorates in Sustainability from United Nations

**Experience**

More than 20 years' experience in the field of financial management, financing and accounting with Savola Group and its subsidiaries

Experience in investment and operational strategy leadership, deal origination, restructuring, M&A, managing investment portfolios and exit plans across several sectors

Experience in communication, CSR, real estate, investment, and board and committees affairs

# Our Journey



- Savola Group
- Food investments
- Retail investments

## 1970s – 1980s

1979

■ Savola is established, with a paid-up capital of SAR 40 million and 50 employees.

1981

■ Savola's edible oil refinery in Jeddah begins operations, the first in Saudi Arabia.

1982

■ Launch of Afia premium corn oil. By the late 1980s, Savola captures 70% of the Saudi edible oil market.



## 1990s

1991

■ Savola acquires Saudi Carton Factory to establish Savola Packaging Systems (divested in 2015).  
■ Acquisition of a 40% shareholding in Almarai (diluted after IPO in 2005). Savola's stake then increases to 36.5% in 2013.

1992

■ Savola becomes a publicly listed company on the Saudi Stock Exchange.  
■ Savola Bahrain and Savola Egypt commence edible oil operations.  
■ Savola Snack Foods is established to acquire 100% of Tasali Company (divested in 2001).

1993

■ Acquisition of 41% of Saudi Glass Company, increased to 60% the following year (divested in 2004).  
■ Joint venture with Tate & Lyle to establish United Sugar Company, Saudi Arabia's first sugar refinery.

1995

■ Savola Packaging Systems acquires the Paper Cups and Container Company (divested in 2003).  
■ Savola Foods establishes an edible oil factory in Egypt.  
■ Afia International Egypt is formed through the merger of Savola Egypt and SIME Derby Egypt. Savola acquires 50% of the merged operation. In 2009, Savola Foods' stake increases to 99%.

1998

■ Savola enters the retail sector following its merger with Azizia Panda.  
■ Savola gains a 70% stake in Herfy through the Panda merger.  
■ Herfy is listed on the Saudi Stock Exchange, with Savola retaining a 49% stake.  
■ Through the Panda merger, Savola inherits stakes in Al-Mawashi (divested in 2000), Deemah (divested in 2001) and Al-Azizia Commercial Investment Company.



## 2000s

2003

■ Savola Foods establishes edible oil businesses in Morocco and Sudan.

2004

■ New corporate governance standards are adopted, not only for legal compliance but as an ethical commitment aligned to Savola's corporate values.  
■ Savola achieves its "Triple 5" strategic goal 12 months ahead of target: SAR 5 billion sales, SAR 500 million profit, within 5 years.

■ Savola Foods enters the Iranian market by acquiring 49% of an edible oil business. Savola's stake is increased to 80% in 2004 and 90% in 2014.

■ Savola Foods acquires 90% of an edible oil business in Kazakhstan (divested in 2014).

■ Panda launches the Hyper Panda format and expands abroad with the opening of a Hyper Panda store in Dubai (divested in 2017).

2005

■ Savola establishes Kinan Real Estate, subsequently divesting 70% through private placement.

■ Al Batool Franchising is formed to focus on emergent retail concepts: Mugg & Bean, Bonia, Carlo Rino, Jacqueline, Tom Tailor, Yves Rocher (divested in 2011).

2006

■ Savola invests in King Abdullah Economic City

(KAEC) and Knowledge Economic City as a founding shareholder.

■ Savola Packaging Systems acquires New Marina Plastics in Egypt and Alsharq Plastics Industries in Saudi Arabia (divested in 2015).

2007

■ Savola Foods acquires Yudum, an edible oil business in Turkey.

2008

■ Savola announces its commitment to invest 1% of all future operating profits in CSR programs such as Savola Bridges, Tamkeen, and a range of other social initiatives.

■ Savola Foods' cane sugar refinery in Egypt begins commercial operation.

■ Savola Foods establishes an edible oil refinery in Algeria.

■ Panda acquires Giant Stores.

■ Panda opens its first central distribution center in Riyadh.

2009

■ Panda acquires United Company for Central Markets in Lebanon (divested in 2013).

■ Panda acquires Géant Stores operations and expands its network to 152 locations.

## 2010s

2011

■ Standard & Poor's, the Hawkamah Institute and the International Finance Corporation rank Savola 2nd for governance and transparency.  
■ Savola Foods enters the pasta market by acquiring El Maleka Company and El Farasha Company in Egypt.

2012

■ Savola Foods establishes Tolu Pakshe Aftab, a distribution company for its products in Iran.

2013

■ Savola's first Sukuk issuance (SAR 1.5 billion).  
■ 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.

■ Panda launches the Pandati convenience store concept.

2014

■ Alexandria Sugar Company begins production of sugar from beet and establishes an agro-cultivation company.

2015

■ Panda opens its second central distribution center in KAEC.  
■ Acquisition of 90% of Notrika, manufacturing Pech Pech confectionery products in Iran.

■ Joint venture with global seafood leader, Thai Union, to launch the famous John West brand in 12 markets across MENAT region.

■ Savola Foods launches Afia Distribution Company in Saudi Arabia.

2016

■ Savola unveils a new brand identity, symbolizing its evolution toward becoming a strategic investment holding company.

■ Savola receives the Sa'afa Award from the Integrity and Transparency Foundation.

2017

■ Savola Group sells a 2% stake in Almarai, as a part of its capital re-allocation, whilst remaining that largest shareholder with a 34.52% stake.

■ In line with the strategy to refocus on core markets, Panda Retail sells its UAE hypermarket for a total amount of AED 80 million.

■ Commissions a new factory in Jeddah to manufacture specialty fats for the B2B market.

■ 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.

■ Savola ranks top 10 for Transparency in corporate governance, environment and social practices in MENA (S&P and Dow Jones indices and Hawkamah Institute, Dubai).



# Our Strategy:

## Building on our strategic values

Our values guide strategic decision-making, particularly in creating financial, professional and social value for all stakeholders.

### Strategic objectives

Our strategic objectives include capitalizing on proven expertise in certain consumer-related businesses, while developing new categories with potential for us to swiftly achieve brand leadership. Our long-established food and retail presence has enabled a deep understanding of consumer behavior and needs across the region, which the Group looks to leverage for continued growth through existing and new investments.

### Key drivers

Key drivers of the Group's strategy are deployment of resources, active ownership of assets, robust performance management, and strong corporate governance. Savola's long-term goal is to generate attractive and sustainable returns, allocating capital dynamically and creating long-term stakeholder value.

### How we performed

Despite significant macroeconomic challenges across our industries and geographies, Savola Group moved forward with vision and determination in 2017, reinforcing our market leadership and long-term investment perspective.

We continued our transition to a strategic investment holding company, seeking to maximize the potential of our subsidiaries while weighing opportunities for timely capital reallocation and increased income diversification.

By continuing to actively manage our portfolio, while leveraging the scale, capabilities and values of our Group, we remain well positioned to create value for our shareholders and build the dominant food and retail group we envision across the markets we serve.

### What this means for our divisions

#### Food investments

Savola Foods is a leader in basic branded consumer packaged goods and will continue to protect and consolidate its position within existing categories. We are also looking to expand and diversify into value added categories.

Our strategic objectives are to defend leadership in established products and markets, extend existing products into complementary areas, build outstanding new businesses and incubate emergent categories that can yield longer-term potential.

Strong foundations underpin this approach – our edible oil, sugar, and pasta brands are already market leaders in their respective geographies.

#### Retail investments

Panda Retail is a leader in the modern grocery retail space in Saudi Arabia. It is currently implementing a strategic response to the macro-economic challenges that are changing the retail environment in Saudi Arabia and the need to transform its operations accordingly.

This response is centered on a customer-centric approach that builds strong stakeholder partnerships. The transformation will yield a value proposition by store format, enabling focus on efficiency in all areas: store yield, working capital efficiency, and human resources productivity. The strategy builds on Panda's proud history, market leadership and formidable geographic reach. There is great potential to exploit these strengths to enable a turnaround and continued success.

Read more about Savola's Food Investments



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Read more about Savola's Retail Investments



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Performance review

# Food investments: Value built on food



## Savola Foods Company

“With the grace of Allah, in a challenging economic environment Savola Foods has achieved sustainable growth and profitability through brand innovation, a reinvigorated consumer focus and the strength of its human capital. Our experience operating across multiple markets enables us to diversify our income streams to face challenges such as price controls, currency devaluation and changing consumer behavior due to austerity measures. By implementing cost efficiencies, introducing value added products to our existing categories, maintaining brand investments and developing our human capital, we have successfully insulated ourselves from these negative developments. As a major, long-term investor, we will continue to improve brand equity and longevity throughout the sector and across multiple geographies.”

Savola Foods CEO

Savola Foods operates across the MENAT region, producing a range of high quality branded products including edible oils, vegetable ghee, sugar, pasta, seafood and baked goods, and providing customized food ingredients and services. Marketed across 30 countries, these products have allowed us to establish leading positions in the major markets of the MENAT region.

Despite a challenging economic backdrop in 2017, Savola Foods maintained its position at the apex of the industry, serving around 1 billion people across our various markets to achieve total sales volumes of 1.7 million tons of edible oil, 1.4 million tons of sugar and 0.28 million tons of pasta.

We have enjoyed a highly successful year thanks to solid performances in our core markets and the ongoing diversification of our income streams. In 2017, we generated net revenue of SAR 11.4 billion, achieving a gross profit of SAR 1.7 billion, an operating income of SAR 908 million and a net income of 607 million.



Numbers represent the brand leadership position in each major market

## Performance review

### Food investments continued

2017 represents a year in which Savola Foods has faced significant macro-economic pressures in almost all its markets. Currency devaluation, price controls and changing consumer behavior due to austerity measures across our geographies have exerted significant pressure on incomes. However, we have responded by introducing innovative offerings within our existing product categories and maintained our brand investments to retain and expand market share. We have also continued to invest in the development of our human capital (see: Our People), whilst applying cost reduction initiatives (Fit to Grow), and our ITQAN program, with its focus on cost-efficiency in materials, technology and operations.

### Our product categories

#### Edible oils

We continue to achieve sustainable growth in our edible oils business. In Arabia (GCC and the Levant), Savola Foods reported a record profit, whilst the volume of edible oils we sold over the course of the year represented a 2% increase over 2016. In Saudi Arabia, our market share increased to 61%.



In Iran, price controls continue to exert pressure on profitability. However, we succeeded in achieving remarkable growth of more than 27% in our shortening and margarine business by launching Ladan Professional (a line of products developed for the B2B market) and Ladan Omega, the healthiest vegetable ghee in the region, while also reinforcing our position in the edible oil segment with a new variety of frying oil under our Bahar brand. We were recognized as the leading company in the oil and fat industry with a market share of 33% in 2017.



In Egypt, currency devaluation resulted in a drop in consumer purchasing power by half. Savola Foods responded by immediately adapting to this new market reality, lowering production and sales costs and introducing rationalization measures such as organizational right-sizing. We maintained our premium edible oil brands but offered a lower price point to consumers through downsizing and packaging alterations—offering greater value for money. As a result, we retained our market share in both the premium and value-for-money categories, and became the market leader in the corn oil segment through the success of our Afia brand.



Despite further currency devaluation and rising interest rates, our sales volume in Turkey reached a new record in 2017 – representing an increase of approximately 3% over 2016 – and our growth was 4% versus 0.5% market growth. Our strategic aim to build our olive oil business into the second most important pillar of our operations is progressing well. Our premium olive oil launch with the Egemden brand achieved a successful jump in market share from 6% to 12% in only 9 months, and earned us three prestigious awards for brand excellence and as the number 1 exporter of packaged olive oil in Turkey.



In Algeria, in the face of a host of macro-economic challenges including currency devaluation, subsidy cuts and petroleum price movements, we succeeded in establishing ourselves as the second strongest player in the edible oils market by focusing on our growing distribution capabilities, resulting in a growth in volume of 14% over last year.



In Morocco, we continue our balanced strategy to focus on the profitable growth of our brands Afia and Hala, reinforcing our market share as the third biggest player in the segment, while overall volume increased by 6% compared to last year.



Meanwhile, despite hyper-inflation and forex sourcing issues, in Sudan our brands achieved growth in sales volumes of more than 20%.

#### Sugar

2017 has been a highly successful year for Savola Foods in the sugar business. For the first time the business was profitable across all geographies, despite challenges throughout the region including the introduction of excise taxes on high-sugar and energy drinks in both Saudi Arabia and the United Arab Emirates.

Owing to the strong presence of our Alosra brand we achieved a 75% share of the consumer market in Saudi Arabia and now account for more than 80% of the B2B market. 2017 also saw the launch of brown sugar by Savola Foods from its facilities in Jeddah, and we began serving the attractive B2B market segment in Egypt for the first time via the Alexandria Sugar Company – a beet sugar factory.

Based on an agreement with the European Bank for Reconstruction and Development (EBRD), an equity investment of \$100 million was injected into our Egyptian sugar cane business in 2017. The funding will help improve operational efficiency and competitiveness, as well as enhance health and environmental practices to meet international standards.



#### Pasta

Despite macro-economic challenges, we retained our leading position in the pasta business in Egypt through our Malika brand. We also achieved a 100% increase in our pasta exports in 2017 over the previous year thanks to the addition of Venezuela to our rapidly expanding list of 30 overseas markets.



## Capitalizing on our strengths

By retaining a focus on our core products and related health-conscious innovations, we will continue to defend our established position and increase our market share, building on our success in 2017 through a strong lineup of new product additions in our three core categories.

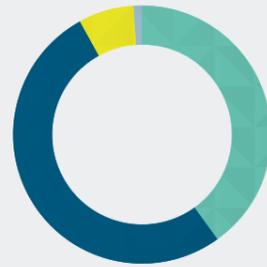
This strong innovation pipeline has allowed us to add 15 new products to the oil, sugar and pasta segments in the past year alone, and we aim to extend our footprint in 2018 through further investments in new product categories, as well as value-added acquisitions and facilities in new and existing geographies including Iraq.

Following the establishment of a new joint venture with Aves to create Bonus Food Company LLC, which is engaged in the refining and packaging of edible oil and vegetable ghee in Iraq, we will continue to identify and monitor global trends and developments that may affect our markets, allowing us to stay ahead of the curve by establishing business engagements in new markets and developing innovative new products for our customers.

Having entered the specialty fats market by commissioning a new factory in 2017, we will continue to expand our production capacity. The International Foods Industries Company Limited (IFI) factory in Jeddah is a state-of-the-art facility producing specialty fats for the B2B market.

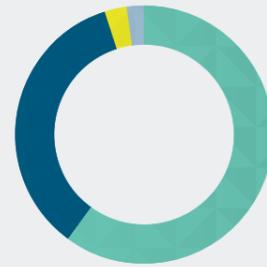
## Performance review Food investments continued

2017 Volume by business line (%)



- Edible Oils 40%
- Sugar 52%
- Pasta 7%
- Others 1%

2017 Revenue by business line (%)



- Edible Oils 60%
- Sugar 35%
- Pasta 3%
- Others 2%



### Edible oil

1.65

MT Total sales volume



### Sugar

2.17

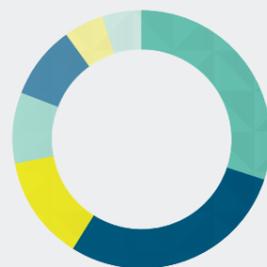
MT Total sales volume



### Pasta

284.8

KMT Total sales volume



Sales volume by country  
Including exports

- Iran 30%
- Saudi Arabia 29%
- Egypt 13%
- Turkey 9%
- Algeria 9%
- Morocco 5%
- Sudan 5%



Sales volume by country  
Including exports

- Egypt 41%
- Saudi Arabia 59%



Sales volume by country  
Including exports

- Egypt 100%



## Almarai Company

### Strategic long-term investment

As part of the Food investments proposition, Savola Group is the largest shareholder in the Middle East's leading food manufacturer and distributor, Almarai, holding a 34.52% stake in the business.

**34.52%** **2.11**

Savola Group  
Percentage shareholding

Earnings per share  
SAR

Savola Group sold a 2% stake in Almarai in 2017, equating to 16 million shares at a price of SAR 70 per share with a total value of SAR 1.12 billion. As a part of Savola's capital re-allocation strategy, this was a strategic decision to capitalize on a favorable market and Almarai's strong performance. The cash flow from the sale of this small stake paves the way for future strategic investments to bolster and further diversify Savola's revenue streams.

### About Almarai

Founded in 1977, Almarai has grown to become the world's largest vertically integrated dairy company. It is a broadly-based food group with diversified assets in dairy, juices, bakery, poultry and infant nutrition. Headquartered in Riyadh, Almarai's production and distribution footprint covers the GCC, Egypt and Jordan. With 42 million consumers, Almarai is the strongest brand in Saudi Arabia and one of the most recognized in the Middle East. In 2017, the YouGov Brand Index ranked Almarai first – ahead of Apple, WhatsApp, YouTube, Google, Samsung and Emirates – among the most positively perceived brands in Saudi Arabia.

### 2017 financial & strategic highlights

In 2017, Almarai achieved revenues of SAR 13,936 million for the year and gross profit of SAR 5,584 million, compared to 2016's SAR 5,522 million. Diluted earnings per share, based on net income attributable to shareholders, rose from SAR 2.08 to SAR 2.11, yielding a contribution of SAR 762 million to Savola's net income.

Cost savings of nearly SAR 300 million were delivered in 2017, reflecting the agility developed at every level of the business as a result of continued progress in its cost and efficiency programs. Amid generally lower market growth trends, Almarai was able to retain – and in most cases gain – market share across nearly all product categories. It also introduced 42 new products in 2017 across a wide range of categories.

Almarai revenue (SAR million)

2017	13,936
2016	14,339
2015	13,795
2014	12,606
2013	11,219

Almarai net income (SAR million)

2017	2,182
2016	2,147
2015	1,916
2014	1,674
2013	1,502



Performance review

# Retail investments: Value built on Retail



## Panda Retail Company

"Panda has deep foundations, loyal customers and the largest footprint of any grocery retailer in Saudi Arabia. This leading position in the market serves as the ideal platform from which to continue our transformative journey with strength and confidence. Our unity and determination as an organization, combined with the extensive expertise of our leadership and workforce, will ensure we emerge from this turbulent period stronger and more focused."

Panda Retail CEO

**5**  
Egypt  
Total number of stores

**362**  
KSA  
Total number of stores

Panda Retail is one of the largest modern grocery retailers in the Middle East, serving around 129 million customers through its hypermarkets, supermarkets and convenience outlets. With 362 stores in 47 cities across Saudi Arabia, we are the leading player in the Kingdom's grocery retail sector by market share and selling space.

