



Annual Report

2020/21

Chairman's Message

On behalf of the Board of Directors of Saudia Dairy and Foodstuff Company (SADAFCO), it is my pleasure to present to you SADAFCO's Annual Report for the twelve months ending 31st March 2021. This document includes the Financial Year-End Results, the Auditor's Report and a summary of the highlights of the year's performance and accomplishments.

We wrapped up the current financial year and welcome the next, the first signs of the world getting back to new normal are starting to appear. Regarding COVID-19, during this year we implemented numerous good practices in our manufacturing and sales facilities and combined workflows. All the good work and unquestioned dedication of our staff contributed during these tenacious times, and we were able to supply the much needed products to the wider public, doing our part to provide nutritious and healthy food propositions.

During 2020-21 your company made sales of SAR 2,105Mln resulting in Net profit of SAR 261Mln, which is SAR 4Mln (1.6%) lower than the prior year. This reflects earnings per share of SAR 8.14, versus SAR 8.32 last year. The result is lower than last year due to reduction in price per litre as VAT increased from 5% to 15%. This resulted in partial absorption of this tax by SADAFCO considering the competition in the industry.

The share buy-back program has now been active for more 2 years and is currently valid till 18 Nov 2021. If BoD believes that the market price is less than its fair value and should an opportunity arise to optimally utilize more of its spare available cash in this manner, the company will seek to do so.

Following the announcement of our Q2 interim financial results, Board of Directors approved in January 2021, an increase in the interim dividend from SAR 2.5/share to SAR 3/share. The then situation of COVID-19, with all its ensuing economic hardship, was specifically considered in such decision making to alleviate the situation.

Capital work in the new Ice Cream Factory (next to the existing premises of Jeddah Milk Factory) continues with trial production run being planned in July 2021.

SADAFCO, being a responsible member of the community, has initiated an Environment Social Governance (ESG) program. We will develop specific chart of action and associated KPI's and measure our performance against these. We aspire to achieve meaningful results and improve the quality of life of all stakeholders through this process.

On behalf of SADAFCO's Board of Directors, I would like to express gratitude to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince and the Government of Saudi Arabia for their continued efforts to support the private sector in the Kingdom.

My appreciation goes to my fellow Board Members, Shareholders, Executive Management and all SADAFCO employees for their combined and continued efforts to develop and grow the Company.

Chairman Board of Directors

CEO Message

Over fiscal year 2020/2021 SADAFCO delivered:

- Turnover of SAR 2.1 Bln
- Gross Profit of SAR 694 Mln and
- Net profit of SAR 261 Mln or 12.4% of Sales
- Increase in Dividends to SAR 6.0 /share, up 20%.

Although we aim for more attractive profitable growth and result numbers, we have been very blessed having been able to continue our operations and even to step them up at crucial times under challenging conditions. This has partly to do with being well organized with committed people, able to adapt to extreme circumstances across our value chain while fulfilling their roles and responsibilities in a proven business model.

In parallel, during last year challenging times we did not stop construction works on our current two main Capex projects:

1. The Jeddah Factory upgrade, to enable efficient continuous longer term growth and support new concepts (cholesterol lowering, high calcium, soya to name a few and more to come) for our biggest category drinking milk, and;
2. SADAFCO's New Ice Cream Factory, after successful 12+ years of strong growth of our ice cream business during which we have achieved leading market position, the existing production platform is soon reaching its limits. During 2021, we will transition to a new factory, fit for servicing future profitable growth of both existing and new product offerings.

Both projects will see their completion during our next fiscal 2021/22. Together with the earlier investments in our logistical infrastructure (modern distribution centre in Riyadh, our state of the art Jeddah Central warehouse and depot upgrades) combined with improved training and development of our people, SADAFCO can continue its path of profitable growth and new concept offerings in the years to come.

Additional efforts are made to further enhance our ESG awareness and which areas we would like to focus on, both internally and externally. This concerns a variety of elements, which we soon expect to start reporting on. Within that, we strive for better gender representation and diversity of skills and approaches across functions and levels, based on merit.

Our flagship brand "Saudia" continues to strengthen its market shares across categories and we feel this is being appreciated amongst its consumers. In the drinking milk category, we play a strong and growing number 2 role. The tomato paste category with Saudia's 50% market share is only strengthening. Having added the organic range gives people a choice to further improve their quality of nutrition and taste of their food. Complemented with Ice cream Saudia is standing on three strong platforms. Smaller categories are consistently being worked on and new offerings across categories being developed.

The market is undergoing changes. Not only because what we experience due to Covid and related effects. Also the economies, both global and regional are changing, and some are changing fast. Extra efforts on development are made by governments and introduction on cost of living drivers like the increased VAT amongst others are some of them. At SADAFCO, we try to manage these changes in such a way that we provide our fair share of support by means of absorbing part of the cost, by means of donations and keep developing our people and company to stay competitive and attractive to work for.

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

Waltherus "Wout" Matthijs
CEO

History

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

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

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

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

Main Activities of the Company

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

SADAFCO currently offers around 128 Stock Keeping Units (SKU) with its core products being marketed under its flagship Saudia brand. Other trademarks in the portfolio include Crispy, Baboo, Majestique, Sensations, More and UFO.

The Company operates three factories in Jeddah (two) and Dammam and a plant in Poland. All these factories have highest safety and environment standards and are also Halal certified. It has an established sales and distribution network, with three Regional Distribution Centres (RDCs) in Riyadh, Jeddah and Dammam and 20 depots across Saudi Arabia, Bahrain, Kuwait, Jordan and Qatar. The Company operates a fleet of more than 900 trucks and vans for its primary and secondary distribution network.

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

Introduction

SADAFCO achieved net sales of SAR 2.105 billion in 2020-21, reflecting a year-on-year increase of 2%. It also improved its market shares in key product categories (Milk, Tomato Paste & Ice Cream), indicating strong consumer loyalty towards the Company brands. The Company's total asset base expanded to SAR 2.229 billion, registering growth of 3% over last year. The total shareholder equity of the Company stands at SAR 1.533 billion, an increase of 5% over previous year. As at 31st March 2021, SADAFCO's market capitalization was 5.3 billion vs. SAR 4.5 billion in 31st March 2020.

Products at a glance

Milk

SADAFCO's Plain milk product category comprises of items like whole milk, low-fat milk, skimmed milk, gold milk, junior milk, flavored, functional Milk, and instant milk powder. SADAFCO commenced operations with the production of UHT (Ultra High Temperature pasteurized) Milk in 1977. These products are marketed under the flagship "SAUDIA" brand. Market Share*: 61.9%

Tomato

Tomato Products include Tomato Paste and Tomato Ketchup. SADAFCO was the first company in Saudi Arabia to launch tomato paste in Tetra Pak in 1989. These products are marketed under the "SAUDIA" brand. Market Share*: 49.6%

Ice Cream

Ice cream product line was launched in 1979. Over the years, SADAFCO has launched variety of new products to establish itself and increase sales in this segment. Ice creams are available in tubs, cones, push-ups, sandwich, cups, bars and sticks. These products are marketed under 'SAUDIA' and 'BABOO' brands. Market Share*: 26.5%

Cheese

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

Snacks

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

Others

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

* As per Nielsen, market share on MAT basis as of Mar-21.

Supply Chain

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

Jeddah Milk Factory has undergone some extensive changes in several areas of the plant. The previous mixing plant area drain, and floor system are upgraded to prepare the filling machines expansion plan. High speed 125ml line was installed and commissioned in May 2020 which increased capacity by 60% to 24,000 pieces per hour. Additional 200 ml line installation is completed, which increased capacity by 18.6%. Robot palletizing area preparation was started which will increase automation level and decrease demand on labor. Jeddah Milk factory also maintained co-production for FrieslandCampina brand.

In the Dammam Factory, the focus has been to increase opportunities in the newer product ranges. Addition of 70 grams organic tomato paste SKU and increased SKU portfolio in snacks would add to future growth opportunities.

A new Ice Cream facility is being developed and the focus for the year was on quickly completing the same and shifting the Ice Cream production to this new facility. New factory is planned to be operational by year end with the first line relocation starting from July 2021. The focus in the new layout has been to increase the efficiency by adding a new extrusion line and setting the potential for future expansion in product volume.

The new Frozen Jeddah Central Warehouse (FJCW) with a capacity of 6,000 pallets is expected to be operational by end of April-21. It is used as an accommodation for our stock building for Frozen Products before the peak season. This will free up frozen storage spare in the depots and external rented warehouses along with adopting a pull approach rather than push. With this new facility, we will have greater flexibility and increased capacity & faster product handling therefore driving down logistics cost.

During the pandemic, all factories responded swiftly to a substantial increase in demand while protecting employees and site operation activities to counter the COVID-19 epidemic. SADAFCO continued production with high-level focus and cooperation across all divisions. proving its manufacturing agility for now and in future. All the laborers were relocated in secure accommodations where they were protected during the high peak of the pandemic. The casual laborers are still permanently living in company accommodations where they are kept in better living conditions under supervision of the company.

All four SADAFCO factories and our sales depot in Riyadh, are certified with ISO22000:2018 (for Food Safety), ISO14001:2015 (for Environment) and ISO 45000:2018 (for Occupational Health & Safety). All four factories (including JCW) are also formally Halal certified, Dammam site is certified as Organic tomato paste producer which opens up some exciting additional export opportunities for SADAFCO.

