



Sustainability in Motion

Sustainability Report 2023



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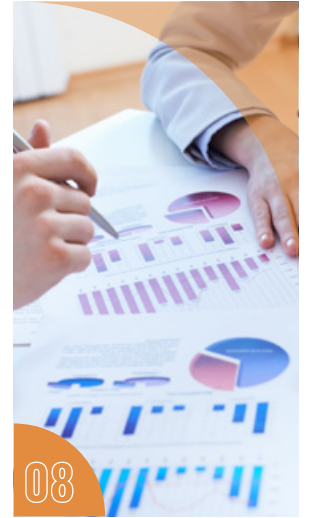
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01

Message from Leadership



Chairman's Message



This year, our primary focus was to translate the ESG Strategy and Roadmap into concrete actions

Dear Stakeholders,

I am pleased to present SADFACO's third Sustainability Report, a testament to our ongoing commitment to sustainability and innovation. This year, we made significant strides in embedding sustainability across all our ESG pillars, including governance, consumer, community, and environment.

Sustainability is one of three pillars central to SADFACO's vision. Our sustainability strategies and priorities are aligned with the "Saudi Vision 2030". Our commitment to sustainability and innovation drives us forward. Sustainability is shaping our operations and product development efforts. Our initiatives reflect our dedication to operational efficiency, value chain enhancement, and regional growth, contributing to economic diversification in line with "Vision 2030". Our

actions reflect that sustainability at SADFACO runs across all activities within and beyond its premise.

Climate change is a global phenomenon impacting all of us and questioning our long-term existence on this planet. We address climate issues related to our entire business leading the dairy sector in Saudi Arabia. Our strategy towards fleet decarbonization, transition to solar power, and digital transformation are planned to fulfill this vision.

Our people drive sustainability. We're proud to share that we have joined Fortune 500 Arabia 2023 to support passion, learning, and excellence for our people. My heartfelt gratitude goes to our Board, shareholders, executive management

team, and the entire workforce. Together, we'll uphold excellence and innovation and deliver high-quality products to our customers.

We remain steadfast in supporting "Vision 2030".

HH Sheikh Hamad Sabah Al- Ahmad
Chairman



CEO's Message

**Dear Stakeholders,**

Due to the short financial year in 2023, we had only nine months to act, but our sustainability actions remained in full swing. We could make significant progress across the business value chain.

The decarbonization efforts in our fleet became successful with the adoption of the first electric truck. Further, we have entered into partnerships for supply chain optimization (e.g. partnership with NTSC). Our journey towards Route-to-Market (RTM) excellence with Bizom marks a new chapter in our business, shaping SADFACO's distribution ecosystem for tomorrow and beyond. By embracing cutting-edge technologies, we are enhancing efficiency and seizing new market opportunities.

We enhanced our engagement with suppliers on sustainability, starting with a physical review and audit of some of the key raw material suppliers. This provided us with insights into the good

practices of specific suppliers and the need to reevaluate others. We are dedicated to working with suppliers that continuously demonstrate sustainable behavior and practices. For more sustainable transportation of critical materials like tomato paste, we shifted to innovative larger and bulk-size packaging.

Within our factories, we continued to improve the efficiency of our operations and implement the digital factory program. Considering water as a critical resource for us and society, we continued to improve the effluent quality. Outside our factory, our commitment to packaging waste collection and recycling has substantially bolstered our recycling rates.

The youth are our future, and by nurturing and empowering them through our "Saudia Falcons" program, we invest in their growth, ensuring the future prosperity of SADFACO. Witnessing the potential and determination of the next generation as they carve the path for our

company's future is truly inspiring. We continued to serve the society with nutritious products, continuously evolving and creating new healthier products with less sugar and salt.

Sustainability is at the core of our company's strategy. As we move ahead, we are zealously exploring opportunities to decarbonize SADFACO's operations with newer interventions like innovative use of solar power, enhanced use of digital, more nutritious and delightful products, and deeper engagement with people.

Looking ahead, our goal is to intensify our efforts in constructing a Company that generates sustained value for all stakeholders and paves the way for a brighter future for generations to come. We eagerly anticipate your ongoing support in this endeavor. We welcome your thoughts and suggestions on SADFACO's sustainability actions.

Patrick O. Stillhart
CEO



02

About Us



Our Business

Saudia Dairy and Foodstuff Company (SADAFCO) stands as a cornerstone of excellence in the food industry within Kingdom of Saudi Arabia and beyond. It has evolved into a household name synonymous with trust, reliability, and innovation. With a rich history rooted in integrity and a forward-thinking approach to business, SADAFCO has upheld unwavering standards of excellence, consistently delivering products that cater to the diverse needs of consumers while prioritizing health, nutrition, and taste.

The Company achieved net sales of SAR 2.1 Bln in SFY 2023, reflecting a YoY increase of 6.2% (over the same period last year). During the year, SADAFCO achieved highest ever net profit of SAR 325.0 Mln indicating a growth of 47% over the same period last year.

Our revenue over the years (SAR Mln)

Financial Year	KSA	GCC	Other Countries	Poland	Total Revenue
SFY2023**	1,773	60	113	165	2,111
FY 2022-23	2,194	64	114	276	2,648
FY 2021-22	1,786	56	79	249	2,170
FY 2020-21	1,811	64	71	159	2,105
FY 2019-20	1,752	58	48	198	2,056

* FY presents financial year i.e. from 1st April to 31st March – 12-month period

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



Purpose

Sustainably nurture and connect generations with goodness and happiness



Mission

- Delighting consumers with delicious, nutritious, convenient & sustainable products
- Accelerating profitable growth
- Creating value for the society (environment), stakeholders, and shareholder



Vision

Impossible is nothing



Values



Trust



Integrity



Lead/Learn



Respect



Passion



Excellence



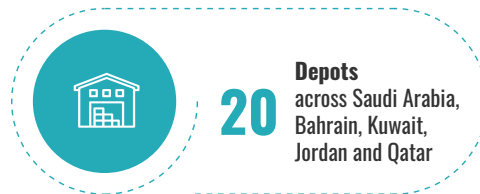
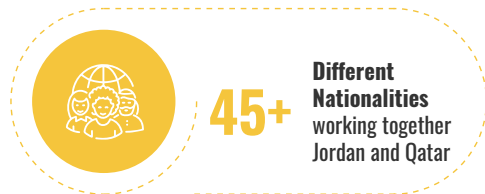
Culture

- Consumers focus
- Highest quality performance
- Accountability
- Efficiency
- Collaboration
- Lead & Learn



SADAFCO's Presence

Since its establishment in 1976, SADAFCO has been a pioneer in the production, sales and distribution of consistently high-quality food products in the GCC and selected export markets in the Middle East and North Africa.



Manufacturing Facilities



Poland



Jeddah



Dammam

* Including operation outside Saudi



Our Product Portfolio

Initially renowned for its production of long life milk, now SADAFCO extends its influence across various segments of the food and beverage industry and encompass a diverse array of products. Currently, SADAFCO is a leader in the GCC milk market and the number 1 Long Life Milk in Saudi Arabia. The Company is also the market leader in both the Tomato Paste and Ice Cream markets in the Kingdom and it has long been a participant in the Snacks and Fruit Drink markets.

SADAFCO has been synonymous with quality and reliability in the dairy sector. Under the flagship brand “SAUDIA,” SADAFCO’s product portfolio spans across a wide spectrum, catering to the varied preferences of consumers.

SADAFCO’s milk product category offerings include Whole Milk, Low-fat milk, Skimmed Milk, Gold Milk, Flavored Milk, Functional Milk, EVAP, Growing Up Milk and Instant Milk Powder, including innovative options like Date Milk. Complementing its dairy offerings, the company’s Ice Cream line, introduced in 1979 under the brands “SAUDIA” and “BABOO,” features a diverse range of products, from tubs to bars. SADAFCO ventured into cheese production in 1991, offering a range of products including Feta Cheese, Feta Tubs and Triangles, leading domestic producer of bulk feta cheese sub-segment. Further, tomato products include Tomato Paste and Tomato Ketchup and the snacks range consists of two well-known formats: Crispy Rings and Letters. SADAFCO also offers range of other products including, French Fries, Mayonnaise etc. In pursuit of continued expansion, SADAFCO has recently introduced innovations in the Laban, Breakfast Cream, Cheese, Butter, Powdered Milk, Ketchup, Fortified Children’s Milk and Frozen French Fries categories.



SADAFCO’s milk and tomato paste continue to have more than half the market share over the years, whereas SADAFCO’s ice-cream has one-third of the market share in Saudi Arabia.

Revenue by Product (SFY2023)

Product	Revenue (SAR Mln)	Growth (%)
Milk	1,228	7.6%
Ice Cream	378	19.4%
Tomato Paste	168	7.6%
Powdered Milk	47	46.7%
Cheese	37	4.2%
Others	88	22.9%
Total	1,946	10.8%



03

Sustainability in Motion



Approach towards Sustainability

Purpose and profit go in tandem to drive long term growth and value creation for its stakeholders. Continuously strengthening its ESG practices, SADAFCO places sustainability at the heart of its business activities. It continues to make sustainability efforts building upon the continuum of its previous efforts and expanding its scope.

Aligned with the ambitious National Vision 2030, the Company integrates sustainability into every facet of its operations. SADAFCO has aligned its sustainability efforts to the Global Reporting Initiative (GRI) and SDG's outcome.

During the year, SADAFCO initiated actions on carbon neutrality, plans to transition its fleet to fuel-efficient models and targeting zero emissions by 2045. Furthermore, the Company commits to expanding its solar power initiatives across multiple facilities, reducing its carbon footprint.

This year, SADAFCO solidifies its commitment to environmental protection through the development of its Environmental Policy with a clear purpose of meeting customer and consumer needs in a responsible and environmentally sustainable manner.

