



Towards **Sustainability**

Sustainability Report 2021





Table of Contents

Message from the Management	4
About this Report	7
1. SADAFCO at a Glance	8
2. Our Approach	14
3. Stakeholder Engagement and Materiality Assessment	18
4. Consumer	26
5. Environment and Climate	34
6. People and Community	44
7. Governance	52
Appendix	
Key Metrics	56
GRI Index	57

Message from the Management

Chairman's Message

“ We have aligned our sustainability strategy and roadmap with the Sustainable Development Goals (SDGs), the Saudi Vision 2030 and the National Transformation Plan.

I am delighted to present to you SADAFCO's first sustainability report. We have expanded over the years, increasing Saudia's market share and brand position, and we are now in the process of integrating sustainability principles into our business. It has always been part of our culture that has become more pronounced and now takes centre stage in our actions.

This year while developing our sustainability strategy and roadmap, we have aligned it with the Sustainable Development Goals (SDGs) laid out by the United Nations, the Saudi Vision 2030 and the National Transformation Plan. While we strive toward adding value to every stakeholder, consumers always remain central to us. We want to ensure that we continue to create healthy, nutritious, sustainable, delicious and appealing products for our consumers. We also want to be certain that we meet the needs of Saudi Arabia's large young population. Creating healthy habits and sustainable practices must start early. With this thought, SADAFCO engages with school children on topics like nutrition and waste management.

We have also identified technology-based solutions and automation as one of our main tools to enhance resource and delivery efficiencies across the value chain. 'Digital factories' are one of our major digitisation programs, which we have initiated during the year at

the Jeddah factory. The holistic and real-time data generated by this digital milk factory is expected to improve efficiency, productivity, traceability, supplier performance and environmental compliance.

Nature has blessed us with abundant sunshine, and we must not abandon it. Efficient use of energy and shift towards renewable energy sources is essential for combating climate change. To this end, we have setup a photovoltaic (PV) system at our Riyadh Distribution Centre (RDC) and a rooftop solar project at Jeddah Central Warehouse (JCW). These systems are uniquely designed to operate in our local high dust conditions.

Technology only compliments people who support us in delivering our vision. Our people come from about 49 nationalities to make a diverse workforce, and we are proud to have them. We support governments' focus on Saudization. Collaboration with local institutes like Higher Institute for Water and Power Technologies is central to our focus on local talent creation.

To share our thoughts, approaches, and actions on sustainability with every stakeholder, we have developed this sustainability report. I would like to thank all the stakeholders who have contributed and supported us in this endeavour so far and we will continue to work in this direction.

Chairman Board of Directors

CEO's Message



There is a business rationale for adopting sustainable practices. I believe that if these practices do not offer value to the business in the long run, it will collapse. Thus, we want to ensure that sustainability becomes the core fabric of how we do business.

We have created brand equity and loyalty through decades of dedication and devotion. Today's younger demographic in Saudi Arabia, which is an important consumer segment in our growth plan, is more informed and concerned about the eco-friendliness of the products and brands they choose. We want to be acknowledged as a brand that imbibes sustainability in its business operations. Our product developments, such as oat milk, reduced sodium, and low sugar quest, aim to meet this expectation.

We have been evolving our workplace to make it a right fit for people of all age groups. Training and development of our employees is a key focus area and to this end we have launched an e-learning platform through which we have delivered more than 20,000 hours of training to around 900 employees in the first year of its implementation.

Our sustainability approach is not just limited to factories and people; it has a lot to do with our value chain. Our collaboration with our suppliers, e.g., TetraPak, co-creates a circular economy model for packaging. As part of school program, we are distributing milk packets to school children, and educating them on how to push the straw back into the pack and dispose of the packages in bins. The collected waste is recycled; a portion of it is transformed into paper, while the remainder is used to make caps.

There is a mix of risk and opportunity in the business on account of sustainability aspects. Our strategy is to capitalise on the possibilities offered to us while minimising risk to the greatest extent possible. The solar panel project is an example of our attempt to capitalize on the untapped solar potential in Saudi Arabia. At our factories, we optimise water consumption and reduce freshwater usage by using recycled water in non-fresh water-requiring applications such as boilers, cooling, and so on.

We want to further enhance our communication on our sustainability approach with all stakeholders, taking it from an abstract to something real and relatable for everyone. This sustainability report is one of the attempts in this direction. We will continue to create multiple modes of communication and engage with each stakeholder group to ensure that our sustainability ambition, journey, and efforts are well understood by one and all.

We are at the beginning of our journey "Towards Sustainability", but we are committed to get there soon.

Patrick Stillhart
Chief Executive Officer

A photograph of two individuals in traditional white Middle Eastern clothing standing in a vast, sandy desert landscape. The person on the left is wearing a white thobe and a ghutra with a black agal. The person on the right is wearing a white thobe and a white headscarf. They are both looking towards the horizon. The background features rolling sand dunes and scattered trees under a warm, golden sky, suggesting a sunset or sunrise. The overall mood is serene and contemplative.

Towards
Sustainability

About this Report

This is the first sustainability report of Saudia Dairy and Foodstuff Company (SADAFCO). This report has been prepared to provide stakeholders with a comprehensive view of our approach and practices on sustainability.

Reporting Framework and Guidelines

The report has been prepared in accordance with GRI standards – Core option while giving due consideration to the guidelines issued by the Tadawul stock exchange. We have also shown alignment of material topics with the United Nations Sustainable Development Goals (SDGs) and the National Transformation Program (NTP), which is part of Saudi Arabia’s Vision 2030.

Our approach to reporting follows the GRI principles of stakeholder inclusiveness, sustainability context, materiality, and completeness. These principles have guided us on stakeholder engagement, materiality assessment and development of the report content.

This report has not been assured externally. However, we have established processes and procedures to capture data on sustainability. The data has undergone internal reviews before being presented in the report. Any financial information presented in this report is taken from the annual report which is externally audited by the company’s financial auditors. Independent assurance of sustainability data is under consideration.

Boundary and Scope

The information contained in this report is for the reporting period starting 1st April 2021 and ending 31st March 2022. We have chosen the cycle of 1st April to 31st March for the disclosure of our sustainability performance as it overlaps with our financial reporting cycle.

SADAFCO has its headquarters in Jeddah, Saudi Arabia. This report contains the sustainability performance of the company’s two plants in Jeddah, one in Dammam, its depots, and distribution centres across Saudi Arabia. The governance structure of the company and

its policies apply to all its operations within and outside Saudi Arabia. The report also covers the performance of all the products of the company. Due to data availability and integrity, some identified material topics may have a different scope or boundary. In such cases, it is explicitly mentioned in the relevant sections or GRI Index. A GRI Index detailing the specific topics and indicators reported is available in the appendix of this report.

Your Feedback

Feedback from all our stakeholders is valuable for us. This report is available on our [company website](#). All our stakeholders are requested to share their concerns and feedback on our Sustainability Report 2021-22 by writing to us on fahimhamdani@sadafco.com or nelovar.albedair@sadafco.com.

Forward-looking statements

Certain statements in the report are forward-looking. These include statements other than historical facts, including financial position, business strategy, management plans and objectives for future operations. Such statements include words such as ‘beliefs’, ‘expects’, ‘may’, ‘will’, ‘plans’, ‘outlook’ etc., regarding future operational/ financial performance. These are based on reasonable assumptions/ data/ that may be incorrect/ imprecise and not intended to be a guarantee of the future. Actual results could differ materially due to various factors. We neither assume any obligation nor intend to update/ revise any forward-looking statements as a result of new information/ future events or otherwise.

1

SADAFCO at a Glance



Vision

Impossible
is nothing



Mission

Delighting consumers
with nutritious, delicious
and sustainable products;

Accelerating profitable growth;

Building Added Value to the
community, environment
and all stakeholders



Values

T – Trust
R – Respect
I – Integrity
P – Passion
L – Lead & Learn
E – Excellence



Purpose

Nurture generations
with goodness &
happiness

SADAFCO was formed by bringing together three successful dairy companies in the Middle East. Since its establishment in 1976, SADAFCO has been a leader in the UHT (Long Life) Milk market in Saudi Arabia, with the Saudia brand capturing more than half of the Long-Life Milk market and almost a third of Total Drinking Milk.

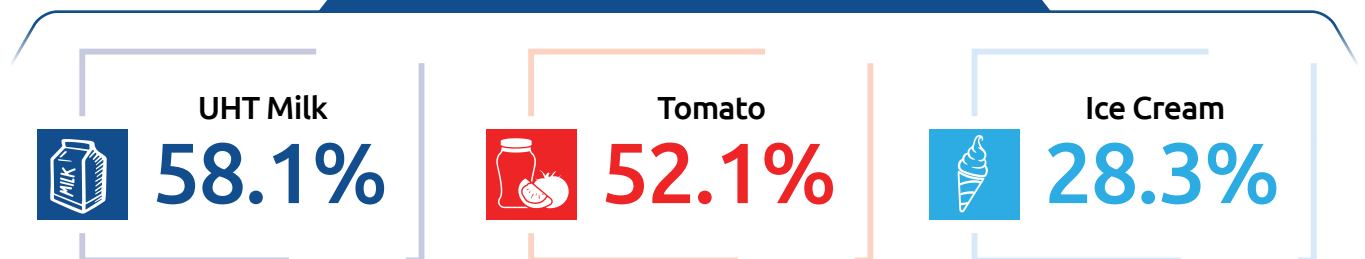
During the past few years, SADAFCO has expanded its product range with new launches in the Breakfast

Cream, Cheese, Butter, Powdered Milk, Ketchup, Fortified Children’s Milk and Frozen French Fries categories. Many of these products also enjoy the status of being a market leader like tomato paste. SADAFCO currently offers around 170 Stock Keeping Units (SKU), with its core products being marketed under its flagship Saudia brand. Other trademarks in the portfolio include Crispy, Baboo, Majestique, Sensations, More and UFO.

Product Portfolio



SADAFCO Market Share*



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



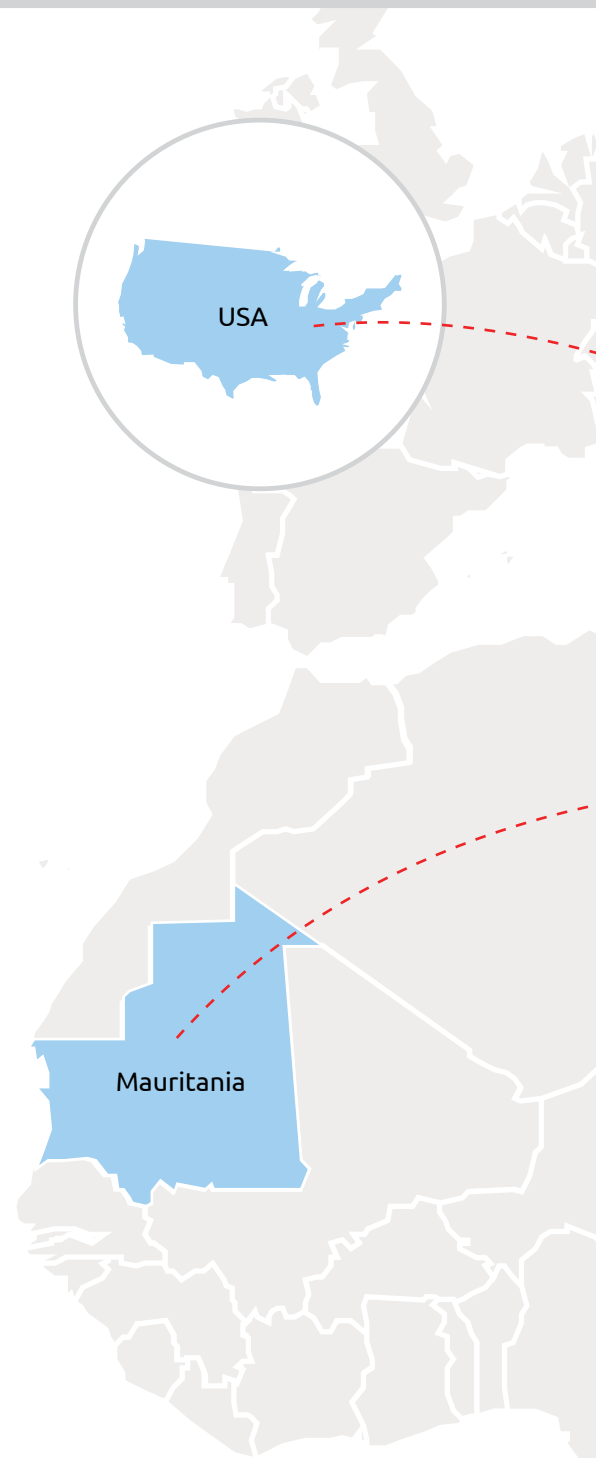
Oat Milk#
30.1%

Market Share (volume based) as of Apr-22, as per Nielsen Scan Track.