## Revitalized leadership for an uncertain era

In an uncertain period for the retail sector in the region, we continue to pursue a transformative strategy to improve our market-leading position in the Kingdom's retail space and return to profitability. During the year, a new CEO and executive team were appointed to lead the business through a process of holistic reorientation and development.

Building on our strategic transformation plan launched in late 2016, this highly-qualified team will implement an innovative and well-defined structure of workstreams across all areas of the business to create a best-in-class, customer-centric organization, allowing Panda to enter 2018 with greater focus and determination.

### Panda store locations KSA

Abha	Buraida	Makkah
Abo Arish	Dammam	Muhayel
Abqaiq	Dawadmi	Najran
Ahad Al	Hafr Al Baten	Onaizah
Masarha	Hail	Qatif
Al Aflaj	Hassa	Rabigh
Al Badaea	Hawtat Sudryer	Ras Tanourah
Al Baha	Jeddah	Riyadh
Al Bukairiyah	Jizan	Riyadh Al
Al Kharj	Jubail	Khabra
Al Khobar	Jubail Rc	Sabyah
Al Majmaah	Jubail Town	Sarat Abydah
Al Rass	Khafji	Tabuk
AlMidhnab	Khamis Mushait	Taif
Baljorashi	Khobar	Yanbu
Bisha	Madinah	

## Performance review

### Retail investments continued

### Unprecedented market dynamics

As the Government of Saudi Arabia continues to implement the programs outlined in Vision 2030, the retail sector in the Kingdom has faced a wave of challenges in the short-term, in the form of macroeconomic adjustments, decreased subsidies, population contractions, consumer uncertainty and increasingly conservative spending habits. Government spending has also fallen, further impacting consumers' disposable incomes. Consequently, customers are highly price conscious and selective, and display an increased preference for promotions.

Changing customer sentiment and demographics resulted in a reduction in market size during 2017. The fast-moving consumer goods (FMCG) market, for example, fell by around 5% across the Kingdom over the year, which further intensified competition for lower and less frequent spending by customers.

### 2017: A year of transition

Despite this highly challenging matrix of negative circumstances, Panda Retail remains the leader by market share in the sector. Sales fell by 14% over the year, as much as 5% of which can be directly attributed to the shrinking market. Sales trends exhibited some improvement over the year; by year-end (i.e. for the month of December) our sales had returned to Q4 2016 levels. Nonetheless, margins remain under pressure as we continue to invest in promotions to retain price sensitive customers.

Fixed costs reduced slightly as we undertook several cost-saving measures, which were offset by a variety of one-off costs during the year, including impairment losses, but Panda managed to achieve positive free cash flows for 2017 mainly through reduction in working capital. In terms of investment requirements, the high standard of our in-place infrastructure remains sufficient to service current and near future needs.

Total revenues for 2017 amounted to SAR 11.7 billion, down from SAR 13.8 billion in 2016, while our gross margin in 2017 rose to 20.4% from 19.3% in the previous year. Our share of the modern trade market fell to 25.5% from 27.9% in 2016, and from 11.5% to 10.5% in the overall grocery retail market. We intend to improve our sales growth through the transformation process launched in late 2016, which aims to achieve a more customer-centric offering and will help to raise our like-for-like sales. The offering is constantly being adapted to align with rapidly evolving market realities.

Having opened one new outlet in 2017, our hypermarket network now comprises 67 stores, while our supermarkets totaled 162 following three openings and four closures during the year. In line with our strategy to focus on our core markets, we sold our UAE-based hypermarket to the Dubai Festival City Real Estate Development Company, generating a profit on exit of SAR 62 million for the Group.

In the convenience sphere, one new Pandati outlet was opened in 2017 but a total of 44 underperforming outlets were closed. Despite a reduction in total sales, the Pandati format recorded positive like-for-like sales over the year. We are continuing to assess the value proposition of the convenience format to improve sales.



# No.1

Panda is the leader by market share in KSA



# 48

Total number of cities served by Panda in KSA

هايبريندو  
HyperPanda

بندو  
Panda

بندتي  
Pandati



# 67

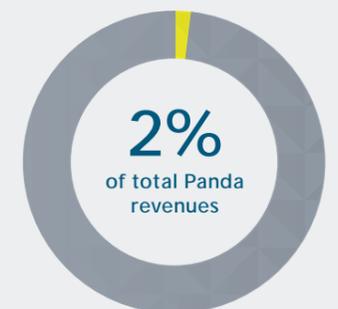
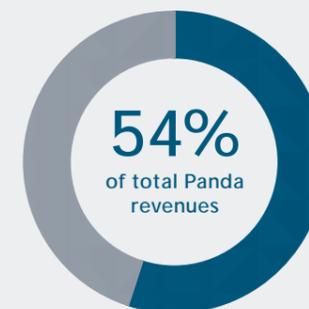
Hypermarkets  
(66 in 2016)

# 162

Supermarkets  
(163 in 2016)

# 138

Convenience stores  
(181 in 2016)



## Performance review

### Retail investments continued

#### Embracing change

Having been launched the previous year, Panda's comprehensive transformation process took shape over the course of 2017. In alignment with existing plans, a new leadership team was put in place, with the extensive experience and knowledge required to lead Panda through this critical period.

The evolution of the transformation process has clarified the path toward developing core capabilities, creating an organization built on higher efficiency in a turbulent market, including through the implementation of best practices; retail footprint and supply chain assessments; refocusing on the core requirement to buy, sell and plan more effectively; and bringing clarity to the value proposition of each of our three formats.

The organization has been redesigned with operations heads responsible for the stores and the identity and value proposition of each format, whereas the functional heads are put in place to support the operations. This approach creates a structure that puts customers' needs first.

Egypt remains a core market with great potential where we have a total of five outlets (one Hyper and four Supers). However, the current focus is on turning around the operations in Saudi Arabia.

Overall, Panda has the scale, market pedigree, infrastructure and brand strength to power its transformation to a best-in-class player in the market. Under the leadership of the current management team with this customer-centric focus, we will ensure improved performance in 2018 and beyond.

With strict adherence to our strategy of building upon and reallocating our capabilities while precisely managing working capital and cash flows, we are confident that we will maintain our leadership position in the sector and achieve long-term value for our shareholders.

#### Panda revenues (SAR billion)



#### Panda gross margin (SAR billion)



#### Market share modern trade (%)



#### Market share of total grocery retail (%)



#### Customer count 2017 (million)



## Herfy Company

#### Strategic long-term investment

With a 49% holding, Savola Group is the largest shareholder in Herfy Food Services Company, one of the leading restaurant businesses in Saudi Arabia, which also operates an industrial bakery and a meat processing business.

As Herfy's largest shareholder – both pre- and post-IPO – Savola Group has de facto control of the company by virtue of its ownership. Herfy became a Savola Group subsidiary following the adoption of IFRS, after which the Group consolidated Herfy within its financial statements.

#### About Herfy

Established in 1981, Herfy Food Services Company owns and operates Saudi Arabia's leading fast food chain, "Herfy", with 328 owned and leased branches in the Kingdom. The company also 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 factories.

#### 2017 financial & strategic highlights

In 2017, Herfy recorded sales of SAR 1,157.8 million, a 0.08% increase over 2016. Gross profit of SAR 341.7 million was 8.36 percent higher than the previous year, while net profit dropped 8% to SAR 200 million as a result of a rise in selling and marketing costs, financing charges, and general and administrative expenses. Reported earnings per share were SAR 3.09 compared with SAR 3.36 in 2016, yielding a contribution of SAR 105 million to Savola's net income.

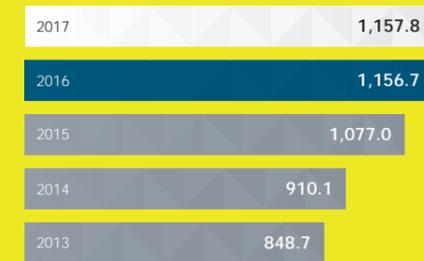
Herfy shareholders approved a 40% capital hike to SAR 646.8 million through the issue of two bonus shares for every five shares held. The company also commissioned operations of its first Herfy branch in Bangladesh, which is set to grow to 30 branches in the country over the coming years.

**49%** **3.09**

Savola Group  
Percentage shareholding

Earnings per share  
SAR

#### Herfy revenue (SAR million)



#### Herfy net income (SAR million)



Performance review

# Our people: Value built on our people

**42%**  
Saudization  
Savola Foods  
Company



**71%**  
Saudization  
Savola Group  
Headquarters



**3%**  
Increase  
In female employment  
in KSA



**39%**  
Saudization  
Panda Retail  
Company



“The ambition and commitment of our people lie at the heart of our journey to become a leading strategic investment holding company. We remain focused on creating value for all our stakeholders by empowering our employees to excel individually and succeed collectively. The alignment of our vision, strategy and human capital enables our values-driven culture and positions Savola as an employer of choice across all the sectors in which we invest and operate.”

The success of our organization is a product of the hard work and dedication of our people. Savola Human Resources (HR) is responsible for nurturing the potential of our workforce by maximizing their creativity and productivity at the Group level, while the individual HR departments of Savola Foods and Panda Retail perform the HR functions of their respective companies. They are all aligned behind our shared values and commitment to fostering a positive corporate culture based on clear ethical principles and equitable governance.

Group Head of HR

Savola Group workforce

2017	23,975	5,784	29,759
2016	25,954	5,967	31,921
2015	25,235	5,805	31,040
2014	22,595	5,943	28,538
2013	16,309	6,738	23,047

■ KSA  
■ Overseas

## A positive culture backed by a healthy work-life balance

Savola's vision and corporate culture are the foundation of our value creation model, 'Value Built on Values', which underpins everything we do internally to support and develop our employees. Our employee value proposition framework brings together career development; rewards and recognition; loyalty and affiliation; and work challenges to promote a positive, balanced working environment and workforce.



Career development at Savola is designed to fill organizational and individual skills gaps through personalized learning and development, while our rewards and recognition initiatives link business objectives with individual performance and recognize positive contributions at every level across the Group. The loyalty and affiliation aspect of the framework involves measuring, benchmarking and developing employee engagement through Tawar, our Group-wide employee survey introduced in 2016. Finally, the focus of the work challenges component is to increase employee performance and happiness by creating a working environment that balances professional challenges with the individual abilities of employees.

## Performance review Our people continued

### A home for exceptional talent

Savola is an employer of choice for top talent from across the Kingdom and beyond. We identify, attract, develop and nurture a diverse team of highly capable, motivated people who have the knowledge and skill to overcome complex challenges and capitalize on opportunities.

Our strategy is aligned with the goals of Saudi Arabia's Vision 2030, delivering initiatives and activities across the Group to promote diversification, support people with disabilities and empower our female employees. Our HR programs focus on talent acquisition, workforce optimization, employee engagement and retention, and fostering a fair and transparent values-driven culture.

Widely recognized as a market leader in female empowerment, Savola has played a pioneering role among its peers in Saudi Arabia, opening a daycare center to support its female employees and promote a healthy work-family balance. The daycare serves the needs of employees across the Group, Savola Foods and Panda Retail.

Savola Group was recognized in 2017 for its ongoing support for people with disabilities. A Golden level Mowaamah Certificate was awarded by The Ministry of Labor and Social Development to the Group for creating a disability-friendly workplace, including recent updates to office facilities, recruitment and training policies under Savola's Makeen program.



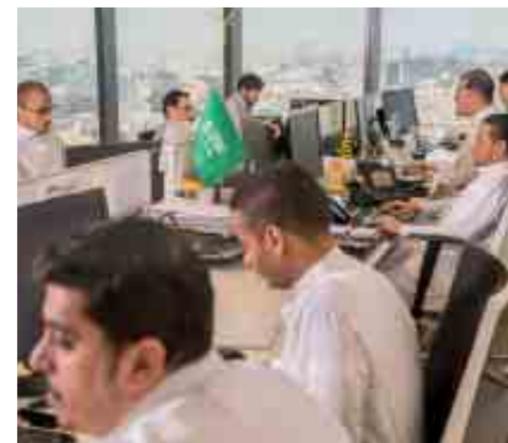
### Programs for employees

One of Savola's core corporate values is Birr. This Arabic term describes a concept that blends compassion and fairness, representing genuine concern for people and their welfare. Savola has developed a number of programs for its employees that reflect this key aspect of our values and are designed to retain, motivate and improve performance.

Introduced in 1992, our Employee Home Loan scheme provides Saudi employees with interest-free loans for sums up to 50 times their basic salary, with a maximum value of SAR 2.5 million. These loans are intended to help employees buy their own homes in the Kingdom.

Savola Group arranges Takaful insurance to support employees' families in the event of death or permanent disability. Through the Takaful Cooperative Employee program, employees (or their families) receive the equivalent of 36 months basic salary in the event of such incidents.

Savola also operates an Employee Takaful Fund to assist junior staff (below manager level) to deal with financial emergencies. It is financed through voluntary monthly contributions from employees and Chairman to support their colleagues. 50 employees benefited from the fund during the year.



### Savola Foods

Serving the needs of 6,279 full-time employees, the Savola Foods Human Capital Division played a key role in supporting the company's growth in 2017 by ensuring a capable, engaged and adaptable workforce across all geographies and product categories. In line with its commitment to providing internal career development opportunities and its strategic mission to enhance the professional skills and experience of its people, the company retained key talent through the Promote Within strategy and filled the majority of leadership vacancies through internal promotion rather than external recruitment.

Human Capital Development was a major focus in 2017. Around 200 mid-level managers from across Savola Foods were identified and selected for Accelerate, the company's in-house talent management and capacity building program. A further 30 executive-level employees were identified as future leaders and selected to participate in Iqtida'a, a bespoke 18-month executive leadership development program delivered in partnership with INSEAD Business School.

Reinforcing our market-leading Saudization credentials, we also maintained our platinum zone rating in 2017 employees in the Kingdom.

**INSEAD**

The Business School  
for the World®



### Panda Retail

Panda Retail believes that its competitive advantage stems in large part from the investments it makes in its people. We aim to create an organization that provides individuals with the opportunity to enhance their skills and abilities whilst contributing to our ongoing success as a world-class retailer.

Therefore, attracting the right people, training them and providing the resources they require continues to be one of our highest priorities. Our Human Capital team supports the needs of a diverse and dynamic 23,434-strong workforce, comprising 22,629 full-time employees across our home market of Saudi Arabia and a further 805 in Egypt.

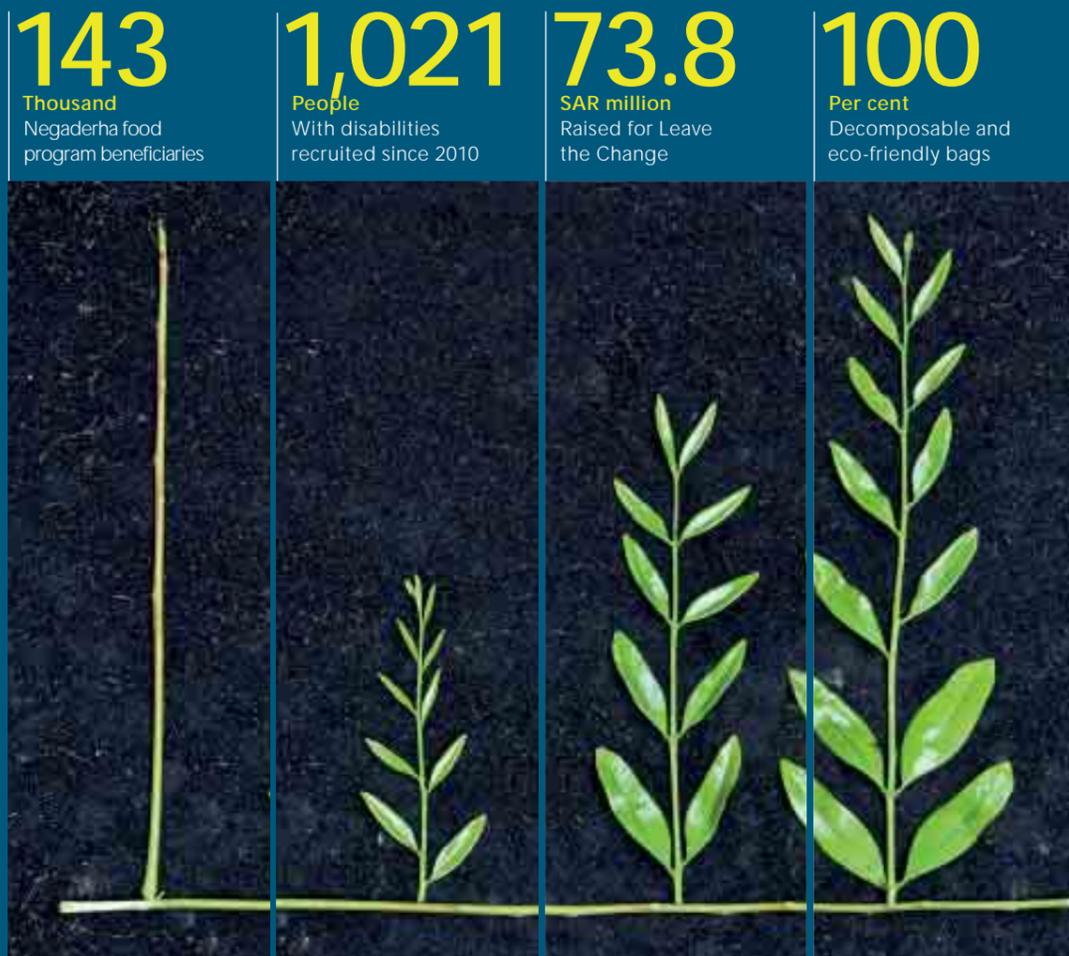
Panda Retail maintains an advanced Saudization rating of our employees in the Kingdom in 2017 – and has agreed with the Saudi Human Resource Development Fund (HRDF) to recruit and train young, dynamic Saudis. Initiated in 2017, our Saudization program is designed to complement the initiatives of the Ministry of Labor (MoL) in support of the 2030 Vision, and offers customized training to develop the technical skills required to nationalize jobs within stores. Saudization within our workforce in the Al-Qassim region, where the program was launched, rose from 35% to 60% in 2017.

Panda Retail has also been awarded a Gold-level Mowaamah Certificate by the Ministry of Labor and Social Development in recognition of our long-standing commitment to the employment of persons with disabilities, and received a prestigious international disability award from the Government of Brazil in association with the United Nations. Today, we employ 304 individuals with disabilities and operate a dedicated Panda Disability Committee to administer our Policy on the Employment of Employees with Disabilities.