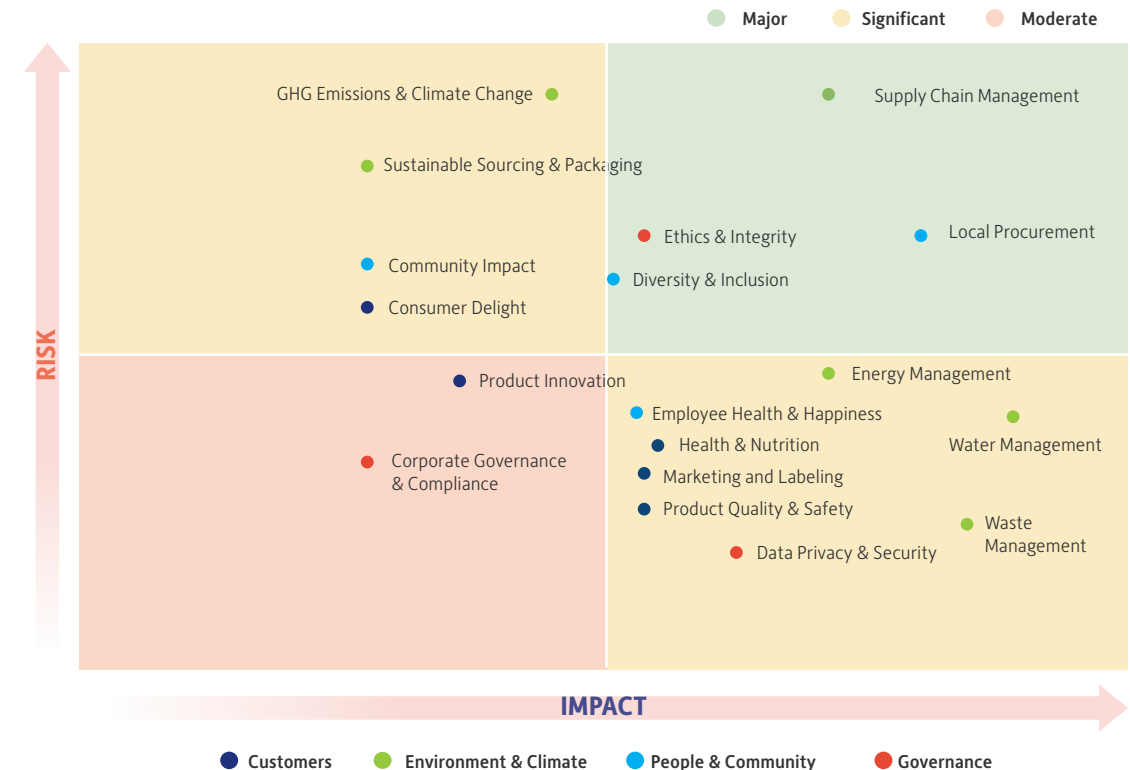


Initiated actions on carbon neutrality, plans to transition its fleet to fuel-efficient models and targeting zero emissions by 2045

Materiality Assessment

We view materiality assessment as a very valuable tool for guiding us to identify the areas of maximum impact and risk. We revisit our material topics choice once in two years. Last year, SADAFCO revisited it's material topics through a systematic materiality assessment process aligned with the principles of GRI universal

standards 2021. As a result, four new topics were added to SADAFCO's ESG focus, making it a total of 18 topics for consideration. We divide our material topics into major, significant and moderate significance topics. Based on the outcome of this exercise we are continuing to expand the sphere of our action and reporting.





Strategic ESG Pillars

Over the years while our material topics have evolved, our actions on sustainability remain anchored on the four pillars of governance, customer, people and community and environment and climate. Throughout the year, the Company made steady progress on the identified prioritized areas under each ESG pillar. We track our sustainability progress through each of these pillars. Through transparent reporting on these aspects, SADAFCO reinforces its unwavering dedication to sustainability and responsible business practices.



	<div>Governance</div> <div>Commitment to all stakeholders to conduct our business ethically while maintaining the highest standards of corporate governance</div> <div> <ul style="list-style-type: none"> Corporate Governance & Compliance Ethics & Integrity Data Privacy & Security </div> <div> <div>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div> </div> <div> <div>13 Foster values of equity & transparency</div> <div>21 Develop the digital economy</div> <div>34 Strengthen the communication channels with citizens and business community</div> </div>	<div>Environment and Climate</div> <div>Commitment to preserving the environment and minimizing the impact of our operations on the planet</div> <div> <ul style="list-style-type: none"> Energy Management GHG Emissions & Climate Change Water Management Waste Management Sustainable Sourcing & Packaging Supply Chain Management </div> <div> <div>6 CLEAN WATER AND SANITATION</div> <div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div> <div>14 LIFE BELOW WATER</div> </div> <div> <div>16 Reduce all types of pollution</div> <div>20 Ensure sustainable access to water resources</div> </div>	<div>Consumers</div> <div>Commitment to consumer delight by providing innovative, high quality, nutritious and safe products</div> <div> <ul style="list-style-type: none"> Consumer Delight Health & Nutrition Product Quality & Safety Product Innovation Marketing and Labeling </div> <div> <div>2 ZERO HUNGER</div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>9 INDUSTRY INNOVATION AND INFRASTRUCTURE</div> </div> <div> <div>12 Develop promising local companies into regional and global leaders.</div> <div>14 Improve quality of services provided to citizens.</div> <div>19 Ensure development and food security.</div> </div>	<div>People and Community</div> <div>Commitment to our employees and the community at large to improve inclusiveness and quality of life</div> <div> <ul style="list-style-type: none"> Community Impact Local Procurement Employee Health & Happiness Diversity & Inclusion </div> <div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div>10 REDUCED INEQUALITIES</div> </div> <div> <div>1 Enhance business focus on their social responsibilities</div> <div>24 Increase women's participation in the labor market</div> <div>25 Enable integration of people with disabilities in the labor market</div> <div>26 Improve working conditions for expatriates</div> <div>27 Source relevant global talent effectively</div> <div>30 Encourage volunteering</div> </div>
MATERIAL TOPICS				
IMPACTED SDG'S				
NTP ALIGNMENT				



Strengthening Relationships with all Stakeholders

Stakeholder engagement for SADAFCO is an instrument to understand the stakeholder expectations. Recognizing the distinct priorities of each stakeholder group, SADAFCO has adopted different engagement routes and models with each stakeholder group. We utilize these modes to engage with local, national and global stakeholders. This inclusive process not only enhances stakeholder satisfaction but also leads to better outcomes, as decisions are informed by diverse viewpoints and interests.

	 Consumer	 Customer	 Employee	 Supplier	 Community	 Investor & Regulator
Needs & Expectations	<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"> 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"> 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"> Brand reputation International recognition and certifications Direct communication channels Timely payment Ethical & fair practices 	<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"> 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
Engagement Modes	<ul style="list-style-type: none"> Social Media Visitor tours Website Call Centre Electronic mail Product sampling 	<ul style="list-style-type: none"> CRM Electronic mail Social Media Website Call Centre Visits Financial incentives 	<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 	<ul style="list-style-type: none"> Regular supplier interactions by concerned departments Supplier feedback Supplier grievance mechanism Supplier meets Visits to supplier facility 	<ul style="list-style-type: none"> CSR activities Student learning opportunities Community Interventions & Partnerships Social media Donations Social volunteering Sponsoring sports and social activities 	<ul style="list-style-type: none"> Board of Directors meetings Public reports & periodic disclosures Press Releases Investor Relations Annual General Meetings (AGM) / Extraordinary General Meetings (EGM) Internal audit Stakeholder meetings and open dialogue Working closely with regulators to develop improved standards





04

Delivering Trust



Promoting Ethics and Integrity

Anchored on the principles of transparency and ethics, SADAFCO recognizes the importance of creating value for stakeholders while adhering to laws and regulations for long-term sustainability. These principles are embedded into the company's business strategies and execution plans, maintaining the highest standards of governance.

To safeguard these values, SADAFCO maintains strict policies against unlawful discrimination and harassment, fostering a fair workplace for all employees and business partners. Honest and direct communication channels are encouraged to swiftly address any issues related to unlawful or unethical behavior. To reinforce its commitment, SADAFCO has in place an "Executive Ethics Committee" to oversee ethics issues, conduct regular audits of ethical standards, and provide employee training. Together, SADAFCO cultivates an environment where everyone is empowered to uphold the highest standards of ethics and performance.

SADAFCO has established an Employee Grievance Cell to promptly address employee issues, ensuring a safe and respectful work environment. Employees have the provision to report concerns to an independent third party on a dedicated line. Reports are treated anonymously, and the company ensures not to disclose the identity of the employee who report concerns.

'Zero'
cases of corruption,
anti-competitive behavior
and anti-trust during
the SFY



Doing what's Right

SADAFCO's approach to business ethics and integrity is contained in the Code of Conduct and related policies. The Code of Conduct and Ethics (the "Code") includes guidance on ethical practices the Board members, committee members, executives, directors and employees (jointly referred to as "concerned persons") are expected to comply with .

It highlights SADAFCO's approach on matters including but not limited to compliance with laws, rules, internal requirements, and policies, accepting gifts, harassment, bribery and corruption, and conflicts of interest , safety, employees relations. To ensure that all stakeholders are well-informed and equipped to uphold the Code of Conduct, comprehensive training is provided to all concerned.

All employees at SADAFCO acknowledge their commitment to abide by the Code of Conduct. Violations of the Code of Conduct could result in penalties or termination of employment. Overall, the Code of Conduct aims to foster a culture of integrity, transparency, and ethical behavior throughout the Company, promoting trust and upholding the company's reputation.



100%
Employees signed the
code of conduct

Strengthen Speak up Culture

SADAFCO has a Whistleblower Policy which extends beyond employees to its suppliers, customers, and consumers. The policy is supported by practices that facilitate reporting and encourage openness. This policy also ensures protection for concerned persons from any victimization or detriment upon making a disclosure. This policy was designed to uphold our values of respect for all, integrity, quality, and passion while ensuring the protection of human rights and fostering a supportive work environment free from discrimination and harassment. It emphasizes fair treatment, teamwork, and development opportunities for all employees while taking a firm stance against inappropriate activities.