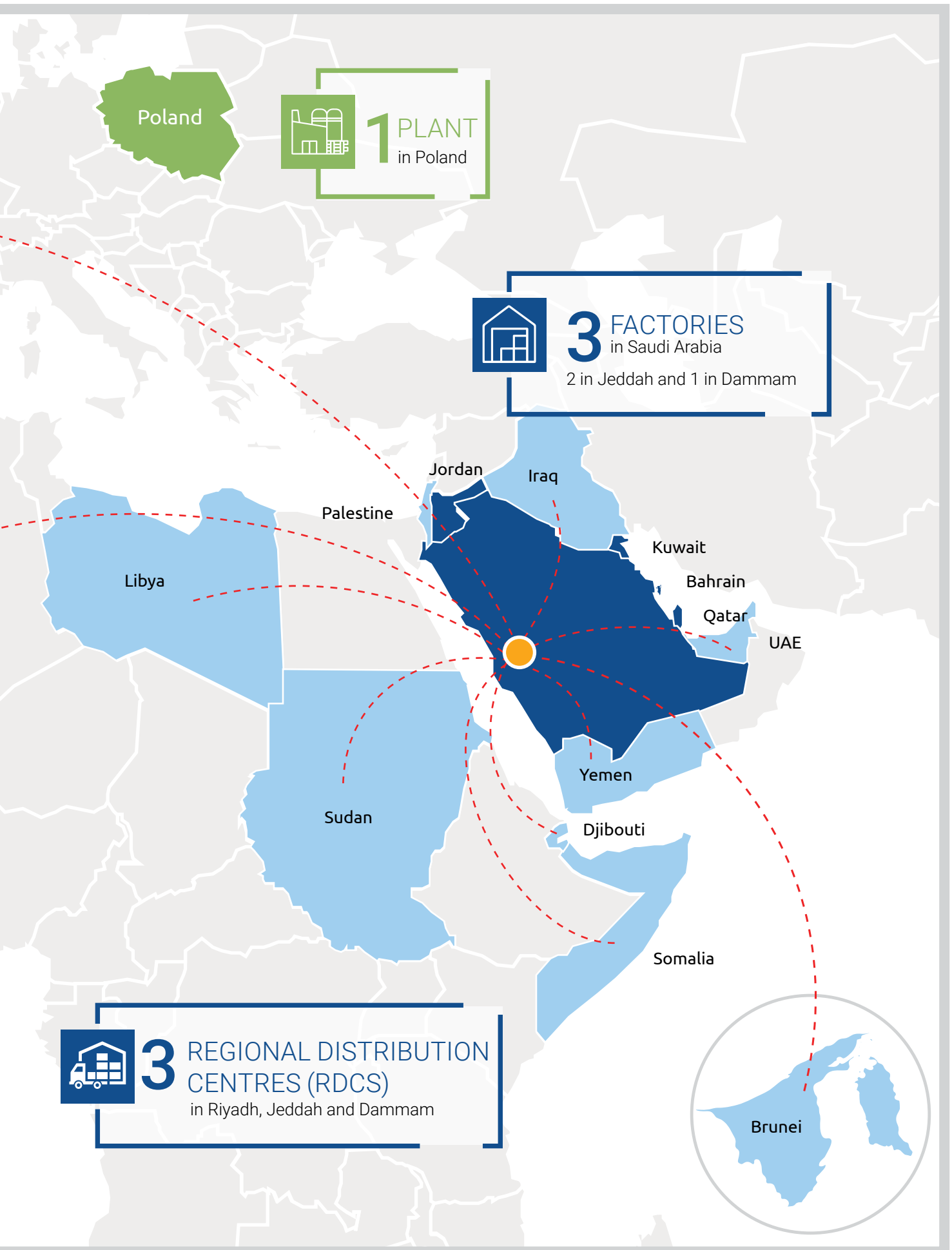
Since the product was launched in Dec 2021 latest volume-based market share is captured instead of MAT (12 months combined).

We operate three factories in Saudi Arabia (two in Jeddah, one in Dammam), and a plant in Poland. The company has an established sales and distribution network, with three Regional Distribution Centres (RDCs) in Riyadh, Jeddah and Dammam and 20 depots and warehouses spread across Saudi Arabia, Bahrain, Kuwait, Jordan and Qatar. We operate a fleet of more than 900 trucks and vans as part of our primary and secondary distribution network. SADAFCO's products are also sold in other Middle Eastern and North African markets such as Libya, Yemen, Mauritania, Iraq, Djibouti, Somalia, Sudan, UAE and Palestine, and USA and Brunei through our export function.

SADAFCO factories currently produce almost 52.2 million cases of product per annum: its long-distance transportation trucks travel 18 million kilometres each year, delivering products to 23 depots that service more than 32,000 customers across the GCC. The company accesses the UAE and other export markets through external distributors and agents.



 **20** DEPOTS & WAREHOUSES
spread across Saudi Arabia, Bahrain, Kuwait, Jordan and Qatar



Poland



1 PLANT
in Poland



3 FACTORIES
in Saudi Arabia

2 in Jeddah and 1 in Damman

Jordan

Iraq

Palestine

Kuwait

Bahrain

Qatar

UAE

Libya

Yemen

Sudan

Djibouti

Somalia



3 REGIONAL DISTRIBUTION
CENTRES (RDCCS)

in Riyadh, Jeddah and Damman

Brunei

Financial Highlights SADAFCO



Sales

2021-22

SAR 2,170

million

2020-21

SAR 2,105

million

variation

+3.1% YoY ▲



Net Profits

2021-22

SAR 209

million

2020-21

SAR 261

million

variation

-19.9% YoY ▼



Non-Current Assets

2021-22

SAR 1,025

million

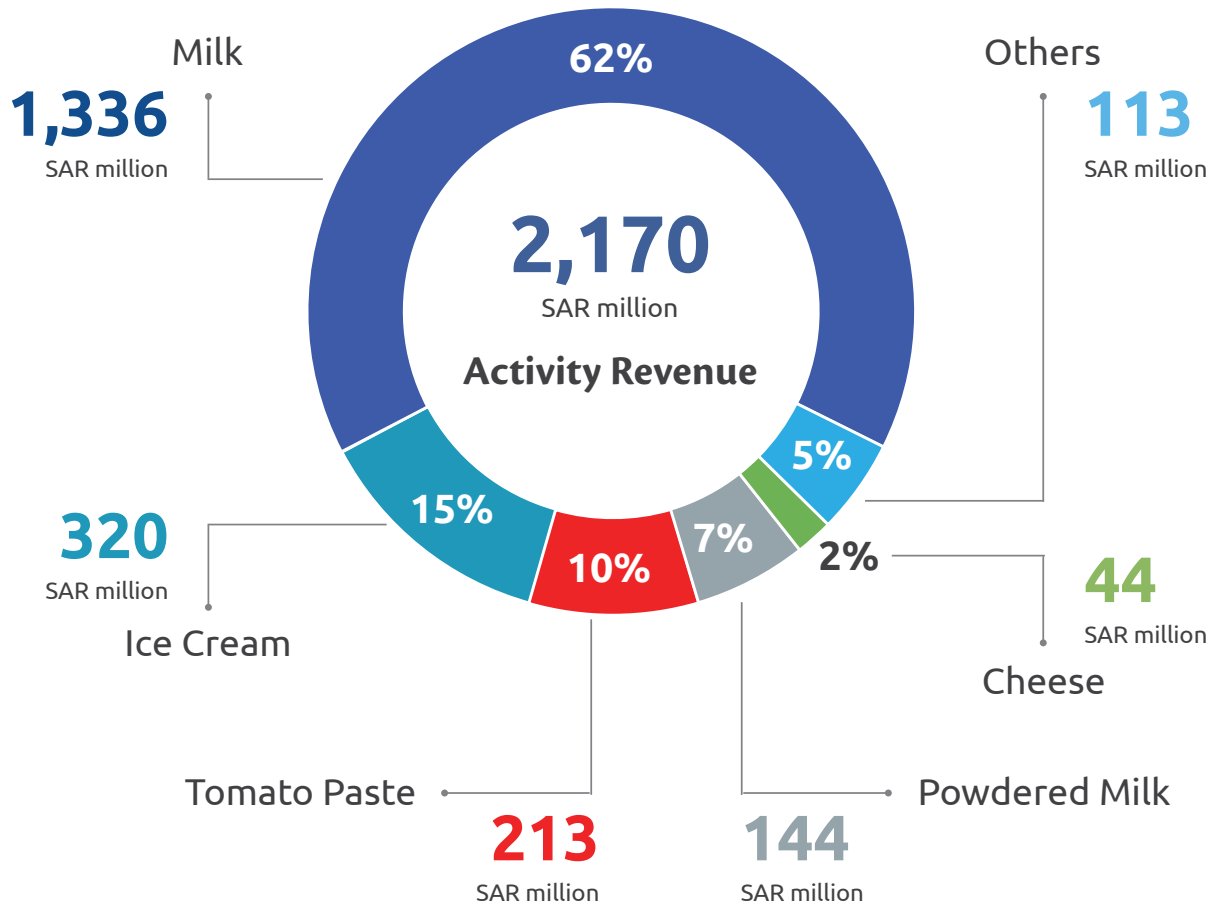
2020-21

SAR 951

million

variation

+7.7% YoY ▲



Business Outlook

SADAFCO is committed to introducing new products in the market and expanding its operations into new geographical areas. In the last year, several new launches have been carried out as part of our ongoing innovation program to delight consumers and build overall Saudia presence in the market. Last year, SADAFCO did a launch of the country's first Saudi Made Oat Drink to delight discerning Saudi consumers who are passionate about their health, among others. We see this as a big opportunity and plan to expand on this both horizontally and vertically. This expansion gives consumers more choices and caters to their specific developing needs. With time, we believe this niche will become more mainstream and we can gain a substantial share of this market.

Jeddah milk factory realignment and end-of-line automation project has been concluded and is already giving dividends in automation, efficiency, and waste reduction. Not to mention creation of jobs with enhanced skills.

Our Ice Cream journey continues with full capacity production at the new state-of-the-art Ice Cream factory. Our 10 year Ice Cream plan is well on its way to achieve good results with the new plant, higher distribution and increased assortment coupled with higher engagement of the consumer. We held a grand opening of the facility on March 27, 2022, in the presence of His Excellency Minister of Industry, Mr. Bandar Bin Ibrahim Al Khorayef, showcasing our modern plant with automation as the cornerstone.

There is a monumental shift both in lifestyle and market dynamics for all to see. Consumer habits and preferences are fast changing. We feel we are well positioned to take advantage of these shifts through our innovation platform, identification of right products and demographic segment, right offering, and our speed to market.