The Company's three factories produce the following products:

Jeddah Factory produces Plain and Flavored Milk, Laban with Fruit, Soy drink, Evaporated Milk, Date Milk and Thick Cream.

Jeddah Ice Cream Factory produces a variety of different Ice Cream lines, cone waffle & sandwich biscuit.

Dammam Factory produces Tomato Paste, Feta Cheese, Crispy Snacks and Flavored Water.

The Procurement department continues to globally source the highest quality ingredients at competitive prices and maintain strong supplier partnerships to secure top-class ingredients in each category. Despite the struggle in the global supply chain during COVID-19, they managed to secure the required materials to guarantee smooth manufacturing and cope with the unexpected market demand.

A great breakthrough toward automation and integration in the planning department to go live on the Distribution Resource Planning (DRP) System which will allow more time for validation and better fact-based decision making. It will also allow us to move forward on implementing other modules in Planning Department in coming fiscal year 21/22. These Modules will enable us to gather and adjust all the relevant data on one platform, facilitating the planning at different levels (Factories, central distribution point and Depots) with independent stock policies and parameterization.

Another important achievement was to decrease our inventory of Packaging materials by around 43% in the past 9 months by adopting a stricter strategy in Supply Planning as well as moving more and more items to “Just-in-time” concept, which works beneficially for both SADAFCO and Suppliers, leading to efficient production and avoid double handling throughout the supply chain.

Commercial

The year has been different from almost every angle. After strong total FMCG market growth (both in terms of value and volume) in first quarter of 2020, the overall market dipped significantly, with low single digit growth, that too with volume declines offset in part by increased value due to VAT increase in August 2020. Within FMCG, Grocery grew fastest in Q3 2020 at 9.9% with Dairy coming in at +7% growth. The Out of Home business got affected by restaurant and other food establishments having restricted business operations for most of the year. Consumer behavior adapted to the new normal of restricted mobility and caution against the pandemic. A notable consumer trend that has been observed is that in the 2nd half of calendar year 2020, shopping frequency and total FMCG spends have declined sharply vs pre pandemic periods while the spend per trip has increased sharply, reflecting the current consumer sentiment. FMCG spending growth has halved from Q3 to Q4 of 2020, with similar trends observed across almost all FMCG segments, including food and dairy.

At a total Milk Category level, the market is moving more towards Long Life milk vs Fresh Milk, with Long Life milk contributing to more than 50% share since July 2019. SADAFCO's Plain Milk Value shares are flat at 32.4% (MAT Mar). The market has also seen significant discounting on UHT since September 2020 as manufacturers look for growth and consumers hunt for better deals in the current environment. Post VAT increase, SAR/L on UHT milk has decreased from SAR 5.1 to SAR 4.9, while Fresh milk has maintained the post VAT increase pricing of SAR 4.7 in the market. (Source: Nielsen). We continue to do meaningful ROI positive activities such as 1) increased exposure in Modern Trade visibility and Flyer activity, 2) engage our consumer base via Social and traditional media, 3) expansion and improvement of our service to Traditional channels and 4) an increased focus on ecommerce.

During the year, SADAFCO has launched Organic Tomato Paste in convenient single use packs, Low Sodium Water, Crispy snacks at a new size and relaunched Date Milk and Fruit Laban in our familiar 200ml pack.

Our Tomato Paste, which is part of our culinary consumer needs portfolio, was supported through advertising campaigns supported by value building in-store promotions, visibility, and engaging POSM. We also stepped up consumer engagement with relevant content on social media during the period, with encouraging results.

Mobility restrictions, especially on children, severely impacted the snacks category, with the category declining significantly. Despite this challenge, Crispy maintained its market share. Recently, a more consumer desired box pack with a larger size was launched as we prepare for a return to normalcy in the market.

SADAFCO continues to invest in the Ice Cream segment with wider availability resulting in an increase in Numeric Distribution. Consumer engagement has been led by robust loyalty creating promotional activities. Overall market share stood at 26.5% at MAT March level with strong growth on Sticks, Sandwich and Bars. During the year, we launched Baboo Tornadoo 3 flavor stick with encouraging results in the market.

SADAFCO Sales and Distribution Team continues to focus on ensuring the right level of Distribution and availability for our brands across all our Trade Channels. We have not only rapidly expanded our Frozen Distribution this year, but also strengthened and expanded our operations in the Ambient segment. We continue to use technology to optimize routes and to ensure that our Mobile Sales Force automation continues to enhance discipline and predictable coverage of all stores with the right level of replenishment.

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

Organizational Development

Introduction

Like most companies across the world, SADAFCO was significantly impacted by the COVID-19 outbreak. Our response was comprehensive and proved how flexible, decisive and adaptable SADAFCO is as an organization. A wide range of new health, safety & environment (HSE) measures were put in place, including a revised hygiene protocol, the measuring of body temperatures, housing of manufacturing staff at factories and a 'Work From Home' policy for office staff.

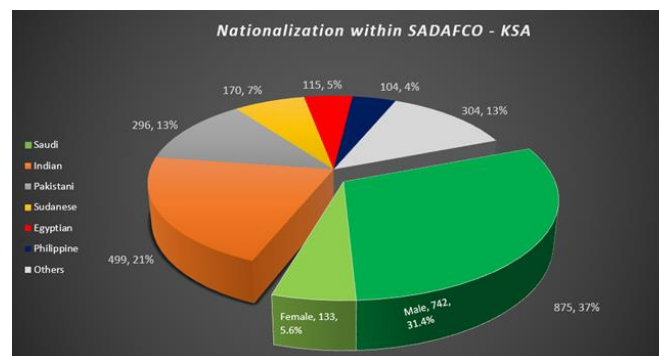
Challenges Faced

An important step in ensuring all our products remained safe for customers was the implementation of new HSE measures to reinforce those already in place. We were among the first organizations to start measuring employees' body temperatures as they entered or left our facilities. Meetings with visitors were conducted virtually. Educating our employees on taking precautionary steps and following strict government health regulations became the norm. SADAFCO started to proactively manage the pandemic by forming 'Crisis teams' at Management level to ensure company-wide engagement with the new measures. Daily and weekly alignment meetings were organized to ensure necessary steps were undertaken to maintain a 'business as usual' approach. Additional steps like regular COVID-19 tests (as part of the strict protocols) for employees who showed symptoms, contact tracing, providing mobility letters (to enable our sales staff and drivers to continue work), organizing accommodation with WiFi and catered food (to ensure a comfortable though controlled environment), letting our staff stay within the factory premises and strict monitoring of infected employees during the quarantine period are among the important actions we took.

Despite our intensive efforts, 427 employees tested positive for COVID-19 out of the 1,757 employees tested during the past year. The in-house medical team, led by our dedicated company doctor, in collaboration with the Employee Services team ensured that all the affected employees return to work healthy after undergoing mandatory quarantine and tests. Unfortunately, we lost two employees to COVID-19 as they had developed complications due to existing medical conditions. All locations had to undergo mandatory cleaning procedures along with distribution of facemasks, gloves and sanitizers. Virtual meetings were imposed for all to avoid any possible contact with anyone outside the organization. With the vaccine process started in each of our locations, we are monitoring the vaccination status of all our employees. To date, more than 500 of our employees have taken the first or both doses of the COVID-19 vaccine.

Highlights

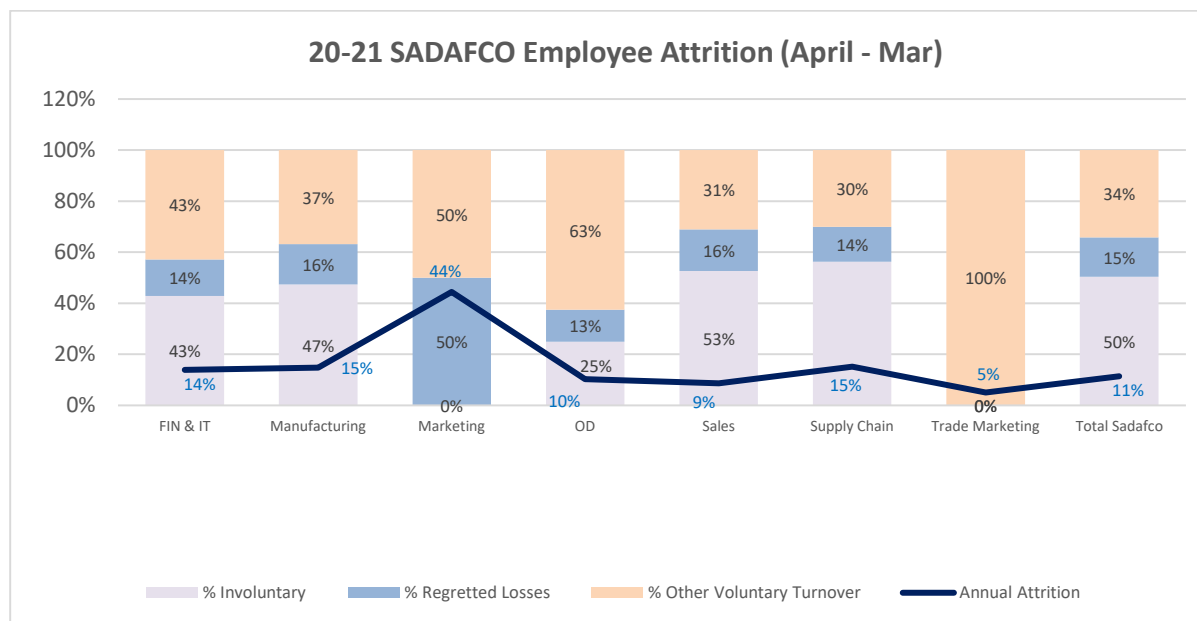
Hiring: Despite the challenges we faced during the last financial year, SADAFCO ended the year with a headcount (including casuals) of 2,937 (KSA: 2,766, Kuwait: 53, Bahrain: 71, Jordan: 45, Qatar: 2). We hired 392 new employees during the year compared to 423 the previous year. Our staff is diverse and includes people from 46 different countries. We continue to encourage hiring of women in the workforce and the female headcount grew from 110 to 135 at the end of the financial year with 74% employed at our manufacturing sites and the remainder in our offices.