"Ethics Hotline"
to support anonymous
reporting



Governance and Compliance

SADAFCO adheres to a Corporate Governance Code aligned with Saudi Arabia's regulations set forth by the Capital Market Authority ("CMA"). This Code outlines the rules and policies governing the company's corporate governance, emphasizing the necessary responsibilities and procedures. Successful execution of good governance practices at SADAFCO goes beyond mere legal compliance, requiring honesty, responsibility, and accountability from all involved parties.

The Board endeavors to provide effective governance over SADAFCO's affairs for the benefit of its stakeholders, regularly reviewing and evolving its practices and structure. The primary role of the Board is to establish, execute, and oversee corporate governance standards and policies across all SADAFCO departments. It provides guidance and exercises appropriate control to ensure the company is managed in a manner that meets stakeholders' expectations and societal norms.



SADAFCO aims to implement ISO 37000:2021 governance standards by 2024



For comprehensive information on Board independence, structure, and related matters, please refer to SADAFCO's Annual Report 2023 and Corporate Governance Code available on the company's website under Investor Relations. These resources offer detailed insights into Board composition, committees, meetings, remuneration, and other crucial governance aspects.

Sustainability Governance

SADAFCO has three tier sustainability governance structure supported by the Board of Directors at the highest level to a cross functional task force.

The Board of Directors are responsible for Sustainability Oversight and regularly conducts review of sustainability issues and provides strategic direction on sustainability. The matters related to critical projects supporting decarbonization one of the key considerations by the Board during the year.

The Sustainability Steering Committee supervises and approves the action plans, performance, and strategies of ESG. The committee has senior management executives as its members and reports to the Board of Directors. The CEO is the Chairman of Committee. This committee also provides oversight on sustainability communications, especially the sustainability report. During the year, the sustainability steering committee met four times and took significant decision.

The Cross functional task force provides regular updates to the steering committee. It assists in strategy and action plan development, monitoring the implementation progress, and preparing necessary disclosures. This comprehensive governance structure aims to bridge gaps in transparency and accountability which drives the organization towards its sustainability goals.

Board of Directors

Sustainability Steering Committee

Cross Functional Taskforce

Compliance Management

SADAFCO places a high priority on compliance, strictly adhering to both external laws and regulations and internal policies and codes of conduct. As a part of ongoing efforts SADAFCO continue to take several measures to continue enhancing internal controls to ensure 100% internal & external compliance.



No significant regulatory non-compliance or fines paid

Risk Management

At SADAFCO, the Audit Committee, oversees the risk management. A dedicated Risk Management Committee operates under the Audit Committee to focus on the risks. This committee assimilates the outcomes of the risk assessment conducted by the Internal Audit department into its risk evaluations. The Internal Audit department assess the adequacy, efficiency, and effectiveness of internal controls, risk management protocols, and governance processes. This evaluation occurs through an annual plan approved by the Board of Directors, ensuring continuous improvement and vigilance.

SADAFCO acknowledges the need to evaluate financial and non-financial risks and develop risk management strategies to meticulously examine and review the company's control systems, to respond to internal and external risks.

The objective in risk management is to enhance operational resilience by effectively implementing an Enterprise Risk Management (ERM) framework. This framework equips

SADAFCO with the tools to identify, understand, and proactively manage risks. In addition to regular risk management procedures, SADAFCO's management leverages the risk management framework to identify and address Environmental, Social, and Governance (ESG) risks. As part of this commitment, a comprehensive ESG risk assessment is proposed in the coming years.



**SADAFCO has a
systematic risk
assessment and
management process**



Data Privacy and Security

The rapid adoption of digital technologies brings vast opportunities but also exposes organizations to numerous cyber threats. In response, SADAFCO has upgraded security practices to effectively address the challenges of cyberspace and safeguard its systems against security risks, data breaches and unauthorized access to sensitive information.

SADAFCO has implemented the personal data protection policy which describes the use and disclose of Personal Data in accordance with the applicable laws, in particular, the Saudi Personal Data Protection Law ("PDPL"). It also has in place Data Loss Prevention Systems which employ encryption techniques to safeguard highly confidential documents.

Continuously striving to minimize security breaches, SADAFCO has established rigorous controls and IT security processes. These efforts include planning and executing Phishing Attack Simulations and providing cyber security awareness training to employees.

The final deployment process of the Privilege Access Management (PAM) Arcon tool for internal administration and third-party access is underway. Moreover, SADAFCO has instituted mandatory training, with access suspended for those who fail to complete it. This proactive approach aims to cultivate a resilient and security-conscious workforce within the organization.



**Zero data
security breaches
in SFY 2023**



Kaspersky and SADAFCO join efforts to elevate cyber literacy in the Middle East's critical infrastructure sector.





05

Strengthening Relations

Diversity and Inclusion

SADAFCO is committed to empowering its diverse workforce of over 2600 employees. The company believes in fostering a culture where the best of its local and global presence seamlessly merges, driven by shared values. At the heart of SADAFCO's progress are its talented individuals, whose passion is not only valued but also nurtured. SADAFCO's intent is backed by a Diversity, Equity, and Inclusion Policy that promotes a diverse and inclusive workplace environment. The policy extends to all individuals within SADAFCO. The policy sets the tone to attract and nurture diverse talent, guaranteeing equal opportunities for recruitment and advancement. The policy also lays down guidelines for gathering feedback and addressing any potential discriminatory conduct. Grievance procedures have been developed in a manner that encourages neutrality. Additionally, performance evaluations integrated into the policy also helps in determining fair compensations for employees.



Code of Conduct provides guidance to “No harassment and discrimination” at SADAFCO

National Inclusion

SADAFCO provides a blend of local and global cultures for the last 45 years. We have over years, welcomed and provided an inclusive environment to people from over 40 different geographies and nationalities. This has created a new SADAFCO culture. While we strive for the best talent, SADAFCO continues to include more local talent across the depth and breadth of the organization. In last five years, we have steadily increased the share of Saudi nationals to nearly one-third of the entire workforce. We are committed to the Saudi goal of nationalization.



Saudization in SFY 2023 **39%**



941 Saudi Employee



1,478 Non-Saudi Employee



2,419 Total Employee

Note: This includes only KSA employees

“SADAFCO’s Diversity, Equity and Inclusion policy”





Enriching SADAFCO

Steadily, women workforce at SADAFCO has been increasing since 2018. SADAFCO aims to continue and have a more gender balanced organization by 2030. At SADAFCO, gender balance is means to enrich the culture with more variety of perspectives and ideologies. It shall position the Company to address the changing societal dimensions. SADAFCO has several initiatives focused towards supporting integration of women in the work force. Facilitating a work like balance is one of them. SADAFCO is bringing changes to support women in integrating the work life balance. Setting up childcare centre near its ice cream factory is one of the initiatives in that direction.

Inclusion Beyond Gender

SADAFCO is steadfast in its commitment to uphold Human Rights, promote equal opportunities, and enhance employee well-being. This commitment goes beyond inclusion of women in workforce to including physically challenged individuals into the company. SADAFCO actively supports individuals with disabilities and fights against discrimination in recruitment process. It employees 14 people with disabilities and is identifying the right opportunities within its working environment to grow these numbers.

	SFY 2023			FY 2022-23		
	Under 30	30-50 Years	Over 50 Years	Under 30	30-50 Years	Over 50 Years
Male 	312	1,791	328	263	1,750	385
Female 	41	137	8	47	136	9
Total	353	1,928	336	310	1,886	394

SADAFCO's total headcount including outsourced personnel for the year was 3091. The above table represents data for full time employee only for all branches of SADAFCO.



Ambition is to achieve female employment of more than 35% by the year 2030





Health, Safety and Happiness

SADAFCO's commitment to health, safety, and well-being transcends mere compliance to employee happiness. It is a cornerstone of its corporate identity, shaping its practices, aspirations and culture. At SADAFCO health and safety practices extend beyond employee to their family, and the entire value chain.

Our Practices

The Health, Safety & Environment (HSE) department, is entrusted with the pivotal task of ensuring a safe and healthy workplace. SADAFCO's annual Health and Safety Roadmap guides its efforts in alignment with the governance and management system. SADAFCO's all factories and sales depots are certified with ISO 45000:2018 (Occupational Health & Safety management systems). This is supported with appropriate policies and procedures. Health and safety risks are evaluated and documented for all critical procedures.



ISO 45000:2018

(for Occupational Health & Safety)

Our Actions

Comprehensive emergency response plan further bolster preparedness, with employees trained to respond swiftly and effectively in any situation. These are further supported by safety audits, mock drills and training for 100% of the people at SADAFCO. It also invests in proactive measures to safeguard the health of its workforce, recognizing that a healthy employee is a productive one. In alignment with its long-term goals, SADAFCO consistently strives to reduce work-related injuries, illnesses, near misses, and lost time cases. The company's relentless pursuit of safety and well-being has yielded tangible results, with a significant decrease in work-related injuries witnessed in the past fiscal year.



21 Safety Internal audit

20 Mock drill



5,048* Safety training

2.08 hrs Training per person



65% reduction in work related injuries

0.21% LTIR, target of less than 1 LTIR

* This includes Internal 3909 hours and External Training



Culture of Self-Awareness

Behavioral interventions at all levels reinforce the importance of safety as a personal value, fostering a collective mindset where safety is non-negotiable. SADAFCO is transforming its approach to safety, instilling a culture of accountability, collaboration, and continuous improvement. CEO's message, **"SAFETY STARTS WITH ME"** serves as a catalyst for ongoing improvement in safety practices and procedures. Through continuous training, awareness initiatives, and regular safety assessments, SADAFCO aims to create a workplace where safety is not just a goal, but a shared responsibility embraced by every individual.