2

Our Approach



At SADAFCO, purpose and profit go in tandem to drive long term growth and value creation for its stakeholders. Our vision is underpinned by the company’s veritable commitment to its consumers, people, the planet, and communities. In a quest to provide focused action on Sustainability, the “Towards Sustainability” strategy kicked off in 2018. It started with implementing sustainable initiatives such as GreenBox, Smart Electronic Fuelling System and Solar Panels. By 2020, it became a company-wide effort to reduce carbon footprint and food wastage and optimise energy and water consumption.

We continuously align our sustainability approach to the renewed and upgraded stakeholder expectations. Last year, we revisited our sustainability approach to address the global developments and stakeholders’ expectations for increased transparency and consistency in matters related to sustainability.

We conducted an exercise to map our sustainability priorities with stakeholder expectations, identified strategic initiatives and outlined an action plan to





achieve the goals. We have aligned our sustainability agenda with Saudi Arabia’s Vision 2030 to support our thriving economy by creating a vibrant society where all citizens can fulfil their dreams, hopes, and ambitions. We aspire to achieve meaningful results and improve the quality of life of all stakeholders through this process.

We want the sustainability practices to become the core of our business culture. To drive a culture of Sustainability, we have identified four themes – making Sustainability personal; sensitisation, training & awareness building; delegating responsibility; and employee volunteering.

Simultaneously, to boost transparency and support systematic and comprehensive communication on our sustainability performance, we have adopted annual disclosure of non-financial performance through sustainability reports.

Our quest ‘Towards Sustainability’ continues to get defined and refined.

Our approach for developing a culture of sustainability

 <p>Making Sustainability Personal</p>	<ul style="list-style-type: none"> ▶ Employees are being encouraged to adopt sustainability and are motivated to practice it in their homes. Practical and easy to adopt sustainable practices are regularly communicated through internal communication channels such as the company newsletter.
 <p>Sensitization, Training and Awareness Building</p>	<ul style="list-style-type: none"> ▶ An ESG sensitization session was conducted for the senior management during the year. Going forward, we plan to adopt an ESG/ Sustainability training calendar with an objective of orienting employees towards sustainability thinking, and actions. ▶ We continue to conduct regular workshops/webinars to raise sustainability awareness amongst employees and familiarize them with practical activities they can take up in the workplace to act responsibly.
 <p>Delegating Responsibility</p>	<ul style="list-style-type: none"> ▶ A cross functional ESG taskforce has been put in place to spearhead ESG initiatives and reporting at SADAFCO. Furthermore, we are planning to choose a sustainability champion (volunteer) in all departments to take responsibility of promoting sustainability within their own department. ▶ We are looking into implementing “Promotion of sustainability” as an important KRA for team managers.
 <p>Employee Volunteering on Sustainability</p>	<ul style="list-style-type: none"> ▶ SADAFCO has always encouraged employees to volunteer for our CSR initiatives and we are now planning to start an Employee Volunteering Initiative to promote sustainability thinking across the company. The initiative shall be driven by Sustainability Enthusiasts. ▶ Once started the company will start tracking volunteering hours on sustainability initiatives.

Sustainability Governance

“ The purpose of the Sustainability Steering Committee of the Company is to provide supervisory, advisory, and promotional role to support the implementation of the sustainability policy and framework in the Company.

SADAFCO aims to improve and provide effective, transparent, and accountable corporate governance through robust controls and mechanisms. The Board of Directors sits atop the governance structure of the Company. The responsibility for timely, accurate and complete disclosure to the stakeholders on all material matters lies with the Board. The committees formed under the Board are responsible for overseeing various aspects of the business.

This year, we have put in place a sustainability governance structure to enhance transparency and accountability. The governance structure ensures cascading of the sustainability vision into strategic goals and initiatives to be executed. Like all other material matters, the Board of directors is the apex body for sustainability related issues. The sustainability steering committee is responsible for providing oversight, guidance, and strategic direction; approving the strategy; action plans and budgets; and disclosing and reviewing performance on sustainability. The committee has senior management executives as its members and reports to the Board of Directors. A cross-functional task force supports the steering committee in coordination and assists in developing strategy and action plans, reviewing the implementation of the action plans, and developing sustainability disclosures. It provides regular updates to the steering committee. The task force is further supported by the initiative owners who undertake implementation and regularly monitor and review the progress of sustainability activities.

Policies

We have policies on key sustainability aspects like employee performance, code of conduct, whistle-blower policy, waste management manual, and risk

management policy. These policies support the sustainability agenda of the Company. Key policies elaborated in the corporate governance code are available on our website for access by all stakeholders. All our policies and code of conduct are in Arabic and English to facilitate better understanding by all concerned stakeholders.

Risk Management Framework

Practical and robust risk management is vital to respond to any significant threat or risk that could damage our organisation and core services. Therefore, our risk management vision is to provide more resilience to operations through the successful implementation of an Enterprise Risk Management (ERM) framework. We have developed risk management practices to identify, understand, and proactively manage risks. Beyond the regular risk practices, SADAFCO management considers risk management in any major change in any program or initiative or because of any change in SADAFCO's operations. The risk management responsibility lies with the audit committee of the board.

We proactively seek to reduce or avoid negative environmental impacts due to our business activities or operations. We continue to draw from the risk management framework to identify and respond to ESG risks.



Certifications



All three SADAFCO factories and our sales depot in Riyadh, are certified with ISO 22000:2018 **(for Food Safety)**, ISO14001:2015 **(for Environment)** and ISO 45000:2018 **(for Occupational Health & Safety)**. All four factories (including JCW) are also formally Halal certified, Dammam site is a certified Organic tomato paste producer. SADAFCO has also recently obtained ISO/IEC 27001:2013 **(Information Security Management)**.



3

Stakeholder Engagement and Materiality Assessment



Stakeholder Engagement

Identification of priority stakeholders

Stakeholders are individuals or groups with a direct or indirect stake in the Company and can affect or be affected by the Company's activities, objectives, and

policy. Investors, employees, customers, consumers, suppliers, the local community, and the regulators are the main stakeholders of SADAFCO. We firmly believe that the companies investing their time in fostering relations with stakeholders enjoy greater success by building trust and a mutually supportive operating environment.



Good Relationship with Stakeholders





Stakeholder engagement process

SADAFCO has put in place processes and controls to balance the relationship between various stakeholders. The process for stakeholder relationship management and engagement is designed as a two-way process to increase transparency & identify the risks ahead of time and implement measures that will avoid any conflict and help create value for all stakeholders. During the reporting period, formal and informal stakeholder engagements took place between the stakeholders and SADAFCO on topics of interest and concern. Below is a description of key issues of engagement with each stakeholder group.



Key topics of engagement with stakeholders

Stakeholder group	Needs & Expectations	Engagement Modes
 CONSUMER	<ul style="list-style-type: none"> Product and ingredients quality, freshness, and safety Product nutritional value and health implications Product price Brand reputation Environmentally sound production practices Fair and ethical marketing International recognition and certifications Direct communication channels 	<ul style="list-style-type: none"> Social Media Visitor tours Website Call Centre Electronic mail Product sampling
 CUSTOMER	<ul style="list-style-type: none"> Product and ingredients quality, freshness, and safety Product Price Brand reputation International recognition and certifications Direct communication channels Timely Delivery 	<ul style="list-style-type: none"> CRM Electronic Mail Social Media Website Call Centre Visits Financial incentives
 EMPLOYEE	<ul style="list-style-type: none"> Fair payment and benefits Equal opportunity Engagement and motivation Transparent hierarchies Job security Training and career development Safe work environment Grievance mechanisms 	<ul style="list-style-type: none"> Employee grievance mechanism Employee satisfaction surveys Townhalls Daily Internal Newsletter (Pulse) Interviews Focus on employee professional growth Employee support Fund
 SUPPLIER	<ul style="list-style-type: none"> Brand reputation International recognition and certifications Direct communication channels Timely Payment Ethical & Fair Practices 	<ul style="list-style-type: none"> Regular supplier interactions by concerned departments Supplier feedback Supplier grievance mechanism Supplier meets Visits to supplier facility

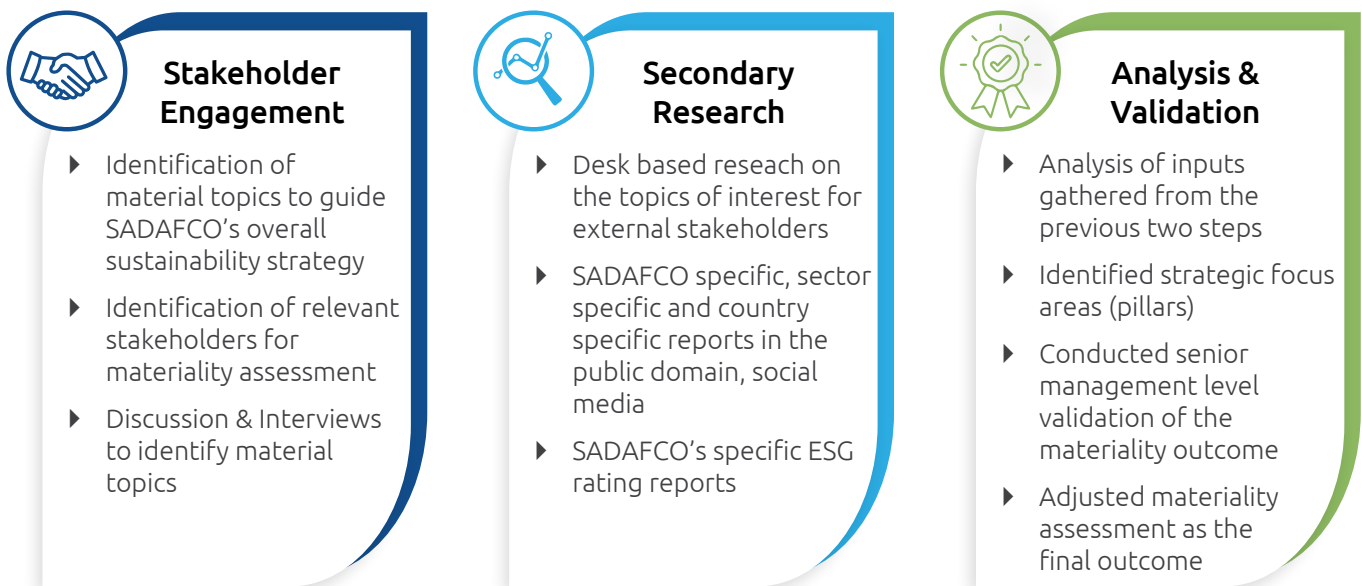
Stakeholder group	Needs & Expectations	Engagement Modes
 COMMUNITY	<ul style="list-style-type: none"> ▪ Corporate Social Responsibility (CSR) and engagement ▪ Funds and financial support ▪ Data disclosure and credibility ▪ Environmentally sound production practices ▪ Contribution to social and economic development 	<ul style="list-style-type: none"> ▪ CSR activities ▪ Student learning opportunities ▪ Community Interventions & Partnerships ▪ Social media ▪ Donations ▪ Social volunteering ▪ Sponsoring sports and social activities
 INVESTOR & REGULATOR	<ul style="list-style-type: none"> ▪ Financial performance, efficient production, and growth ▪ Dividends ▪ Share price growth ▪ Transparent financial and non-financial disclosure and credibility ▪ Market share ▪ Compliance with national legislation and regulation ▪ Contribution to economic development ▪ Environmentally sound production practices ▪ GHG emissions and impact on climate change ▪ International recognition and certificates 	<ul style="list-style-type: none"> ▪ Board of Directors meetings ▪ Public reports & periodic disclosures ▪ Press Releases ▪ Investor Relations ▪ AGM / EGM ▪ Code of Conduct ▪ Anti-bribery & Corruption Policy ▪ Shareholders' Policy ▪ Other publicly disclosed policies ▪ Internal audit ▪ Stakeholder meetings and open dialogue ▪ Working closely with regulators to develop improved standards