Learning & Development: Our training & development department plays a vital role in supporting SADAFCO's mission and executing our overall strategy. We encourage employees to take responsibility for their own development by providing all required support in upgrading their skills using their IDPs (Individual Development Plans), thereby promoting a culture of learning within our organization. To ensure training could continue to be delivered, most of the planned programs migrated online successfully. 597 employees underwent various training programs (compared to 637 in the previous financial year), out of which 74% did their training sessions online. The crisis provided an opportunity to initiate the e-learning program, which will remain in place. We have signed up with an e-learning platform, thereby enabling our staff to continuously develop themselves. We also initiated succession planning discussions across functions as part of the overall Talent agenda. Several measures were implemented during the year to identify talented Saudi Nationals, who were moved into new roles that would enable their development and growth. In the past, such roles would have been filled externally.

Rewards: In support of the Nationalization program, SADAFCO upgraded the salary of 73 Nationals to the new minimum salary level. Despite a challenging year for the company, the performance bonus and annual salary review were executed for all eligible employees.

Attrition: Overall 284 employees left during 2020-21 compared to 367 in the previous financial year. Annual attrition for the financial year 2020-21 totaled 11.41% (compared to 15.2% in 2019-20), which is below the average FMCG industry average attrition rate of 14.78% (source: Korn Ferry - Hay). To some extent, the pandemic may have helped SADAFCO in reducing the number of exits. In KSA, out of the 267 employees who left, 57% (152) were Saudi Nationals. Despite the challenges we faced and with our focused Nationalization efforts, SADAFCO continues to remain in solid green as determined by Nitaqat. The average age of employees in the company is 38 years.



Employee Health & Wellbeing: In collaboration with our partner hospitals and medical health insurance partner, SADAFCO organized quarterly 'Health Zones' across various locations to monitor employees' health metrics (e.g. blood pressure, blood sugar and weight) as a proactive step so that employees take all the right steps in maintaining their health at an optimum level. Regular health webinars by expert doctors (Dr. Hanaa Tashkandi, Consultant in General and Laparoscopic Surgery, Dr. Soliman Fakeeh Hospital on 'Breast Cancer awareness'; Dr. Nezar Bahabri, Director of Internal Medicine at Dr. Soliman Fakeeh Hospital on 'COVID-19 awareness'; Ms. Safa Murad, Psychologist on the topic 'My Life, Motherhood and Work' for female employees) were organized by the SADAFCO medical team, where employees could gain greater insights into important health topics. SADAFCO continued to offer employees 50% discounted fitness club memberships as a way to support their health and wellbeing.

All the above subjects will continue to be the focus of our undivided attention in the coming year.

Environmental, Social and Governance (ESG)

Sustainability at SADAFCO

At SADAFCO, purpose and profit go in tandem to drive long term growth and value creation for its stakeholders. Our vision to be the brand of choice is underpinned by the company's veritable commitment towards its consumers, people, the environment, and communities.

We have aligned our sustainability agenda with Saudi Arabia's Vision 2030 to support a thriving economy through the creation of a vibrant society in which all citizens can fulfil their dreams, hopes and ambitions. We are investing in the education, engagement, and training of local talent with a particular emphasis on developing technical skills and capabilities.

SADAFCO has always been committed to environmental and social responsibility. In its continuous endeavour to better align with the global sustainability imperatives, the management has embarked on developing its sustainability strategy based on stakeholder mapping and materiality assessment of various Environment, Social and Governance (ESG) parameters. The objective of the exercise will be to integrate sustainability into business strategy, identify strategic initiatives and devise an action plan to achieve its sustainability goals. As we progress on this journey, we shall continue to report on the most critical sustainability priorities for the company and its stakeholders.

The company continues to make significant strides towards achieving its sustainability priorities. Some of the key initiatives and activities undertaken during last year are presented in this section.

Consumer Health and Safety

SADAFCO believes that product quality and safety is of utmost importance. Keeping this in mind, SADAFCO has secured ISO 22000:2005 certification for Food Safety Management System for all its factories and is committed to ensuring compliance with all applicable regulations on this front. Furthermore, all factories as well as the Riyadh Regional Distribution Centre (RRDC) have ISO14001:2015 Environmental Management System, and ISO45001:2018 Occupational Health and Safety certifications.

We are cognizant of the evolving Health & Nutrition needs of consumers in the backdrop of associated lifestyle changes. The company has a focus on launching new products that offer healthier and nutritious options to all age segments. Furthermore, feedback received from consumers are analysed and used in development of new products as well as making enhancements and improvements in the existing portfolio of products.

SADAFCO has a robust system for tracking and resolving consumer feedback and complaints captured through various direct and indirect channels of communication including 24/7 helpline, social media, etc. To adhere to our commitment on consumer delight, we have set an internal target to keep consumer complaints below 0.6 per 10 million packs and this target is monitored monthly.

Energy and Fuel Efficiency

SADAFCO is cognizant of the challenges posed to businesses and society because of climate change. We are doing our part in addressing this challenge. We have implemented initiatives to improve energy and fuel efficiency at our factories and in our fleets.

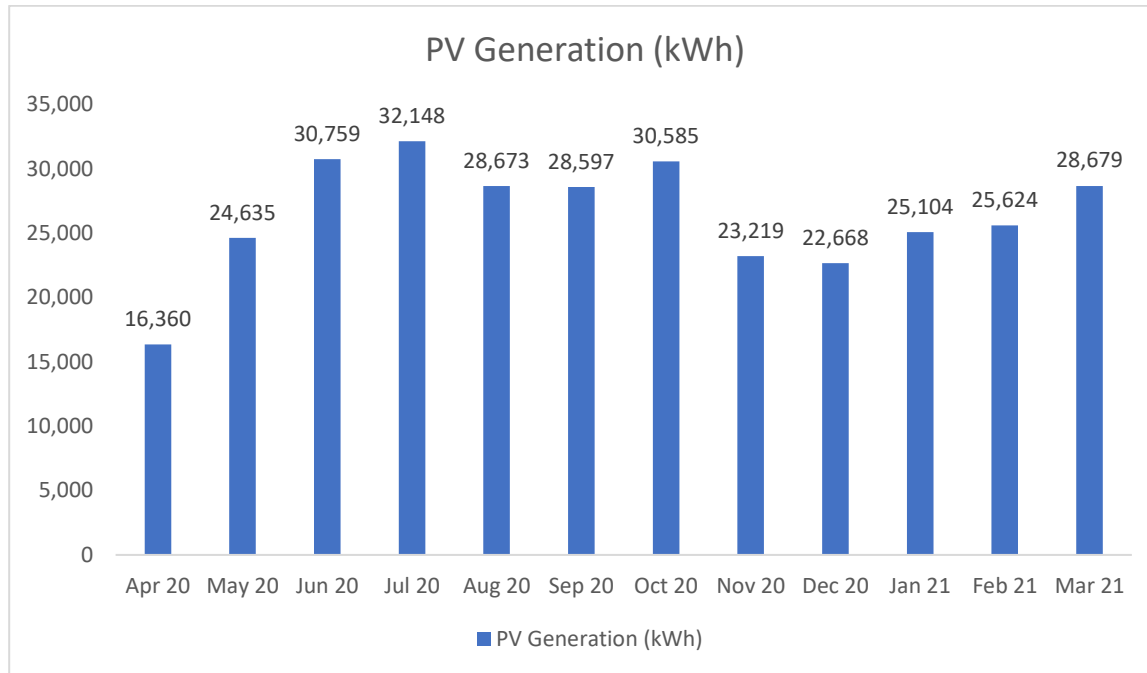
We have put in place an energy management and monitoring system to track our energy consumption online. In financial year 2019-20, we reduced average energy costs per MT by 10.2% at our Jeddah Factory and by 16.4% at our Dammam Factory.

Switch to Renewable Energy

Efficient use of energy and shift towards renewable energy sources is essential for combating climate change. SADAFCO has installed a photovoltaic (PV) - Diesel Hybrid System at Riyadh Distribution Centre (RDC) and is in the process of installing a rooftop solar project at Jeddah Central Warehouse (JCW).

The PV - diesel hybrid system at RDC can deliver up to 40% of the facility's daytime energy requirements. It consists of ~2,088 solar panels covering a surface area of about 1,600m². The installation utilises Fuel Saver Technology that reduces diesel consumption through advanced control algorithms between the solar energy output and the diesel generators. The installed solar panels have helped us in saving SAR 95,116 during financial year 2020-21.