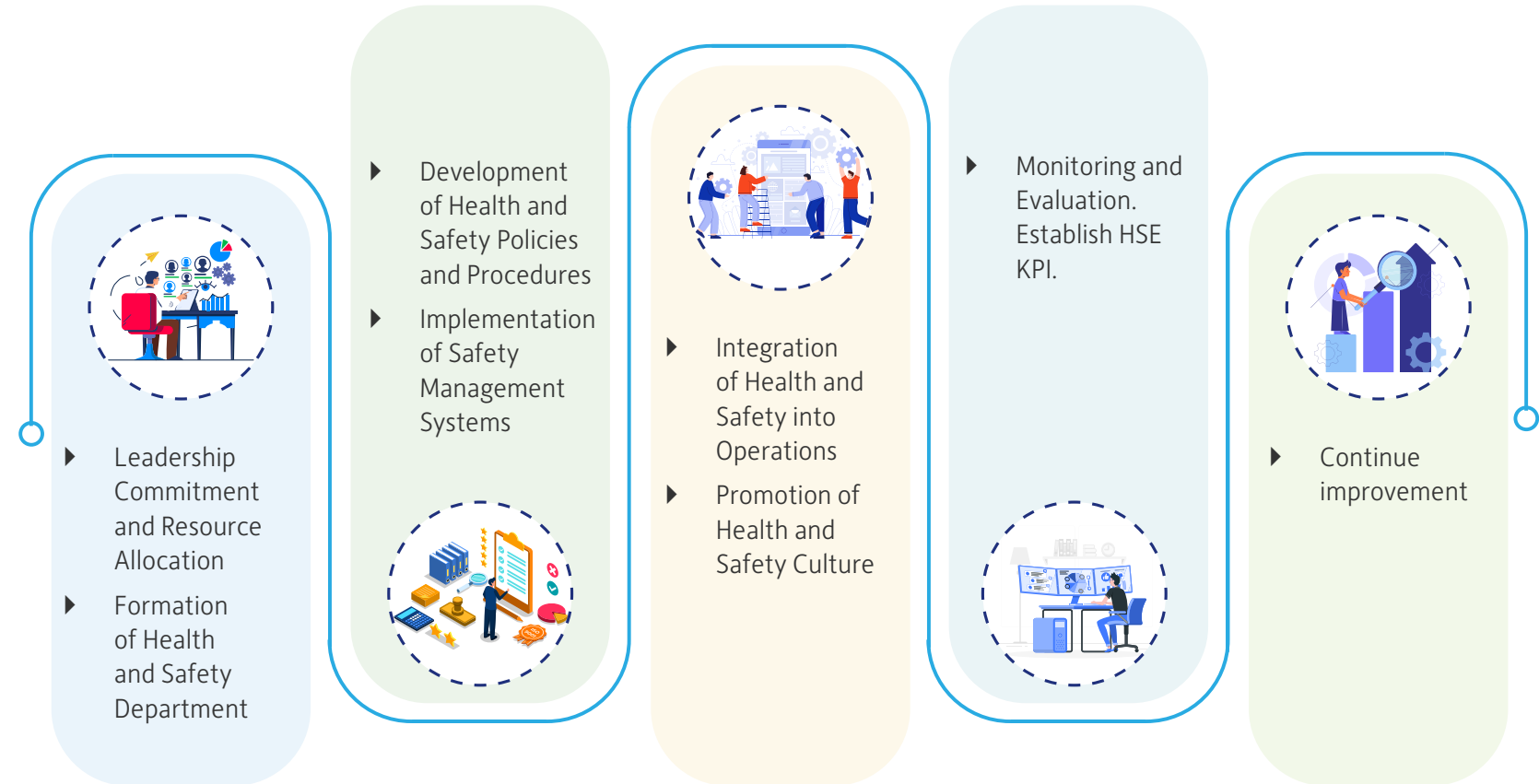
Health and safety at SADAFCO is driven from the top. SADAFCO's leadership champions this initiative inspiring confidence and drives continuous progress in safety practices and procedures. This slogan sets a new benchmark for safety excellence within SADAFCO, emphasizing personal accountability for safety among all employees and fostering a safety-centric culture.

"Safety Starts with Me"

Patrick Stillhart
CEO



Key Strategy



Training and Development

SADAFCO is actively committed to ensuring a safe and comfortable working environment that allows every employee to carry out their duties with energy and vitality. Through the implementation of supportive policies, awareness campaigns, training initiatives, and open communication channels, SADAFCO cultivates a positive organizational culture that resonates with every individual. The Company also conducts employee satisfaction surveys once every two years to gauge happiness and expectations.

It is the significant link between employee happiness and company success. By prioritizing employee well-being and continuously investing in initiatives to support it, SADAFCO maintains its reputation as an exceptional workplace

SADAFCO's approach towards people received affirmation through the best place to work recognition. This positive movement was reflected in the decrease in SADAFCO's turnover rate to 8%. 2023, is the first year when SADAFCO surpassed its ambition of turnover below 10%. The turnover during 2023 was 8%.



8% Turnover in 2023

9000+ hours of employee training

SADAFCO's People Experience team helped employees learn through different platforms. The face-to-face training sessions as well as online and on-the-job learning and development opportunities are provided using various tools and methods. SADAFCO maintained the similar prorated average training hour per employee as the previous year.



**Amidst these efforts,
SADAFCO envisions
integrating training
initiatives with
performance feedback
by 2026 to drive business
success.**



Leadership Growth from Within

Succession planning is a fundamental need for the growth of any organization. Prioritizing the growth of existing employees, into leaders and as successors in different roles, SADAFCO is starting new initiatives for succession planning, prioritizing the growth of internal leaders and preparing employees for future leadership roles. Biannual meetings are organized to support succession planning, where potential successors are given personalized development plans to ready them for leadership roles. The company also provides training sessions for executive management and is developing programs for newly appointed Board members, committee members, and Executive Management to acquaint them with the company's strategy, goals, and business advancements.

Internship: Saudia Falcons Program

The Saudia Falcons program has been very successful. SADAFCO has brought in 19 falcons, with 4 of them securing full-time positions. Additionally, the company has hired interns and coops, providing them with the necessary training to complete their university education. Investing in the growth of young Saudi talents is not only ethically important but also strategically necessary. The organization aims to work collaboratively to create a better future for SADAFCO, sustainably fostering connections between generations and promoting happiness and goodness.



Sales Academy

The academy has been activated and various training programs initiated for the sales team. As part of continuous improvement, all sales managers underwent an evaluation program to identify skill gaps and areas for development, enhancing the effectiveness of the sales academy's initiatives



LinkedIn Learning

By leveraging the power of LinkedIn Learning, SADAFCO has empowered its employees to explore new horizons, enhance their skills, and embrace a culture of lifelong learning. Top skills learners are developing through LinkedIn courses include self-effectiveness, leadership, career management, teamwork, accountability, self-discovery, lifelong learning, administrative assistance, performance management, and Microsoft Excel.

6.448 LINKEDIN LEARNING COURSE VIEWED

28.134 LINKEDIN LEARNING VIDEOS VIEWED

20.4 MONTHLY VIDEO VIEWS PER LEARNER

AVERAGE LEARNING HOUR: PER VIEWER 3.45 Hours





Community Impact

SADAFCO believes in being a good corporate citizen by taking responsibility for its impact on local communities' economy, society, culture, and environment. The CSR Policy aims to adhere to international standards of social responsibility, achieving sustainable development for society in general, increasing the loyalty of stakeholders, support and encourage various social projects.

A well-structured governance framework is designed to optimize positive outcomes for the community. The Sustainability Steering Committee selects the CSR taskforce to execute activities, initiatives and programs in line with the Company's community development efforts.



Board of Directors



Sustainability Steering Committee



CSR Taskforce

In pursuit of strategic integration of CSR principles, SADAFCO adheres to ISO 26000 guidelines. Moreover, the Company has also signed a strategic agreement with the Social Responsibility Association, the first licensed association specialising in CSR in the Makkah Province, aiming to strengthen SADAFCO's community engagement and impact.



ISO 26000
(for Social Responsibility)



**SADAFCO spent
254,712 SAR on
community activities**

Health



- ▶ Educated 1.3 million kids across 2,500 schools in 18 Saudi cities on healthy food and its benefits through campaigns.
- ▶ Conducted health awareness seminars led by renowned doctors, covering topics such as Breast Cancer, stress reduction, and work-life balance training to enhance employee well-being and health.
- ▶ Participated in the Jeddah exhibition for Hajj and Umrah catering programs.



Education



- ▶ Sponsored the "Future Industrialists" initiative.
- ▶ Contributed products to charities and schools catering to special family needs, such as NAMA and WAFA societies.



Wellbeing



- ▶ Pilgrims' initiative during Hajj season and issued licenses.
- ▶ Jeddah beach clean-up initiative 2023, under the Red Sea clean-up initiative 2023.
- ▶ Planting initiative 250 trees and completing around 200 hours as part of the National Green Saudi Program.
- ▶ Sponsored Jeddah United Basketball tournament.
- ▶ Sponsorship of the Non-Profit Sector Empowerment Forum by Taif Governorate.
- ▶ SADAFCO constructed and provided free parking space for Heraa Public hospital in MAKKAH region.





Product Quality and Safety

The Saudi organic dairy market has evolving consumer preferences and industry advancements. Government and consumer emphasis is on high-quality products and higher product safety standards. SADAFCO finds itself well placed to address these needs due to its ongoing efforts towards good manufacturing practices, and adoption of technological advancements.

SADAFCO's product quality and safety governance framework is backed by a robust Quality Management System. The system provides guidance for establishing robust systems and protocols within SADAFCO's operations. Routine

evaluations of systems, practices, material handling needs, and cleanliness in manufacturing, packaging, and storage processes are carried out to maintain high product quality and deliver safe products.