Materiality

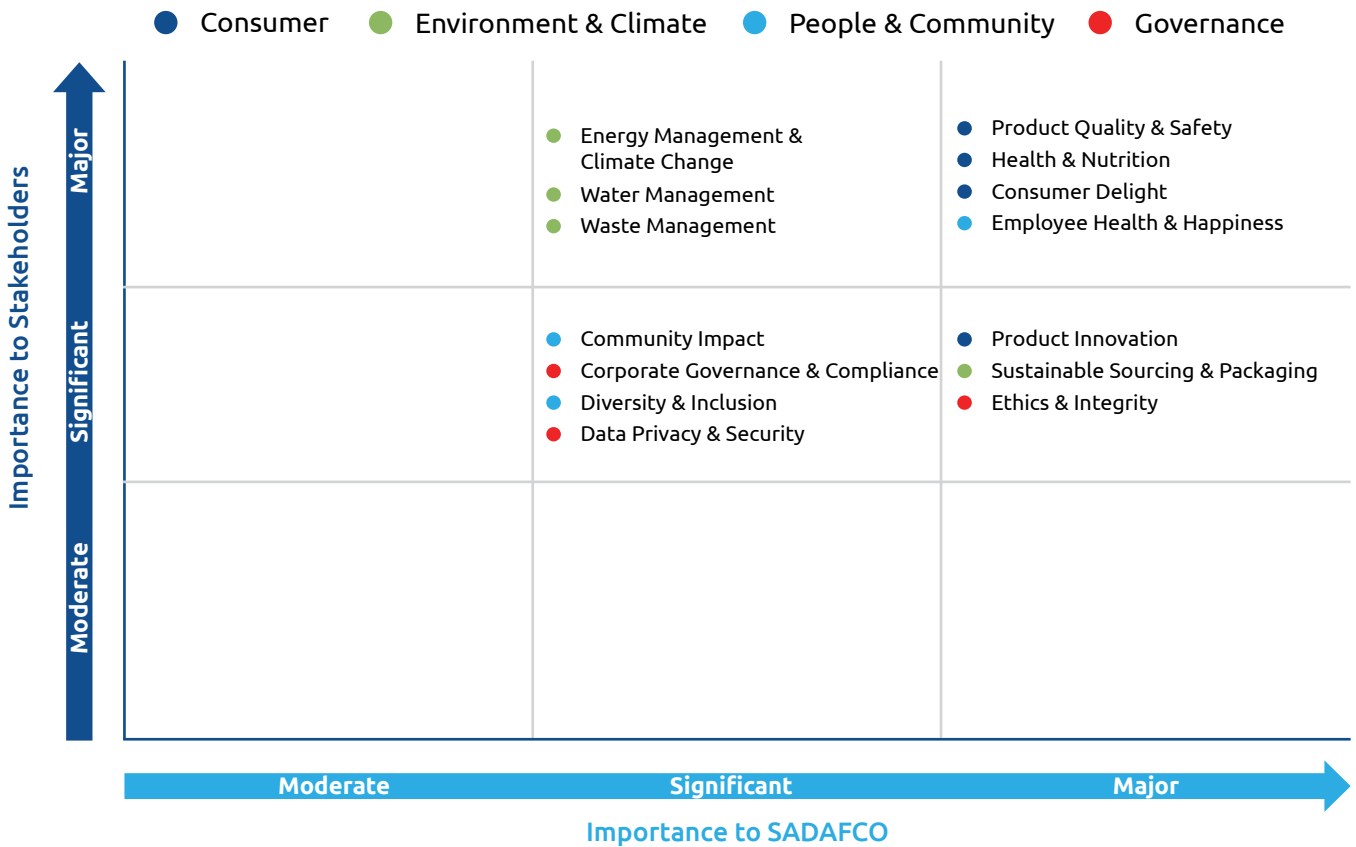
Materiality assessment is based on the knowledge and perception of identified stakeholders on the importance of sustainability topics for the Company and the stakeholders. We conducted our first materiality assessment by engaging with a focus group of senior and diverse pool of employees from various company functions, who regularly interface with our external

and internal stakeholders. We coupled the internal stakeholder perspective feedback with secondary research that involved a study of the developing sustainability trends in the sector, amongst ESG rating agencies, and the country-level developments on SDGs and ESG. These results conformed to our approach to managing and reporting on sustainability. In the coming years, we plan to increase the scope of stakeholder engagement for assessing materiality.



Our Material Topics

Our material topics universe includes topics that are 'significant' and 'major' for either the stakeholders or SADAFCO. The 14 material topics are grouped into four strategic focus pillars Consumer, Environment and Climate, People & Community and Governance.



Our approach to the material topics

Consumer



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



NTP Objective Alignment:**

- 12 Develop promising local companies into regional and global leaders
- 14 Improve quality of services provided to citizens
- 19 Ensure Development and Food Security



Product Quality & Safety

We strive to provide high-quality products to consumers while maintaining very high safety standards. This topic addresses efforts towards enhancing product quality & safety while ensuring adherence to regulations.



Health & Nutrition

The Health & Nutrition needs of consumers are fundamental to our business principles. We strive to enhance health & well-being in society. This topic involves the process of identifying and managing products and ingredients related to nutritional and health concerns among consumers and undertaking initiatives to develop a healthier product portfolio.



Consumer Delight

We strive to be a brand of choice for consumers. Providing a delightful experience to consumers is embedded in our organisation's DNA. This topic addresses initiatives to improve consumer satisfaction and includes measuring consumer satisfaction through consumer surveys, tracking consumer complaints, and the resolution rate.



Product Innovation

SADAFCO's organisational philosophy is driven by innovation in products. Constant product innovation is essential not only for the sustainability of business but also to enhance the well-being of society at large. This topic refers to new product development initiatives and product and process improvement and innovations.

Environment & Climate



Commitment to preserving the environment and minimizing the impact of our operations on the planet



NTP Objective Alignment:**

- 16 Reduce All Types of Pollution
- 20 Ensure Sustainable Access to Water Resources



Energy Management

Energy efficiency and energy sourcing have a direct impact on climate change. We are committed to conducting our business with minimal climate impact. This topic highlights energy consumption and sourcing practices of SADAFCO.



Water Management

Access to freshwater is essential to human life and is also a human right, as recognised by the UN. We endeavour to utilise this scarce resource responsibly. This topic relates to the holistic water management efforts of the Company towards reducing water wastage, improving efficiencies in water consumption, and identifying the potential for using non-freshwater resources.



Waste Management

Waste disposal in a landfill or by incineration is an inefficient method that potentially poses a health hazard for society. SADAFCO aims to implement the best waste management practices utilising the principles of 3R (reduce, reuse, and recycle) to dispose off waste more responsibly and minimise the environmental impacts. This topic relates to hazardous and non-hazardous waste generated by the organisation and its 3R strategy.



Sustainable Sourcing & Packaging

We are working to reduce the impact of packaging on the environment and sourcing raw materials sustainably. This topic relates to sourcing raw materials and packaging and includes initiatives to move towards more sustainable sourcing and packaging practices.

SDG* : Sustainable Development Goals (SDGs) as per UN General Assembly's 2030 Agenda
 NTP** : National Transformation Program (NTP) as part of Saudi Arabia's Vision 2030

People & Community

Commitment to our employees and the community at large to improve inclusiveness and quality of life



SDG*



NTP** Objective Alignment:

- 1 Enhance Business Focus on their Social Responsibilities
- 24 Increase Women’s Participation in the Labor Market
- 25 Enable Integration of People with Disabilities in the Labor Market
- 26 Improve working conditions for expatriates
- 27 Source relevant global talent effectively
- 30 Encourage Volunteering



Employee Health & Happiness

We subscribe to the values of trust, respect, integrity, passion, lead & learn, and excellence. Our approach ensures that employees are motivated, happy, valued and treated fairly. The topic relates to our policy, initiatives, employee engagement practices, growth through training & development, fair practices of employee and labour management, and occupational health & safety.



Community Impact

We take pride in being a responsible company serving society at large. The topic relates to our initiatives for social upliftment, such as CSR activities and local community initiatives.



Diversity & Inclusion

The topic relates to organisational policies and initiatives for promoting diversity and equality at work while combating discrimination. We believe that respecting and including every individual is essential regardless of age, gender, ethnicity, or nationality. It engages the workforce, fosters an environment where everyone can reach their full potential, and ensures the successful implementation of business strategy.

Governance

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



SDG*



NTP** Objective Alignment:

- 13 Foster values of equity & transparency
- 21 Develop the digital economy
- 34 Strengthen the Communication Channels with Citizens and Business Community



Ethics & Integrity

We strive to maintain the highest standards of ethics & integrity across the organisation. The topic includes the organisation’s efforts to uphold business ethics and integrity, including policies and initiatives to prevent bribery & corruption and ensure whistle-blower protection.



Corporate Governance & Compliance

We have put in place processes and controls to balance the relationship between stakeholders, including shareholders, management, employees, customers, and related parties. Our approach is to elevate governance practices through initiatives to increase transparency & accountability, manage risks and conflicts of interest, and implement adequate controls to ensure compliance with the environment, regulatory and labour norms.



Data Privacy & Security

Data privacy & security is becoming exceedingly critical to SADAFCO’s business as technology evolves quickly and new cyber threats emerge daily. SADAFCO’s focus is on implementing strong controls to manage information technology-related risks. This topic addresses the issues related to privacy, including losses of data and breaches of privacy.

4

Consumer



It is our commitment to consumers to ensure the end-to-end integrity, high quality, and safety of our product. Manufacturing and supplying high-quality food products as per the applicable Food Safety standards builds trust, increases customer satisfaction, and helps us achieve our primary goal of providing consumers with optimal nourishment and delight without any adverse effects from consuming our products.

Product Quality & Safety

We have a robust Quality Management System that guides our product quality and safety governance framework. This helps us proactively manage and address changes to applicable regulations, industry practices and customer needs. Our processes, standard operating procedures and employee training modules are updated regularly to ensure their alignment with the best practices. All our factories are certified by ISO 22000:2018, Food Safety Management System. We apply these standards to material handling and ensure hygienic manufacturing, packing and storage processes.

Our objective is to maintain a 100% conformance rate for food safety audits, health and safety regulations, labelling, and marketing standards. In the case of a non-conformance, we maintain a 100% corrective action rate.

“

We have **100%** compliance with all national food safety and product labelling standards.

We intend to assess the feasibility and benefits of obtaining Food Safety System Certification (FSSC) 22000 accreditation for our factories, a Global Food Safety Initiative (GFSI) authorised technique and plan to undertake the assessment in the upcoming year.

Going Digital

Digital solutions can unlock greater efficiency of products and enable better compliance. We have initiated a Digital Factory Program at SADAFCO to minimise quality incidents, install a quality data management system, and improve factory traceability.



The new Digital Factory will transform manufacturing process through insights and intelligence powered by data collections and digital SOP (standard operation procedure) integration. The holistic and real-time data generated by this digital milk factory increases efficiency, productivity, traceability, supplier performance and environmental compliance. It also improves control of manufacturing workflows and the

movement of everything from raw materials to work-in-progress and finished goods. The program results in overall higher efficiency in people performance as well as resource performance.

The digital factory program starts with the Jeddah factory and becomes operational this year.



Health & Nutrition

We aspire to improve societal health and well-being. Therefore, consumers' health and nutrition demands are the cornerstones of SADAFCO's business. We are also committed to promoting the healthy lifestyle goal of Saudi Vision 2030. Our product development team continually works on new offerings that address these needs identified through consumer reach initiatives. We have, in the process, introduced new healthy products and expanded to organic foods to provide customers more options for improving the nutrition, quality and flavour of their food.