The monthly PV generation from solar panels at SADAFCO is depicted below:



The new rooftop solar project planned at Jeddah Central Warehouse (JCW) has a total power of 1,453 KWp and annual energy generation potential of 2,438 MWh.

Furthermore, SADAFCO is planning to power its entire fleet of Electric Forklifts using solar panels to reduce the amount of power needed from the national grid. On an average, up to 18 solar panels, each with a capacity of 450Wp will be required to power a forklift for one day. The project is in the planning stage, and the company intends to implement it by 2022.

Harnessing Technology to Reduce Emissions

SADAFCO understands that technology and data analytics can be leveraged to improve efficiencies and reduce emissions. To this end, we have implemented various strategic initiatives as summarized below:

Smart Electronic Fuelling System (EFS): A smart electronic fuelling system has been implemented at SADAFCO which has made the fuelling process cashless and hassle free. The system offers live online monitoring and control, and automated fuelling ensures maximum accuracy in the fuelling process. This project has reduced primary fleet fuel cost per KM (CPK) by 21.8% from financial year 2017-18 resulting in total savings of around SAR 1.3 million over the three-year period. Similarly, for the secondary fleet this initiative was implemented in financial year 2019-20 and reduced CPK for secondary fleet by 19.6% resulting in total savings of around SAR 1.1 million over the two-year period.

Route Optimization: To increase the efficiency of our last mile logistics to stores, we have started using cutting edge map technology and optimizing algorithms to determine sales routes. This initiative is expected to deliver better vehicle utilization by up to 10% and reduced fuel and operational costs by 10%. The first phase of optimization has been successfully rolled out across KSA in March 2021. Phase II is planned for Q1 2021-22.

Water Management

Access to fresh water is not only essential to human life but is also a human right. SADAFCO endeavours to responsibly utilize this scarce resource.

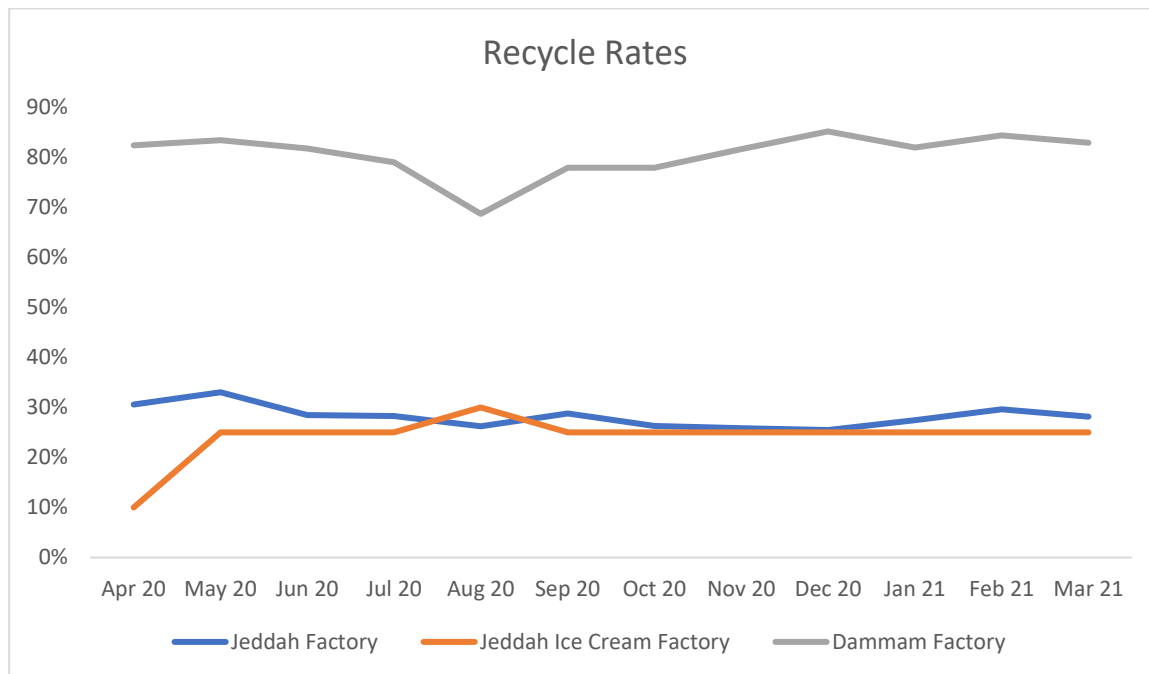
Initiatives undertaken to reduce wastage of water and improve efficiencies in water consumption have resulted in water consumption per MT of production reducing by 2.1% at our Jeddah Factory and 3.1% at our Dammam Factory during financial year 2020-21. Furthermore, SADAFCO's facilities, which joined the Green Box Community in January 2018, have successfully saved 58,826 litres of water to date.

Waste Management

Waste diverted to landfill or disposed by incineration not only leads to inefficient use of natural resources but also poses health hazards for society. SADAFCO's philosophy on waste management is centred around waste minimization at source, waste reuse and recycling where possible, and responsible disposal of waste that cannot be reused or recycled. The waste management practices apply to all categories of wastes such as food, hazardous and non-hazardous waste.

Through partnership with Tetra-pak, SADAFCO has successfully reviewed and improved the recycling mechanisms of packaging material. As a result of the initiative, SADAFCO has recorded a 20% reduction in operational wastage over a two-year period.

The monthly recycle rates of SADAFCO's factories for the financial year 2020-21 are depicted below:



Below is a snapshot of quantities of various items which have been recycled/reused in the financial year 2020-21

Empty Bags Sold	Cartons Sold	AMF/Plastic Drums Recycled	Oil Drums Recycled	Empty Tomato Paste Drums Recycled	Other Plastic Materials Recycled
433.2 MT	450.4 MT	505.0 MT	193.5 MT	991.5 MT	11.4 MT

Employee Health & Happiness

SADAFCO subscribes to the core values of passion, courage to innovate, embrace change, and quality of execution. The management ensures that the employees are motivated, happy, valued and treated fairly.

Employee training & development and employee health & safety are key management imperatives for SADAFCO while employee engagement helps us ensure an inclusive and happy workforce.

The company's manufacturing sites are subjected to regular hazard identification and monitoring. Several risk mitigation controls are in place to ensure highest standards of occupational health & safety for our employees

Employee Engagement and Wellbeing During COVID-19

COVID-19 created several challenges for employees due to persistent countrywide lockdowns and sudden disruption in workflow. This was in addition to the massive health hazard created due to the pandemic. Some of the initiatives taken at SADAFCO to promote hygiene and employee wellbeing are mentioned below:

- COVID-19 and hygiene posters were installed throughout the organisation as an informative measure to curb spread of infection
- Self-serve buffet style eating at canteens was switched to "Lunch Pack" to minimize contact
- Intensive sterilization and disinfection activities were carried out at all the facilities
- Remote work survey was conducted to understand employee perspective on the benefits and challenges of working at home.
- Employees were encouraged to stay fit and manage stress while being at home through the medium of company newsletter "Pulse"
- SADAFCO successfully concluded its first Psychological Awareness Webinar, "Psychological Support to face the 2nd Wave of COVID-19".
- Digital employee engagement activities such as "share your workspace" was undertaken to normalise the disruption caused by sudden work from home requirements

Diversity & Inclusion

SADAFCO believes that respecting and including every individual, regardless of age, gender, ethnicity, or nationality is important to effectively engage the workforce and foster an environment where everyone can reach their full potential. The company employs people from 46 different countries including Saudi Arabia, India, Pakistan, Sudan, Egypt, Philippines. Moreover, during the year the female headcount at SADAFCO grew from 110 to 135 which is a testament to the company's diverse workforce.

The company strives to improve the gender balance throughout the organisation and has taken several steps over the last few years to employ more women in the factories and in other departments of the organisation.

For women outside the company, SADAFCO gives opportunities to local businesses run by women. On the Women's Day, the company celebrated the day by providing food stations for its employees which were run by women.

During the month of March, in celebration of Women's & Mother's days, SADAFCO organised a month-long event where series of initiatives were carried out to encourage and empower women in SADAFCO's workforce. This included interviews with female employees, providing special coupons for them to enjoy various services at major shops and salons throughout the year, and raising awareness for both genders through a well-planned webinar, "My life, motherhood, and work".