Performance review

# Our Sustainability: Value built on sustainable practices



“Sustainability is at the heart of the Savola brand. Our goal is to set an example for others to follow through our work with the community, our respect for the environment, and the support we provide to our employees and people with disabilities. In keeping with our mission to create value based on values, we are committed to adopting sustainable business practices across our Group and subsidiary companies.”

Group Head of Sustainability

Sustainability and business success are not mutually exclusive; we believe sustainable business practices translate into long-term, profitable accomplishments, and Savola aims to spread this message across the sector and throughout the regional economy.

Launched in March 2017, Savola World is our unique sustainability platform – a game-changer in the field from which we aim to set the standard for responsible business throughout the entire MENAT region and beyond.

### A holistic approach to sustainability

Our sustainability approach is designed to benefit the community, environment and our employees, while promoting responsible business practices within our sector.

The choices that businesses make have far-reaching consequences for the societies in which they operate. With a presence throughout the MENA region and Turkey, Savola's influence is felt by communities across numerous localities. We use this privileged position to effect beneficial behavioral change among our customers and stakeholders in these communities, promoting healthy living and sustainable food consumption and storage.

Change begins at home, however, which is why our employees lead by example when it comes to sustainable practices. They are the engine driving Savola's CSR success, and inspire us as a Group to stay true to the demanding commitments and goals we have set for ourselves. We therefore invest heavily in our workforce, providing world-class employee benefits and lifelong learning opportunities through our Management Trainee Program, and adhering to responsible human capital management practices to create a positive and supportive working environment for our people.

We are also keenly aware that it is equally important to maintain the health of the broader natural environment in which we live, work and thrive. Businesses have untold effects on the natural world, but these do not need to be negative; Savola and our subsidiaries are determined to make a positive contribution to the preservation of our environment through a reduce-reuse-recycle approach designed to efficiently rationalize consumption cycles.

We seek to spread this message beyond the confines of our network to the broader society and business community. By acting as a responsible corporate citizen and role model for other companies, Savola aims to instill sustainable practices throughout the sector, as this not only benefits our communities and the environment but also drives competitiveness, raises efficiency and maximizes industry potential for the benefit of all.

## Performance review Sustainability continued



### Negaderha

Around 1.3 billion tons of edible food is wasted globally each year (FAO, 2016), grossly undermining global food security, and Saudi Arabia wastes the most food per capita of any nation. Savola is passionately committed to reversing this highly negative and wasteful trend by raising awareness and driving behavioral change towards rational food consumption among our customers and stakeholders.

Our Negaderha program is a food waste prevention and reduction scheme developed to address food waste on a national basis. Savola partnered with the United Nations Environment Programme (UNEP), the Waste and Resources Action Programme (WRAP), and Ita'am Food Bank to create Negaderha, which aims to tackle food waste both in households and in the HORECA (hotels, restaurants and cafés) sector. Leveraging the global reach and technical expertise of the UNEP, the proven approaches to behavioral change employed by WRAP and the outreach capabilities of Ita'am, we aim to develop an in-depth understanding of the drivers of food waste in the Kingdom and implement campaigns to achieve tangible, quantifiable reductions in food waste.

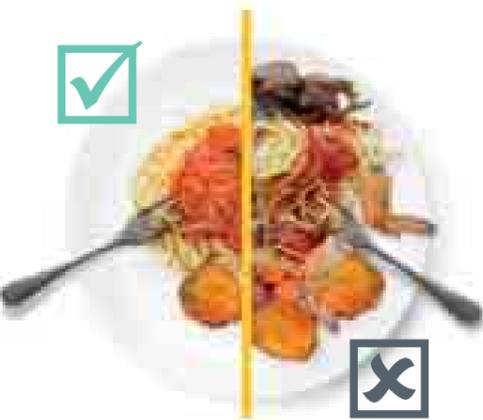
Having completed a quantitative study of household food waste across the Kingdom, in 2017 Negaderha launched household awareness campaigns in Jeddah, Riyadh and Dhahran, spreading its message through key social media influencers, viral videos, flash mobs and traditional media messaging, as well as through its stands and direct interactions in public food courts. The program also offered shopping and storage tips, over 60 interactive leftover recipes and portion advice for party planning via its dedicated online portal.

During the Holy Month of Ramadan, Negaderha initiated a campaign and competition to prevent food waste by encouraging people to use leftovers from Iftar to create new dishes for Suhoor. More than 2,300 innovative recipes were received and three winners were selected near the end of the month. The campaign reached three million people across all outreach platforms.

Negaderha has also established a project in conjunction with Ita'am and the Jeddah Chamber of Commerce and Industry to create a comprehensive National Guide for Food Waste Management in the HORECA sector. The project, which aims to instill behavioral change in the sector to combat food waste, received an Institutional Initiatives Award from the Prince Khalid Al-Faisal Center for Moderation in December 2017.

Also in partnership with Ita'am, Negaderha distributed more than one million containers of saved food to 143,000 beneficiaries Kingdom-wide, illustrating the level of food wastage in the country.

Negaderha participated in the Fifth Arab Roundtable Meeting on Sustainable Production and Consumption, organized by the League of Arab States in Cairo in partnership with the UNEP, where it presented these successful programs in a session dedicated to private sector initiatives in sustainable consumption and production.



### Makeen

Savola Group has long maintained a commitment to integrating people with disabilities into its workforce and encouraging their wider participation in the national economy.

We were the first private company in Saudi Arabia to join the International Labor Organization (ILO) Global Business and Disability Network in October 2017, based on our commitment to the promotion and respect of the rights of persons with disabilities, raising awareness among society, and the development of policies and practices that protect disabled people from all forms of discrimination.

Savola is also one of the founders of the Qaderoon Business Disability Network of employers and holds a gold category Mowaamah certificate for the advancement of people with disabilities.

Our commitment to supporting people with disabilities is embodied by our Makeen program, which is dedicated to empowering people with disabilities and increasing the number of disabled people in private sector employment.

Since its introduction in 2010, Makeen has recruited over 1,021 employees with disabilities; offered free training programs to government organizations, NGOs and private sector companies on good conduct in their interactions with disabled persons; and shared its experience and best practice with other like-minded organizations seeking to employ more people with disabilities.

Makeen's online portal brings together disabled job seekers and private sector employers; in 2017 alone, we facilitated the employment of 110 people with disabilities, and we plan to increase this number in the coming year.

## Sustainable initiatives in the retail sector

Savola's commitment to sustainable practices extends to the retail sector through its subsidiary, Panda Retail.

Panda's 'Leave the Change for Them' charitable initiative continued in 2017. This program encourages Panda's customers to donate the small change from their purchases at Panda outlets. Thanks to the generosity of customers across its entire network, Panda was able to collect SAR 7.4 million in 2017, bringing the total raised to SAR 73.8 million since the program was launched in 2006. Funds raised through this initiative are distributed to the Disabled Children's Association and the Trahom Association, which cares for prisoners and their families.

Another ongoing Panda initiative focuses on reducing the massive environmental impact of plastic bags. A recent World Health Organization (WHO) report shows that the world uses about 500 billion plastic bags each year, equivalent to around a million bags every minute. To do its part in combatting this major environmental threat, Panda initiated a project in 2012 that replaced regular plastic shopping bags with bio bags that are 100% decomposable and eco-friendly.



# 02

## Disclosures, Corporate Governance and Audit Committee 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 and marketing and distribution of edible oils, vegetable ghee, sugar, pasta, baked goods and seafood. The retail sector operates a chain of hypermarkets, supermarkets and convenience stores. Savola also has significant investments in leading Saudi listed and non-listed companies such as Almarai Co. and Herfy Food Services Co. (which operate in the food and retail sectors, respectively), and real estate development companies such as Knowledge Economic City, Emaar Economic City, and Kinan International 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>a) Direct subsidiaries of the Company:</b>							
<b>i. Operating subsidiaries:</b>							
1.	Savola Foods Co. (SFC)	Kingdom of Saudi Arabia (KSA)	Foods	Holding company manages the investment in foods sector in KSA and overseas	100%	SAR 2,200,000,000	220,000,000
2.	Panda Retail Co. (Panda)	KSA	Retail	KSA and Egypt	91%	SAR 1,000,000,000	100,000,000
3.	Al Matoun International for Real Estate Investment Holding Co.	KSA	Real Estate	KSA	80%	SAR 100,000,000	100,000
4.	Herfy Food Services Co. (Herfy)	KSA	Restaurants & Manufacturing Bakery Products	KSA and Bangladesh and some GCC countries	49%	SAR 646,800,000	64,680,000
5.	Giant Stores Trading Co. (Giant)	KSA	Retail	KSA	92% (Direct 10%)	SAR 500,000	500
<b>ii. Dormant and holding subsidiaries:</b>							
6.	Adeem Arabia Company Ltd. (Adeem)	KSA	Holding Company	KSA	100% (Direct 90%)	SAR 1,000,000	10,000
7.	Al Utur Arabian Co. for Commercial Investment (Formerly Al Utur Arabian Holding Company for Commercial Investment)	KSA	Holding Company	KSA	100% (Direct 99%)	SAR 1,000,000	10,000
8.	Al Mojammat Al Mowahadah Real Estate Co. (under liquidation)	KSA	Holding Company	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

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
11.	Savola Industrial Investment Co. (SIIC)	KSA	Holding Company	KSA	100% (Direct 5%)	SAR 205,900,000	205,907
<b>I. Savola Foods Company:</b>							
<b>Subsidiaries Controlled through Savola Foods Company: (% referred to SFC's direct &amp; indirect ownership – SFC is wholly owned by Savola)</b>							
12.	Afia International Co. (AIC)	KSA	Manufacturing of Edible Oils	KSA. Gulf. Egypt. Iran. Turkey. Jordan	95.19%	SAR 500,000,000	50,000,000
13.	Savola Industrial Investment Co. (SIIC)	KSA	Holding Company	Saudi Arabia	95%	SAR 205,900,000	205,907
14.	El-Maleka for Food Industries Co.	Egypt	Manufacturing of Pasta	Egypt	100%	EGP 268,898,960	433,708
15.	El Farasha for Food Industries Co.	Egypt	Manufacturing of Pasta	Egypt	100%	EGP 20,000,000	20,000
16.	Savola Foods Emerging Markets Co. Limited (SFEM)	British Virgin Islands (BVI)	Holding Company	Offshore company	95.43%	SAR 130,000,000	13,000,000
17.	Afia International Distribution and Marketing Co.	KSA	Trading and Distribution	KSA	100%	SAR 200,000	200
18.	Savola Foods for Sugar Co.	Cayman	Dormant Company	Offshore company	95%	USD 50,000	5,000
19.	Savola Foods Co. International Ltd.	United Arab Emirates (UAE)	Holding Company	UAE	100%	AED 500,000	500
20.	International Foods Industries Co. Ltd. (IFI)	KSA	Manufacturing of Specialty Fats	KSA	93%	SAR 107,000,000	10,700,000
21.	Seafood International Two FZCO	UAE	Seafood Products Trading and Distribution	UAE	60%	AED 100,000	100
22.	Afia Foods Arabia (Transfeded from Savola Group)	KSA	Dormant Company	KSA	100%	SAR 1,000,000	1,000
23.	Al Maoun International Holding Co. (Al Maoun)	KSA	Holding Company	KSA	100%	SAR 1,000,000	1,000
24.	Marasina International Real Estate Investment Ltd. (Marasina)	KSA	Holding Company	KSA	100%	SAR 200,000	200
25.	Afia Foods Arabia (Transferred to Savola Foods Co.)	KSA	Dormant Company	KSA	100% (Direct 90%)	SAR 1,000,000	1,000
<b>b) Subsidiaries controlled through Afia International Company (% referred to AIC's ownership; AIC is 95.19% owned by SFC)</b>							
26.	Savola Behshahr Co. (SBeC)	Iran	Holding Company	Iran	90%	IRR 740,000,000,000	740,000,000

## Main Activities and Financial Disclosures continued

## 1) The Group's main activities continued

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
27.	Malintra Holdings	Luxembourg	Dormant Company	Luxembourg	100%	EUR 1,250,000	1,250
28.	Savola Foods Ltd. (SFL)	BVI	Holding Company	Offshore company	100%	USD 52,000	52,000
29.	Afia International Co. – Jordan	Jordan	Dormant Company	Jordan	97.5%	JOD 8,000,000	8,000,000
30.	Inveszk Inc.	BVI	Dormant Company	Offshore company	90%	USD 138,847	138,847
31.	Afia Trading International	BVI	Dormant Company	Offshore company	100%	USD 500,000	500,000
32.	Savola Foods International	BVI	Dormant Company	Offshore company	100%	USD 50,000	50,000
33.	KUGU Gida Yatum Ve Ticaret A.S (KUGU)	Turkey	Holding Company	Turkey	100%	TRL 4,433,569	443,356,900
34.	Aseel Food – Holding Co.	Cayman	Holding Company	Offshore company	100%	USD 50,000	50,000
<b>Under Savola Behshahr Company</b> (% referred to SBeC's ownership; SBeC is 90% owned by AIC)							
35.	Behshahr Industrial Co.	Iran	Manufacturing of Edible Oils	Iran	79.9%	IRR 3,000,000,000,000	3,000,000,000
36.	Tolue Pakshe Aftab Co.	Iran	Trading and Distribution	Iran	100%	IRR 100,000,000,000	100,000,000
37.	Savola Behshahr Sugar Co.	Iran	Trading and Distribution	Iran	100%	IRR 100,000,000	100,000
38.	Notrika Golden Wheat Co.	Iran	Manufacturing of Food and Confectionery	Iran	90%	IRR 150,000,000,000	150,000,000
<b>Under Savola Foods Limited</b> (% referred to SFL's direct & indirect ownership; SFL is wholly owned by AIC)							
39.	Afia International Co.. Egypt	Egypt	Manufacturing of Edible Oils	Egypt	99.95%	EGP 154,651,500	30,930,300
40.	Latimar International Ltd.	BVI	Holding Company	Offshore company	100%	USD 640,000	640,000
41.	Elington International Ltd.	BVI	Holding Company	Offshore company	100%	USD 640,000	640,000
<b>Under KUGU Gida Yatum Ve Ticaret A.S</b> (% referred to KUGU's ownership; KUGU is wholly owned AIC)							
42.	Savola Gida Sanayi Ve Ticaret Anonim Şirketi (Formerly Yudum Gida Sanayi ve Ticaret A.S)	Turkey	Manufacturing of Edible Oils	Turkey	100%	TRL 4,433,569	443,356,900
<b>c) Subsidiaries controlled through Savola Industrial Investment Company</b> (% referred to SIIC's ownership; SIIC is 95% owned by SFC)							
43.	United Sugar Co. (USC)	KSA	Manufacturing of Sugar	KSA	74.48%	SAR 395,000,000	395,000

## 1) The Group's main activities continued

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
<b>Under United Sugar Company</b> (% referred to USC's direct & indirect ownership; USC is 74.48% by SIIC)							
44.	Alexandria Sugar Co. – Egypt	Egypt	Manufacturing of Sugar	Egypt	54.14% (73.14% including SFC %)	EGP 281,838,000	281,838
45.	USCE	Egypt	Manufacturing of Sugar	Egypt	31.15% (41.77% including Savola %)	USD 222,148,000	28,271,392
46.	Beet Sugar Industries	Cayman	Dormant Company	Offshore company	100%	USD 1,000	1,000
<b>Under Alexandria Sugar Co. – Egypt</b> (% referred to ASCE L's ownership; ASCE is 73.14% owned by SFC directly and indirectly)							
47.	Alexandria United Co. for Land Reclamation	Egypt	Agro Cultivation	Egypt	100%	USD 22,500,000	225,000
<b>d) Subsidiaries controlled through Savola Foods Emerging Markets Company Limited</b> (% referred to SFEM's direct & indirect ownership; SFEM is wholly owned by SFC)							
48.	Savola Morocco Co.	Morocco	Manufacturing of Edible Oils	Morocco	100%	MAD 46,000,000	460,000
49.	Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible Oils	Sudan	100%	SDG 45,800,000	45,800,000
50.	Afia International Co. – Algeria	Algeria	Manufacturing of Edible Oils	Algeria	100%	AD 3,028,071,000	3,028,071
<b>e) Subsidiaries controlled through Savola Foods Company International Limited</b> (% referred to SFCI's ownership; SFCI is wholly owned by SFC)							
51.	Modern Behtaam Royan Kaveh Co.	Iran	Food and Confectionery	Iran	100%	IRR 1,000,000	1,000
<b>f) Subsidiaries controlled through Al Maoun And Marasina</b> (% referred to Al Maoun & Marasina's ownership – both companies are wholly owned by SFC)							
52.	Alofog Trading DMMC	UAE	Trading and Distribution	UAE	100%	AED 2,000	50
<b>II. Subsidiaries controlled through Panda</b> (% referred to Panda's ownership – Panda is 91% owned by Savola)							
53.	Giant Stores Trading Co.	KSA	Retail	KSA	90%	SAR 500,000	500
54.	Panda for Operations. Maintenance and Contracting Services	KSA	Services and Maintenance	KSA	100%	SAR 500,000	500
55.	Panda International for Retail Trading	Egypt	Retail	Egypt	100%	EGP 50,000,000	50,000,000
56.	Panda International Retail Trading	UAE	Retail	UAE	100%	AED 1,000,000	1,000
57.	Panda Bakeries Co.	KSA	Bakery	KSA	100%	SAR 500,000	500