Saudia Milk, one of our main products, is a trusted choice for generations of Saudi families who want to live well and enjoy delicious natural products. To continue supporting our customers, in recent years, we launched new milk categories keeping in mind the specific health and nutrition requirements of different consumers.

“

Tomato paste is our **first launch** in the organic category.

Low Fat Milk enriched with Calcium

According to the Saudi Ministry of Health, a large portion of the population over the age of 50 in Saudi Arabia have osteoporosis. The proportion of the population aged 50 and up is predicted to climb dramatically in the future years. A balanced diet and proper calcium consumption are fundamental defences against osteoporosis and maintaining strong bones. We developed a special calcium-enriched low-fat milk. This milk provides 60% extra calcium to help people of all ages maintain an active lifestyle.

Low Fat Milk enriched with Cholesterol Reducing Plant Sterols

Cardiovascular disease (CVD) is the largest cause of mortality globally, claiming 17.9 million lives each year, and individuals should be aware of the steps they can take to prevent and control CVD. CVDs account for a significant portion of all deaths in Saudi Arabia, and with population growth predicted to be driven by an increase in the 50+ age group, this number is expected to rise. In Saudi Arabia, people's awareness of cardiovascular disease and the health concerns

connected with high blood cholesterol levels must be raised. We researched and developed a new low-fat milk using clinically proven plant sterols to provide consumers with a delightful and convenient method of lowering cholesterol.

Soy milk

Despite the need and desire for milk, some people cannot consume it due to lactose intolerance, food allergies, and celiac disease conditions. We introduced soy milk to meet such customers' flavour, health, and nutritional needs.

“

We have identified and use only natural **colourants** in our products.



“We are at war”

We are at war with excess sugar and high sodium-based food products. We are determined to launch new products with health benefits and healthy value propositions, with low sugar, no added sugar or sugar alternatives for our existing products like growing up milk and lite ice cream. We strive to ensure continued compliance of our 'low sodium' products with Saudi Food Drugs Authority's standards which requires low sodium products to have less than 6g of sodium per ppm of average composition. Our Bottled water complies with the standard.

Consumer Education

Our journey on health and nutrition does not end with the product; it starts from here and moves towards consumer education. Consumer awareness of health and nutrition is an integral part of our fight against unhealthy food and lifestyle. We are serious about consumer education and monitor our efforts to reach and create awareness among consumers. We reach out to consumers through various communication channels.



Focus on **consumer education** through communication on health & nutrition aspects through programs and initiatives at Schools, Hospital and Gymnasiums.



Product Innovation

Constant product innovation is required not only for business profitability but also to improve societal well-being by delivering on our mission of health, nutrition, and consumer satisfaction. SADAFCO has experimented with products and processes for more than four decades to achieve optimum efficiency and constant consistency.

SADAFCO views product innovation in three dimensions: the development of healthy and nutritious

food, consumer delight, and product packaging. Training, capacity building, and collaboration will be critical foundations of our future product innovation approach. We are developing a programme to engage healthcare and nutritional experts through training, information dissemination, and the facilitation of best practices exchange with SADAFCO. We are actively seeking collaborations with FoodTech and NutriTech companies.



Consumer Delight

“

Our first goal is customer satisfaction and maintaining **consumer delight**.

We have always pushed our capabilities to present consumers with one-of-a-kind experiences through healthy and enjoyable consumption moments. We call it “consumer delight.” To ensure top-tier ingredients in each category, we continue to obtain high-quality products from across the globe and maintain strong supplier connections.

SADAFCO is devoted to providing high-quality services and appreciates consumer inputs on its products. It is also committed to ensuring that any complaints are handled quickly, efficiently, effectively, and fairly. Complainants are always treated with dignity and professionalism throughout the complaint management process.

SADAFCO has developed an application to record and solve all consumer complaints. All received complaints are documented in an online complaint form, available on the SADAFCO intranet system, with all complaint details. SADAFCO tracks and manages the complete consumer complaint flow, from reception of the complaint to analysis and investigation, appropriate action (correction and preventive action) to ensure that complaints are not repeated, feedback and evaluation of consumer satisfaction.

We also have a dedicated phone line to attend to consumer enquiries and complaints. The phone number is displayed on each pack of SADAFCO products. The service is accessible round the clock and includes a message recording system to ensure that all inquiries are correctly handled. Furthermore, any inquiries and claims received via social media (Twitter, Instagram, Facebook, etc.) are logged and forwarded to the Quality Assurance department to ensure that they are thoroughly examined and replied to in a timely and effective manner.



“

Strengthened systems and processes to maintain **100%** resolution rate for all consumer complaints

Particulars	FY19-20	FY20-21	FY21-22
Number of Consumer Complaints Received	287	212	287



5

Environment and Climate



We are committed to preserving the environment and mitigating the effects of climate change. Our goal is to keep our activities' environment friendly, and climate change impacts as low as possible. We do our share by reducing our carbon footprint, minimising waste, maximising water efficiency, and operating in accordance with international environmental standards. This is a critical area of focus because it affects our business and the communities where we serve. We work hard to ensure that the resources and materials we utilise are both sustainable and recyclable. This is accomplished through selecting appropriate technology interventions, materials, and processes without jeopardising the company's goals. We expect our vendors and contractors to have comparable objectives.

“ We did not experience any environmental **non-compliance** during the year.

Energy Management & Climate Change

Climate change is a fact that affects all of humanity and has a direct influence on our potential to provide consumers with healthy and nutritious food. We are determined to address climate change by improving energy efficiency and lowering carbon emissions in our activities. As a significant stakeholder in the Saudi dairy and food industries, we have the potential to play an important role in tackling the climate crisis.

We assessed our carbon footprint due to energy consumption for the first time in fiscal year 21-22. Our scope 1 and scope 2 carbon footprints are 45,922 tCO₂ and 40,189 tCO₂ respectively. Our Scopes 1 and 2 emissions are mostly caused by grid electricity, LPG used at our plants for processing and diesel used by the road transport fleet. As a result, a significant portion of our current efforts is focused on greening our fleets and operations. With our unique locational advantage of the high sunshine all around the year, we are well placed to utilise solar power in our operations. We have initiated steps to identify and utilise renewable power sources at our factories and warehouses.

We are aware that we need to increase the pace of our energy and climate actions to meet the global climate goals and be better prepared for climate exigencies. We are strengthening systems and processes around energy and climate as the most fundamental need for long term systematic transition and approach to the topic. We plan to set up a specialised energy steering committee to focus on exploring initiatives to reduce energy intensity and emissions, increase usage of renewables and determine our long-term climate goals and energy targets.

Our current targets and initiatives

Reduce the energy intensity of our operations

Identify all possible energy efficiency improvement areas in operations & processes; Implement digital factory program

Increase the mix of renewable energy

Attempt to reach 100% usage of solar power generated at Jeddah Central Warehouse (JCW) by 2024.

Reduce the GHG emission intensity of the organisation

Developing a robust GHG emission inventory to track the progress of our product's GHG intensity.

“ Our next important agenda on climate is to know the business continuity risk faced by our business and be prepared to have **minimal operational disturbances** in the long run.



Solar Powered Forklifts

SADAFCO utilises 164 forklifts that travel up to 16,000 kilometres per day, moving thousands of pallets of raw materials and finished products. We are upgrading the forklifts at all depots and factories to a completely electric fleet powered by solar panels in the near future. On an average, up to 18 solar panels with 0.45KW capacity are needed to operate each forklift. It is a part of our continuous commitment to minimising carbon footprint. This will result in a healthier working environment for employees and neighbours, as well as a reduce the quantity of power required from the national grid.



Experimenting with Solar

We have successfully started up a photovoltaic system capable of supplying up to 40% of Riyadh RDC's daytime energy needs. The project generates 226KW of power, using thin-film photovoltaic modules purchased from First Solar Inc. The system has not only saved money by reducing diesel usage on the generators required for an off-the-grid facility but also cut emissions. Over 2,000 solar cells covering a surface area of roughly 1,600 square metres have been erected atop the carport structures in the parking area, providing the added benefit of a sunshade for automobiles.

The Riyadh RDC Solar Project is thus a significant step in making our operations more sustainable. We are looking forward to discovering new methods to improve efficiency and applying what we have learned to other areas in which SADAFCO works. Going forward at JCW a mono-crystalline technology based solar power system is proposed. This is about more than simply powering our business; it is also about decreasing our carbon impact in a socially responsible manner.



Optimisation of Transportation Network

Our road transportation fleet is a crucial source of GHG emissions. As a result, a significant portion of our efforts is directed toward greening our fleets. These include updating our vehicles with new technologies for pollution reduction and fuel efficiency. To improve transportation efficiency, we have integrated cutting-edge technologies of route optimisation all the way to the last point of delivery, which is the stores that sell our items. We choose the best transportation options for each customer. We also use a transport management system to give visibility across all logistics operations and sophisticated tracking and route optimisation, which helps to enhance cost efficiency and minimise emissions.

We want to increase vehicle utilisation by more than 10%, lowering fuel and operational expenses with this intervention. This reduces GHG emissions and increases the company's bottom line by 1%. Another advantage of this activity is the time saved per vehicle. The increased efficiency allows the same truck to deliver to at least two additional customers, boosting our reach. We began the activity in Kuwait, Saudi Arabia, for products in the Ambient category. Later, we added the Frozen product distribution vans to the route optimiser. Since then, we've added 4,800 additional clients using the same number of vehicles for delivery.

Going further, we will be exploring and working on the possibility of:

1. Purchasing electrical vehicles for products shifting between Jeddah Milk Factory (JMF) and Jeddah Central warehouse (JCW)
2. Provision of cabin cooling units for the primary fleet to switch off the vehicles during idle time.



Introducing digital solutions to reduce emissions

The use of Artificial Intelligence-based solutions for calculating vehicle product load is the next step in our effort to reduce emissions and optimise operations. We created a customised and automated daily van load system. Before proceeding with distribution, the algorithm in this system examines aspects such as sales history, promotional plans, new launches, inventories, and macro and micro external factors. We anticipate that this solution will aid in the elimination of route redundancies and double visits, as well as improved order compliance. We also anticipate more sales as a result of this. The solution is being tested and will eventually be implemented. Once completed, we will be able to track the emission reductions and avoidance achieved as a result of the experiment.

IMPROVED ROC

- Customized approach with predictive picking list at barcode level based on ROC
- Internal & external factors considered in ROC calculation
- Improved ROC @97%

ADDITIONAL SALES GROWTH

- Additional sales growth of 1% above budget
- AI based, intuitive barcode level assortment management



DECREASED CARRYOVER

- Reduce carry over to 25%

INCREASE PRODUCTIVITY

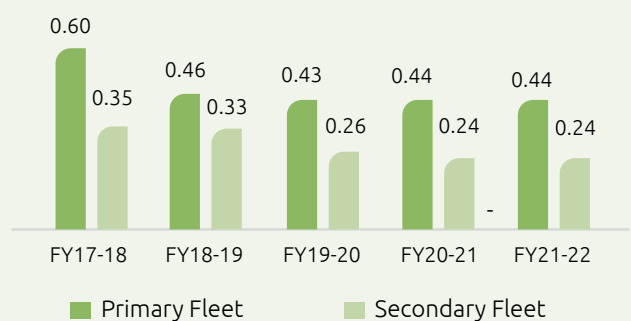
- Time saved: 9,300 manhours per year
- Manual processes elimination = improved productivity
- Stock availability checks at right stages to plan production scale up



Smart Electronic Fueling System (EFS)

We adhere to the Vision 2030 of KSA as well as the Company's strategy for sustainability and automation. A cashless smart electronic fuelling system with live online monitoring and control for every vehicle fuelling has been deployed as a part of this. Automated fuelling guarantees optimum accuracy in the fuelling process, increasing the company's fuel and GHG accounting.