Community Impact

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

COVID-19 related contributions
<ul style="list-style-type: none">• KSA: SAR 5 million in cash, SAR 5 million worth of products (at sales value)• Jordan: SAR 500,000 worth of products (at sales value)• Bahrain: SAR 500,000 in cash, SAR 500,000 worth of products (at sales value)• Kuwait: SAR 1 million worth of products (at sales value)
Sponsoring & Participation in Events
<ul style="list-style-type: none">• Silver sponsor at the national junior show jumping competition aimed at supporting healthy lifestyles and sports activities• Participated in the virtual Tamkeen career fair organized by the Ministry of Human Resources and Social Development
Contribution In cash and Products
<ul style="list-style-type: none">• Saudi Special Forces for Roads' Security at checkpoints• Day care and nursery in Jeddah to help teach young minds about recycling• Products to recycling initiatives to provide recycling awareness by Naqaa Community• Quran schools, schools catering to special needs and old age homes• Elderly Care Center
Community volunteering
<ul style="list-style-type: none">• Distribution of the contributed products for the health fund was based on an execution plan to arrange a volunteering initiative for SADAFCO's frontline employees in the fight against the pandemic and support communities, and individuals affected by the crisis
Educational & Vocational programs
<ul style="list-style-type: none">• Technical vocational training program together with HIWPT for the 5th year• Providing job opportunities to orphans to contribute towards achieving society's objective of building capabilities of orphans and including them in society
Promoting Health and Wellbeing
<ul style="list-style-type: none">• In collaboration with Modon, SADAFCO constructed and provided free parking area to serve patients of Heraa Public hospital• Provided health awareness lectures with pioneering doctors to cover significant topics such as Breast Cancer, COVID-19, as well as psychology Doctors to discuss how to face the stress from COVID-19 Pandemic and finding the balance between work, motherhood, and fatherhood• Supported Ministry of Health vaccination programs

Corporate Governance

SADAFCO has put in place processes and controls to balance the relationship between various stakeholders. SADAFCO always aims to increase transparency & accountability, manage risks, disclose conflicts of interest, implement effective controls to ensure compliance and create value for all stakeholders. Corporate Governance related aspects including details on board of directors, board committees, internal controls, compliance are covered under different sections of the annual report.

The company strives to maintain the highest standards of ethics & integrity across the organization. SADAFCO has implemented effective controls to uphold business ethics and integrity including policies and initiatives to prevent bribery & corruption, whistle-blower protection, and prevention of anti-competitive selling practices. SADAFCO's corporate governance code detailing the above aspects is available on the company's website.

Main Activities for the Company and its Subsidiaries

	Product	Activity Revenue (SAR million)	Percentage (%)
1	Milk	1,344	64
2	Tomato Paste	209	10
3	Ice Cream	290	14
4	Powdered Milk	114	5
5	Cheese	41	2
6	Others	107	5
7	Total	2,105	100

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

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

Sales Contribution by Product Category

	Product	Contribution (%)	Contribution (%)	% Point Change
		2020-21	2019-20	
1	Milk	64	65	-1
2	Tomato Paste	10	9	1
3	Ice Cream	14	13	1
4	Powdered Milk	5	6	-1
5	Cheese	2	2	0
6	Others	5	5	0
	Total	100	100	0

Main Activities of Subsidiary Companies

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

SADAFCO Poland

Product	Activity Revenue (SAR million)	Percentage (%)
Milk - liquid	73	46
Powdered Milk	72	45
Others	14	9
Total	159	100

SADAFCO Subsidiary Companies Revenue (Including SADAFCO Poland)

Product	Activity Revenue (SAR million)	Percentage (%)
Milk	47	19
Milk - liquid	73	30
Tomato Paste	14	6
Ice Cream	8	3
Powdered Milk	77	31
Cheese	10	4
Others	18	7
Total	247	100

Revenue Geographical Analysis for Subsidiaries

Financial Year	GCC (SAR million)	Middle East (SAR million)	Poland (SAR million)	Total Revenue (SAR million)
2020-21	64	71	159	294
2019-20	58	48	198	304
2018-19	58	42	146	246

Includes export sales

Sales for SADAFCO and Subsidiaries by location

	Country	Sales 2020-21	Percentage	Sales 2019-20	Percentage
		(SAR million)	(%)	(SAR million)	(%)
1	Saudi Arabia	1,811	86	1,752	85
2	Poland	159	8	198	10
3	Bahrain	42	2	40	2
4	Qatar	0	0	0	0
5	Kuwait	21	1	18	1
6	Jordan	24	1	23	1
7	Export	48	2	25	1
	Total	2,105	100	2,056	100

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

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

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

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

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

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

Key Performance Indicators

In a challenging year SADAFCO has been able to deliver a healthy net margin of 12.4% vs 12.9% for last year despite the challenging environment of COVID-19 and VAT increase. Net profit of SAR 261 Mln (vs SAR 265 Mln Last year) would have been higher by SAR 24 Mln (7.5%) without COVID-19 related costs and donations.

Value sales of milk were up +2% (albeit irrational discounting by competitors), ice cream + 10% and tomato paste +15%, which contributed to an overall increase of 5% for SADAFCO's branded business, delivered by growth across all channels.

Gross Margin remained steady at 33%, adverse effected by lower per kg realization and COVID-19 related costs of SAR 15 Mln and offset by better product mix.

Selling and distribution as % of sales stayed at 14.6% (SAR 301 Mln to SAR 307 Mln in absolute) even though delivering higher volume, driven by cost cutting and efficiency measures.

General and administration expenses increased as % of sales to 5.2% from 4.9% Last year (SAR 101 Mln to SAR 109 Mln in absolute) driven by SAR 8.7 Mln donation in cash and kind.

Impairment losses on financial assets (provision for trade receivables) is lower by SAR 12.1 Mln (SAR 2.1 Mln vs. SAR 14 Mln last year) due to more efficient collection and follow up.

Other operating income represents profit on sale of scrap. It is higher by 6.4 Mln (SAR 8.9 Mln vs SAR 2.5 Mln Last year).

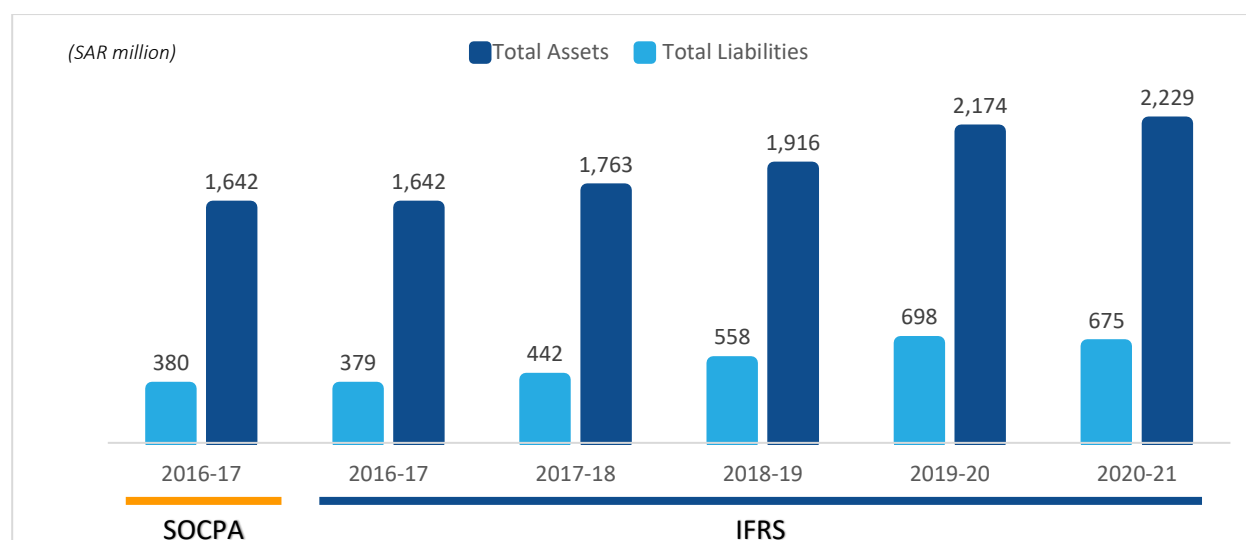
Finance costs (SAR 7.7 Mln vs SAR 3.8 Mln Last year) driven by lease and put options on non-controlling interest liabilities.

Business Results Comparison (SAR million)

Details	2020-21	2019-20	2018-19	2017-18	2016-17	2016-17
Revenue	2,105	2,056	1,813	1,693	1,787	1,858
Cost of Revenue	-1,411	-1,367	-1,233	-1,059	-1,097	-1,097
Gross Profit	694	689	580	634	690	761
Net Profit	261	265	216	260	304	302
	IFRS					SOCPA

Assets & Liabilities Comparison (SAR million)

Details	2020-21	2019-20	2018-19	2017-18	2016-17	2016-17
Current Assets	1,278	1273	1,095	1,100	1,044	1,044
Non-current Assets	951	901	821	663	597	598
Total Assets	2,229	2,174	1,916	1,763	1,642	1,642
Current Liabilities	474	498	420	329	271	269
Non-current Liabilities	201	200	138	113	108	111
Total Liabilities	675	698	558	442	379	380
IFRS						SOCPA



Operational Results and Major Changes (SAR million)

Details	2020-21	2019-20	Changes (+) or (-)	% of Changes	2018-19
Revenue	2,105	2,056	49	2%	1,813
Cost of Revenue	-1,411	-1,367	-44	3%	-1,233
Gross Profit	694	689	5	1%	580
Other Operational Expenses	-409	-413	4	-1%	-358
Operational Profit	285	276	9	3%	222
IFRS					