SADAFCO keeps itself up to date with leading industry practices and embraces them. It has adopted operational improvements based on World-Class Manufacturing methodologies. The Dammam factory's equipment effectiveness is a remarkable 86.4%. Similarly, the Jeddah factory has upgraded the Cleaning-in-place (CIP) system to secure cleaning while optimising water and chemical usage. The Digital Factory program, focusing on digitalising manufacturing and quality systems, will be completed by 2024. It has been initiated at the Jeddah factory.



ISO 22000:2018

Food Safety Management System
(FSMS)

**'Zero' Cases
of non-compliance with
regulations related to
food safety and product
labelling standards**

Several technological interventions with strong practices promote customer well-being and boost the overall brand reputation.

**“
The Smart Industry
Readiness Index Institute
(SIRI) recognised the
Dammam factory as one
of the top 10 factories for
future readiness**





Health and Nutrition

Aligned with Saudi Vision 2030's goals, SADAFCO is dedicated to enhancing societal health and well-being by promoting a healthy lifestyle. Acknowledging its role in promoting consumer health, SADAFCO is broadening its product range to include organic foods, providing customers with more options for improving their nutrition, quality, and taste. **This year, SADAFCO has launched a culinary collection featuring products that are 100% natural and free from preservatives.**



Our ambition for 2030 is to reduce added sugar by 30% in flavoured milk and salt by 20% in snacks

SADAFCO has implemented various initiatives to encourage healthier food choices, including actively reducing sugar levels in flavoured milk to align with global health standards. SADAFCO plans to launch new products with enhanced health benefits, including low and zero-sugar alternatives. 15% reduction of sugar in flavoured banana and chocolate milk will undergo testing in 2024. The company also continues its “War on Salt” initiative.

To help consumers make informed choices about their health and nutrition, SADAFCO is promoting transparent communication on these topics. With its new campaign, the company reached over 1.3 million students in 2500 schools around 18 different cities in Saudi Arabia with information on healthy foods and their significant impact. The aim is to reach 1.5 million students in 2600 schools by 2024.

**‘Zero’
Incidents of noncompliance
concerning the health and
safety impacts of products
and services**





Product Innovation

The Saudi Arabia dairy products market encounters challenges like fluctuating demand from shifting consumer preferences and logistical hurdles affecting distribution efficiency. Import dependence exposes vulnerability to global supply chain disruptions and currency fluctuations. Competition from non-dairy alternatives further increases the pressure. Overcoming these challenges necessitates innovative strategies, infrastructure investment, and market diversification.

Product Innovation at SADAFCO amongst other focuses towards making products more sustainable. It seeks to continuously identify opportunities for developing products with fewer ingredients, enhanced nutrition. This brings more choices of healthy and nutritious options for customers.

We see significant opportunity to innovate and make packaging user friendly and more sustainable. Our packaging innovation efforts are always focused towards reducing the wastage, plastic usage and utilization of recyclable material in packaging without compromising user experience and product safety.

Innovation is driven by the Chief Transformation Officer at SADAFCO. Constant Product Innovation is essential not only

for the Sustainability of the business but also to enhance the wellbeing of society at large. This year SADAFCO spent SAR 341 k on innovation.

During 2023, SADAFCO's main focus has been on creating new products, enhancing current ones, and experimenting with different packaging sizes. Throughout the year, SADAFCO has embraced innovation to make informed decisions and stay competitive in the market. By prioritizing health and innovation, introduced new non-dairy options like coconut and almond drinks in addition to their existing oat and soy products.

SADAFCO focused on improving the nutritional value of its products by expanding its range through extensive research and development. This effort led to the introduction of 21 new products. The release of Mezete by Saudia Range Products further fortifies commitment to natural and preservative-free choices. 6 new flavors with different packaging sizes were launched.

Three dimensions of Product Innovation



Development of healthy and nutritious food



Consumer Delight



Product Packaging



7% innovation rate in the frozen category in 2023



4% innovation rate in the non-frozen category in 2023

Consumer Delight

Consumer Delight is central to SADAFCO's business philosophy. As consumer expectations are changing, it is vital to capture them and evolve our product categories. We are focused on growth and innovation, with customers as the core of our strategy.

Our business's commitment to customer delight runs across from innovating products to serving customers. We strive to provide innovative, high-quality, nutritious, and safe products that not only meet but surpass customer expectations. Empowering our customers to make informed purchasing decisions is central to our communication approach.

Consumer Education

Responsible food consumption supports customer health. We educate consumers on the proper use of our products to maximise benefits and avoid risks due to incorrect or overuse of products. SADAFCO runs consumer education campaigns on social media and in stores that host its products. We are educating consumer on preservative free food.



47% reduction in customer complaint



Continued **100%** customer complaint resolution rate

Listening to our Consumers

Consumer feedback on products is the best feedback at SADAFCO. The feedback received from consumers is acted upon swiftly and resolved in the most optimal time. Feedback concerning aspects like product quality, health, and nutrition reach the right people at SADAFCO to evaluate and build into the cycle of product improvement and innovation.

SADAFCO has with time, upgraded its feedback collection and resolution system. In previous years, a dedicated application was specifically designed for recording and resolving consumer grievances, streamlining the process through an online platform. This system facilitates comprehensive oversight of consumer complaints, enabling efficient tracking and management and ensuring appropriate action. One of SADAFCO's aims is to provide robust solutions for complaints and prevent them from recurring. While new channels have been added for customers to reach SADAFCO, earlier systems, like a dedicated phone line for customer inquiries and complaints, continue to operate and are prominently displayed on product packaging. The social media channels are provided equal importance and diligently processed.

Consumer Satisfaction

SADAFCO is implementing Consumer Satisfaction evaluation ratings to assess and monitor consumer satisfaction levels systematically. These ratings will be invaluable for evaluating the effectiveness of the company's efforts in meeting

consumer needs and preferences. SADAFCO is committed to increasing the frequency of feedback received and incorporating findings and insights into the decision-making process.



Marketing and Labeling

Responsible marketing and labelling practices ensure transparency, consumer trust, and adherence to regulatory standards. Under its Corporate Governance Code SADAFCO strictly prohibits false, misleading, and deceptive marketing activities to sell the Company's products. Emphasising the importance of maintaining a positive reputation, it prioritises ethical advertising practices. All marketing activities, including advertisements in any form, are truthful and based on facts substantiated before publication or dissemination.

For us, honesty in marketing is non-negotiable. It means providing accurate details about our products, from ingredients to nutritional value and origin. We are committed to transparent labelling and avoid misleading claims that could potentially deceive consumers.

We have adopted innovative technology-based solutions and artwork approval software to ensure continuous adherence to marketing and labelling requirements. The software serves

as an proofing tool, upholding SADAFCO's marketing and labelling guidelines. This ensures that all marketing and labelling communications are aligned.

Aim to achieve and maintain 100% conformance to marketing and labelling guidelines.



**‘Zero’
incidents of non
compliance with product
labeling and marketing
communication
regulations**

Local Procurement

Local sourcing has gained significant attention as a strategy that promotes sustainability and supports the economy. The company prioritizes local suppliers with a vision to reduce transportation distances, decrease the overall footprint within the supply chain, and foster resilient communities, as well as minimize supply related risks. This approach not only benefits the environment but also strengthens local economies by creating job opportunities and contributing to economic growth.

The regional weather and geographic conditions generally do not support the production of several dairy and associated products for SADAFCO. Despite these constraints SADAFCO has identified local suppliers for items like french fries and some of its milk requirements. Few of the ingredients like dates are naturally available in the regions and generally, sourced locally.

In the SFY 2023, 10.68% (SAR 697 million) of our expenditure on raw materials such as fresh milk, sugar, wheat, and oil, as well as finished goods like frozen french fries, triangle cheese, and ketchup, came from suppliers within our local community.



95% of the packaging suppliers are local



9% of the raw materials' suppliers are local





06

**Investing for
Greener Future**

GHG Emissions and Climate Change

Climate change is a reality for the world and not a future scenario. At SADFACO, we understand that climate change can impact our ability to source high quality products and disrupt supply chain and operations. Considering that we live in an interconnected world, SADFACO is also committed to reducing the GHG emissions from its own operations and contribute towards lowering the climate impacts of its operations.

The Kingdom of Saudi Arabia has as well committed to achieving Net Zero emissions by 2060, aligned with the global commitments. The Kingdom is amongst the countries which have joined the Global Methane Pledge to combat climate change and meet the Paris agreement. SADFACO also commits to become Net Zero by 2060 through actions concentrated in three key areas of net zero emission in product distribution, switching towards renewable energy and increase the energy efficiency of its operations.

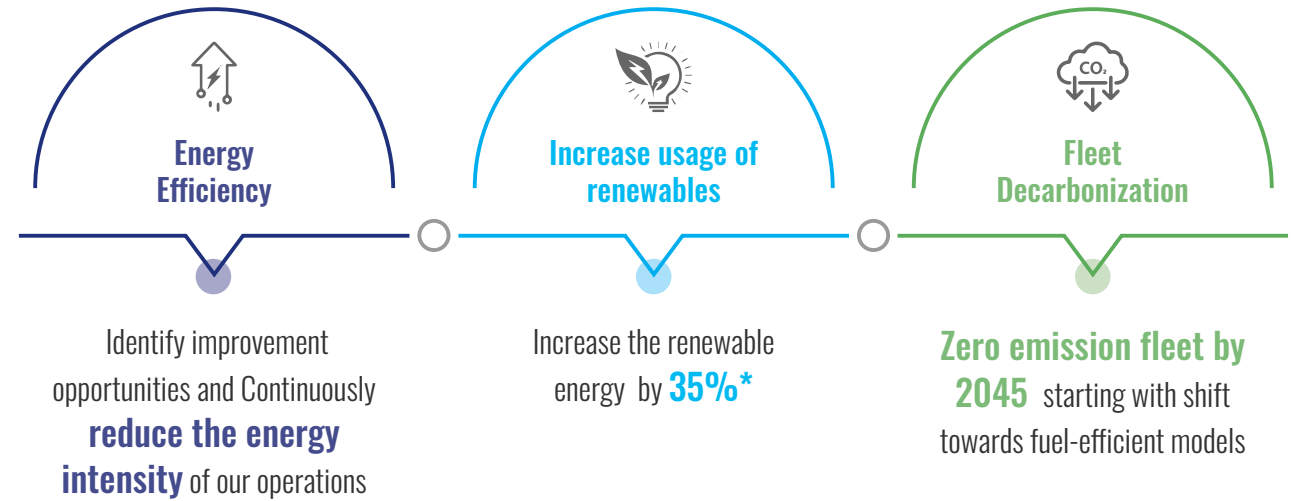
To transport material between factories, to warehouses and the retail stores SADFACO depends on the road transportation fleet. We in alignment with the governments ambition intend to decarbonize entire fleet by 2045. We have initiated strategic actions towards achieving this goal by 2045.