Fuel Consumption - Liter per Kilometer (L/Km)



Water Management

Access to safe drinking water is not only necessary for human existence; it is also a basic human right. Water is a vital essential resource in our operations. Concerns about water will become more prominent as the climate changes. While this is a global concern, the repercussions are being felt on a much more local level, with droughts in some areas and flooding in others. According to the Aqueduct WRI Risk Atlas, we operate in areas with high water risk and very high-water stress. The region has a medium to high rate of water depletion.

We obtain our raw materials from many parts of the world where dairy owners and farmers rely on water for their livestock and agricultural cultivation, making water extremely vital to us. SADFACO strives to make responsible use of this scarce and shared resource in its operations.

Water is used in the preparation of reconstituted milk and the production of tomato paste. Water is also employed in the manufacture of other items. As a result, we require potable process water. Water is also used in non-process areas such as drinking, sanitation, and cleaning.

The ISO14001 principles underpin our water governance mechanism. Our water demand is met by water sourced from government supplies and seawater treated and supplied by private companies. We have a well-established water monitoring method to identify the amount of water consumed at various points throughout the factory. The industrial city

treatment plant receives all effluents from our factories. Our industrial sector's most significant effluent characteristics are COD, ph, and TDS. The levels of these indicators in the effluents are measured daily. We maintain effluent discharge parameters in accordance with regulatory requirements. Various efforts, such as the dry floor rule and automatic water taps in restrooms, were installed to reduce water waste. At Dammam factory, we started chemical reduction and also conducted trials (with additives) for CIP optimization. It showed that we could reduce our CIP times and save water and chemicals. If approved, we will try the same at Milk Factory.

In the following year, we intend to establish a specialised water steering group to take a holistic view of the water, identify business risks and opportunities related to water, and create solutions to manage the same.

Our current targets and initiatives

Reduce the water intensity of our production.

Evaluate the possibility of installing a water treatment plant to maintain the water quality requirements

Continuous compliance with government regulations on COD level of wastewater discharge.

Monitor and maintain the chemical oxygen demand (COD) level of wastewater discharge daily to ensure compliance with Government regulations.



Waste Management

Responsible waste management is fundamental because it protects the environment and reduces pollution. Our waste is primarily composed of packing materials, cartridges, vials, tube lights, waste oil, and certain chemicals. We are aware that the packaging of our products generates waste in its lifecycle and generally ends up in a landfill. We accept responsibility for reducing waste reaching landfills. We take it seriously and commit to doing our best to address it in accordance with our waste management philosophy.

We have been working to develop a baseline for monitoring waste reduction projects' success. All of our factories can currently monitor waste generated

“

The waste management philosophy of SADAFCO is centred on **waste minimisation** at the source, **waste reuse** and **recycling** where possible, and responsible disposal of waste that cannot be reused or recycled.

and have made significant progress in raising total recyclable waste (including reuse) during the previous three years.

Third-party disposers and recyclers handle all hazardous and non-hazardous waste management tasks. SADAFCO has established criteria for selecting these service providers. They are audited regularly to ensure that they are performing as expected.

Last year, 40 per cent of non-hazardous waste generated in manufacturing was recycled. We have introduced a special program for recycling wooden pallets extensively used for the transportation of goods. In FY 22-23, we hope to achieve a 50 per cent recycling rate for recyclable waste. Our long-term goal is to avoid any recyclable waste from reaching landfills.

Particulars	Unit	FY 20-21	FY 21-22
Production	MT	378,467	339,758
Waste Generated - Non-Hazardous	kg	6,730,333	6,155,170
Total Recycled Waste	kg	2,585,010	2,439,050
Recycle Rate	%	38%	40%



Paper Reduction due to digitization

Despite digitisation, worldwide paper use has increased by several times higher. Paper has a significant environmental impact and contributes to climate change. To improve resource conservation and lower our carbon footprint, we have implemented a management printing service at our Head Office and Jeddah Factory. The campaign aims to cut paper use by 25%. We have found other areas, such as Document Management System (DMS), and Electronic Fuelling System where we can cut paper use. Electronic Fuelling System, for instance has resulted in reduced consumption of paper for fuel claims by 80%. These approaches are being implemented in stages across SADAFCO's activities. Our Digital Factory Program would help in complete elimination of paper on the factory shopfloor and is estimated to be completed by 2023 for milk factory, 2024 for ice cream factory, and 2027 for Dammam Factory.



Collaborating for waste management

Tetra Pak is our primary packing material supplier. We collaborate closely with Tetra Pak to create solutions for reducing and managing packaging waste both from our production sites and at the post-consumer level.

Paper and packaging waste is generated from our operations at our Jeddah milk facility and the Dammam tomato paste factory. These materials are collected on-site and sent for recycling in Riyadh. The process starts with a pulping process to separate paper fibres and the polyAl (polymers and aluminium). Paper fibres are converted into high-quality recycled duplex board that has several end applications – such as tissue boxes and other folded cartons. The polyAl resulting from the recycling process becomes a raw material that is put through an extrusion process and turned into plastic granules, which are sold to plastic recyclers and used as a raw material for products such as pallets and crates

When we started our operations, this technology was unavailable in the region and could only be developed thanks to close collaboration with Tetra Pak and its engagement in developing strong recycling partnerships. This initiative supports to increase collection and recycling of carton packages, securing recyclability for all its components; it also reduced our waste management expenses and indirect reduction in carbon footprint

Straw waste is another source of litter. To avoid this waste, we support Tetra Pak's "push the straw back" initiative. This is an endeavour to encourage consumers to return the straw to the pack after use in order to facilitate good waste management and litter prevention. Tetra Pak will incorporate the

message "PUSH STRAW Onto THE PACK" into our printed products to promote that message among our consumer base.

We continue to work with Tetra Pak to evaluate and identify options for recycling different forms of packaging waste.

While SADAFCO already has a recycling solution for its own packaging waste material generated in operations (from filling machines, returned products, etc), the company plans to engage further to increase post-consumer recycling rates in the mid-long term through its partnership with Tetra Pak.

As Tetra Pak starts increasing production of paper straws globally in the future, the same shall be offered to SADAFCO.

As per current scenario, Collection and Recycling infrastructure in Saudi is not optimal. Consumers don't really have the possibility of separating their waste at source, which eventually prevents recyclables to reach recycling facilities (ending up in the landfills). Creating a new value chain is challenging and requires a lot of drive and engagement from the public sector, which SADAFCO and Tetra Pak have already started.

SADAFCO and Tetra Pak have become members of the Packaging Working Group under the Federation of Saudi Chambers, which is partnering with the National Centre for Waste Management (MWAN). This is of high importance because proper waste management regulations and Extended Producer Responsibility are crucial for successful collection and recycling at scale.

Sustainable Sourcing & Packaging

At SADFACO, we are strongly committed to implementing sustainable practices across all our operations. Addressing our product packaging is a vital part of our strategy for reducing our carbon footprint. We aim to lessen the environmental effect of packaging and source raw materials in a more sustainable manner. The problem of packaging waste, particularly plastic waste, is a major cause of worry among the public. On the other hand, the packaging is

essential for food safety and quality, at every stage to extend shelf life, and prevent food waste.

We are also committed to reducing the amount of packaging material used in our products and, to the greatest degree, feasible, putting our materials in non-plastic and easily recyclable materials. Our commitment is underpinned by our dedication to effectively and measurably reducing our environmental impact through a series of strategic implementations. To meet our sustainable packaging needs, we buy most of our packing material from TetraPak.



Green Box Packaging

Renewable resources emit a lower carbon footprint than fossil-based plastic. Therefore from 2018 onwards, SADFACO factories started joining the Green Box Community. In 2019, the Dammam factory received the GreenBox Contribution Certificate from InfoFort, a testament to the ongoing efforts and achievements in driving sustainable practices. It also means that our new packaging has a much lower impact on climate change.



We discovered a lot of potential for sustainable packaging options in raw material sourcing as well. The majority of our raw materials are sourced from across the globe. We are transitioning to more sustainable and reusable packaging for importing raw materials, such as Goodpack and Bigbag.

We have a one-of-a-kind packing need in which cookies made at the JCW facility are used in our Jeddah ice cream production. We are investigating the use of airtight reusable packaging for these biscuits to avoid packaging waste.

We use a performance evaluation matrix to assess our suppliers' long-term performance. ISO accreditation (Food safety management system) is the basic requirement for supplier selection. As a result, all ingredients are supplied from suppliers certified by a food safety management system.

We are at a nascent stage in our path toward sustainable sourcing. We are in the process of identifying the sustainability concerns in our primary raw material supply that must be addressed.



6

People and Community



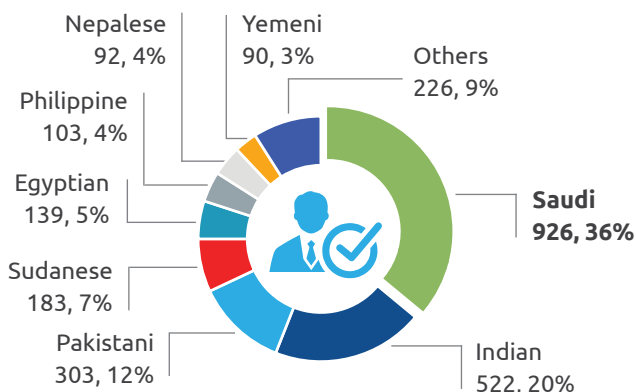
Diversity & Inclusion

We are committed to creating an environment where everyone can reach their full potential, and the company's strategy can be successfully implemented. Respecting and involving all persons, regardless of age, disability, gender, ethnicity, or nationality, is critical to SADAFCO.

People from 49 nations, including Saudi Arabia, India, Pakistan, Sudan, Egypt, and the Philippines, work at SADAFCO. We have aligned ourselves to the national agenda of Saudization. At SADAFCO, Saudization means providing more opportunities to the local population in our operations and business value chain. So, while we have a global workforce, we need to enhance the inclusivity of the local people in the organisation. Our Saudization levels are at 38% of the workforce; however, their representation at the senior management level is low. To bridge this gap, we have a target of introducing more Saudi nationals and females in the senior management roles.

We take a proactive approach to fulfilling our need for local qualified and trained Dairy Technologists to support our processes. We partnered with DFP (Dairy Food & Polytech) for a program to train nationals to become Dairy Technologists. We also collaborate with HIWPT (Higher Institute for Water and Power Technologies) to train citizens and prepare them for jobs within the food and dairy Supply Chain or factories.

“
Total employees at the end of FY21-22 were **2,584**”



SAUDIZATION*

FY18-19 **32%** FY19-20 **32%**

FY20-21 **35%** FY21-22 **38%**

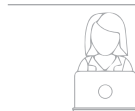
*As per Nitaqat system

SADAFCO provides equal opportunity and fosters an inclusive atmosphere for women and individuals with special needs. We have implemented policies and procedures that encourage equal opportunity and a workplace free of discrimination and harassment. We realise that women have a unique and crucial role in shaping the next generation. Other initiatives are also undertaken to improve gender diversity such as day-care at locations, improved work environment, and specific positions reserved only for women. During this year, with the help of our initiatives, we could successfully transition many women employees to managerial roles.

	<30	30-50	>50
MEN	307	1,745	344
WOMEN	58	122	8

Women make up 7% of our workforce. SADAFCO seeks to enhance gender balance throughout the organisation and has made many efforts to hire more women in manufacturing and other divisions. We don't want to stop at levelling the gender ratio. We want to achieve long-term equality by guaranteeing equitable representation of women at all levels and gender pay parity. Our work on diversity and inclusion will be centred on these themes in the future years.

“
Target to achieve female employment of more than **10%** in our operations.”