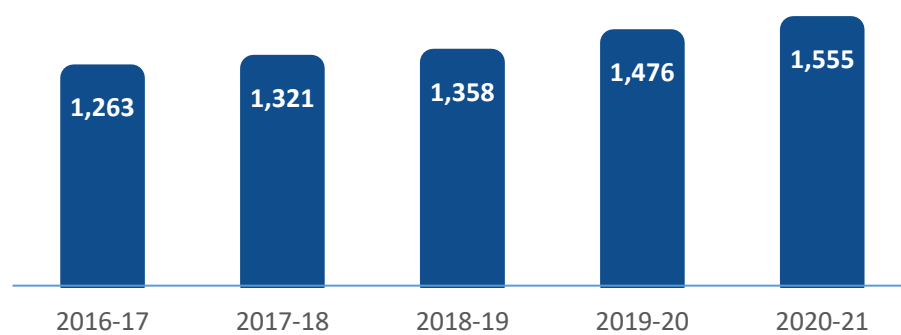
Statutory Payments for 2020-21

(SAR thousand)

	Description	Due	Paid	Balance
1	Saudi Customs	18,318	18,318	-
2	General Authority of Zakat and Income Tax (for Zakat, VAT, WHT & Excise Tax)	185,784	185,784	-
3	GOSI	16,087	16,087	-
4	Tadawul Contract	635	635	-
5	Government Fees & Visas	12,064	12,064	-
	Total	232,888	232,888	-

Change in Total Shareholders' Equity

SAR Million



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

Board of Directors

	Name	Current Positions in SADFACO & Other Company	Previous Positions in SADFACO & Other Company	Qualifications	Experience
1-	HH Sheikh Hamad Sabah Al-Ahmad	Chairman	Chairman	Diploma from Storm King School, USA	<ul style="list-style-type: none"> - Chairman of SADFACO – Saudi Arabia - Chairman of KIPCO – Kuwait - Chairman of Gulf Egypt Hotels & Tourism Company – Egypt
2-	Mr Faisal Hamad Mubarak Al-Ayyar	Vice Chairman	Vice Chairman	Aviation, USA	<ul style="list-style-type: none"> - Vice Chairman of KIPCO – Kuwait - Vice Chairman of Gulf Insurance Company – Kuwait - Vice Chairman of Kuwait Jordanian Bank – Jordan - Vice Chairman of SADFACO – Saudi Arabia - Vice Chairman of United Gulf Bank – Bahrain
3-	Mr Abdullah Yaqoob Bishara	Member	Member	International Law University, Oxford, UK	<ul style="list-style-type: none"> - Board Member SADFACO – Saudi Arabia - Board Member of KIPCO – Kuwait
4-	Mr. Saeid Ahmed Saeid Basamh	Member	Board member in various companies	B.Sc Business Administration – Marketing & Logistics Ohio State University, USA	<ul style="list-style-type: none"> - Board Member - International Medical Center - Chairman - Al Khair Industries Co. for Inorganic Chemicals - Board Member - Basamh Group of Companies - Chairman - Hala Supply Chain Company - Board Member - IDEA International Investment & Development - Board Member - Future Resources Company - Board Member Sorooh Al-Madinah for Real Estate Investments Co.
5-	Mr Ahmed Mohamed Hamed Al-Marzouki	Member	Member	MBA - California State University - America	<ul style="list-style-type: none"> - Sales & Marketing SADFACO – Saudi Arabia - Board Member SADFACO – Saudi Arabia - Executive Management in various companies - Board Member of Buruj Co-Op Insurance Company
6-	Mr Suleiman Saud Jarallah Al-Jarallah	Member	Member	Military School - Saudi Arabia	<ul style="list-style-type: none"> - Manager Al Jarallah for Gold and Jewellery – Saudi Arabia - Board Member SADFACO – Saudi Arabia - Chairman Nomination and Remuneration Committee SADFACO – Saudi Arabia
7-	Mr Mussad Abdullah Abdul Aziz Al-Nassar	Member	Member	Bachelor of Public Administration - Al Bakrki University - USA	<ul style="list-style-type: none"> - Board Member SADFACO – Saudi Arabia - Sales Administration SADFACO - Executive Manager SADFACO - Manager of SADFACO Bahrain - Manager of SADFACO Qatar - Vice Chairman of SADFACO Jordan - Board member SADFACO Poland sp. Z.o.o.

Board of Directors Formation and Capacity

The Board of Directors is constituted of seven members elected for the term starting 1st April 2018 and ending 31st March 2021.

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

Audit Committee

	Name	Current Position	Previous Position	Qualifications	Experiences
1-	Mr Faisal Hamad Mubarak Al-Ayyar	Chairman	Chairman	Aviation, USA	<ul style="list-style-type: none"> - Vice Chairman of KIPCO – Kuwait - Vice Chairman of Gulf Insurance Company – Kuwait - Vice Chairman of Kuwait Jordanian Bank – Jordan - Vice Chairman of SADAFCO – Saudi Arabia - Vice Chairman of United Gulf Bank – Bahrain
2-	Mr Tariq Mohammad Abdulsalam	Member	Member	Bachelor of Commerce - Kuwait University	<ul style="list-style-type: none"> - CEO of Investment Sector, KIPCO - Kuwait - CEO United Real Estate Company – Kuwait - Vice Chairman and Director of KIPCO Kuwait
3-	Mr Ahmed Mohamed Hamed Al-Marzouki	Member	Member	MBA - California State University - USA	<ul style="list-style-type: none"> - Sales & Marketing SADAFCO – Saudi Arabia - Board Member SADAFCO – Saudi Arabia - Executive Management in various companies - Board Member Buruj Co-Op Insurance Company

Nomination & Remuneration Committee

	Name	Current Position	Previous Position	Qualifications	Experiences
1-	Mr Suleiman Saud Jarallah Al-Jarallah	Chairman	Chairman	Military School - Saudi Arabia	<ul style="list-style-type: none"> - Manager Jarallah Jewellery – Saudi Arabia - Board Member SADAFCO – Saudi Arabia - Chairman Nomination and Remuneration Committee SADAFCO – Saudi Arabia
2-	Mr Faisal Hamad Mubarak Al-Ayyar	Member	Member	Aviation, USA	<ul style="list-style-type: none"> - Vice Chairman of KIPCO – Kuwait - Vice Chairman of Gulf Insurance Company – Kuwait - Vice Chairman of Kuwait Jordanian Bank – Jordan - Vice Chairman of SADAFCO – Saudi Arabia - Vice Chairman of United Gulf Bank – Bahrain
3-	Mr Tariq Mohammad Abdulsalam	Member	Member	Bachelor of Commerce - Kuwait University	<ul style="list-style-type: none"> - CEO of Investment Sector, KIPCO – Kuwait - CEO United Real Estate Company – Kuwait - Vice Chairman and Director of KIPCO Kuwait

Executive Management

Mr Waltherus C.P. Matthijs

Chief Executive Officer

Wout's professional experience spans over 35 years in the FMCG food and diverse industrial sectors across Europe, Central America, Africa and the Middle East. He joined SADAFCO as its Chief Executive Officer in January 2008 and devised & implemented a well-crafted strategy focused on rejuvenating the Company and accelerating its growth. Under his stewardship, SADAFCO has more than doubled its turnover and quadrupled its profits and market capitalization. Wout is an advisor to the Chairman and a member of Remuneration and Nomination Committee in Al Hassan Ghazi Ibrahim Shaker Co, a company listed on Tadawul.

Prior to joining SADAFCO, Wout had a decade long stint at Friesland Campina, an international leader in the FMCG food sector, where he headed the Exports division and thereafter its GCC operations. Prior to that he worked in leadership roles at diverse industrial firms such as Royal van Ommeren Ceteco (a multinational trading, distribution and industrial conglomerate), DEC Flexible Technologies (a producer of HVAC components) and SPMetalWavin (then a subsidiary of Shell producing industrial & household packaging materials).

Education: Wout has graduation degrees in Naval Architecture from the "H.T.S. Dordrecht" as well as in Business Administration from The Netherlands.