## Main Activities and Financial Disclosures continued

### 1) The Group's main activities continued

No.	Company name	Country of incorporation	Core activities	Country presence	Ownership % (direct and indirect)	Capital (nominal share value)	Number of shares
<b>Under Giant</b> (% referred to Giant's ownership – Giant is 90% owned by Panda)							
58.	Lebanese Sweets and Bakeries	KSA	Dormant Company	KSA	91.4% (Direct 4%)	SAR 5,000,000	5,000
<b>Investees:</b>							
59.	Almarai Co.	KSA	Fresh Food Products	KSA	34.52%	SAR 10,000,000,000	1,000,000,000
60.	Kinan International Real Estate Development Co.	KSA	Real Estate Development	KSA	29.9%	SAR 1,694,000,000	169,400,000
61.	USCE	Egypt	Manufacturing of Sugar	Egypt	41.77% (Savola effective ownership)	USD 156,000,000	15,600,000
62.	Seera City for Real Estate Development	KSA	Real Estate Development	KSA	40%	SAR 20,000,000	200,000
63.	Knowledge Economic City Developers Co.	KSA	Real Estate	KSA	2.07%	SAR 830,000,000	83,000,000
64.	Intaj Capital Ltd.	Republic of Tunisia (Tunisia)	Fund Management	Tunisia	49%	USD 260,000,000	260,000
65.	United Edible Oils Holding Ltd.	Cayman	Holding Company	Offshore company	51%	USD 36,351,431	36,351,431
<b>Available for sale investments:</b>							
<b>Listed:</b>							
66.	Knowledge Economic City	KSA	Real Estate Development	KSA	11.5%	SAR 3,393,000,000	339,300,000
67.	Emaar the Economic City	KSA	Real Estate	KSA	0.87	SAR 8,500,000,000	850,000,000
68.	Arab Phoenix Holdings Co. (Formerly Taameer Jordan Holding Co.)	Jordan	Real Estate Development	Jordan	5%	JOD 86,840,292	86,840,292
<b>Unlisted:</b>							
69.	Joussor Holding Co.	KSA	Investment Funds	KSA	14.81%	SAR 600,000,000	60,000,000
70.	Swicorp	KSA	Investment Funds	KSA	15%	SAR 500,000,000	50,000,000
71.	Dar Al Tamleek Co.	KSA	Real Estate Development	KSA	4.6 %	SAR 508,750,000	50,875,000

### 2) Consolidated performance of the Group:

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

##### a) Comparison of the Company's financial results (SAR '000):

Item	2017	2016	2015	2014	2013
Revenues	<b>23,830,475</b>	26,330,802	25,125,596	26,587,842	25,280,718
Cost of revenues	<b>(19,439,972)</b>	(21,677,838)	(20,100,206)	(21,724,122)	(20,507,182)
Gross profit	<b>4,390,503</b>	4,652,964	5,025,390	4,863,720	4,773,536
Net profit	<b>1,025,618</b>	(363,287)	1,791,747	2,072,319	1,704,481

##### b) Comparison of the Company's assets and liabilities (SAR '000):

Item	2017	2016	2015	2014	2013
Current assets	<b>6,653,387</b>	8,449,057	9,331,719	10,237,717	9,040,383
Non-current assets	<b>16,555,433</b>	16,838,339	17,643,635	16,163,909	15,722,473
<b>Total assets</b>	<b>23,208,820</b>	25,287,396	26,975,354	26,401,626	24,762,856
Current liabilities	<b>8,513,858</b>	10,406,259	9,967,229	10,161,490	9,102,352
Non-current liabilities	<b>4,986,982</b>	5,631,303	5,502,059	5,312,084	4,768,959
<b>Total liabilities</b>	<b>13,500,840</b>	16,037,562	15,469,288	15,473,574	13,871,311

## Main Activities and Financial Disclosures continued

### 2) Consolidated performance of the Group continued

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

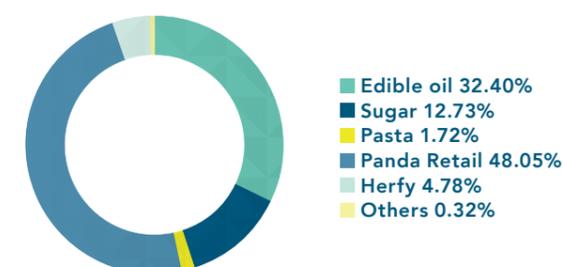
Below is the Group's consolidated revenue for 2017 compared to the previous year, sector wise and activity wise (edible oils and vegetable ghee, sugar and sweeteners, pasta, seafood and retail sector), including geographical analysis based on brands and the countries where they are available:

Business line/country	Products/brands	2017 (SAR '000)	2016 (SAR '000)
<b>Edible oil and vegetable ghee</b>			
KSA, GCC and Yemen	Afia, Al-Arabi, Olite, Shams, Sun Glow, Dalal, Canola Afia	2,290,865	2,292,156
Egypt	Rawabi, Afia, Ganna, Slite, Helwa	867,281	1,108,264
Iran	Ladan, Aftab, Bahar, Afia	2,590,588	2,743,529
Sudan	Al Tayeb, Sabah, Shams	375,157	320,928
Morocco	Afia, Hala	343,094	303,525
Turkey	Yudum, Sirma	827,538	891,376
Algeria	Afia, Oleor	556,538	472,412
<b>Total edible oil</b>		<b>7,851,061</b>	8,132,190
<b>Sugars and sweeteners</b>			
KSA, GCC, and Yemen	Al Osra, Ziadah, Safaa, Nehar, Halla, Sweeva	2,740,779	2,848,025
Egypt	Al Osra	343,554	339,580
<b>Total sugars and sweeteners</b>		<b>3,084,333</b>	3,187,605
<b>Pasta product – Egypt</b>			
Total pasta product	El Maleka, Macaronto, Italiano	416,643	532,142
<b>Seafood products</b>			
Total seafood products – UAE	John West	187	22,787
<b>Total Baked Foods</b>			
Total Intl. Food Industries Product Sales		19,626	11,998
		12,370	-
<b>Total foods</b>		<b>11,384,220</b>	11,886,722
<b>Retail</b>			
KSA	Hyper Panda, Panda Supermarket and Pandati	11,471,660	13,233,230
United Arab Emirates/Dubai	Hyper Panda	79,543	303,509
Egypt	Hyper Panda, Panda Supermarket	93,084	35,636
<b>Total retail</b>		<b>11,644,287</b>	13,572,375
<b>Herfy Food Services Co.</b>			
Others		1,157,793	1,156,683
<b>Real estate, KSA</b>			
		45,338	55,008
<b>Total other activities</b>		<b>45,338</b>	55,008
<b>Gross revenues</b>			
Intercompany Elimination		24,231,638	26,670,788
		(401,163)	(339,986)
<b>Total revenues/Sales</b>		<b>23,830,475</b>	26,330,802

### 2) Consolidated performance of the Group continued

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

#### Breakdown of Sector and Main Group activity contributions to 2017 consolidated revenues



#### 2-3) Statement of any material differences in the operational results compared to the preceding year's results:

Sr.	Income statement	2017 (SAR '000)	2016 (SAR '000)	Variance + or (-) (SAR '000)	Variance %
1	Revenues	23,830,475	26,330,802	(2,500,327)	-9.5%
2	Cost of revenues	(19,439,972)	(21,677,838)	2,237,866	-10.3%
3	Gross profit	4,390,503	4,652,964	(262,461)	-5.6%
4	Operational revenues – Other	752,382	702,011	50,371	7.2%
5	Operational expenses – Other	(4,343,251)	(4,882,359)	539,108	-11.0%
6	Operational profit (loss)	799,634	472,616	327,018	69.2%

Declaration: The Company didn't announce any financial expectations during 2017.

Note: The increase in the Group net income for the year 2017, compared to last year shown in the above table, is mainly attributed to: the gain on disposal of 2% ownership interest in Almarai; non-recurring net positive impact for the Group of SAR 62 million from gain on disposal of leasehold rights by Panda Retail Company, of its Hyper Panda store in Dubai Festival City Mall, UAE; non-recurring net positive impact for the Group of SAR 30 million due to recognition of dilution gain net of option cost, upon deconsolidation of United Sugar Company Egypt, considered as an associate effective March 28, 2017, after issuance of shares to EBRD as announced earlier on Tadawul; reduced losses from USCE; higher share of profit from associates despite of an increase in the share of loss from another associate; lower impairment loss; lower operating expenses; lower net finance cost; and lower Zakat and tax.

This increase in net income is despite lower gross profit, mainly due to the Foods sector, whereas the sales decline is attributed to both the Food and Retail sectors and a higher share of minority.

#### 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.

As part of these efforts, four years ago the Group issued its first tranche of Sukuk in 2013. However, some 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 that Savola secured during 2017 (at prevailing market rates) reached SAR 340.1 million compared to SAR 369.1 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 loan and a corporate guarantee for some of its subsidiaries' loans, according to the requirements of the lending banks or financial institutions.

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

## 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

## A) Long-term loans as of December 31, 2017 (SAR '000):

Sr.	Borrowing company	Lender	Loan period	Date issued	Original amount	Paid amount in 2017	Balance Dec-2017	Balance Dec-2016		
1	Savola	Banque Saudi Fransi	5 years	Dec-13	500,000	<b>153,846</b>	-	153,846		
		Bank Al Jazira	2 years	Dec-16	250,000	<b>250,000</b>	-	250,000		
		Saudi Investment Bank	5 years	Dec-12	250,000	<b>62,500</b>	-	62,500		
		National Commercial Bank	5 years	Oct-16	500,000	<b>31,250</b>	<b>468,750</b>	500,000		
		Gulf International Bank	1.5 years	Dec-17	298,205	-	<b>298,205</b>	-		
		Sukuk	7 years	Jan-13	1,500,000	-	<b>1,500,000</b>	1,500,000		
<b>Savola Group</b>							<b>2,266,955</b>	2,466,346		
2	Panda	Banque Saudi Fransi	5 years	Mar-14	500,000	<b>166,667</b>	<b>333,333</b>	500,000		
		National Commercial Bank	4 years	Jul-15	300,000	<b>75,000</b>	<b>225,000</b>	300,000		
		Saudi British Bank	5 years	Dec-15	300,000	<b>45,000</b>	<b>225,000</b>	270,000		
			6 years	Dec-16	400,000	-	<b>400,000</b>	400,000		
Al Rajhi Bank	4 years	Mar-16	250,000	<b>83,333</b>	<b>166,667</b>	250,000				
<b>Panda Retail Co.</b>							<b>1,350,000</b>	1,720,000		
3	Afia-KSA	Saudi British Bank	5 years	Dec-14	350,000	<b>196,875</b>	<b>112,500</b>	309,375		
			Kugu	8 years	Jan-11	62,475	<b>10,412</b>	<b>15,619</b>	26,031	
			Afia - Egypt *	5 years	Jan-16	13,656	-	<b>15,107</b>	13,656	
				5 years	Jan-16	11,386	-	<b>28,514</b>	11,386	
<b>Afia International Co.</b>							<b>171,740</b>	360,448		
4	Afia Algeria	Fransabank	2 years	Aug-15	6,236	<b>6,236</b>	-	6,236		
			Savola Edible Oils Sudan	Bank of Khartoum	3 years	May-16	4,268	<b>2,148</b>	<b>2,120</b>	4,268
					3 years	May-16	4,371	<b>2,199</b>	<b>2,172</b>	4,371
					3 years	May-16	543	<b>273</b>	<b>270</b>	543
					3 years	Jul-16	280	<b>125</b>	<b>155</b>	280
<b>Savola Foods Emerging Co.</b>							<b>4,717</b>	15,698		
5	El Maleka for Food Industries	* Qatar National Bank	5.3 years	Feb-14	9,890	-	<b>8,038</b>	6,854		
		National Bank of Kuwait	4 Years	Mar-16	17,744	<b>6,541</b>	-	6,541		
			4 Years	Mar-16	3,323	<b>2,881</b>	-	2,881		
<b>Pasta</b>							<b>8,038</b>	16,276		
6	ASC Egypt	Commercial International Bank	7 years	Mar-10	529,937	<b>128,362</b>	<b>159,730</b>	288,092		
		Egyptian Saudi Finance Bank (Al Baraka Bank)	10 years	Jul-09	24,366	<b>1,625</b>	-	1,625		
		Alexandria UCLR	National Bank of Kuwait	5 years	Jan-15	77,512	<b>34,987</b>	-	34,987	
<b>Savola Industrial Investment Co</b>							<b>159,730</b>	324,704		
7	IFI	Saudi British Bank	4.75 years	Nov-15	170,000	<b>42,500</b>	<b>116,875</b>	159,375		

## 2) Consolidated performance of the Group continued

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

Sr.	Borrowing company	Lender	Loan period	Date issued	Original amount	Paid amount in 2017	Balance Dec-2017	Balance Dec-2016
<b>International Foods Industries Co</b>							<b>116,875</b>	159,375
8	Herfy	Al Rajhi Bank	4-6 years	2014-2017	499,996	<b>139,070</b>	<b>296,960</b>	325,256
		Saudi Industrial Development Fund	6 years	2013-2016	42,903	<b>6,582</b>	<b>32,850</b>	39,103
<b>Herfy Food Services Co.</b>							<b>329,810</b>	364,360
<b>Total long-term loans</b>							<b>4,407,865</b>	5,427,207

\* December 2017 loan value changed due to devaluation.

## B) Short-term loans as of December 31, 2017 (SAR '000):

Sr.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2017	Balance Dec-2016	
1	Savola Group	Saudi British Bank	1 month	Dec-17	<b>110,000</b>	-	
<b>Savola Group</b>					<b>110,000</b>	1,528,819	
2	Panda	Banque Saudi Fransi	1 month	Dec-17	<b>70,000</b>		
			1 month	Dec-17	<b>150,000</b>		
		National Commercial Bank	1 month	Dec-17	<b>120,000</b>		
			1 month	Dec-17	<b>100,000</b>		
			1 month	Dec-17	<b>100,000</b>		
Samba Financial Group	1 month	Dec-17	<b>40,000</b>				
Saudi British Bank	1 month	Dec-17	<b>135,000</b>				
<b>Panda Retail Co.</b>					<b>615,000</b>	505,000	
3	Afia International Co.	National Commercial Bank	1 month	Dec-17	<b>150,000</b>		
			1 month	Dec-17	<b>180,000</b>		
			1 month	Dec-17	<b>100,000</b>		
			1 month	Dec-17	<b>15,000</b>		
Saudi British Bank	1 month	Dec-17	<b>100,000</b>				
4	Afia International Egypt	Arab African International Bank	1 year	Aug-17	<b>27</b>		
			Hongkong and Shanghai Banking Corp.	1 year	Aug-17	<b>32,235</b>	
			Emirates NBD	1 year	Sep-17	<b>29,768</b>	
			National Bank of Kuwait	1 year	Oct-17	<b>37,716</b>	
			Egyptian Saudi Finance Bank (El Baraka Bank)	1 year	Nov-17	<b>18,233</b>	
			National Bank of Egypt	1 year	Oct-17	<b>29,393</b>	
			Mashreq Bank	1 year	Nov-17	<b>25,308</b>	
			Banque Misr	1 year	Jun-17	<b>111</b>	
			Ahli United Bank	1 year	Oct-17	<b>12,641</b>	
			Tejarat Bank	6-12 months	Oct-17	<b>39,344</b>	
5	Behshahr Industrial Co	EN Bank	3 months	Nov-17	<b>8,915</b>		
			1 year	Jan-17	<b>97</b>		
6	Notrika Golden Wheat Co.	Tejarat Bank	1 year	Jan-17	<b>97</b>		
			1 year	Jan-17	<b>97</b>		

## 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

Sr.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2017	Balance Dec-2016
7	Savola Gida Sanayi ve Ticaret AS	European Bank for Reconstruction and Development	1 year	Dec-17	<b>67,414</b>	
		Hongkong and Shanghai Banking Corp.	1 year	Dec-17	<b>1,044</b>	
		Garanti Investment Credit	1 year	Jul-17	<b>15,311</b>	
<b>Afia International Co</b>					<b>862,557</b>	608,514
8	Afia International Company – Algeria	Fransabank el Djazair	6 months	Nov-17	<b>433</b>	
			6 months	Dec-17	<b>18,419</b>	
			6 months	Dec-17	<b>15,109</b>	
		Arab Bank Plc	6 months	Sep-17	<b>11,703</b>	
			6 months	Oct-17	<b>9,637</b>	
		Hongkong and Shanghai Banking Corp.	6 months	Aug-17	<b>15,750</b>	
			6 months	Oct-17	<b>15,490</b>	
			6 months	Dec-17	<b>17,876</b>	
		Societe Generale Algerie	3 months	Oct-17	<b>9,209</b>	
9	Savola Morocco Co.	Attijari Wafa Bank	1 year	Jan-17	<b>1,093</b>	
			2 months	Nov-17	<b>38,719</b>	
10	Savola Edible Oils (Sudan) Ltd.	Arab Sudanese Bank	6 months	Aug-17	<b>102</b>	
			6 months	Jul-17	<b>50</b>	
			8 months	Jun-17	<b>109</b>	
			8 months	Aug-17	<b>439</b>	
		Qatar National Bank	9 months	Apr-17	<b>2,843</b>	
		National Bank of Egypt	8 months	May-17	<b>91</b>	
			8 months	Jun-17	<b>23</b>	
			8 months	Dec-17	<b>1,895</b>	
			8 months	Dec-17	<b>5,121</b>	
			8 months	Dec-17	<b>3,001</b>	
		Bank of Khartoum	8 months	Jul-17	<b>2,892</b>	
			8 months	May-17	<b>1,787</b>	
			8 months	Aug-17	<b>2,571</b>	
			8 months	Aug-17	<b>2,572</b>	
			8 months	Nov-17	<b>8,049</b>	
			6 months	Oct-17	<b>7,775</b>	
<b>Savola Foods Emerging Co</b>					<b>192,758</b>	183,159
11	El Maleka for Food Industries Co.	Emirates NBD	6 months	Sep-17	<b>16,393</b>	
		National Bank of Kuwait	6 months	Sep-17	<b>6,665</b>	
				Sep-17	<b>7,615</b>	
		Qatar National Bank	6 months	Sep-17	<b>16,424</b>	

## 2) Consolidated performance of the Group continued

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

Sr.	Borrowing company	Lender	Loan period	Date issued	Balance Dec-2017	Balance Dec-2016
12	El Farashah for Food Industries	National Bank of Kuwait	6 months	Sep-17	<b>4,622</b>	
<b>Pasta</b>					<b>51,719</b>	57,903
13	United Sugar Co.	Saudi British Bank	1 month	Dec-17	<b>200,000</b>	
			1 month	Dec-17	<b>50,000</b>	
		National Commercial Bank	1 month	Dec-17	<b>150,000</b>	
			1 month	Dec-17	<b>120,000</b>	
		Samba Financial Group	1 month	Dec-17	<b>20,000</b>	
14	Alexandria Sugar Co	Commercial International Bank	1 year	Nov-17	<b>21,055</b>	
			6 months	Nov-17	<b>23,304</b>	
		Bank of Alexandria	1 year	Jan-17	<b>21,523</b>	
			4 months	Sep-17	<b>31,645</b>	
			4 months	Sep-17	<b>18,808</b>	
15	Alexandria UCLR	National Bank of Kuwait	1 year	Sep-17	<b>16,504</b>	
<b>Savola Industrial Investment Co</b>					<b>672,839</b>	757,434
16	Afia Intl. Distribution & Marketing Company	Saudi British Bank	3 months	Dec-17	<b>22,000</b>	
<b>Afia Intl. Distribution &amp; Marketing Company</b>					<b>22,000</b>	-
17	Savola Foods Company	Saudi Investment Bank	1 month	Dec-17	<b>86,273</b>	
			3 months	Nov-17	<b>52,514</b>	
			3 months	Nov-17	<b>58,891</b>	
			3 months	Nov-17	<b>54,390</b>	
			1 month	Dec-17	<b>101,277</b>	
			1 month	Dec-17	<b>108,779</b>	
<b>Savola Foods Co.</b>					<b>462,124</b>	-
<b>Total short-term borrowing</b>					<b>2,988,997</b>	3,640,829

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

No.	Item (payments)	2017		Description	Reasons/Justifications
		Paid	Due until the end of the financial period but not paid		
1.	Customs duties	<b>253,216</b>	<b>156,997</b>	-	According to the requirements of the laws and applicable regulations
2.	Zakat	<b>430</b>	<b>3,000</b>	-	
3.	Income tax and withholding tax	<b>92,384</b>	<b>89,656</b>	Withholding tax	
4.	GOSI (for KSA) and social insurance (for outside KSA)	<b>123,744</b>	<b>5,908</b>	Employees' GOSI and social insurance	
5.	Visas and passport office fees	<b>20,873</b>	-	Iqama renewal, exit and re-entry visas	
6.	Labor office fees	<b>33,423</b>	<b>195</b>	Work permits	
7.	Other duties and government levies	<b>58,357</b>	<b>4,046</b>	License fees, fines and penalties and other fees	

## Main Activities and Financial Disclosures continued

### 3) Potential risks

#### 3-1) Overview:

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 Group is in the process of establishing a Risk Management Department.