WOMEN IN WORKFORCE

FY18-19 **4%** FY19-20 **5%**

FY20-21 **5%** FY21-22 **7%**

Employee Health & Happiness

Our company is built around people. We are firm believers in investing in employees' growth to help them attain their full potential. The organisation ensures that its employees are motivated, happy, appreciated, and fairly treated. We create a work atmosphere where individuals can fulfil their obligations efficiently and enjoyably. We instil positive organisational cultural habits among all staff through policies, awareness, training and open dialogue. To boost employee morale, rewarding and recognising good practices and actions will be given higher focus in the coming years.

We undertake numerous employee surveys to get feedback and the pulse of the workforce. Townhall sessions with senior leadership and the introduction of e-learning sessions were recognised as opportunities to satisfy employee desires for open communication and simple learning tools.



Continue to maintain attrition rate **<12%** by FY2022-23



FY18-19 **19%** FY19-20 **15%**

Total Employee Turnover

FY20-21 **11%** FY21-22 **14%**



Employee turnover has reduced in last four years by over **25%**.

Engaging in open dialogue

We conduct town hall sessions where the leadership team addresses the employees and shares company's vision and provides an opportunity for the employees to raise their concerns, clarifications, and ideas.

SADAFCO publishes a daily internal newsletter, 'Pulse' for regular communication with and amongst

employees. Through Pulse, company updates, initiatives, new launches, training programs and thoughts of employees are shared within the organisation. The internal newsletter interviewed more than 30 employees during the year, activated five awareness campaigns and programs, and shared more than seven surveys.



Conduct an **employee engagement/satisfaction survey** at least once in two years.

We are looking for ways to break communication silos by further innovating and improving the communication channels and employee engagement process.

The company has adopted many programs to address the main points, e.g. providing easily accessible e-learning opportunities for employees, having town hall meetings to raise their questions and concerns to the Senior team directly.

Happy Employees = Productive Workplace, an equation we always believed in but did not have enough yardstick to measure. We have, during the year, deliberated and identified how we measure the creation of happy employees.



Develop a **SADAFCO** happiness index to measure employee happiness level

'No Harassment'

SADAFCO is dedicated to creating a workplace free of harassment, including discrimination, victimisation, and bullying, and where an individual's dignity is valued. Every individual is accountable for ensuring that there is no harassment in any way. SADAFCO's Board of Directors and executive officers are committed to supporting all efforts to maintain a workplace free of harassment. All directors and employees must respect one another as co-workers and understand that sexual and power harassment behaviours insult human dignity and will not be accepted in the workplace. The same is well spelt out in our policies and code of conduct.

Continuous Learning

We encourage and provide opportunities for workers at all stages of their employment to pursue learning and growth. We provide in-house skill development programmes that include functional skills and general management abilities like mentoring and team cooperation. We established an e-learning module during the pandemic to offer all staff easy access to necessary training. Learning Platform provides a wide choice of mandatory and elective training for our teams to take control of their professional growth. On this platform, we have begun tracking all workers' training metrics. Our target is to provide a minimum of five hours of annual training to every employee. During the year, 20,406 learning hours were delivered to 906 employees.

Training requirements are determined based on both the company's objectives and the individual's needs. All personnel receive English language training. Other specialised trainings include SOCPA for Finance, HIWPT for Manufacturing and Supply Chain, functional training for Marketing & Trade Marketing and OD, and training for manufacturing workers such as Fire Safety, ISO and OHSAS training, and Six SIGMA.

“

Continue to strengthen the number of training, employees trained and hours of training imparted on the newly implemented **e-learning platform**

Employee Health

We are dedicated to providing a safe working environment to everyone operating at SADAFCO. To protect employees from potentially hazardous workplace consequences, we undertake the identification of unsafe conditions and implement measures to achieve a safe workplace. All factories have been certified and follow ISO 45000 occupational health and safety practices. We inculcate a safety culture first amongst everyone and regularly conduct training, awareness and mock drills related to safety. Every employee is encouraged to report or raise concerns regarding potential health and safety issues they observe at the factory. We changed the operating structure of the SHEQ department and established



a dedicated Health, Safety, and Environment (HSE) department to increase attention on Health and Safety.

With our rigorous occupational safety practices, we have not had any fatalities. We adhere to all national occupational health, safety, and environmental regulations. We did not experience any legal issues or fines on account of the same.

Occupational health hazards by process and work area are identified internally. Regular employee health check-up is conducted based on the identified health hazards.

The COVID 19 pandemic spawned a new set of occupational health concerns worldwide. Because we work in the food and dairy industries, we needed to operate and support the community much more than before. We implemented many personal hygiene and safety procedures in our entire workforce, on-site or off-site while operating under these unusual conditions. This assisted us in containing the epidemic, reducing transmission, and raising awareness within the company. One of the most serious health challenges for employees during the pandemic was mental health. Employees' mental stress levels were reduced with the implementation of mental health initiatives.

Near miss injury reporting rate has increased five times in the last four years due to better reporting practices introduced. Automation of near-misses reporting is one of the key activities under implementation. We foresee more reporting on near miss injury as a measure to reduce the number of injuries and keep the injury rate under check. In the coming year, SADAFCO will focus on strengthening the reporting practices, expanding

the scope of near miss reporting and including it as a performance indicator for relevant employees.



Community Impact

Our community effort is around giving back. Our community service is centred on education, health, and well-being. We are dedicated to supporting nation-building activities and national issues. We participate in these activities through events, sponsorship, partnerships, and contributing funding to help arrange them. Through our actions, we try to have the greatest potential social impact. To offer structure to our community endeavours, we have developed and implemented a CSR policy.

We want everyone in the company to participate in these events. Last year, almost every employee

“

Our spending on community activities was **0.8%** of net profit in FY19-20.

volunteered to help with these events. In the future, we want to use the ISO26000 standard to assess the effectiveness of our efforts. We will emphasise the promotion of local goods, the creation of local job opportunities, and local skills development.

SADAFCO
made contributions worth

USD 2.1 million

to the Governments of KSA,
Bahrain, Jordan & Kuwait to
fight COVID





Educating Children on Nutrition

One million children in primary schools across Saudi Arabia are now nutritionally more aware, thanks to an educational campaign spearheaded by Saudia Dairy and Foodstuff Company (SADAFCO). The campaign sponsored by the Saudia Milk brand, centred around increasing knowledge and awareness of the importance of a well-balanced diet, was rolled out across schools in the Kingdom. During the three-month campaign, a team of nutritionists visited schools and engaged children in a dialogue on nutrition. The focus was placed on emphasising the importance of dairy consumption in maintaining health, and the educational program extended its reach while highlighting the benefits of consuming balanced meals.



“Green Environment”

SADAFCO participated in the Green environment initiative, organized by the social responsibility association in Jeddah to help in the cleaning up the Jeddah Makkah road through involvement of a diverse pool of people in the green initiative. 255 employee volunteering hours resulted in 980KG's of waste being collected during the drive. We foresee such initiatives as a way of bringing everyone under the sustainability pool.



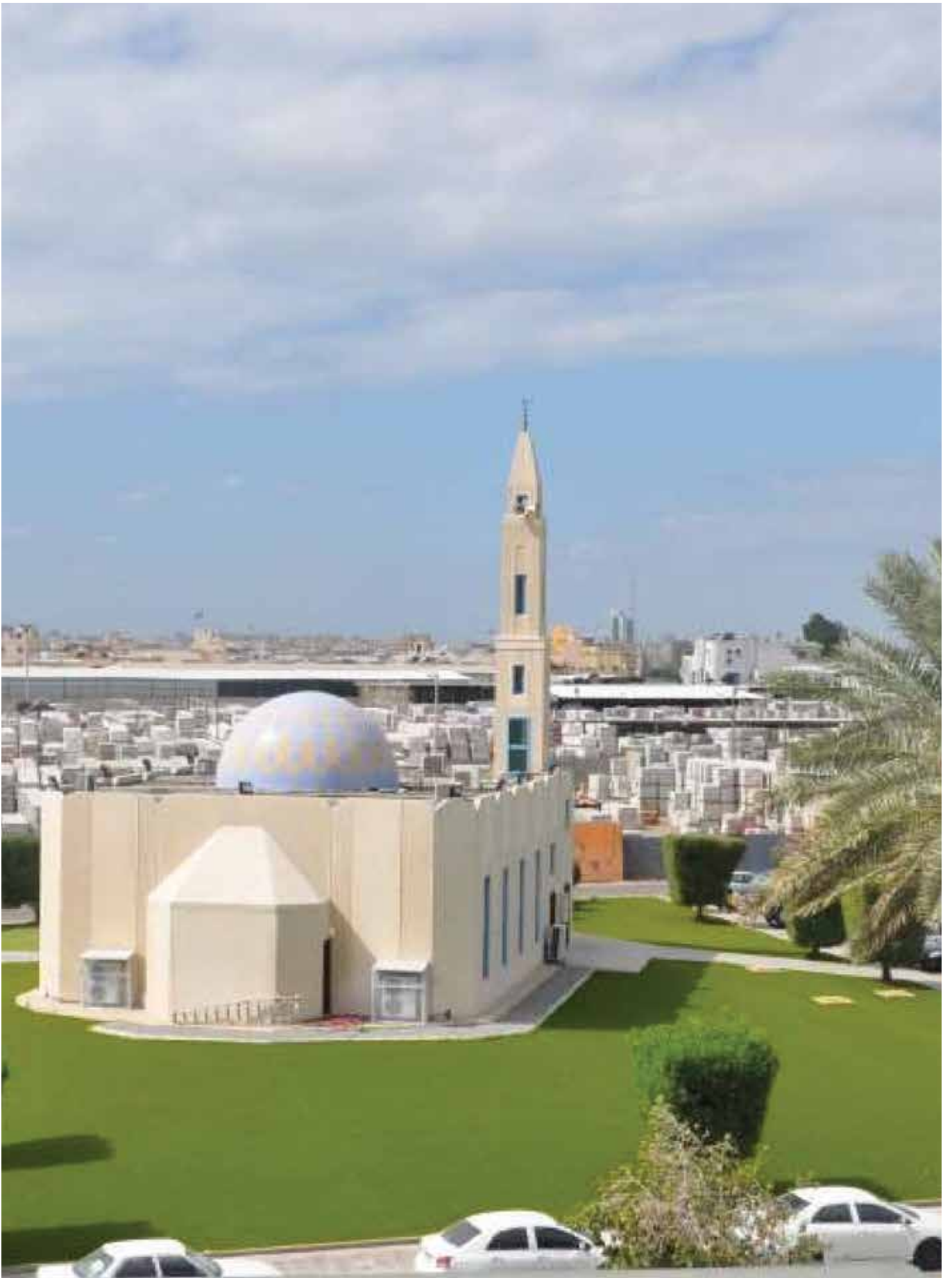
Partnering for Skill Development

The program is a partnership with the Higher Institute for Water and Power Technologies (HIWPT) to develop the national technical workforce to meet our needs for skilled people in the fields of maintenance and operation. The program began in 2017 and covers necessary skills required across mechanical, electrical and refrigeration disciplines to complement the company's needs. Since the beginning, the program has successfully trained 56 young Saudis, with 39 currently holding permanent positions across SADAFCO's different facilities.

This year also we continued to participate in the e-government program called “Tamheer Program”, which is an on-the-job training program for Saudi graduates, who hold diploma, bachelor's degree, master's degree, or PhD, from local or international universities. We provide them with training to acquire work-based experiences and to prepare them for full-time employment. Similarly, we collaborate with CPA university for skill development.

We consider Prisoners' family members to be on the fence of discrimination. Providing them with respectable mainstream employment opportunities through skill development is our objective. This year, we hired several employees from this group. Similarly, we work with orphans.

“Through our collaboration, we are honoured to support and enhance the skills of the trainees who will play a key role in driving growth across the country.”