In factories and warehouses, SADFACO is identifying possible opportunities to adopt advanced technologies, and optimizing energy use. In one such initiative, SADFACO has scheduled to replace existing steam boilers with more energy efficiency steam boilers. This shall provide dual advantage of better fuel efficiency and the

option to operate the boilers on dual fuels i.e. diesel and natural gas. SADFACO will complete replacing four boilers at Dammam factory with more efficient natural gas to diesel conversion kits. It is expected to provide a GHG saving up to 2.1 million KG/ year in CO2 emissions.

Saudi Arabia has abundance of sunshine, therefore SADFACO has been pursuing solar power use at its operations for last few years. During the year, SADFACO finalized its agreements with the technology supplier towards installation of solar rooftop modules at selected identified operations. Its target is to operate Jeddah Central Warehouse (JCW) 100% on solar power before the end of next year. SADFACO will own all carbon credits generated due to the installation of solar power generation systems at its operations.

**SADFACO
to achieve Net Zero
by 2060**



Note: Pro rated for SFY





CASE STUDY

Fleet Decarbonization: A step towards Net Zero

The Situation :

The company's transportation fleet is comprised primarily of diesel-powered vehicles. SADAFCO has 940 trucks which consumes about 8.8 million liters of diesel per annum and resulting in nearly 23,760 tCO2 emissions in SFY 23.

SADAFCO recognizes this as an essential area for decarbonizing. Therefore, SADAFCO has committed to decarbonizing the fleet by 2045.



**SADAFCO's
roadmap aligns with
Saudi Arabia's goal
of achieving net zero
emissions by 2060**

Our Solutions :

SADAFCO developed a multi-phased "Fleet Decarbonization Roadmap" which will be implemented by 2045. The roadmap employs a structured, four-phase approach to achieve a net zero fleet. In the initial phase, SADAFCO estimated the GHG emissions from its fleet by deploying the "Fleet Carbon Baseline Methodology" tool, which calculates carbon emissions primarily through fuel consumption data. This data-driven approach has provided valuable insights, like variation in fuel consumption based on vehicle type, age, and operational demands, to guide SADAFCO's decarbonization efforts.



SADAFCO has decided to systematically replace existing diesel and petrol vehicles with zero-emission vehicles (ZEVs). We foresee newer technologies beyond electric vehicles to join the ZEV's in the coming years. However, we have begun with the procurement of the first Frozen EV in the Middle East.

While SADAFCO's roadmap aligns perfectly with Saudi Arabia's goal of achieving net zero emissions by 2060

through a circular carbon economy, there are several infrastructure and technological gaps that need to be filled. One of them is the non-availability of EV charging stations in the country. To fill these gaps SADAFCO is forging collaborations and undertaking the required infrastructure development. Most noteworthy, is our collaboration with NTSC to install EV charging stations.

This roadmap addresses both transition risks and physical risks associated with climate change. Transition risks are addressed by a broad decarbonization strategy encompassing the entire value chain, while physical risks are mitigated through location-specific adaptation strategies for facilities and supply chains.

Data gathering and
analysis



Establishing carbon
baseline

Review existing
policies and
regulations



Identify and assess
low and zero –
carbon alternatives

Develop
decarbonization
roadmap



Implement



Energy Management

SADAFCO is leading the way in energy management in the dairy and food sector in the Kingdom. SADAFCO has a dedicated energy steering committee tasked with exploring initiatives to enhance energy efficiency, reduce emissions, and increase renewable energy usage.

Energy is mainly used to manufacture or process, pack, refrigerate, store and to transport the manufactured products. We use Liquid petroleum gas (LPG) & Diesel for backup power and steam generation. Electricity is purchased from the electricity supply grid. Measures are underway to increase utilization of renewable energy, particularly solar power.

Continuous innovation and improvements towards reduction in energy consumption is important for SADAFCO. We have achieved energy intensity of 2.26 TJ/MT of product produced.



Our energy intensity has decreased by about 5%

Pledge



By 2025 SADAFCO plans to have solar on the roofs of an additional 7 sites, generating 5.8 million kWh of energy and 2600 MT/ Year in carbon emissions avoided within the first year of operation.

SADAFCO has embarked on a transformative journey under which it is implementing several initiatives that will support reduction in energy consumption.

Digital Factory Program is designed to enhance operational efficiency, visibility, and traceability. This initiative aims to streamline processes and reduce fuel consumption.

Digital Route-to-market strategy, part of the digital transformation to increase efficiency and reduce fuel consumption, has been implemented.





Renewable Energy

SADAFCO has piloted solar rooftops in last few years. The solar power generation have given successful results and now, SADAFCO, aims to offset up to 40% of its grid-based electricity consumption with solar power across depots and factories in KSA by the end of 2024. It has entered into long term agreement with technology suppliers for installing and maintaining the solar plants.

With the implementation of its Digital Factory Program. Designed to enhance operational efficiency, visibility, and traceability, this initiative aims to streamline processes and drive sustainable practices across the organization. By digitizing workflows and standard operating procedures

(SOPs), SADAFCO seeks to optimize work orders, manage complex Bills of Materials (BOMs), and ensure the sustainability and compliance of its products throughout their lifecycle. Currently, SADAFCO is in process of selecting a supplier to cover all modules rather than multiple suppliers where we would have integration and useability challenges.



**More than 35 %
increase in renewable
energy consumption**



Game Changer Strategy

As part of its Game Changer Strategy aimed at strengthening distribution points, SADAFCO plans to implement a clear digital transformation leveraging technology, systems, and processes to drive behavioral and operational change. One of the initiatives under this transformation is implementing a digital route-to-market strategy, optimizing routes to reduce fuel consumption and increase efficiency. By utilizing route planning and optimization tools, SADAFCO aims to enhance

productivity, flexibility, and cost-efficiency in distribution. This streamlining of processes through technology, including sales force automation and supplier management systems, will improve accuracy and downstream distribution efficiency. Route optimization ensures optimal travel arrangements, minimizing overlap and maximizing service time, ultimately enhancing customer satisfaction, and reducing fuel consumption.

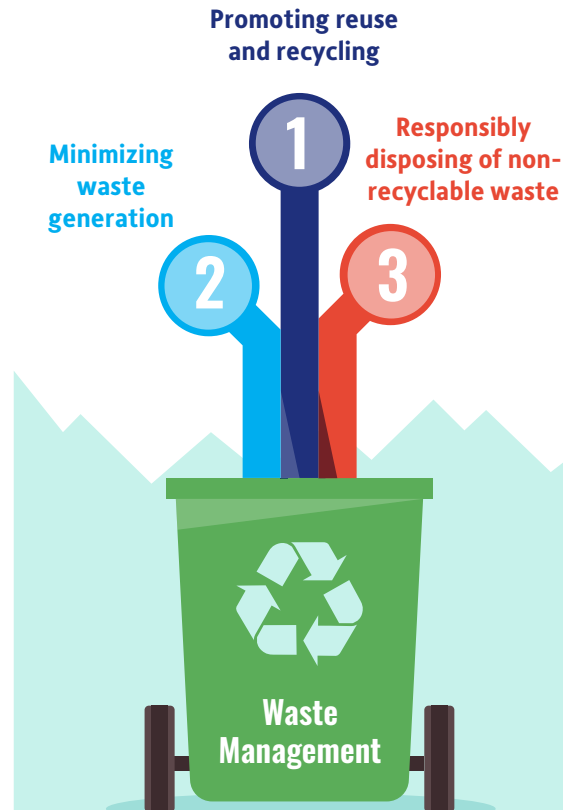




Waste Management

SADAFCO is dedicated to reducing landfill waste by minimizing waste generation and increasing recycling. It aims to achieve a 100% recycling rate. It is also putting in place the required technology and practices regarding plastic usage and optimizing the packaging to support recycling. It is committed to making its packaging highly reusable, recyclable, or compostable, driving a comprehensive transformation in packaging creation, collection, and recovery processes. Working closely with partners, SADAFCO achieved a remarkable 94% recycle rate in 2023. Similarly, other factories are also moving towards a better recycling rate. SADAFCO has implemented a diligent system for segregating and tracking both hazardous and non-hazardous waste in manufacturing and warehousing operations.

The company prioritizes a three-pronged approach to waste management



Shifting to Reusable Pallets

SADAFCO is committed to increasing the waste diverted from disposal in landfills with a specific initiative of collecting and reusing 80% of pallets used in material transport by 2024. SADAFCO is shifting to enhanced pallets with high reusability rates.

Recycled Waste Quantity



508 tons
of steel drums



360 tons
of paper



130 tons
of plastic

Our Waste Profile

SADAFCO generates hazardous and non-hazardous waste during manufacturing, consisting of vials, cartridges, tube lights, chemicals, waste oil, drums, packing materials, and organic waste.