#### 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.

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 Board of Directors 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.

##### 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.

### 3) Potential risks continued

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

During 2014, the Group entered into Interest Rate Swaps (IRS) to partially manage its exposure to interest rate risk on Sukuk issuance value of SAR 1.5 billion, up to the extent of SAR 750 million. This has been designated as a cash flow hedge.

##### 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, Sudanese Pounds and Turkish Lira. The Group operates internationally and is exposed to foreign exchange risk and it invests 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 in the accompanying condensed consolidated interim financial statements. The Group's management monitors such fluctuations and manages its effect on the consolidated interim 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.

The Group's investment in foreign subsidiaries are not hedged.

##### 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 because Group holds investment in certain listed equities which are classified on the statement of financial position as available-for-sale 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 continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. 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. Trade and other receivables are carried net of provision for doubtful debts.

##### 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.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements. As at December 31, 2017, the Group has unused bank financing facilities amounting to SAR 4.7 billion (December 31, 2016: SAR 3.7 billion) to manage the short-term and the long-term liquidity requirements.

## Main Activities and Financial Disclosures continued

### 3) Potential risks 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. For further details, the same item can be reviewed in the clarification notes accompanying the Company's financial statements for 2017.

##### g) Capital management

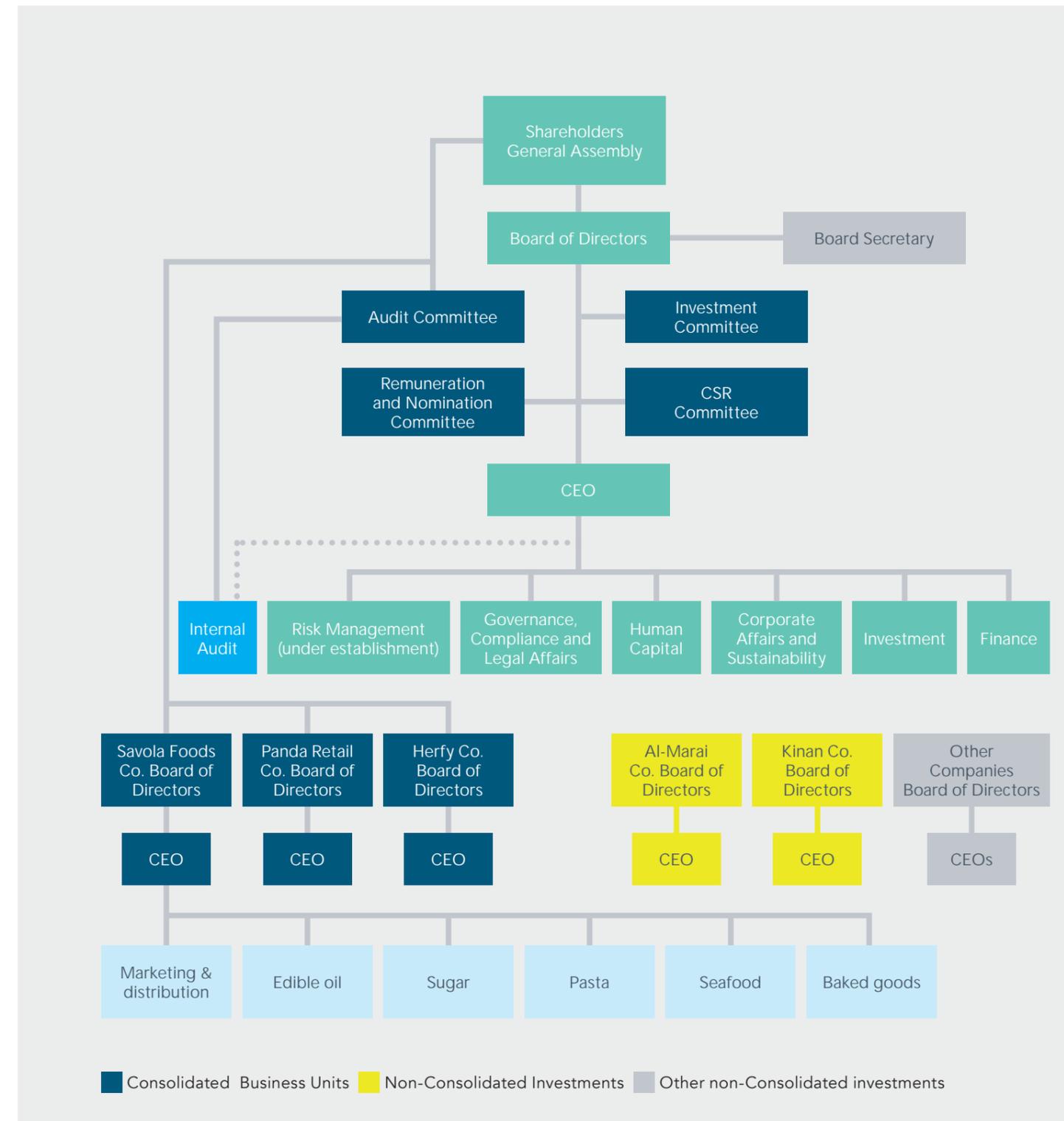
The Group's objective when managing capital is to: safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest-bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the consolidated statement of financial position plus net debt.

## Governance Report and Related Disclosures

### Corporate Governance Report and major relevant disclosures

#### a) Group organizational structure:



## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

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

##### 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 role 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, oversees 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 and Corporate Governance Regulations issued by the CMA. The Board of Directors was elected by the General Assembly for the current session that started on July 1, 2016 and for three years which ends on June 30, 2019, and all of the members are non-executive and independent members.

##### 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, in which a Board member is a member or manager of their current or previous board:

The below 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:

Sr.	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 is 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 Abdulkader Al Muhaidib	Savola Group	Inside	Listed	Middle East Paper Co.	Inside	Listed
		The Saudi British Bank	Inside	Listed	Thabat Contracting Co	Inside	Listed
		Almarai Co.	Inside	Listed	Al Oula For Real Estate Development co.	Inside	Unlisted
		National Industrialization Co.	Inside	Listed			
		Acwa Power International	Inside	Unlisted			
		Al Muhaidib & Sons Co.	Inside	Unlisted			
		Rafal Real Estate Co.	Inside	Unlisted			
		Arabic Co. for Water and Power Development	Inside	Unlisted			
		Al Muhaidib Holding	Inside	Limited Liability			
		International Timber Co.	Inside	Limited Liability			
		Al Muhaidib Land Transport	Inside	Limited Liability			
		Mayar Foods Co.	Inside	Limited Liability			
		Sulaiman Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			

### Corporate Governance Report and major relevant disclosures continued

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

Sr.	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 is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		Emad Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Awatf Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Maryam Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Tamader Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Hayfa Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Loloah Sulaiman Almudaiheem & Partners Co.	Inside	Limited Liability			
		Essam Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Amwal Al Alajjal Trading Co.	Inside	Limited Liability			
		Al Muhaideb for Development Co.	Inside	Limited Liability			
		Tanmiat Alahlam for Construction Co.	Inside	Limited Liability			
		Taj Al Awfia Co.	Inside	Limited Liability			
		Zat Al Sawary Co.	Inside	Limited Liability			
		Amwal AlKhaleej for Commercial Investment Co.	Inside	Limited Liability			
		Mayar Transport & Warehousing Com.	Inside	Limited Liability			
2.	Mr. Bader Abdullah Alissa	Savola Group	Inside	Listed	Savola Packaging Systems Co.	Inside	Unlisted
		Dur Hospitality	Inside	Listed	Kinan International Real Estate Development Co.	Inside	Unlisted
		Banque Saudi Fransi	Inside	Listed	Al Aqeeq Real Estate Development Co.	Inside	Unlisted
		Almarai	Inside	Listed	Sukoon International	Inside	Unlisted
		Savola Foods Co.	Inside	Unlisted	Knowledge Economic City Co.	Inside	Listed
		Panda Retail Co.	Inside	Unlisted			
		Afia International Co.	Inside	Unlisted			
		United Sugar Co.	Inside	Unlisted			
		Aseela Investment Co.	Inside	Unlisted			
		Afia International Co. Egypt	Outside	Unlisted			

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

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

Sr.	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 is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		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.	Eng. Abdullah Mohammed Nour Rehami	Savola Group	Inside	Listed	Knowledge Economic City Co.	Inside	Listed
		Arabian Cement Co.	Inside	Listed	Almarai Co.	Inside	Listed
		Savola Foods Co.	Inside	Unlisted	Eastern Cement Co.	Inside	Listed
					National Insurance Co.	Inside	Listed
					Panda Retail Co.	Inside	Unlisted
					Saudi Arabian Airlines	Inside	Unlisted
					Saudi Turkish Holding Co. for Investment	Inside	Unlisted
					National Commercial Bank	Inside	Unlisted
					Saudi Foundation for Developing of Entrepreneurship	Inside	Unlisted
					Social Development Bank (Saudi Credit & Saving Bank- formerly)	Inside	Government Institute
					Alujain Co.	Inside	Listed
					Saudi Cable Co.	Inside	Listed
					Saudi Turkish Investment Co.	Outside	Unlisted
4.	Mr. Abdulaziz Khaled Al Ghufaili	Savola Group	Inside	Listed	Tabuk Agriculture Development Co.	Inside	Listed
		Alrajhi Bank	Inside	Listed	National Medical Care Co.	Inside	Listed
		Herfy Food Services Co.	Inside	Listed	The Industrialization & Energy Services Co.	Inside	Unlisted
		Panda Retail Co.	Inside	Unlisted	Riyadh Hotels & Entertainment Co.	Inside	Unlisted
		Al Rajhi Capital	Inside	Unlisted	Saudi Industries Development Co.	Inside	Unlisted
5.	Mr. Essam Abdulqader Al Muhaidib	Savola Group	Inside	Listed	Saudi Tabreed Co.	Inside	Unlisted
		Herfy Food Services Co.	Inside	Listed	Emaar Middle East Co.	Inside	Limited Liability

### Corporate Governance Report and major relevant disclosures continued

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

Sr.	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 is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		Bawan Co.	Inside	Listed	Zohoor Alreef Trading Co.	Inside	Unlisted
		Panda Retail Co.	Inside	Unlisted	Ariz Arabian Co.	Inside	Limited Liability
		Al Muhaidib & Sons Co.	Inside	Unlisted	Al Yamamah Steel Industries Co.	Inside	Unlisted
		Masdar Building Materials Co.	Inside	Unlisted	Thabat Construction Co. Limited	Inside	Limited Liability
		Rafal Real Estate Co.	Inside	Unlisted	Middle East Paper Co. (MEPCO)	Inside	Listed
		National Housing Co.	Inside	Unlisted			
		Aloula for Real Estate co.	Inside	Unlisted			
		Emdad Human Resources & Manpower Supply Co.	Inside	Unlisted			
		Arabian Co. for Water & Energy Development	Inside	Unlisted			
		Al Salam Bank Bahrain	Outside	Listed			
		Nesaj Real Estate Development Co.	Inside	Limited Liability			
		International Timber Co.	Inside	Limited Liability			
		Al Muhaidib Land Transport	Inside	Limited Liability			
		Zat Al Sawary Co.	Inside	Limited Liability			
		Romansiah Co. Limited	Inside	Limited Liability			
		Tharwa City for Development & Real Estate Investment Co.	Inside	Unlisted			
		Sulaiman Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Emad Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Awatf Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Maryam Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Tamader Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Al Latifia Trading & Contracting Co.	Inside	Limited Liability			
		BlomInvest Saudi Arabia	Inside	Unlisted			
		Albalad Amin Co.	Inside	Unlisted			

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

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

Sr.	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 is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		Amwal AlKhaleej for Commercial Investment Co.	Inside	Limited Liability			
		Tanmiat Al Ahlam for Construction	Inside	Limited Liability			
		Al Muhaideb for Development Co.	Inside	Limited Liability			
		Mayar Foods Co.	Inside	Limited Liability			
		Atheel Holding Co.	Inside	Limited Liability			
		Mayar Transport & Warehousing Com.	Inside	Limited Liability			
		Taj Al Awfia Co.	Inside	Limited Liability			
		Himmah Logistics Co.	Inside	Limited Liability			
		Wathrah Real Estate Investment & Development 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 Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Lolwah Sulaiman Almudaiheem & Partners	Inside	Limited Liability			
		Essam Abdulkader Al Muhaidib & Partners Co.	Inside	Limited Liability			
		Nestle Water Co.	Inside	Limited Liability			
		Muhail for Operation and Maintenance Co.	Inside	Limited Liability			
		Shaas for Water Services Co.	Inside	Limited Liability			
		Al Muhaidib Holding	Inside	Limited Liability			
6.	Eng. Mutaz Qusai Al Azzawi	Savola Group	Inside	Listed	Merrill Lynch Kingdom of Saudi Arabia	Inside	Unlisted
		Herfy Food Services Co.	Inside	Listed			
		Arabian Cement Co.	Inside	Listed			

### Corporate Governance Report and major relevant disclosures continued

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

Sr.	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 is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		Riyadh Bank	Inside	Listed			
		Savola Foods Co.	Inside	Unlisted			
		United Sugar Co.	Inside	Unlisted			
		Afia International Co.	Inside	Unlisted			
		Afia International 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			
		Saudi Industrial Construction & Engineering Projects LTD.	Inside	Limited Liability			
		Saudi Technology and Trade Co.	Inside	Limited Liability			
		Brokers for Development	Inside	Limited Liability			
7.	Mr. Fahad Abdullah ALKassim	Savola Group	Inside	Listed	Abdullatif Al Issa Holding Group	Inside	Unlisted
		Bank Al Bilad	Inside	Listed	National General Automotive	Inside	Limited Liability
		Dur Hospitality	Inside	Listed			
		Dallah Health	Inside	Listed			
		Jarir Marketing Co.	Inside	Listed			
		Fahad Bin Abdullah Al Qassim & Sons Trading & Investment Co.	Inside	Unlisted			
		Saudi Heritage Hospitality Co.	Inside	Unlisted			
		Dr. Mohammed Rashid Al Fagih & Associates	Inside	Unlisted			
		Rakeen Najd International Co.	Inside	Unlisted			
		Naqel Company	Inside	Unlisted			
		Amwal Financial Consultations	Inside	Limited Liability			
		Ariz Trading Investment	Inside	Limited Liability			
		Raj Real Estate Co.	Inside	Limited Liability			
		Al Rajhi Alpha Investment Holding	Inside	Limited Liability			
		Rakeen Najd International Co.	Inside	Limited Liability			
		Pearl Gate Co.	Inside	Limited Liability			

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

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

Sr.	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 is a director or manager of its previous board of directors	Inside the Kingdom/ outside the Kingdom	Legal Entity (listed/ unlisted/ limited liability)
		Fincorp Investment Co.	Outside	Unlisted			
8.	Mr. Mohammad Abdulgadir Al Fadl	Savola Group	Inside	Listed	Dar Al Tamleek	Inside	Unlisted
		Jeddah Holding Co.	Inside	Unlisted			
		Kinan International Real Estate Development Co.	Inside	Unlisted			
9.	Mr. Abdulaziz Ibrahim Alissa	Savola Group	Inside	Listed			Listed
		Saudi Transport & Investment Co. (BATIC)	Inside	Listed			
		Arabian Shield Insurance Co.	Inside	Listed			
		UBS Saudi Arabia	Inside	Unlisted			
10.	Mr. Omar Hadir Al Farisi	Savola Group	Inside	Listed			
		Gulf International Bank	Outside	Unlisted			
11.	Dr. Sami Mohsen Baroum	Savola Group	Inside	Listed	Knowledge Economic City Co.	Inside	Listed
		Arabian Cement Co.	Inside	Listed	Almarai Co.	Inside	Listed
		Jeddah International College Co.	Inside	Unlisted	Afia International Co.	Inside	Unlisted
		Arab Investment Company (Sanabel)	Inside	Unlisted	United Sugar Co.	Inside	Unlisted
		Kinan for Real Estate Development	Inside	Unlisted	Panda Retail Co.	Inside	Unlisted
					Saudi Plastic Packaging Systems Co.	Inside	Unlisted
					Al Roba'aia Co. for Real Estate Development	Inside	Unlisted
					Saudi Stock Exchange Tadawul	Inside	Unlisted
					Savola Sime Egypt	Outside	-
					Venture Capital Bank Bahrain	Outside	-

### Corporate Governance Report and major relevant disclosures continued

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

##### b) Summary of Committee members CVs:

Member name	Current positions	Previous positions	Qualifications	Experience
<b>Remuneration and Nominations Committee members:</b>				
1. Mr. Mohammad Abdul Al Fadl				
2. Mr. Essam Abdulqader Al Muhaidib				
3. Mr. Bader Abdullah Al Issa				
4. Eng. Abdullah Mohammed Nour Rehami				
5. 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)	<ul style="list-style-type: none"> <li>• MSc, Business Economics, Erasmus University Rotterdam, The Netherlands (1986)</li> <li>• MA, Business Law, and MA, Private Law, Erasmus University Rotterdam, The Netherlands (1985)</li> <li>• Certified Professional Director, Hawkamah/ Mudara Institute of Directors</li> </ul>	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 and Family Heads, as well as guides CxOs to success

##### Investment Committee members:

1. Mr. Omar Hadir N. Al-Farisi				
2. Mr. Abdulaziz Khaled Al Ghufaili				
3. Mr. Fahad Abdullah AL Qassim				
4. Dr. Sami M. Baroum				
5. Eng. Mutaz Q. Alazawi				

##### Social Responsibility Committee members:

1. Mr. Abdulaziz Ibrahim Al Issa	His current and previous positions, qualifications and experience were above mentioned in this report.
2. Eng. Rayan Mohammed Fayez	His current and previous positions, qualifications and experience were above mentioned in this report.