Natural grass around Al Shaikha Al Fotouh Mosque replaced with water-saving artificial turf

7

Governance



Corporate governance is regarded as one of the most essential tools for improving the efficiency of a company's administrative procedures. Effective governance at SADAFCO constantly promotes openness and accountability, manages risks, discloses conflicts of interest, implements adequate measures to assure compliance, and creates value for all stakeholders. We have put systems and controls in place to balance the relationships among various stakeholders.

We have developed a corporate governance code that provides the necessary fundamentals for the SADAFCO Board of Directors to set, execute, and control the corporate governance standards and policies for establishing corporate governance practices, legal obligations, and work ethics within all SADAFCO departments.

Promoting Business Ethics and Integrity

SADAFCO has implemented adequate controls to uphold business ethics and integrity, such as policies and initiatives to prevent bribery & corruption, whistle-blower protection.

To continue promoting ethics and integrity in business, SADAFCO aims to continuously improve incidence reporting within the organisation by raising awareness of the existing whistleblowing mechanism & policies through various internal communication channels.

Code of conduct

SADAFCO is an organisation that places a high value on accountability and transparency. Our Code of Conduct gives general guidelines for conducting business following the highest ethical standards. It assists employees in making ethical decisions. All employees receive a code of conduct training and provide acknowledgement to abide by the company's Code of conduct. Every employee is obligated to follow the Code and do their tasks with honesty and integrity

in all areas not expressly covered by the Code. We take violations of the Code of conduct very seriously, and any such violation may result in the discipline or dismissal of the personnel involved.

Whistle-blower Policy

SADAFCO is devoted to creating an environment where open, honest communication is the norm rather than the exception. We want employees to feel comfortable approaching supervisors or management if they believe policies or standards have been violated. Our whistle-blower policy encompasses abuses of human rights, humanity, discrimination, anti-social behaviour, and harassment, among other things. We launched Ethicspoint, a confidential incident reporting system. Anonymous reporting will be available through Ethicspoint, a third-party helpline. Employees can use this tool to report violations of the Code of Conduct. They can also use it to request policy and procedure guidance and share good suggestions and tales. We have an Employee Grievance Cell to further facilitate employee grievances.

Our whistle-blower policy extends beyond employees to our suppliers, customers, and consumers.



Compliance

Compliance is of very high relevance to SADAFCO. We are committed to maintaining total compliance in all aspects of our business. Compliance for us means no breach of the external law and regulation and SADAFCO's codes of conduct. We proactively study and evaluate corporate governance, environmental and social guidelines to identify the ones of relevance which can be implemented at SADAFCO before they become mandatory or law.

The legal and corporate governance team ensures systematic adherence to compliances. This team undertakes periodic assessments on implementing compliance practices internally and through the third party, internal auditors. The board and senior leadership team pay close attention to compliance and take frequent updates on the status. We are in the process of digitisation of compliance practices across functions.

“

This year we did not have any **compliance breach**, nor did we pay any significant fines for environmental non-compliance.

We have a very high focus on corporate governance compliances. Our long-term goal is to continuously have a 100% compliance rate with corporate governance laws and articles. Our short-term goal is to achieve ISO 37000:2021 certification for our governance standards by FY2023-24. We have developed a social responsibility policy as per CMA guidelines. We are also evaluating the need to form additional board committees to appropriately fulfil our corporate commitments and vision.



Data Privacy and Security

We understand the necessity to respond to the rapid digitalisation of business and labour processes, which the pandemic scenario has hastened. Internal and external stakeholders are more exposed to cybersecurity vulnerabilities due to increased digitisation. We know that business faces difficulty in the ever-changing cybersecurity world.

We regularly implement and upgrade security practices to stay on top of cyberspace and secure our systems. We strive to keep security breaches to a minimum at all times. Next year, we intend to implement a personal data protection policy by national personal data protection legislation.

“

Personal **Data protection policy** has been developed. It is publicly available on our [company website](#).

Information Security and Management systems act as a common language for understanding, managing, and expressing data. In February-2022, we have implemented Data Loss Prevention Systems that encrypts high confidentiality documents to prevent confidential information from being transmitted externally. In July-2021 we received ISO 27001 certification for the provision of Information Security Management system for providing IT services within SADAFCO.

Meanwhile, we have been working to improve our cybersecurity and data privacy maturity levels to combat global cybersecurity threats and avoid data breaches. A third-party Vulnerability Assessment & Penetration Testing (VAPT) taken during the year was a step in this direction. We applied the recommendations of this exercise across our business.

Our Information Technology team takes responsibility for maintaining data privacy and cyber security. We intend to extend our data privacy and security governance, control and monitoring practices to the third-party and vendors supporting our operations. To run phishing attack simulations regularly, we are in the process of acquiring a cyber security awareness training platform.



Appendix

Key Metrics

Particulars	Unit	FY18-19	FY19-20	FY20-21	FY21-22
Production	MT	299,351	353,432	378,467	339,758
Energy Consumption Within the Organisation	KWh	233,944,959	244,897,634	223,109,753	235,079,808
Energy Consumption Within the Organisation	MWh	233,945	244,898	223,110	235,080
Total Energy Intensity (within the organization)	KWh/MT	781.5	692.9	589.5	691.9
Total Water Withdrawal	m3 ('000 liters)	1,074,214	1,158,328	1,202,748	1,193,027
Production Volume	'000 liters	308,852	363,245	381,752	348,910
Total Water Withdrawal / Production (l/l)	l/l	3.5	3.2	3.2	3.4
Water Effluents (COD Level)	mg/l	1,403	1,322	982	2,218
Scope 1 GHG Emissions	TCO2	45,028	47,044	43,194	45,922
Scope 2 GHG Emissions	TCO2	42,221	44,147	39,412	40,189
Total GHG Emission Intensity	(TCO2/MT Production)	0.3	0.3	0.2	0.3
Waste Generated - Non Hazardous	kg	NA	NA	6,730,333	6,155,170
Total Recycle Waste	kg	NA	NA	2,585,010	2,439,050
Recycle Rate	%	NA	NA	38%	40%
Number of Consumer Complaints Received	#	111	287	212	287
Resolution Rate	%	100%	100%	100%	100%
Recommended Order Compliance	%	90%	90%	90%	92%
Top of Mind Awareness (TOM) (Brand Equity KPI)	%	14%	14%	15%	15%
Most Often Usage (MOU) (Brand Equity KPI)	%	14%	15%	16%	15%
Saudization	%	32%	32%	35%	38%
Women in Workforce	%	4.3%	4.5%	5.3%	6.6%
Number of Special need employees	#	21	19	16	16
New Employee Hires	#	426	423	392	400
Regretted Employee Turnover	%	3.3%	3.4%	1.8%	2.4%
Total Employee Turnover (%)	%	18.8%	15.2%	11.4%	13.5%
Near Misses Factory	#	194	450	384	845
Work Related Injuries	#	7	17	11	12
Work Related Ill Health	#	-	-	-	-
Lost Time Case Rate	Rate	1.3	1.4	1.1	1.0

GRI Index

GRI Standard	Disclosure Number	Disclosure	Page No.	Comment
GENERAL DISCLOSURES				
GRI 102: Organizational Profile	102-1	Name of the organization	7,62	
	102-2	Activities, brands, products, and services	9,10	
	102-3	Location of headquarters	7	
	102-4	Location of operations	11	
	102-5	Ownership and legal form	7,9	
	102-6	Markets served	10,11	
	102-7	Scale of the organization	9,10,11	
	102-8	Information on employees and other workers	45	
	102-9	Supply chain		We will be reporting on this item from next year onwards
	102-10	Significant changes to the organization and its supply chain		Not applicable, it is the first year of reporting
	102-11	Precautionary Principle or approach	16	
	102-12	External initiatives	17	
	102-13	Membership of associations		
GRI 102: Strategy	102-14	Statement from senior decision-maker	4,5	
GRI 102: Ethics & Integrity	102-16	Values, principles, standards, and norms of behaviour	8	
	102-18	Governance structure	16	
GRI 102: Governance	102-20	Executive-level responsibility for economic, environmental, and social topics	16	
	102-40	List of stakeholder groups	20-21	
GRI 102: Stakeholder Engagement	102-41	Collective bargaining agreements		We have not reported this information in the current report
	102-42	Identifying and selecting stakeholders	19	
	102-43	Approach to stakeholder engagement	19,20,21	
	102-44	Key topics and concerns raised	20,21	

GRI Standard	Disclosure Number	Disclosure	Page No.	Comment
GRI 102: Reporting Practice	102-45	Entities included in the consolidated financial statements	12	More details available in the Annual Report
	102-46	Defining report content and topic Boundaries	7	
	102-47	List of material topics	23	
	102-48	Restatements of information		There are no restatements as this is our first report.
	102-49	Changes in reporting		There are no changes as this is our first report.
	102-50	Reporting period	7	
	102-51	Date of most recent report	7	
	102-52	Reporting cycle	7	
	102-53	Contact point for questions regarding the report	7	
	102-54	Claims of reporting in accordance with the GRI Standards	7	
	102-55	GRI content index	57-60	
102-56	External assurance			
GOVERNANCE				
GRI 103: Management Approach 2016	103	Explanation of the material topic	53,54	
GRI 205- Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	53	Currently number of hours are not reported separately.
GRI 103: Management Approach 2016	103	Explanation of the material topic	53,54	
Environmental Compliance	307-1	Non-compliance with environmental laws and regulations	54	
ENVIRONMENT & CLIMATE CHANGE				
GRI 103: Management Approach 2016	103	Explanation of the material topic	35	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	56	
	302-3	Energy intensity	56	

GRI Standard	Disclosure Number	Disclosure	Page No.	Comment
GRI 103: Management Approach 2016	103	Explanation of the material topic	39	
GRI 303: Water and Effluents 2018	303-3	Water withdrawal	56	
EMISSIONS				
GRI 103: Management Approach 2016	103	Explanation of the material topic	35	
	305-1	Direct (Scope 1) GHG emissions	56	
GRI 305: GHG Emissions 2016	305-2	Energy indirect (Scope 2) GHG emissions	56	
	305-4	GHG emissions intensity	56	
EFFLUENT AND WASTE				
GRI 103: Management Approach 2016	103	Explanation of the material topic	35,40	
	306-1	Waste generation and significant waste-related impacts	35, 40, 41	We are working towards providing more disclosure on the topic
	306-2	Management of significant waste-related impacts	35, 40, 41	We are working towards providing more disclosure on the topic
GRI 306: Waste 2020	306-3	Waste generated	35, 40, 41,56	We are strengthening our waste disclosure process
	306-4	Waste diverted from disposal	35, 40, 41,56	
	306-5	Waste directed to disposal	56	We are strengthening our waste disclosure process
EMPLOYEE				
GRI 103: Management Approach 2016	103	Explanation of the material topic	45	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	45-46	
GRI 103: Management Approach 2016	103	Explanation of the material topic	45,47	

GRI Standard	Disclosure Number	Disclosure	Page No.	Comment
GRI 404: Training & Education 2016	404-1	Average hours of training per year per employee	47	7.9 hours of training per employee
SAFETY AND WELL BEING				
GRI 103: Management Approach 2016	103	Explanation of the material topic	46	
GRI 103: Management Approach 2016	403-1	Occupational health and safety management system	46,47	
	403-4	Worker participation, consultation, and communication on occupational health and safety	46,47	
	403-5	Worker training on occupational health and safety	46,47	The data on this topic will be maintained separately.
	403-8	Workers covered by an occupational health and safety management system	46,47,48	
	403-9	Work-related injuries	48,56	
Customer	416-1	Assessment of the health and safety impacts of product and service categories	27-31	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	27	
Local communities	103	Management approach	49,50	
	413-1	Operations with local community engagement, impact assessments, and development programs	49,50	



P.O. Box 5043, Jeddah 21422, Kingdom of Saudi Arabia
Tel : +966 12 629 3366 Fax : +966 12 629 3380 E-mail : sadafco@sadafco.com www.sadafco.com