+2320 Tons per year
Waste Diverted from Disposal

346,000.
USD annual saving

51% Pallet
reuse rate



94% Waste recycle rate in 2023



~ 97% of the waste disposal
trips reduced annually

Water Management

The global water demand continues to rise every year. Water poses a significant threat to global supply chains affecting the availability and affordability of key ingredients for production of necessary food items. Saudi Arabia has extreme high overall water risk and will continue to remain extremely high in the future as well. Rapid urbanization, population growth, and climate change exacerbate the strain on the kingdom's already limited water resources.

Being in the food production industry, fresh water is a critical raw material for us. It is essential raw material in preparation of milk, tomato paste and other products. Any disruption in fresh water supplies could ripple through the production process. Water and in several conditions fresh water is essential to our supply chain too. In this context, we need to address water holistically.

Oversight on Water

SADAFCO has a dedicated Water Steering Committee in place to assess and implement strategies and initiatives towards better water management and reducing water-related risks. SADAFCO's water governance system is based on the ISO14001 principles. A water roadmap for SADAFCO is proposed in 2024. **The road map shall focus on reducing water consumption, achieving desired effluent quality, and maintaining continuous compliance with regulatory standards on water.** Water use optimisation and effluent quality improvement will be initiated at the ice cream manufacturing facilities.

The monitoring and measurement techniques at SADAFCO have strengthened over the years to support the aim of reduced water consumption. Water is procured from government and third-party suppliers of desalinated water. SADAFCO's non-production water requirements are primarily for sanitation, drinking, and cleaning. To maintain the high water quality needs in its production, SADAFCO is also evaluating the possibility of installing a water treatment plant.

Water Use Optimization

SADAFCO has been working towards water use optimization. We have successfully implemented a water-cooling system, which enables the recirculation of water in specific processes. This has resulted in a significant reduction in water consumption. Presently, the system is operational at our Jeddah factory.

“
**Milk Factory
water consumption ratio
(WCR) was reduced 17%
during the year**

Effluent Management

SADAFCO is committed to enhancing the quality of effluent and minimize effluent discharge. It aims to achieve zero wastewater discharge into municipal systems from its Jeddah ice cream and milk factory by 2027. It is evaluating the possibility to utilize the treated effluent in agricultural applications.

All effluent generated in operations is treated at a centralized industrial effluent treatment plant. Chemical

Oxygen Demand (COD), pH, and Total Dissolved Solids (TDS) are the most relevant effluent quality indicators for SADAFCO, that are monitored daily to ensure compliance with acceptable limits. The effluent quality, specifically the COD levels have improved significantly due to the technological interventions implemented over the years.



**The average COD
has reduced by 4% this year**



122million Liters Water Saved





Sustainable Sourcing and Packaging

SADAFCO's diverse range of products necessitates a variety of packaging materials, ranging from paper and cardboard to plastic and wood. While our ultimate goal is to ensure that our packaging remains safe for holding products intended for human consumption, we are constantly working to make it sustainable. We aim to make our packaging recyclable or compostable, facilitating a comprehensive and systematic transformation in packaging creation, collection, and recovery processes. By implementing stringent sourcing practices and adopting innovative packaging solutions, we are dedicated to ensuring sustainability and product quality.

**Eliminate plastic
in all forms**

Target

We realized opportunities exist to reduce the quantity of packaging material used and the kind of material. For instance, SADAFCO has identified packaging options that help reduce the use of plastic and has achieved a 14% reduction in plastic use in packaging over the last few years. New, lighter stretch film and the introduction of downsized bamboo cups are the two main initiatives supporting the same. Going beyond the end product, SADAFCO is actively



**Continue assessing
new opportunities to
shift towards reusable
packaging options**

Target

identifying and transitioning towards sustainable and reusable packaging solutions for raw materials as well. We recently used the Good Pack and Big Bag to import raw materials like tomato paste, thereby using lesser packaging material.

SADAFCO's products primarily require perishable and edible items to be sourced from different countries. Milk, tomato paste and other daily products are amongst the key raw materials procured by SADAFCO. Our choice of raw material, the suppliers, packaging and transportation have the potential to impact several sustainability aspects related to sustainable product sourcing. Therefore, to ensure that suppliers follow basic good practices, SADAFCO sources the raw materials from suppliers who hold ISO certifications for the Food Safety Management System. We believe in developing relationships with multiple suppliers who can provide high-quality, sustainable raw materials. This multi-source strategy also ensures long-term availability and minimizes potential disruptions. We are constantly engaging with key suppliers to identify ways to improve the sustainability quotient of our raw materials.

Sustainable Supply Chain

SADAFCO is committed to building a sustainable supply chain that prioritizes efficiency, reliability, and environmental responsibility. SADAFCO is dedicated to upholding high standards of honesty and integrity, not only in its own operations but also in its supplier relationships. Understanding the pivotal role of supply chain management in maintaining competitiveness, the company has established a robust Code of Business Principles for its suppliers. This code encompasses environmental, social, and governance (ESG) aspects, emphasizing ethical sourcing, workplace safety, and fair trade practices. Suppliers are expected to comply with all relevant laws and regulations, ensuring transparency and integrity throughout the supply chain. Suppliers must also uphold social responsibilities, safeguarding health, and the environment, and adhering to laws regarding labor practices and non-discrimination. Moving forward, all new suppliers will be required to sign the Code of Conduct with the ESG clause, reaffirming our collective dedication to ethical and sustainable business practices.

To be in alignment with global sustainability efforts, SADAFCO has a goal to integrate environmental, social, and governance (ESG) criteria into its supplier selection process. By prioritizing suppliers who adhere to sustainable practices, the company seeks to foster a supply chain that is not only efficient but also environmentally friendly and socially responsible.

“

SADAFCO has a goal to integrate environmental, social, and governance (ESG) criteria into its supplier selection process







07

Key Metrics





Key Metrics

Particulars	Unit	FY19-20	FY20-21	FY21-22	FY 22-23	SFY 23	
<div> General Indicators</div>	Production	MT	353.43	378.46	353.19	382.79	296.15
<div> Environment & Climate</div>	Energy Consumption within the Organization	TJ	881.6	803.2	846.3	906.3	670.5
	Total Energy Intensity (within the organization)	TJ/MT	2.49	2.12	2.40	2.37	2.26
	Total Water Withdrawal	Liters	1,158,328	1,202,748	1,193,027	1,243,987	953,005
	Production Volume	Liters	363,245	381,752	348,910	381,056	290,262
	Total Water Withdrawal / Production	l/l	3.28	3.18	3.38	3.25	3.30
	Effluents Discharged (COD Level)	mg/l	1,322	982	2,218	1,639	1,318
	Scope 1 GHG Emissions	TCO2	47,044	43,194	45,922	47,672	33,839
	Scope 2 GHG Emissions	TCO2	44,147	39,412	40,189	46,295	37,391
	Total GHG Emission Intensity	(TCO2/MT Production)	0.3	0.2	0.2	0.2	0.2
	Waste Generated - Non-Hazardous	kg	NA	6,730,333	6,155,170	5,068,076	2,463,374
	Total Recycle Waste	kg	NA	2,585,010	2,439,050	3,547,653	2,320,124
	Waste Recycle Rate	%	NA	38%	40%	70%	94%




Key Metrics (contd..)

Particulars		Unit	FY19-20	FY20-21	FY21-22	FY 22-23	SFY 23
<div><div>Consumer</div></div>	Number of Consumer Complaints Received	#	287	212	287	406	161
	Complaint Resolution Rate	%	100%	100%	100%	100%	100%
	Recommended Order Compliance	%	90%	90%	92%	98%	97%
	Top of Mind Awareness (TOM)	%	14%	15%	15%	20%	23%
	Most Often Usage (MOU)	%	15%	16%	15%	23%	23%
<div><div>People & Community</div></div>	Saudization	%	32%	35%	38%	38.7%	39%
	Women in Workforce	%	4.5%	5.3%	6.6%	7.4%	7.3%
	Number of Special Need Employees	#	19	16	16	15	14
	New Employee Hires	#	423	392	400	310	218
	Total Employee Turnover	%	15.2%	11.4%	13.5%	11.7%	7.3%
	Near Misses Factory	#	450	384	845	2,161	1,769
	Work Related Injuries	#	17	11	12	20	7
	Lost Time Case Rate	Rate	1.4	1.1	1.0	0.4	0.2



Key Metrics (contd.)

Particulars		Unit	FY19-20	FY20-21	FY21-22	FY 22-23	SFY 23
 Governance	Cases of Non-Compliance	#	-	-	0	0	0
	Food and Safety ISO 22000:2018	#			Yes (100%)	Yes (100%)	Yes (100%)
	Environment ISO14001:2015	#			Yes (100%)	Yes (100%)	Yes (100%)
	Occupational Health ISO 45000:2018	#			Yes (100%)	Yes (100%)	Yes (100%)
	Information Security Management ISO/IEC 27001:2013	#			Yes (100%)	Yes (100%)	Yes (100%)
	Social Responsibility ISO 26000:2010	#			Yes (100%)	Yes (100%)	Yes (100%)
	Cases of Corruption	#	-	-	-	0	0
	Cases of Anti-Competitive Behavior and Anti-Trust	#	-	-	-	0	0
	Data Privacy Breach	#	-	-	-	0	0



08

Appendix



About the Report

We are pleased to present our third Sustainability Report, which reflects our Environmental, Social, and Governance (ESG) performance for the period of 1st April to 31st December 2023. Previous report was published for the period of 1st of April 2022 to 31st of March 31, 2023. This year, we are changing our financial reporting cycle from 1st April to 31st March to 1st of January to 31st of December. Therefore, this sustainability report is for a nine-month period, and all data presented in the report is for that duration unless specified otherwise. Further, all monetary disclosures in this report are in Saudi riyal (SAR) unless specified otherwise.