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

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

Member name	Current positions	Previous positions	Qualifications	Experience
3. Dr. Mervat Ahmed Tashkandi	Advisor to the Minister for Societal 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  A number of academic positions in several universities	<ul style="list-style-type: none"> <li>PhD in Special Education, University of South Africa, Pretoria, Republic of South Africa, 2000</li> <li>MA in Special Education – Early Childhood, Teachers College, Columbia University, New York, USA, 1988</li> <li>MA in Special Education – Learning Disabilities, Fairleigh Dickinson University, Teaneck, New Jersey, USA, 1986</li> <li>Bachelor, Arts in Psychology, Fairleigh Dickinson University, Teaneck, New Jersey, USA, 1984</li> </ul>	Experience in CSR and empowerment programs for persons with disabilities
4. 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, 1985	Corporate social responsibility, board affairs, governance, investor relations, public relations, communication, human resources and government relations
5. Mr. Ahmed Saleh Al Ramah	Senior Consultant for Social Responsibility, Aramco	Aramco and many engineering sectors inside and outside the Kingdom	University of Petroleum and Minerals, 1990	Practical and professional skills in the field of social responsibility and charities. Also, he has contributed in establishing many CSR programs inside and outside the Kingdom

### Corporate Governance Report and major relevant disclosures continued

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

#### c) Internal control, governance & compliance and Human Resources team:

As part of the above organizational structure, the following is a summary of the internal control team, compliance and human resources 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:

Name	Current positions	Previous positions	Qualifications	Experience
1. Mr. Aly Asim Barakat	Head of Internal Audit, the Savola Group from (2012-present)	Senior Manager at Abu Dhabi Accountability Authority Manager at KPMG Manager at Ernst & Young	Bachelor's degree in Commerce, University of Helwan-1991 (major Accounting), Egypt  Licensed Certified Public Accountant-USA 2000 and Chartered Global Management Accountant-2012 association of international and professional accountants.	Extensive experience over 25 years in internal and external audit, governance, risk management, compliance and financial affairs
2. Mr. Elnour Ali Saad	Head of Corporate Governance, Compliance and Legal Affairs (January 2015 – present)	Since joining Savola in 1999, he has held a number of positions including: <ul style="list-style-type: none"> <li>Executive Director, CG and Compliance, Savola Group</li> <li>Director, CG and Board Affairs, Savola and its subsidiaries.</li> <li>Senior Manager of Companies and Board affairs.</li> </ul>	Master of Laws (LLM), University of Cumbria, UK BA & MBA, Sudan University of Science and Technology (SUST) Certified CG and Board Secretary	More than 18 years of extensive experience in corporate governance, compliance, corporate, legal, board of directors affairs, investor relations and shareholders matters and corporate communication
3. Morhaf M. Alsamman	Head of Human Resources, the Savola Group (2017-present)	<ul style="list-style-type: none"> <li>Joined Savola in March 2016 as the Head of Talent Acquisition.</li> <li>Prior to joining Savola, Morhaf worked in different local and international companies, including Emaar Economic City, NCB and Cristal Global</li> </ul>	A certified Professional in Human Resources – International <sup>SM</sup> (PHR <sup>SM</sup> ) from the HR Certification Institute  Master's degree in Business Information Technology from DePaul University in Chicago	Over ten years of experience in the field of HR Management, mainly: <ul style="list-style-type: none"> <li>HR business partnerships</li> <li>Staffing &amp; recruitment</li> <li>Organization development</li> <li>Performance management</li> <li>Training &amp; development</li> <li>Saudization programs</li> <li>HR policy &amp; procedure</li> </ul>

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

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

##### b-4) Board meetings attendance record:

In order to enhance its role and responsibilities, the Board held seven meetings during 2017. The below schedule shows the attendance records for each meeting:

Sr.	Name	Meetings during 2017							No. of meetings attended
		Jan 18	May 4	Jun 14	Sep 19	Sep 23	Nov 2	Dec 16-17	
1.	Mr. Sulaiman A. Al Muhaidib	√	√	√	√	√	√	√	7 of 7
2.	Eng. Abdullah M. N. Rehaimi	√	√	√	√	√	√	√	7 of 7
3.	Mr. Bader A. Al Issa	√	√	√	√	√	√	√	7 of 7
4.	Mr. Abdulaziz K. Al Ghufaily	√	√	√	√	√	√	√	7 of 7
5.	Mr. Mohammad A. Al Fadl	√	√	√	√	√	√	√	7 of 7
6.	Mr. Essam A. Al Muhaidib	√	√	√	√	√	x	√	6 of 7
7.	Mr. Fahad A. Al Kassim	√	x	√	√	√	√	√	6 of 7
8.	Mr. Omar Hadir N. Al-Farisi	√	√	√	√	√	√	√	7 of 7
9.	Dr. Sami M. Baroum	√	√	√	√	x	√	x	5 of 7
10.	Mr. Abdulaziz I. Alissa	√	√	√	√	√	√	√	7 of 7
11.	Eng. Mutaz Qusai Alazawi	√	√	√	√	√	√	√	7 of 7
13.	Mr. Tarik M. Ismail (Board Secretary)	√	√	√	√	√	√	√	7 of 7

Date of last meeting of the General Assembly was November 2, 2017, and before that an AGM was held on April 19, 2017. The attendance records above reflects the attendance of the Board members during the full year.

#### Notes:

\* The financial results for Q2 2017 were approved by circulation based on the Audit Committee recommendation in its meeting held on August 8, 2017.

\*\* The Group Board held a workshop (for two days) in December dedicated to review and discussing strategy, plans and general policies for the Group and its subsidiaries, in addition to monitoring and following up the execution of plans.

#### b-5) A list of the dates of the General Assembly meetings held during the last fiscal year and the names of the Board members who attended them:

Two General Assembly of shareholders meetings were held during the last fiscal year. The following is a list of the members of the Board of Directors present at these meetings:

Board member	Sequence of General Assembly meetings held during 2017 and their dates			No. of meetings attended
	EGM (No. 30) April 19, 2017	AGM (No. 39) November 2, 2017		
1. Mr. Sulaiman Al Muhaidib	√	√		(2) of (2)
2. Mr. Bader Al Issa	√	√		(2) of (2)
3. Eng. Abdullah Rehaimi	√	√		(2) of (2)
4. Mr. Abdulaziz Al Ghufaily	√	√		(2) of (2)
5. Mr. Essam Al Muhaidib	√	x		(1) of (2)
6. Eng. Mutaz Alazawi	√	√		(2) of (2)
7. Mr. Fahad Al Qassim	√	√		(2) of (2)
8. Mr. Mohammad Al Fadl	√	√		(2) of (2)
9. Mr. Omar Hadir Al Farisi	√	√		(2) of (2)
10. Mr. Abdulaziz Al Issa	√	√		(2) of (2)
11. Dr. Sami Baroum	√	√		(2) of (2)

\* Mr. Essam Al Muhaidib did not attend the ordinary general assembly no. (39) due to a matter of urgency that required his presence in Dammam city.

### Corporate Governance Report and major relevant disclosures continued

#### c) Board of Directors Committees:

##### c-1) Remuneration and Nomination Committee:

###### • Meetings and role of the Committee:

The RNC Committee 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 five meetings during 2017 following up its responsibilities in the field of remuneration and nominations. A summary of the main responsibilities of the Committee, statement of its membership and attendance during the year follows:

###### • Summary of Committee role and duties and main responsibilities:

The Committee shall assume responsibilities related to two areas, namely remuneration and nomination, and will update the Board regularly about its activities. The Committee duties and responsibilities includes the following:

###### a) With regard to remuneration:

Prepare a clear remuneration policy for Board members, its Committees and the executive management and clarify the relationship between the paid remunerations 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.

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 Committees meetings held during 2017:

Sr.	Name	Meetings during 2017					Total
		Jan 18	Apr 19	Sep 19	Nov 30	Dec 17	
1.	Mr. Mohammad A. Al Fadl (Chairman) (Independent Savola Board member)	√	√	√	√	√	<b>5 of 5</b>
2.	Mr. Essam A. Al Muhaidib (Non-executive Savola Board member)	√	√	√	√	√	<b>5 of 5</b>
3.	Mr. Bader A. Alissa (Non-executive Savola Board member)	√	√	√	√	√	<b>5 of 5</b>
4.	Eng. Abdullah M.N. Rehaimi (Non-executive Savola Board member)	√	√	√	√	√	<b>5 of 5</b>
5.	Mr. Johan Brand (Independent external member)	√	√	√	√	√	<b>5 of 5</b>
-	Mr. Tarik M. Ismail (Committee Secretary)	√	√	√	√	√	<b>5 of 5</b>

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

#### c) Board of Directors Committees continued

##### c-2) Investment Committee:

###### • Meetings and role of the Committee:

The Investment Committee consists of five members, most of whom are non-executives and independent. The Committee held six meetings during 2017 to enhance the role of the Board in following and implementing the strategic plans in relation to investment opportunities. A summary of the Committee's role, responsibilities, membership and the number of meetings held during 2017 is below:

###### • 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. In addition, 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 member attendance for Committees meetings held during 2017:

Sr. Name	Meetings during 2017						Total
	Jan 17	May 3	May 4	Jul 13	Sep 19	Nov 2	
1. Mr. Omar Hadir Alfarsi (Chairman) (Independent Savola Board member)	√	√	√	x	√	√	<b>5 of 6</b>
2. Mr. Abdulaziz Khaled Alghufaily (Non-executive Savola Board member)	√	√	√	√	√	√	<b>6 of 6</b>
3. Mr. Fahad Al-Kassim (Independent Savola Board member)	√	√	x	√	√	√	<b>5 of 6</b>
4. Dr. Sami Mohsen Baroum (Independent Savola Board member)	√	√	√	√	√	√	<b>6 of 6</b>
5. Eng. Mutaz Qusai Alazawi (Non-executive Savola Board member)	√	√	√	√	√	√	<b>6 of 6</b>
- Mr. Tarik M. Ismail (Committee Secretary)	√	√	√	√	√	√	<b>6 of 6</b>

\* Eng. Rayan Mohamed Fayez attended one meeting on January 17, 2017, then resigned from the Committee membership upon the issuance of the CG Regulations in February 2017, which set the maximum number of members in the Company's Committees to five members. He received five thousand riyals as attendance fee.

##### c-3) Corporate Social Responsibility Committee:

###### • Meetings and role of the Committee:

The Corporate Social Responsibility (CSR) Committee consists of five members, each one of them has relevant experience (one executive and the remaining are independents). In fulfilling its roles and responsibilities, the Committee held six meetings in 2017 to review the Group's CSR programs and plans as detailed in the CSR section of this report. Below is a summary of the Committee's role, responsibilities, membership and the number of meetings held during 2017:

### Corporate Governance Report and major relevant disclosures continued

#### c) Board of Directors Committees continued

###### • Summary of Committee role and duties and main responsibilities:

The Committee's 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's and standards for monitoring implementation. Particularly, the Committee duties and responsibilities include the following:

1. Developing CSR strategy and achieving sustainable social impact.
2. Overseeing all CSR activities and issues including and/or activities including health and safety, 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 whole 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)).

###### • Statement of member Attendance for Committees meetings held during 2017:

Sr. Name	Meetings during 2017						Total
	Jan 17	Mar 14	May 3	Sep18	Dec 3	Dec 31	
1. Mr. Abdulaziz I. Alissa (Chairman) (Independent Savola Board member)	√	√	√	√	√	√	<b>6 of 6</b>
2. Eng. Rayan Mohammed Fayez* (Executive – Former CEO of the Group)	√	√	√	√	√	x	<b>5 of 6</b>
3. Mr. Mahmoud M. Abdulghaffar (Non-executive member)	√	√	√	√	x	x	<b>4 of 6</b>
4. Dr Mervat A. Tashkandi (External member)	√	x	√	√	√	√	<b>5 of 6</b>
5. Mr. Saleh A. Alammah (External member)	√	√	√	√	√	√	<b>6 of 6</b>
- Mr. Tarik M. Ismail (Committee Secretary)	√	√	√	√	√	√	<b>6 of 6</b>

#### d) The means used by the Board of directors to assess its performance and the performance of its Committees and members:

Savola has conducted a periodical review of Board effectiveness since 2009, with the most recent assessment in 2014/2015. During 2017, the Company started the process of assessing its Board, its Board members and Board Committees. As this exercise is a new practice in the region, the process of selecting specialized and independent institution may take some time. A number of interviews were conducted with a selection of entities to carry out this process under the supervision of the Remuneration and Nomination Committee (RNC), which will continue its effort to select and engage with one of the suitable entity. The process is expected to be completed in 2018, and the required disclosure will be published in the Director's report for the next year.

## Governance Report and Related 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 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 remunerations and compensations 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 member's 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 remunerations of different Board members may vary depending on the Board members' 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's 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 a 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 Committee recommendation.
- Committee member remuneration shall consist of an annual remuneration a 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 GA 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 based on by the RNC, provided that any recommended changes are presented by the board to the GA in the next meeting for approval.

### Corporate Governance Report and major relevant disclosures continued

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

##### 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/schools 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) during work.
- 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 included, 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](http://www.savola.com)).

Corporate Governance Report and major relevant disclosures continued

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

e-4) Remuneration of the Board members: the following table represents Board of director's member's remunerations for 2017 in (SAR):

Sr.	Member name	Title	Fixed remunerations			Variable remunerations					End of Service Benefit	Aggregate Amount	Expenses allowance		
			Specific amount	Allowance for attending Board meetings	Total allowance for attending Committee meetings	Remunerations for technical, managerial and consultative work	Remunerations of the chairman, Managing Director or Secretary, if a member	Percentage of the profits	Periodic Remuneration	Short-term incentive plans				Long-term incentive plans	Granted shares (insert the value)
<b>First: Independent Directors:</b>															
1.	Mr. Mohammad Al Fadl	Member	200,000	40,000	25,000	-	-	265,000	-	-	-	0	-	265,000	-
2.	Mr. Fahad A. Al Kassim	Member	200,000	35,000	55,000	-	-	290,000	-	-	-	0	-	290,000	24,740
3.	Mr. Omar Hadir Al-Farisi	Member	200,000	40,000	25,000	-	-	265,000	-	-	-	0	-	265,000	80,845
4.	Dr. Sami M. Baroum	Member	200,000	25,000	30,000	-	-	255,000	-	-	-	0	-	255,000	-
5.	Mr. Abdulaziz I. Alissa	Member	200,000	40,000	60,000	-	-	300,000	-	-	-	0	-	300,000	32,899
<b>Second: Non-Executive Directors:</b>															
6.	Mr. Sulaiman Al Muhaidib	Chairman	200,000	40,000	NA	-	-	240,000	-	-	-	0	-	240,000	30,175
7.	Mr. Bader A. Al Issa	Vice Chairman	200,000	40,000	25,000	-	-	265,000	-	-	-	0	-	265,000	35,610
8.	Eng. Abdullah Rehaimi	Member	200,000	40,000	25,000	-	-	265,000	-	-	-	0	-	265,000	-
9.	Mr. Abdulaziz Al Ghufaily	Member	200,000	40,000	65,000	-	-	305,000	-	-	-	0	-	305,000	35,610
10.	Mr. Essam Al Muhaidib	Member	200,000	35,000	25,000	-	-	260,000	-	-	-	0	-	260,000	29,144
11.	Eng. Mutaz Q. Alazawi	Member	200,000	40,000	30,000	-	-	270,000	-	-	-	0	-	270,000	35,836
<b>Total</b>			<b>2,200,000</b>	<b>415,000</b>	<b>365,000</b>	-	-	<b>2,980,000</b>	-	-	-	<b>0</b>	-	<b>2,980,000</b>	<b>304,859</b>

Corporate Governance Report and major relevant disclosures continued

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

e-5) Remuneration Of Committees members (SAR):

Sr.	Committee/Member name	Title	Fixed remuneration (excluding the allowance for attending Board meetings)	Allowance for attending meetings	Total	Expenses allowance
<b>Audit Committee members:</b>						
1.	Mr. Fahad A. Al Kassim (Independent, Savola Board member)	Chairman	108,195	30,000	138,195	7,305
2.	Mr. Abdulaziz K. Al Ghufaily (Non-executive, Savola Board member)	Member	108,195	35,000	143,195	7,305
3.	Mr. Abdulaziz I. Alissa (Non-executive, Savola Board member)	Member	108,195	30,000	138,195	1,983
4.	Dr. Abdul Raouf Banaja (Independent, external member)	Member	108,195	30,000	138,195	-
5.	Mr. Khalid M. Alsolae (Independent external member)	Resigned member	75,000	25,000	100,000	12,175
<b>Total</b>			<b>507,780</b>	<b>150,000</b>	<b>657,780</b>	<b>28,768</b>
<b>Remuneration &amp; Nomination Committee members:</b>						
1.	Mr. Mohammad A. Al Fadl (Independent, Savola Board member)	Chairman	100,000	25,000	125,000	-
2.	Mr. Bader A. Alissa (Non-executive, Savola Board member)	Member	100,000	25,000	125,000	-
3.	Mr. Essam A. Al Muhaidib (Non-executive, Savola Board member)	Member	100,000	25,000	125,000	-
4.	Eng. Abdullah M.N. Rehaimi (Non-executive, Savola Board member)	Member	100,000	25,000	125,000	-
5.	Mr. Johan Brand (Independent external member)	Member	100,000	25,000	125,000	17,612
<b>Total</b>			<b>500,000</b>	<b>125,000</b>	<b>625,000</b>	<b>17,612</b>
<b>Investment Committee members:</b>						
1.	Mr. Omar Hadir Alfarsi (Independent, Savola Board member)	Chairman	100,000	25,000	125,000	-
2.	Mr. Abdulaziz K. Al Ghufaily (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	4,870
3.	Mr. Fahad A. Al Kassim (Independent, Savola Board member)	Member	100,000	25,000	125,000	2,435
4.	Dr. Sami Mohsen Baroum (Independent, Savola Board member)	Member	100,000	30,000	130,000	-
5.	Eng. Mutaz Qusai Alazawi (Non-executive, Savola Board member)	Member	100,000	30,000	130,000	-
<b>Total</b>			<b>500,000</b>	<b>145,000</b>	<b>645,000</b>	<b>7,305</b>
<b>CSR Committee members:</b>						
1.	Mr. Abdulaziz I. Alissa (Non-executive, Savola Board member)	Chairman	100,000	30,000	130,000	5,950
2.	Eng. Rayan Mohammad Fayez (Executive member)	Member	NA	25,000	25,000	-

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

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

Sr.	Committee/Member name	Title	Fixed remuneration (excluding the allowance for attending Board meetings)	Allowance for attending meetings	Total	Expenses allowance
3.	Mr. Mahmoud M. Abdulghaffar (Non-executive member)	Member	NA	20,000	20,000	–
4.	Dr. Mervat A. Tashkandi (Independent external member)	Member	100,000	25,000	125,000	–
5.	Mr. Ahmed Saleh Alrammah (Independent external member)	Member	100,000	30,000	130,000	21,216
<b>Total</b>			<b>300,000</b>	<b>130,000</b>	<b>430,000</b>	<b>27,166</b>

#### e-6) Senior executives' compensation:

Compensation and benefits paid to senior executives including the CEO and CFO of the Group during 2017 were (in SAR):

No.	Description	Senior executives' (6 in total) compensation including the CEO and the CFO (SAR '000)
<b>Fixed remunerations</b>		
–	Salaries	11,562
–	Allowances (including housing, transportation, health insurance, education allowance, etc.)	4,047
–	In-kind benefits	339
<b>Total of fixed remunerations</b>		<b>15,948</b>
<b>Variable remunerations</b>		
–	Periodic remuneration	–
–	Profits	–
–	Short-term incentive plans (including performance-related bonus for 2017)*	8,226
–	Long-term incentive plans	–
–	Granted shares (insert the value)	–
<b>Total of variable remunerations</b>		<b>8,226</b>
–	End of service award	820
–	Total remunerations for Board executives, if any	84
<b>Grand total</b>		<b>25,078</b>

Note: As per the disclosure made in the 2016 annual report regarding the postponement of the CEO annual remuneration until 2017, please note that the former CEO received his 2016 annual bonus which amounted to SAR 3.75 million.