Mr Shehzad Altaf

Chief Financial Officer

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

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

Mr Paul van Schaik

Director Organizational Development

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

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

Mr Devasheesh Singh

Director Commercial Operations

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

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

Mr Brian Strong

Director Supply Chain

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

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

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

Name of BOD Member	Name of current companies of the BOD Member who is a member in their boards or its directors	Inside/ Outside KSA	Legal Entity (Listed/ Unlisted/ Limited)	Name of former Companies of the BOD Member who is a member in their boards or its directors	Inside/ Outside KSA	Legal Entity (Listed/ Unlisted/ Limited)
HH Sheikh Hamad Sabah Al-Ahmad	<ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - Kuwait Project Company (Holding) - Gulf Egypt Hotels and Tourist Company 	KSA	Listed	<ul style="list-style-type: none"> - Burgan Bank - National Mobile Company - United Real Estate Company - United Gulf Bank 	Kuwait Kuwait Kuwait Bahrain	Listed Listed Listed Unlisted
Mr Faisal Hamad Mubarak Al-Ayyar	<ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - Kuwait Project Company (Holding) - United Gulf Holding Company - United Gulf Bank - Jordan Kuwait Bank - Gulf Insurance Group - Panther Media Group 	KSA Kuwait Bahrain Bahrain Jordan Kuwait UAE	Listed Listed Listed Unlisted Listed Listed Limited			
Mr Abdullah Yaqoob Bishara	<ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - Kuwait Project Company (Holding) - Consulting Office for Strategic Studies 	KSA Kuwait Kuwait	Listed Listed Limited	<ul style="list-style-type: none"> - United Real Estate Company - North Africa Holding 	Kuwait Kuwait	Listed Unlisted
Mr. Saeid Ahmed Saeid Basamh	<ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - International Medical Center - Al Khair Industries Co. for Inorganic Chemicals 	KSA KSA KSA	Listed Closed listed Closed listed	<ul style="list-style-type: none"> - Basamh Group of Companies - Hala Supply Chain Company - IDEA International Investment & Development - Future Resources Company - Sorooh Al-Madinah for Real Estate Investments Co. 	KSA KSA KSA KSA KSA	Limited Limited Unlisted Unlisted Unlisted
Mr Ahmed Mohamed Hamed Al-Marzouki	<ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - Saudi Arabian Drug Store - Buruj Cooperative Insurance Company 	KSA KSA KSA	Listed Limited Listed	<ul style="list-style-type: none"> - Swiss Premium Food - Saudi New Zealand Milk Products Co. - Multiple Investments for Medical Services - 	Egypt KSA KSA	Unlisted Limited Limited
Mr Suleiman Saud Jarallah Al-Jarallah	<ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - Al Jarallah for Gold & Jewellery 	KSA KSA	Listed Est.			
Mr Mussad Abdullah Abdul Aziz Al-Nassar	<ul style="list-style-type: none"> - Saudia Dairy & Foodstuff Co. (SADAFCO) - SADAFCO Jordan - SADAFCO Qatar - SADAFCO Bahrain - SADAFCO Poland sp. Z.o.o. 	KSA Jordan Qatar Bahrain Poland	Listed Limited Limited SPC Limited	<ul style="list-style-type: none"> - National Buildings Real Estate - United Gulfers Transport - National Sights Holding - Swiss Premium Food - Saudi New Zealand Milk Products Co. 	KSA KSA KSA Egypt KSA	Unlisted Unlisted Unlisted Unlisted Limited

Number and date of Board of Directors Meetings during the financial year (01/04/2020 to 31/03/2021)

The board had fifteen meetings; 3 attended and passed 12 resolutions by circulation.

Name	Attended (3)			Resolution by Circulation (12)												Total
	04/01/2021	04/01/2021	04/01/2021	02/04/2020	23/04/2020	27/04/2020	03/05/2020	05/05/2020	12/05/2020	30/06/2020	26/07/2020	15/09/2020	19/10/2020	19/10/2020	20/01/2021	15
HH Sheikh Hamad Sabah Al-Ahmad	x	x	x	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Mr Faisal Hamad Mubarak Al-Ayyar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Mr Abdullah Yaqoob Bishara	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Mr. Saeid Ahmed Saeid Basamh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Mr Ahmed Mohamed Hamed Al-Marzouki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Mr Suleiman Saud Jarallah Al-Jarallah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15
Mr Mussad Abdullah Abdul Aziz Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	15

The last Extraordinary General Meeting (EGM) was held on 18 November 2020

Share Ownership of Board of Directors, Spouses and Minor Children

	Name	1 st April 2020	31 st March 2021	% Change (+/-)
1	HH Sheikh Hamad Sabah Al-Ahmad Representing: United Industries Company	1,000	1,000	-
2	Mr Faisal Hamad Mubarak Al-Ayyar Representing: United Gulf Bank	1,000	1,000	-
3	Mr Abdullah Yaqoob Bishara	1,000	1,000	-
4	Mr. Saeid Ahmed Saeid Basamh Representing: Alsamh Trading Co.	3,798,008	3,798,008	-
5	Mr Ahmed Mohamed Hamed Al-Marzouki	21,000	20,000	-1000
6	Mr Suleiman Saud Jarallah Al-Jarallah	1,000	1,000	-
7	Mr Mussad Abdullah Abdul Aziz Al-Nassar	11,000	11,000	-

Share Ownership of Executive Management Team, Spouses and Minor Children

	Name	1 st April 2020	31 st March 2021	% Change (+/-)
1	Mr Waltherus Matthijs	3,500	3,500	-
2	Mr Paul van Schaik	0	0	-
3	Mr Shehzad Altaf	0	0	-
4	Mr Brian Strong	0	0	-
5	Mr Devasheesh Singh	0	0	-

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

Board Committees

1) The Audit Committee

Competencies, powers and responsibilities of the Audit Committee

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

a) Financial Reports:

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

b) Internal Audit:

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

c) External Auditor:

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

d) Ensuring Compliance:

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

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

Audit Committee Members and their Meetings during 2020-21:

Name	Capacity	Attended (4)				By Circulation (4)				Total
		25/07/2020	18/10/2020	04/01/2021	19/01/2021	20/04/2020	02/05/2020	05/05/2020	28/05/2020	8
Mr. Faisal Hamad Mubarak Al-Ayyar	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Tariq Mohammad Abdulsalam	Member	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Ahmed Mohamed Hamed Al-Marzouki	Member	✓	✓	✓	✓	✓	✓	✓	✓	8

2) The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members.

Competencies of the Nomination and Remuneration Committee

The competences of the Nomination and Remuneration Committee are:

A. Remunerations:

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

B. Nominations:

- 1) Suggesting clear policies and standards for membership of the Board and the Executive Management;
- 2) Providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty;
- 3) Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions;
- 4) Determining the amount of time that the member shall allocate to the activities of the Board;
- 5) Annually reviewing the skills and expertise required of the Board Members and the Executive Management;
- 6) Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
- 7) Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board Member also acts as a member of the Board of Directors of another company;
- 8) Providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
- 9) Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant; and
- 10) Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.
- 11) Setting a mechanism for training the new board members and introducing them to the company duties and activities, to enable them to perform their work competently.
- 12) Analyzing and reviewing the company organizational structure and reviewing the Executive Management and the company senior executives' performance.

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

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

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

Nomination and Remuneration Committee Members, Meetings and Resolutions during 2020-21

Name	Capacity	Attended (2)		By Circulation (3)			Total
		18/10/2020	04/01/2021	05/05/2020	29/06/2020	13/09/2020	5
Mr Suleiman Saud Jarallah Al-Jarallah	Chairman	✓	✓	✓	✓	✓	5
Mr Faisal Hamad Mubarak Al-Ayyar	Member	✓	✓	✓	✓	✓	5
Mr Tariq Mohammad Abdulsalam	Member	✓	✓	✓	✓	✓	5

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

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

Performance Assessment of the Board of Directors

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

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

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

The Nomination & Remuneration Committee of the Board shall assess the performance of the Board, its members, its committees, and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.

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

Attendance Record:

Name	EGM 16/06/2020	EGM 18/11/2020
Mr. Mussad Abdullah Abdul Aziz Al-Nassar	✓	✓
Mr. Ahmed Mohamed Hamed Al-Marzouki	✓	✓
Mr. Suleiman Saud Jarallah Al-Jarallah	✓	✓
Mr. Saeid Ahmed Saeid Basamh	✓	✓

Number of Company's requests of shareholders records, dates and reasons thereof from 1st April 2020 to 31st March 2021:

No. of Request	Date of Request	Reason
1	26/04/2020	Company Requirement
1	16/06/2020	Dividend
1	06/01/2021	Dividend
1	26/01/2021	Dividend

Details of Compensation and Remuneration

Board Members

	Fixed Remuneration (SAR)						Variable Remuneration (SAR)						End of Service Benefit (SAR)	Grand Total (SAR)	Expenses Allowance (SAR)
	A certain amount	Attendance allowance for board meetings	Total Committees attendance allowance	In-kind benefits	Details of board members earnings as workers or administrative or other earnings for technical, administrative and consultant services or technical services	Remuneration of Chairman or Managing Director or BOD Secretary if he is a member	Total	% of profit	Periodic Remuneration	Short term motivational plans	Long term motivational plans	Given Shares (value)	Total		
Independent Members															
Mr Abdullah Yaqoob Bishara	400,000						400,000							400,000	
Mr Ahmed Mohamed Hamed Al-Marzouki	400,000		40,000				440,000							440,000	
Mr Suleiman Saud Jarallah Al-Jarallah	400,000		20,000				420,000							420,000	
Total	1,200,000		60,000				1,260,000							1,260,000	
Non -Executive Members															
HH Sheikh Hamad Sabah Al-Ahmad	400,000						400,000							400,000	
Mr Faisal Hamad Mubarak Al-Ayyar	400,000		60,000				460,000							460,000	
Mr. Saied Ahmed Saied Basamh	400,000						400,000							400,000	
Total	1,200,000		60,000				1,260,000							1,260,000	
Executive Members															
Mr Mussad Abdullah Abdul Aziz Al-Nassar	400,000				497,511		897,511						49,124	946,635	237,195
Total	400,000				497,511		897,511						49,124	946,635	237,195

Executive Management Remuneration for Six Members including CEO and CFO*

	Fixed Remuneration (SAR)				Variable Remuneration (SAR)					End of Service benefit	Total Remuneration of BOD Executive if any	Total (SAR)
	Salaries	Allowances	In-kind Benefits	Total	Periodic Remuneration	Dividends	Short term plan incentives	Long term plan Incentives	Given Shares (Value)			
No. of staff (6)	4,961,420	1,481,875		6,443,295			2,938,000	2,394,000		5,332,000	517,980	12,293,275
Total	4,961,420	1,481,875		6,443,295			2,938,000	2,394,000		5,332,000	517,980	12,293,275

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

Audit Committee Remuneration

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

Remuneration for Nomination & Remuneration Committee

	Member	Fixed remuneration (except for the allowance for attending meetings)	Allowance for attending the meetings	Total (SAR)
1	Mr Faisal Hamad Mubarak Al-Ayyar		20,000	20,000
2	Mr Tariq Mohammad Abdulsalam		20,000	20,000
3	Mr Suleiman Saud Jarallah Al-Jarallah		20,000	20,000
	Total		60,000	60,000

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

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

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

	Name	Number of Shares on 1 st April 2020	Number of Shares on 31 st March 2021	Percentage Ownership on 1 st April 2020	Percentage Ownership on 31 st March 2021	% Change (+/-)
1	Al Qurain Petrochemicals Industries Company	13,036,461	13,036,461	40.11%	40.11%	-
2	Al-Samh Trading Co Ltd	3,798,008	3,798,008	11.68%	11.68%	-

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

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

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

Related Party Transactions

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

Below are the related party transactions.