This report adheres to the Global Reporting Initiative's (GRI) Universal Standards (2021) and has given due consideration to the guidelines issued by the Tadawul Stock Exchange. The GRI principles of Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability context, Timeliness and Verifiability have guided our approach to reporting on stakeholder engagement, materiality assessment and development of the report content. The report also reflects alignment to the United Nations Sustainable Development Goals (SDGs) and the National Transformation Program (NTP), which is part of Saudi Arabia's Vision 2030.



Reporting Boundary

SADAFCO has operations in Saudi Arabia and Poland. The reporting boundary includes data from SADAFCO's two plants in Jeddah and one in Dammam, its depots, and distribution centers across Saudi Arabia. Saudi Arabia operations and revenue represent more than 90% of our business footprint; therefore, it is considered material geography for this report. Jeddah, Saudi Arabia, also serves as the headquarters for SADAFCO. The report builds on Material topics outlined in the Approach towards Sustainability section. Specific material topics may have different scopes or boundaries due to data availability considerations. In such instances, explicit mention is made in the relevant sections or GRI Index of the report

Feedback

We encourage all the stakeholders to share their feedback, comments, and recommendations on our Sustainability Report and to support continuous improvement on fahimhamdani@sadafco.com or nelovar.albedair@sadafco.com

Assurance

This report has not yet undergone any external assurance. However, we have implemented various processes and procedures to collect and evaluate the data related to ESG parameters internally. Any financial information included in the report is taken from our Annual Report, which is

externally audited by financial auditors. In coming years, we plan to get an independent assurance of our sustainability report.

Restatement of Information

During the Short 2023 Financial Year there were no restatements.

Forward-looking statements

The report contains forward-looking statements encompassing aspects such as financial position, business strategy, and management plans. The statements, with terms like 'beliefs', 'expects', 'may', 'will', 'plans', and 'outlook', regarding future operational and financial performance, are based

on reasonable assumptions and data. These are not meant to be taken as predictions of the future. Actual results could significantly differ due to various factors.





GRI Index

Statement of use – SADAFCO has reported the information cited in this GRI Content Index for the period 1st April 2023 to 31st December 2023 ‘with reference’ to the GRI Standards

GRI 1 used – GRI 1: Foundation 2021

GRI Standard	Disclosure	Location	
		Section	Page no.
GRI 2: General Disclosures 2021 1: The organization and its reporting practices	2-1 Organizational details	Our Business, SADAFCO's Presence, About the Report	7, 8, 48
	2-2 Entities included in the organization's sustainability reporting	About the Report	48
	2-3 Reporting period, frequency, and contact point	About the Report	48
	2-4 Restatements of information	About the Report	48
GRI 2: General Disclosures 2021 2: The organization and its reporting practices	2-6 Activities, value chain and other business relationships	About Us	7-9
	2-7 Employees	Diversity and Inclusion	21, 22
GRI 2: General Disclosures 2021 2: Governance	2-9 Governance structure& composition	Available in Annual Report	
	2-10 Nomination and selection of the highest governance body	Available in Annual Report	
	2-11 Chair of the highest governance body	Governance and Compliance and available in Annual Report	17
	2-12 Role of the highest governance body in overseeing the management of impacts	Available in Annual Report	



GRI Index (contd..)

GRI Standard	Disclosure	Location	
		Section	Page no.
GRI 2: General Disclosures 2021 2: Governance (contd..)	2-13 Delegation of responsibility for managing impacts	Governance and Compliance	17
	2-14 Role of the highest governance body in sustainability reporting	Governance and Compliance	17
	2-15 Conflicts of interest	Promoting Ethics and Integrity and available in Annual Report	16
	2-16 Communication of critical concerns	Promoting Ethics and Integrity	16
	2-17 Collective knowledge of the highest governance body	Available in Annual Report	
	2-19 Remuneration policies	Available in Annual Report	
	2-20 Process to determine remuneration	Available in Annual Report	
GRI 2: General Disclosures 2021 4: Strategy, policies and practices	2-22 Statement on sustainable development strategy communicating critical concerns	Message from Leadership	4, 5
	2-23 Policy commitments	Promoting Ethics and Integrity	16
	2-25 Processes to remediate negative impacts	Promoting Ethics and Integrity	16
	2-26 Mechanisms for seeking advice and raising concerns	Promoting Ethics and Integrity	16
	2-27 Compliance with laws and regulations	Governance and Compliance	17



GRI Index (contd..)

GRI Standard	Disclosure	Location	
		Section	Page no.
GRI 2: General Disclosures 2021 5: Stakeholder Engagement	2-29 Approach to stakeholder engagement	Sustainability in Motion	11-13
	3-1 Process to determine material topics	Materiality Assessment	11
GRI 3: Material Topics	3-2 List of material topics	Materiality Assessment	11
	3-3 Management of material topics	Strategic ESG Pillars	12
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Local Procurement	33
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Promoting Ethics and Integrity	16
	205-3 Confirmed incidents of corruption and actions taken	Promoting Ethics and Integrity	16
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Key Metrics	44
	302-3 Energy intensity	Key Metrics	44
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	Key Metrics	44
	303-5 Water consumption	Key Metrics	44



GRI Index (contd..)

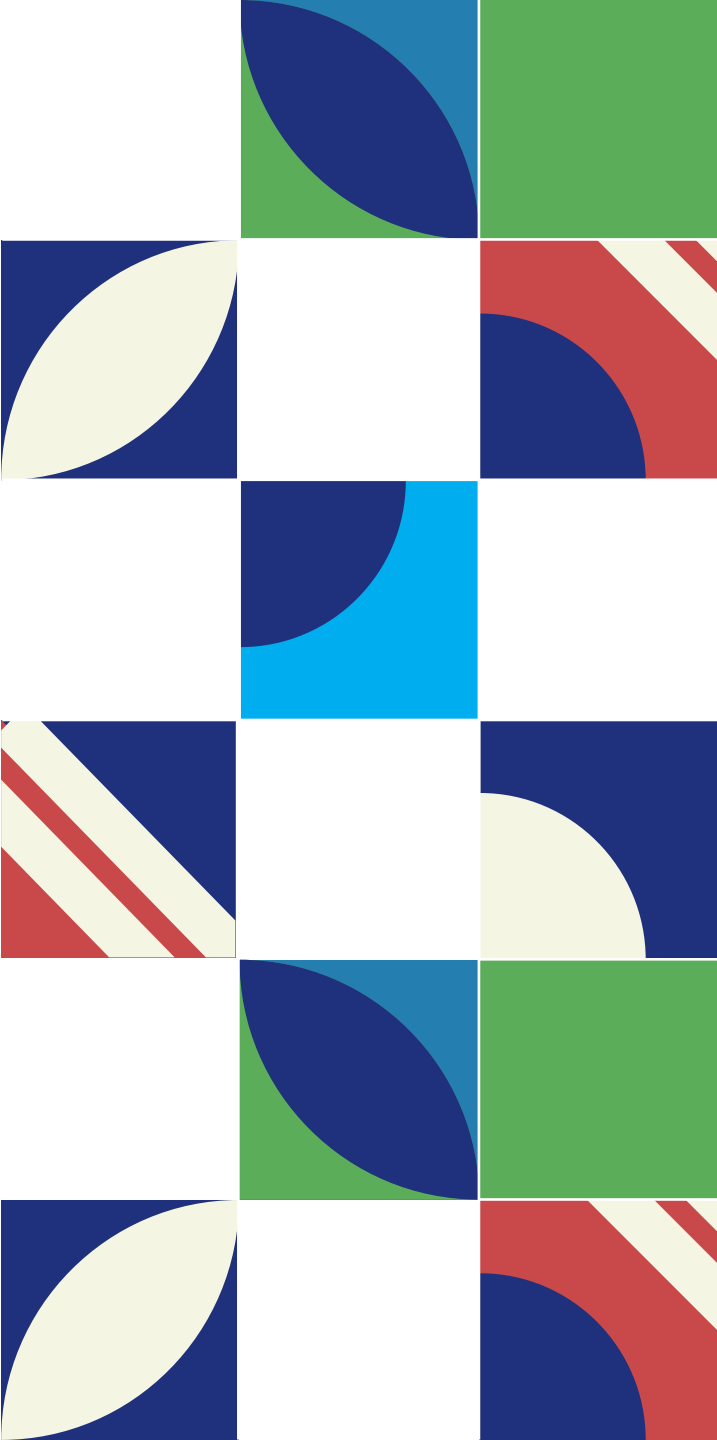
GRI Standard	Disclosure	Location	
		Section	Page no.
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Key Metrics	44
	305-2 Energy indirect (Scope 2) GHG emissions	Key Metrics	44
	305-4 GHG emissions intensity	Key Metrics	44
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Waste Management	39
	306-2 Management of significant waste related impacts	Waste Management	39
	306-3 Waste generated	Waste Management and Key Metrics	39, 44
	306-4 Waste diverted from disposal	Waste Management and Key Metrics	39, 44
	306-5 Waste directed to disposal	Waste Management and Key Metrics	39, 44
GRI 401: Employment 2016	401-1 New Employee hires and employee turnover	Key Metrics	45



GRI Index (contd..)

GRI Standard	Disclosure	Location	
		Section	Page no.
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Health, Safety and Happiness	23
	403-5 Worker training on occupational health and safety*	Health, Safety and Happiness	23
	403-8 Workers covered by an occupational health and safety management system	Health, Safety and Happiness	23
	403-9 Work-related injuries	Key Metrics	45
GRI 404: Training & Education 2016	404-1 Average hours of training per year per employee	Training and Development	25
	404-2 Programs for upgrading employee skills and transition assistance programs	Training and Development	25
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Diversity and Inclusion, Available in Annual Report	21
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Community Impact	27
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Health and Nutrition	29
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	Marketing and Labeling	32
	417-3 Incidents of non-compliance concerning marketing communications	Marketing and Labeling	32

* We are currently not able to separate out this information on hours of training.



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