#### e-7) The relation between the paid remunerations 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 confirming 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:

Sr.	Names of members whom the interest, contractual securities or rights issue belongs to	Board members and their relatives:					
		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. Sulaiman Al Muhaidib	1,000	Non	1,000	Non	0	0%
2.	Eng. Abdullah Rehami	46,762	Non	4,000	Non	(42,762)	91%
3.	Mr. Bader Al Issa	1,025	Non	1,025	Non	0	0%
4.	Mr. Abdulaziz Al Ghufaili	1,000	Non	1,000	Non	0	0%
5.	Mr. Essam Al Muhaidib	2,500	Non	2,500	Non	0	0%
6.	Eng. Mutaz Alazawi	1,000	Non	1,000	Non	0	0%
7.	Mr. Mohammad Al Fadl	6,304	Non	6,304	Non	0	0%
8.	Mr. Fahad Al Qassim	2,000	Non	2,000	Non	0	0%
9.	Mr. Omar Hadir Al Farisi	1,000	Non	1,000	Non	0	0%
10.	Dr. Sami Mohsen Baroum	1,000	Non	1,000	Non	0	0%
11.	Mr. Abdulaziz Al Issa	6,000	Non	6,000	Non	0	0%
<b>Second: Board members' relatives:</b>							
12.	Mr. Mohammad Al Fadl Wife	144	Non	144	Non	0	0%
13.	Dr. Sami Mohsen Baroum children's	774	Non	774	Non	0	0%

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

No.	Names of Executives whom the interest, contractual securities or rights issue belongs to	Senior Executives and their relatives:					
		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. Rayan Fayez (former CEO)	45,000	Non	45,000	Non	0	0%
2.	Mr. Bader Al Aujan (Savola Foods Co. CEO)	21,000	Non	21,000	Non	0	0%
3.	Mr. Bander Hamooh (Panda Retail Co. CEO)	0	Non	0	Non	0	0%
4.	Ms. Huda Al Lawati (Chief Investment Officer)	0	Non	0	Non	0	0%
5.	Mr. Nouman Farrukh (Chief Financial Officer)	0	Non	0	Non	0	0%
6.	Mr. Tarik M. Ismail (Board Secretary)	10	Non	10	Non	0	0%
<b>Second: Senior executives relatives: N/A</b>							

## Governance Report and Related 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-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 Al-Muhaidib	1,400	Non	1,960	Non	560	40%
2.	Mr. Abdulaziz Al Ghufaily	3,000	Non	4,200	Non	1,200	40%
3.	Eng. Mutaz AlAzzawi	1,000	Non	1,400	Non	400	40%
<b>Second: Board members relatives:</b>							
N/A							

#### g) The major Board resolutions and important events relating to the year, either announced through Tadawul or were published on the Company website:

No	Date	Announcement
1.	1/19/2017	Approve the interim financial results for the period ended on December 31, 2016 (12 months)
2.	1/31/2017	The progress on the transition plan to adopt the International Financial Reporting Standards (the IFRS) as per Phase III disclosure requirements.
3.	3/16/2017	Approve the annual financial results for the period ended on December 31, 2016
4.	3/26/2017	Approving the invitation of the AGM and its agenda
5.	4/20/2017	The results of the extraordinary general assembly
6.	5/7/2017	Approve the appointment of Vice-Chairman of the Board
7.	5/11/2017	Approve the interim financial results for the quarter ended on March 31, 2017 (three months)
8.	8/8/2017	Approve the interim financial results for the period ended on June 30, 2017 (six months)
9.	9/12/2017	Approve the sale of a portion of Savola's shares in Almarai Company
10.	9/13/2017	The latest developments in relation to selling a portion of Savola shares in Al-Marai Company (complete the book building process)
11.	9/12/2017	The latest developments in relation to selling a portion of its shares in Al-Marai Company (the successful execution and settlement of all of the special negotiated trades)
12.	10/3/2017	The Group's position on the news of (Savola is negotiating to buy Sanabel Al-Salam for USD 300 million)
13.	10/9/2017	Approving the invitation of the AGM no. (39) (first meeting) to approve parts of the CG policies
14.	10/12/2017	Approving the appointment of a Chief Executive Officer for Panda Retail Company
15.	10/29/2017	Starting the Electronic Voting on the ordinary general assembly meeting agenda (first meeting)
16.	11/5/2017	The results of the ordinary general assembly no. (39) (first meeting)
17.	11/5/2017	The interim financial results for the period ended on September 30, 2017 (nine months)
18.	11/14/2017	The resignation of the Company CEO
19.	December 2017	<ul style="list-style-type: none"> <li>- Approve the CG framework and polices which was revised in light of the CG Regulation Issued by CMA in February 2017</li> <li>- Approve the Group budget and plan for 2018 and review the performance and plan for the operating companies and give the necessary direction accordingly</li> <li>- Approve the annual budget of CSR Programs.</li> </ul>
20.	1/9/2018	Approve the launching of the initiative (Integrity Hotline) to report non-compliant practices (whistleblowing)
21.	1/31/2018	Approve the appointment of the Chief Executive Officer of the Company

### Corporate Governance Report and major relevant disclosures continued

#### g) The major Board resolutions and important events relating to the year, either announced through Tadawul or were published on the Company website continued

No	Date	Announcement
22.	2/8/2018	Approve the recommendation of dividends distribution to the shareholders for 2017
23.	2/11/2018	Approve the interim financial results for the year ended December 31, 2017
24.	2/11/2018	Approve the appointment of a member in its Audit Committee

#### h) Shareholders rights and investors 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 2017, 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 to 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 their enquiries.

##### h-3) Procedure to inform 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 (IR Programs) and briefing the Board on the substantive proposals they make.
3. The Board members are attending the GA 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 shareholder's suggestions (if any) and the performance without the presence of any of the executives (whenever deemed necessary).

##### h-4) Savola Group equity profile as of December 31, 2017:

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)**	397,580,750
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 Market. Please note that the number of floated shares has been taken from Tadawul's records on March 20, 2017.

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

#### h) Shareholders rights and investors relations: continued

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

In accordance with international best practice in corporate governance, here are the dates of key anticipated events during 2018:

No.	Dates	Key events for 2018
1.	February 7	Audit Committee meeting regarding the financial results for the fourth quarter of 2017
2.	February 7	Board of Directors' meeting regarding the financial results for the fourth quarter of 2017 which is announced in the light of the Board's decision during the prescribed period
3.	March 15	Audit Committee meeting regarding the audited financial results for 2017
4.	March 31	Last day to publish the (audited) financial results for 2017 on Tadawul and then on the Company website
5.	May 9	Audit Committee meeting to recommend to the Board approval of the financial results for the first quarter of 2018
6.	May 9	Board of Directors' meeting regarding the financial results for the first quarter of 2018 which will be announced in the light of the Board's decision during the prescribed period
7.	May 9	Annual General Meeting – AGM which will be announced as per regulation (suggested date and subject to official authorities approvals)
8.	August 8	Audit Committee meeting to recommend to the Board approval of the financial results for the second quarter of 2018
9.	August 12	Date of publishing the financial results for the second quarter of 2018 on Tadawul once approved by the Board based on the recommendation of the Audit Committee
10.	September 6	Board of Directors' meeting to review the Company performance progress
11.	November 6	Audit Committee meeting to recommend to the Board approval of the financial results for the third quarter of 2018
12.	November 6	Board of Directors' meeting regarding the financial results for the third quarter of 2018 which will be announced in the light of the Board's decision during the prescribed period
13.	December 15-16	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 2019

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 determinate to carry out these events on the planned dates, we assume no obligation from failure to do so.

##### 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 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 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:"
- As part of the dividends policy, the Group used to distribute cash dividends in the range of 50% to 60% of the net profit achieved during each financial year based on the Board of Directors' recommendations.

### Corporate Governance Report and major relevant disclosures continued

#### h) Shareholders rights and investors relations: continued

##### b) Dividends proposed for distribution for 2017 and their payment process:

In light of the above dividends distribution policy, the Savola Group Board in its meeting on February 7, 2018 recommended the distribution of SAR 533,98 million (i.e. SAR 1 per share) as cash dividends for the year 2017, which represents 10% of the Company nominal share value. The maturity date for this 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 above Board's recommendation. Hence, the date of the dividend distribution will be announced later. the dividends will be paid after the approval of the AGM and will be deposited in the shareholder's accounts as will be detailed in the announcement, which will be published on Tadawul at a later date.

- The following statement shows the proposed dividend for 2017\*:

	Percentage of 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 2017	(SAR 1 per share) which represents 10% of the nominal value of the share	533,980,684
Total	No interim dividends were distributed during the year 2017	(SAR 1 per share) which represents 10% of the nominal value of the share	533,980,684

Note: The Group announced on February 11, 2018 on the Saudi Stock Exchange (Tadawul) that it will not pay quarterly dividends during the year 2018.

##### h-7) Major shareholders list:

Below are shareholders owning 5% or more of the total shares of the Group, and its movements during 2017 (in SAR):

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 pursuant to Article 45 of Listing Rules, together with any change to such interests during the last fiscal year

No.	Name	Nationality	Shares #at the beginning of 2017	Ownership at the beginning of 2017	Shares at the end of 2017	% at the end of 2017	Shares change	percentage Change
1.	Assila Investment Company	Saudi company	60,000,000	11.24%	60,000,000	11.24%	0	0%
2.	General Organization for Social Insurance (GOSI)	Saudi government institution	54,658,575	10.24%	54,795,992	10.26%	137,417	0.25%
3.	Abdulkadir Al-Muhaidib & Sons Company	Saudi company	43,861,108	8.21%	43,919,108	8.22%	58,000	0.01%
4.	Mr. Abdullah M.A. Al Rabiah	Saudi	43,892,500	8.22%	43,892,500	8.22%	0	0%
5.	Al-Muhaidib Holding Company	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 2017 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.

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

Date of request	Reason	No. of requests
1. April 19, 2017	To determine the eligibility for attending the Extraordinary general meeting (#30)	1
2. November 2, 2017	To determine the eligibility for attending the Assembly General Meeting (#39)	1
3. Weekly (End of each week) From (1/1/2017 to 12/31/2017)	To review the changes in shares ownership for investor relations purposes and to update the transparency screen which is being published on the company's website.	52
<b>- Total</b>		<b>54</b>

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

#### i) Related parties' transactions:

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 Abdulkader Al Muhaidib & Sons Co. 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 2017	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 anyone of them
<b>a. Savola and Al Muhaidib:</b>				
Business or contract in which Abdulkader 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 692.76 million.				
1. Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Mayar Foods Co. (formerly Al Muhaidib food Co.)	SAR 234.64 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.)	Renewed annually at the AGM	Mr. Sulaiman A. Al-Muhaidib who is also the Chairman of Savola Group, in addition to, Mr. Essam A. Al-Muhaidib who is the Managing Director of Abdulkader Al-Muhaidib & Sons Co. as well as a board member in the Savola Group. Business and commercial contracts between Abdulkader Al-Muhaidib & Sons Co. and its subsidiaries are executed with some of Savola subsidiaries in the Food and Retail Sectors. Also, Abdulkader Al-Muhaidib & Sons Co. owns 8.01% of Savola shares.
2. Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Del Monte Saudi Arabia	SAR 83.39 million		Renewed annually at the AGM	
3. Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Nestle Saudi Arabia Ltd.	SAR 332.69 million		Renewed annually at the AGM	
4. Purchasing food products by Panda Retail Co. (a subsidiary of Savola) from Manhal Water Factory Co. Ltd.	SAR 23.38 million		Renewed annually at the AGM	
5. Selling sugar by Afia International Co. for marketing and distribution (a subsidiary of Savola Food Co.) to Mayar Foods Co. (Al Muhaidib food Co. formerly)	SAR 1.74 million		Renewed annually at the AGM	
6. Leasing spaces by Panda Retail Co. (a subsidiary of Savola) from Abdulkader Al-Muhaidib & Sons Co.	SAR 11.16 million		Renewed annually at the AGM	
7. Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Almehbaj Alshamiyah Trading Co.	SAR 2.42 million		Renewed annually at the AGM	
8. Leasing spaces to sell its products inside Panda Shopping Centers by Panda Retail Co. (a subsidiary of Savola) to Del Monte Saudi Arabia	SAR 3.34 million		Renewed annually at the AGM	
<b>Total</b>	<b>SAR 692.76 million</b>			

### Corporate Governance Report and major relevant disclosures continued

#### i) Related parties' transactions 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 2017	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 anyone of them
<b>b. Savola and Almarai Co:</b>				
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 752 million.				
9. Purchasing consumer foods goods by Panda Retail Co. (a subsidiary of Savola) from Almarai Co. and its subsidiaries (Hail Agricultural Development Company.)	SAR 646.18 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.)	Renewed annually at the annual meeting of the AGM	Almarai, a listed company in which Savola Group owns 34.52%. Three of Savola Directors are members of Almarai's Board (Mr. Sulaiman A. Al-Muhaidib, Mr. Bader Abdullah Al Issa) as well as Eng. Rayan Fayeze (Savola CEO) who resigned on February 8, 2018
10. Selling sugar by United Sugar Company (a subsidiary of Savola) to Almarai Co and its subsidiaries (Western Bakeries Company Limited.)	SAR 104.82 million			
11. Selling edible oil products by Afia International Co. for marketing and distribution (a subsidiary of Savola food sector) to Almarai Co.	SAR 1 million			
<b>Total</b>	<b>SAR 752 million</b>			

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

Sr. The nature of the transaction or contract	The value amount of the transaction or contract for 2017	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 anyone of them
<b>c. Savola and Herfy Co:</b>				
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 33.78 million.				
12. Leasing shops and retail purchases of food products by Panda Retail Co. (a subsidiary of Savola) to/from Herfy Food Services Co.	SAR 29.79 million	In the ordinary course of business and general commercial terms worked without any preferential treatment (including renewal, payment methods, maintenance, insurance, etc.)	Renewed annually at the AGM	Herfy Food Services Co, a listed company, in which Savola Group owns 49% (directly and indirectly); Savola has four representatives on Herfy's Board: Mr. Essam A. Al-Muhaidib, who is the chairman of Herfy Board, Mr. Abdulaziz Al Ghufaily and Eng. Mutaz Q. Alazawi whom are also board members of Savola Group, as well as Eng. Rayan Fayeze (Savola ex-CEO) who resigned as of February 8, 2018
13. Selling edible oil products by Afia International (a subsidiary of Savola) to Herfy Food Services Co.	SAR 2.73 million			
14. Selling sugar by United Sugar Company (a subsidiary of Savola food sector) to Herfy Food Services Co.	SAR 1.26 million			
<b>Total</b>	<b>SAR 33.78 million</b>			

## Governance Report and Related Disclosures continued

### Corporate Governance Report and major relevant disclosures continued

#### i) Related parties' transactions continued

##### 4) Transactions and contracts with a direct or indirect interest between the Company and Kinan International Co.:

Sr.	The nature of the transaction or contract	The value amount of the transaction or contract for 2017	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 anyone of them
<b>d. Savola and Kinan Co:</b>					
Business or contract in which Kinan International 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 43.02 million.					
15.	Leasing of shops by Panda Retail Co. (a subsidiary of Savola) from Kinan International Co.	SAR 43.02 million	In the ordinary course of business and general commercial terms worked without any preferential treatment including renewal, payment methods, maintenance, insurance, etc.	Renewed annually at the AGM	Kinan International Co, of which Savola Group owns 29.99%, Savola has three members on Kinan's Board of Directors: Mr. Mohammad A. Al Fadl and Dr. Sami Baroum, both of whom are also Board members of Savola Group, and Eng. Rayan M. Fayez (Group's ex-CEO) who resigned as of February 8, 2018
<b>Total</b>		SAR 43.02 million			

Note: The transactions and contracts which are expected to be made between Savola Group and its subsidiaries and in which a Board member has an interest (whether direct or indirect) are subject to the prior approval of the AGM and are renewed thereof annually during the AGM. The above transactions and contracts which are expected to continue taking place between Savola Group and its subsidiaries and in which a Board member has an interest (whether direct or indirect) are subject to the prior approval of the AGM and are renewed thereof annually during the AGM. Accordingly, the Board proposes to renew the above transactions for a new year during the next AGM as per the approved AGM agenda.