(1)

Company Name	Country	Nature of Transaction	Value (SAR MIn)	Closing Balance (SAR MIn)
Buruj Co-Op Insurance Company*	KSA	Insurance Services	11.65	2.31

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

SADAFCO entered into a one year contract with Al Buruj Cooperative Insurance Company (offering insurance services) starting on 1st July 2020 and ending on 30th June 2021 as its offer was the most suitable in terms of the price and benefits. Mr. Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO), is the Vice Chairman of the Gulf Insurance Company owning 28.5% in Al Buruj Cooperative Insurance Company (indirect interest). Mr. Ahmed Mohamed Hamed Al-Marzouki (Board Member of SADAFCO) is also a Board Member of Buruj Cooperative Insurance Company.

(2)

Company Name	Country	Nature of Transaction	Value (SAR MIn)	Closing Balance (SAR MIn)
PKC Advisory	India	Consultation Services	1.02	0.02

SADAFCO had a consultancy contract with PKC Advisory for various business advisory services for the period of one year during 2020/2021. SADAFCO and PKC Advisory are part of Kuwait Investment Projects Company (KIPCO) Group. Sheikh Hamad Sabah Al Ahmed and Mr. Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of both SADAFCO and KIPCO. Mr. Abdullah Yagoub Bishara is also BOD Member of both KIPCO and SADAFCO (indirect interest).

The SADAFCO Shareholders General Assembly meeting held on 16th June 2020 approved the transactions with Buruj Cooperative Insurance Company and PKC Advisory

SADAFCO's Dividend Distribution Policy

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

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

b) Distribution of Interim Dividends:

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

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

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

% Dividends during the financial year from 01/04/2020 to 31/03/2021			Total Dividend
	1 st Half Year Dividend	Final Dividend recommended for distribution	
%	30%	30%	60%
Total (SAR Mln)	96.00	96.00	192.00

- On 16/06/2020, General Assembly Meeting approved distribution of SAR 2.50/ share (SAR 81.25 million) representing 25% of the Share Capital for the financial year ended 31/03/2020.
- On 04/01/2021, Board of Directors of SADAFCO approved distribution of SAR 3/ share (SAR 96 million) representing 30% of the Share Capital as interim cash dividends to the shareholders for the first half year ended 30/09/2020.

Major Decisions and Future Plans

New Ice Cream Factory

A new Ice Cream facility is being developed and the focus for the year was on quickly completing the same and shifting the Ice Cream production to this new facility. Work on the new ice cream facility continues at pace with target of trial production run in July. Frozen warehouse storage of 6,000 pallets when operational would provide key storage facility during peak season.

Upgrade of Jeddah Factory

Jeddah Milk Factory has undergone some extensive changes in several areas of the plant. The previous mixing plant area drain, and floor system are upgraded to prepare the filling machines expansion plan. High speed 125ml line was installed and commissioned in May 2020 which increased capacity by 60% to 24,000 pieces per hour. Additional 200 ml line installation is completed, which increased capacity by 18.6%. Robot palletizing area preparation was started which will increase automation level and decrease demand on labor. Jeddah Milk factory also continued co-production for FrieslandCampina brand.

Revival of SADAFCO Qatar Depot

With diplomatic relations being restored between Qatar and Saudi Arabia. SADAFCO is re-opening its Qatar Depot and revive operations.

Buyback of Treasury Shares

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

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

Future Investments

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

Financial Instruments Risk Management Objective and Policies

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

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

Market risk

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2021.

i) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. At March 31, 2021 and 2020, the Group does not have any borrowings and accordingly no interest rate risk sensitivity is presented. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, have no exposure to cash flow interest rate risk and fair value interest rate risk.

ii) Currency risk

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

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

iii) Price risk

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

Credit risk

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

(a) Trade receivables

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

At March 31, 2021, the Group had 5 customers that accounted for approximately 48% (March 31, 2020: 44%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 88% (2020: 82%) in KSA, 5% (2020: 7%) in GCC (other than KSA) and 7% (2020: 11%) in other countries. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

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

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

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

Cash at banks are placed with banks with sound credit ratings. Security and other deposits are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances for years presented.

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

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

(b) Cash and cash equivalents

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

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

Liquidity risk

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

Penalties and Sanctions

SADAFCO was not charged any penalties or sanctions during year 2020-2021 by any supervisory, regulatory, or judicial authority.

Declarations

SADAFCO declares and confirms the following:

- 1) Its accounts have been prepared in accordance with correct procedures.
- 2) The internal auditing has been prepared on a sound basis and has been implemented effectively.
- 3) There is no doubt about its ability to continue its operations.
- 4) There are no outstanding loans or dues on the Company.
- 5) The Company is fully committed to adhere to the rules and regulations stipulated in the Company's by-laws, Companies Law and other relevant ministerial resolutions and Company Law
- 6) None of the BOD members and senior management, including the CEO and CFO, their spouses or children owns any shares in affiliate companies; and no contracts were issued where any of them had a material interest other than those transactions disclosed in this Board Report.
- 7) No loans were made to any Board Member; SADAFCO has not guaranteed any loans made by any Board or Executive Management Team member.
- 8) No shareholder waived his/ her rights to dividends or other material benefits and none of the Board of Directors and Executive Management Team members waived their right to receive any salary or compensation.
- 9) All the shares are common stock with equal voting and other rights in accordance with the law. There are neither preferential shares nor shares with special voting rights outstanding; whether for shareholders, board members, executive managers, their relatives or its employees.
- 10) Following the review and audit of the consolidated financial statements by PricewaterhouseCoopers, it was reported that SADAFCO's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The External Auditors' report was issued without reservation. The consolidated financial statements were found to be a true and fair reflection of the SADAFCO's financial position and in line with the requirements of Regulations of Companies and SADAFCO articles of association.
- 11) There is no transaction in the nature of a bargain between the company and any related party
- 12) The Company does not implement any stock options and has not issued any convertible debt instruments.
- 13) The Company has not set up any reserves or investments for the benefit of its employees.
- 14) The Company did not acquire treasury shares during the financial year ending 31 March 2021
- 15) The company nor any of its affiliates do not have any redeemable debt instruments.
- 16) No convertible debt instruments, contractual securities, warrants or any similar rights issued or granted by the Company, nor has the Company received any compensation.
- 17) No conversion or subscription rights under convertible debt instruments, contractual securities or warrants issued or granted by the Company.

Corporate Governance Compliance

Corporate governance articles unimplemented and the reasons

Article/Sub Article	Details of Article / Sub Article	Reasons
32/B	The Board shall convene no less than four meetings per year, and no less than one meeting every three months.	Guiding article.
54/b	The Chairman of the Audit Committee shall be an Independent Director.	Guiding article.
70	Composition of the Risk Management Committee The Company's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	Guiding Article. Risk management is under taken by Audit Committee.
71	Competencies of the Risk Management Committee The competences of the Risk Management Committee shall include the following: <ol style="list-style-type: none"> 1) Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors; 2) Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level; 3) Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months; 4) Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company to determine areas of inadequacy therein; 5) Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests as an example); 6) Preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board; 7) Providing recommendations to the Board on matters related to risk management; 8) Ensuring the availability of adequate resources and systems for risk management; 9) Reviewing the organizational structure for risk management and providing recommendations regarding the same before approval by the Board; 10) Verifying the independence of the risk management employees from activities that may expose the Company to risk; 11) Ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk; and 12) Reviewing any issues raised by the audit committee that may affect the Company's risk management. 	Guiding Article. Risk management is under taken by Audit Committee.
72	Meetings of the Risk Management Committee The Risk Management Committee shall convene periodically at least once every six months, and as may be necessary.	Guiding Article. Risk management is under taken by Audit Committee.
85	Employee Incentives The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include the following: <ol style="list-style-type: none"> 1) Forming committees or holding specialized workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions; 2) Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such programs; and 3) Establishing social organizations for the benefit of the Company's employees. 	Guiding article.
87	Social Responsibility The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	Guiding article.

Article/Sub Article	Details of Article / Sub Article	Reasons
88	<p>Social Initiatives</p> <p>The Board shall establish programmes and determine the necessary methods for proposing social initiatives by the Company, which include:</p> <ol style="list-style-type: none"> 1) Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities; 2) Disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility; 3) Disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and 4) Establishing awareness programs to the community to familiarize them with the Company's social responsibility. 	Guiding article.
95	<p>Formation of a Corporate Governance Committee</p> <p>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.</p>	Guiding article. Corporate Governance is the responsibility of a team comprising of representatives from legal, finance, investor relations departments and executive management.