#### 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:

Related party	Relationship	Transaction	Duration	Value/Amount
1. Panda Retail co. and Afia International Distribution and Marketing Co.	Savola owns 91% of Panda Retail co. shares and Afia International Distribution and Marketing Co. is wholly owned owned by Savola (both are subsidiaries of Savola)	Purchasing of edible oils and sugar products	During 2017	SAR 319.60 million
2. Panda Retail co. and Al Matoun International Holding Company for Real Estate Investment Co.	Savola owns 91% of Panda Retail co. shares and Al Matoun International Holding Company for Real Estate Investment Co (a Savola subsidiary)	Leasing shops and shopping centers	During 2017	SAR 45.11 million
3. Intaj – Savola investments	Associate	Non-trade	During 2017	SAR 16.07 million
4. Arabian Centers Company – Al Hokair	Affiliate	Non-trade	During 2017	SAR 43.90 million
5. Seafood International One FZCO – SFC	Associate	Non-trade	During 2017	SAR 12.76 million
		Trade	During 2017	SAR 8.32 million
6. Seafood International Holdco. – SFC	Joint venture	Non-trade	During 2017	SAR 6.01 million
7. Bonus Foods Company Limited – SFC	Associate	Non-trade	During 2017	SAR 1.10 million
8. Jousour Holding Company – Savola Investment	Investee	Non-trade	During 2017	SAR 3.75 million
9. USCE – SFC Associate		Non-trade	During 2017	SAR 45.25 million
		Trade	During 2017	SAR 31.64 million

### Corporate Governance Report and major relevant disclosures continued

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

##### k-1) Board Declaration according to CMA Regulations for 2017:

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 2017 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 Group'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 2017 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 2017 and did not receive any fees in this regard.
5.	The Group Board did not receive any request from the external auditor to convene a General Assembly.
6.	The Group 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 Group Board 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 it does not apply any programs for granting stock options or part of the dividends to the employees, or any pension programs, and there is 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.
11.	The Chairman of the Board did not receive a written request to call for an unforeseen meeting from any two or more of the Board members during 2017.
12.	The Board of Directors did not waive any of the Company's debts during the year.
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 item of clause (13) regarding the ownership of some of them in Herfy Food Services Co. (subsidiary of the Group as per IFRS).
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.	There are no treasury shares held by the Company for any purpose and according to disclosure is required of details of treasury shares used by the Company.
16.	There are no debt instruments issued to Savola Group subsidiaries except as detailed in this report in item (the details of long and short-term loans).
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 is 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 it's listed securities purchased by the Company and those purchased by its affiliates.

## Governance Report and Related 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, initiatives and awards continued

No. Declaration/Confirmation

- |     |  |
|-----|--|
| 20. | There is 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 in accordance with Article 45 of the Listing Rules, 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: <b>(applicable)</b> : Mr. Sulaiman Al-Muhaidib (the Chairman of the Board of Directors), has waived his annual Board remuneration, attendance allowance, expenses allowance for the fiscal year 2017 and donated his total remuneration of SAR 270,175 to support the Group's Employee Takaful Fund.<br>A senior executive of the Group: <b>(not applicable)</b> |
| 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 doubt 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 confirms that during January 2013 it has issued Sukuk to a number of investors amounting to SAR 1.5 billion as the first issue of the total Sukuk value equal to the Company's capital which will be announced in stages, this was previously approved by the AGM in its meeting held on December 5, 2012.   |

#### 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 it's been updated in line with the CG regulations issued by the CMA and international best practice in CG and transparency. In 2017, following the issuance of the Corporate Governance Regulations in February, the Company has reviewed and updated its CG framework and policies and were approved by the competent administrative bodies, whether the Board of Directors or the General Assembly (where applicable).
- 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 Committee's resolution regarding CG and submit regular reports to the Committee. 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).

### Corporate Governance Report and major relevant disclosures continued

#### k) What has/has not been implemented of the CG regulations, CG procedure and effectiveness, initiatives and awards 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/ Clause No.	The Article/Clause	Reasons for non-compliance
1.	Article 20, Item (10)	<b>Issues Affecting Independence:</b> "If he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company."	Mr. Mohammad Abdulqader Al Fadl, has served in the Savola Group for more than nine years as a member of the Savola Group Board. However, his independency has not been affected as he has no conflict of interest and has extensive experience of more than 30 years in the field of Business Management. His membership in the Board satisfies the required diversity.
2.	Article 32, Item (b)	<b>The Board Meetings:</b> "The Board shall convene no less than four meetings per year, and no less than one meeting every three months."	The Board held seven meetings during the year including a workshop for two days during December 2017. However, the Board did not conduct any meetings in the period from January 19th to May 3rd, and the second meeting was held 4th of May, which exceeded the "three month" period indicated in said article, due to the extension of the statutory period for the disclosure of the first quarter financial results after the implementation of IFRS for the first time. It has been raised to 30 days following each quarter-end instead of 15. As the Group used to schedule its Board meetings to coincide with the deadline for the quarterly disclosure of financial results to enable the Board to review the performance of the Company and take necessary decisions in light of actual results.
3.	Article 41	<b>Assessment</b> "a) The Board shall develop, based on the proposal of the Nomination Committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the executive management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company. b) The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment. c) The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board etc."	Savola used to conduct a periodical Board effectiveness since 2009, the most recent assessment was made in 2014/2015. During the year 2017, the Company started the process of the assessment for its Board, members and Committees. As this exercise is a new practice in the region, the process of selecting specialized and independent institution may take some time. A number of interviews were conducted with a number of entities to carry out this process under the supervision of the Remuneration and Nomination Committee (RNC), which will continue its effort to select and engage with one of the suitable entity. The process is expected to be completed in 2018, and the required disclosure will be published in the annual Director's report for the next year.

## Governance Report and Related 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, initiatives and awards continued

No.	Article/ Clause No.	The Article/Clause	Reasons for non-compliance
4.	Article 70	<b>Composition of the Risk Management Committee:</b> "The Company's Board shall, by resolution therefrom, form a committee to be named the (Risk Management Committee). 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) until establishing a department for Risk Management. In the meanwhile, a team will be appointed by the Group to establish the department and its scope of work. Noting that, currently, the Group is using an outsource entity to support carrying out the role of the Risk Management. Savola's Enterprise risk management (ERM) program is in the process of being launched during the year to and will promote active involvement from the Board of Directors and Executive Management in the risk management process to ensure a uniform view of risk across the Group. However, the Board will form the said Committee whenever it deems necessary.
5.	Article 71	Competencies of the Risk Management Committee.	The RMC has not been formed due to the above mentioned reasons.
6.	Article 72	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.
7.	Article 85, Item (2)	<b>Employee Incentives:</b> "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 RNC is currently studying this subject in coordination with a specialized expert. Upon conclusion of this subject, the outcome will be presented to the Board of Directors for recommendation to the Shareholders General Assembly.
8.	Article 87	<b>Social Responsibility:</b> "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."	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.  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 dedicated team and department to implement these programs and initiatives. However, the Board will present this subject to the shareholder's general assembly whenever it deems necessary.
9.	Article 95	<b>Formation of a Corporate Governance Committee:</b> "If the Board forms a Corporate Governance Committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such Committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually."	The Corporate Governance 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 resolution 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.

### Corporate Governance Report and major relevant disclosures continued

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

##### k-4) Initiatives and awards:

##### 1) Savola Group is ranked among the top ten companies in the Middle East and North Africa as per S&P Dow Jones Indices.

As a result of Savola's outstanding efforts in the field of governance and its continued commitment to implementing the Corporate Governance Code through its commitment to its governance rules and policies and its subsidiary companies and the application of the regulations issued by the regulatory bodies, as well as the implementation of a package of good international practices in the field of governance and transparency. Savola has been selected among the top ten of the highest-scoring companies in transparency in the field of Corporate Governance, Environment and Social practices in the MENA Region according to S&P Dow Jones Indices and Hawkamah Institute, Dubai (specialized in Governance). This study is an independent assessment that includes "Environment, Social and Governance practices – ESG index". The assessment made from a universe of 150 largest and most liquid companies listed in the national stock exchanges markets (Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Bahrain, Egypt, Jordan, Lebanon, Morocco, Oman, Tunisia, etc.) The results of this evaluation were announced during the forum held in mid-December 2017 at the Dubai International Financial Center, Dubai, United Arab Emirates.

##### 2) Launching the initiative of Integrity Hotline to report non-compliant practices:

Based on the Savola Group's ethical values, it has launched the initiative of Integrity Hotline, which enables all stakeholders, including members of the executive management, senior managers, employees (including permanent, temporary and part-time employees), shareholders, trainers, clients, individuals, agency staff, consultants, suppliers, vendors and public to "blow the whistle" using the Integrity Hotline and remain anonymous, it is completely independent and secure. The reported cases will be analyzed by independent professionals with experience in investigating such matters under the supervision of the Audit Committee and the Board of Directors.

The Integrity Hotline is a confidential reporting framework, managed at the Group-level covering Savola entire operations in the region which allows all stakeholders to anonymously report incidents and instances which include suspected illegal activities, theft, fraud, corruption, waste or misconduct through the online website at [hotline.savola.com](http://hotline.savola.com) by clicking on the Integrity Hotline tab and follow the simple instructions. Savola believe that this service will open a communication channel for all stakeholders, who need to report any violations they noticed.

## Audit Committee Report

### Savola Group Audit Committee Report for the year ended December 31, 2017

#### 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 new 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 with the company's head office at least ten 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, 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 recite of the report by the Chairman of the Audit Committee.

#### 1- Appointment

Savola Group Audit Committee was appointed at the ordinary general assembly meeting no. (38), held on July 26, 2016 beginning from July 1, 2016 for three years, and the charter describing its functions, responsibilities and guidelines, as well as remuneration of selected members. In 2017 the Committee charter was amended as per the new CG regulation issued by CMA in February 2017 and was approved by the Ordinary General Assembly Meeting held on November 2, 2017. In addition, the Board appointed Dr. Ammr Bin Khaled Kurdi based on the Remuneration Nomination Committee recommendation (as an independent member from outside the Board) effective from February 11, 2018 until the end of the current office term of the Committee, which ends on June 30, 2019. The appointment of Dr. Kurdi comes in the vacant seat after the resignation of Mr. Khalid Mohammed Al-Solae from the Audit Committee on October 29, 2017 due to his appointment as a member of the Board of the Capital Market Authority (CMA). However, Dr. Kurdi's appointment is not final until presented to the nearest General Shareholders Assembly Meeting for approval as per the regulations.

#### 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 Audit Committee held seven meetings during 2017, and the quorum for each meeting was reached.

#### 3- Savola Group Operating Model

The current organizational structure "Operational 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 transactions between the Group's Audit Committees and internal audit departments on one hand and its subsidiaries on the other hand are governed by the Group's representation membership at the Audit Committees of the subsidiaries.

#### 4- Committee member's qualifications

The qualifications of the Committee members who are also members of the Savola Group Board of Directors have been described above and qualifications of those Committee members who are not are as follows:

### Savola Group Audit Committee Report for the year ended December 31, 2017 continued

Member name	Current positions	Previous positions	Qualifications	Experience
<b>Audit Committee members:</b>				
1. Mr. Fahad Abdullah AL Qassim	Current and previous positions, qualifications and experience were above mentioned in this report.			
2. Mr. Abdulaziz Khaled Al Ghufaili				
3. Mr. Abdulaziz Ibrahim Al Issa				
4. Dr. Abdulrauf Suliman Banaja	Holds number of membership in boards and committees such as Audit Committee member in Penda Retail Co. and Savola Foods Co. and other joint Stock companies.	Advisor of the Deputy Governor, The Saudi Arabian Monetary Agency (SAMA)	PhD in Economics, University of California, Santa Barbara, United States, 1981	Assumed several positions in a number of local and regional banks
5. Mr. Khalid Mohammed Al-Sulea *	CMA Board member  (resigned from the Committee membership during October 2017 after being appointed as a member in CMA Board)	Audit Committee member	Bachelor's in Administrative Science, Accounting Department, King Saud University, 1983 Diploma in Economics and Accounting, Boulder Institute for Economics, Colorado, United States Fellowship of American Certified Accountants and Fellowship of Fraud and Embezzlement.	Has over 30 years of experience in finance, internal audit, auditing, financial analysis and governance

## Audit Committee Report

### Savola Group Audit Committee Report for the year ended December 31, 2017 continued

#### 5–Audit Committee attendance:

The members of the Audit Committee attendance for the meetings of the Committee held during the year 2017 are listed below.

Sr.	Name	Meetings during 2017							Total
		Jan 18	Mar 12	May 4	Jun 4	Aug 6	Nov 2	Dec 17	
1.	<b>Mr. Fahad Al-Kassim (Chairman)</b> (Independent Savola Board member)	✓	✓	x	✓	✓	✓	✓	6 of 7
2.	<b>Mr. Abdulaziz Khaled Alghufaily</b> (Non-executive Savola Board member)	✓	✓	✓	✓	✓	✓	✓	7 of 7
3.	<b>Mr. Abdulaziz I. Alissa</b> (Independent Savola Board member)	✓	✓	✓	✓	x	✓	✓	6 of 7
4.	<b>Dr. Abdul Raouf Banaja</b> (Independent external member)	✓	✓	✓	✓	✓	x	✓	6 of 7
5.	<b>Mr. Khalid M. Alsolae*</b> (Independent external member)	✓	✓	✓	✓	✓	NA	NA	5 of 5
–	<b>Mr. Tarik M. Ismail</b> (Committee Secretary)	✓	✓	✓	✓	✓	✓	✓	7 of 7

Note\*:  
As Mr. Khaled Al-Solae – Audit Committee member- was appointed as a member of the Board of Directors of the Capital Market Authority (CMA), based on the CMA announcement on October 29, 2017. Whereas the appointment of his excellency as a member of the Board of Directors of the CMA may be inconsistent with his continuation as a member of the Audit Committee of a listed Joint Stock Company, Mr. Al-Solae has resigned from the membership of the Audit Committee as of the date of his appointment to the Board of Directors of the CMA.

### Savola Group Audit Committee Report for the year ended December 31, 2017 continued

#### 6–Audit Committee remuneration for 2017 (Saudi Riyals):

Sr.	Committee member name	Title	Fixed remuneration (except for the allowance for attending Board meetings)	Allowance for attending Board meetings	Total	Other expenses
1	<b>Mr. Fahad A. Al Kassim</b> (Independent, Savola Board member)	Chairman	108,195	30,000	138,195	7,305
2	<b>Mr. Abdulaziz K. Al Ghufaily</b> (Non-executive, Savola Board member)	Member	108,195	35,000	143,195	7,305
3	<b>Mr. Abdulaziz I. Alissa</b> (Non-executive, Savola Board member)	Member	108,195	30,000	138,195	1,983
4	<b>Dr. Abdul Raouf Banaja</b> (Independent, external member)	Member	108,195	30,000	138,195	–
5	<b>Mr. Khalid M. Alsolae*</b> (Independent external member)	Resigned Member	75,000	25,000	100,000	12,175
<b>Total</b>			<b>507,780</b>	<b>150,000</b>	<b>657,780</b>	<b>28,768</b>

## Audit Committee Report

### Savola Group Audit Committee Report for the year ended December 31, 2017 continued

#### 7- Summary of Audit Committee duties, responsibilities and achievement executed in 2017

##### a- Financial reporting

- Review and recommend to the Group's Board of Directors the approval of the preliminary quarterly results and year-end 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.
- Ensure that all matters relating to the Group's transition to IFRS are resolved so that the Group may issue its financial statements in accordance with International Financial Reporting Standards (IFRSs) during the regulatory specified period.

##### b- Internal audit

- Review and approve the Group's internal audit function services, scope, enablers, methodology, outputs, plan and whether it has the necessary authority and resources to carry out its work while maintaining its independence.
- Review and assess the internal audit reports and monitor the tracking and follow-up process determining whether or not appropriate actions are taken on the recommendations therein.

##### c- External audit

- Review the process of appointing the external auditors for 2017, including sending invitations for five external auditors and ensure their independence in line with Ministry of Commerce and Investment regulations, reviewing analysis of quotations received. As a result, the Audit Committee recommended to the Board of Directors the appointment of Al Fozan & Co (KPMG) to be the Group's external auditors for the 2017 fiscal year, with a fee of SAR 690,000 to review and audit the Company's quarterly and annual financial statements.
- Review the external auditors service delivery plan, scope of work, the results of the audits, the relevant audit reports and management letter together with management responses or comments to the audit findings.
- Review and ensure that appropriate assistance was given by the Group's executive management team to the external auditors and that no difficulties were encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.

##### d- Related party transactions

Review of related party transactions report including the proposed related party transactions which is part of the annual report of the Board of directors consisting of related party transactions carried out in 2017 and proposed related party transactions for 2018. In addition, review of the results of external auditors limited review of Savola related party transactions for 2017 which included a limited review on the related party transaction report prepared by the chairman of Board of directors in relation to the related party transactions executed by the company during the year.

##### e- Feedback mechanism

Supervise and recommend to the Group's Board of Directors launching Savola "Integrity Hotline" which enables all 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 and the community as a whole to report any suspected immoral practices by using the integrity hotline, while retaining the right for full anonymity and providing the necessary protection.

##### f- Annual report of the Board of Directors

Review the annual report of the Board of Directors for the last year which included the financial results of the Group, disclosures of transactions with related parties and a comprehensive summary of the Company's performance, activities and the activities of its various sectors inside and outside the Kingdom in line with its charter.

##### g- Audit Committee Report

The Committee prepared and approved for distribution to shareholders the Audit Committee Report in line with KSA company's law article number (104), including inclusion of this report as a separate part of the Group's Directors' report.

### Savola Group Audit Committee Report for the year ended December 31, 2017 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 internal control certificates for 2017 were handed over and filed with the Group's legal counsel.

The internal audit function at the Group and its subsidiaries execute the annual audit plan approved by the Audit Committee at the Group & 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, information systems and a randomly selected sample of activities within the planned audit area with the objective of testing the effectiveness and efficiency of internal control procedures design and operation to obtain reasonable assurance regarding its effectiveness and efficiency during the year.

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 as at December 31, 2017.

Based on the annual review of internal control procedures selected for testing during 2017 by the Audit Committee, the external auditors and the internal audit functions at the Group and its subsidiaries, the results of internal control procedures provided reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with applicable laws and regulations.

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 producers in substance, rely on selecting random samples as abovementioned.

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 2017 in line with the regulatory requirements and the charter of the Committee and will be submitted to the general assembly of shareholders when the Board of Directors issue its invitation. The meeting will be held during the first half of 2018 (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.