

Addendum Inaugural Sustainability Report 2022

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Introduction

About this addendum to the Inaugural Sustainability Report 2022

The addendum summarises Tanmiah Food Company's (hereafter, the Company, TFC, Tanmiah) approach and performance on a range of material Sustainability topics for the reporting period 1st January 2022 to 31st December 2022.

As a commitment to best practices, this supplementary document provides our stakeholders a deeper insight into our sustainability efforts. The additional data contained herein aims to enhance the clarity and completeness of our Inaugural Sustainability Report, reinforcing our dedication to responsible and accountable business practices. This addendum underscores our ongoing commitment to transparency and our continuous efforts to meet evolving industry standards.

This report is prepared by referring to the following standards:

- **GRI Standards** - 'GRI-2 General Disclosure 2021', and 'GRI-3 Material Topics - 2021' - for providing the context of the organisation and approach to materiality as followed by TFC.
- **Saudi Stock Exchange ESG Disclosure Guidelines** - All the material issues relevant to TFC are aligned for the 'Packaged Foods and Meats' sub-sector category. The material topics are also aligned with the Saudi Green Initiative and Saudi Net Zero 2060.
- **SASB Standard** - Some relevant material issues applicable to TFC as captured in SASB (Sustainability Accounting Standards Board) 'Meat, Poultry and Dairy' standard under Food and Beverage Sector.

General Disclosures

The Organisation and its Reporting Practices

● GRI 2-1: Organisational details

The legal name of the Company is Tanmiah Food Company. We sell our products in Saudi Arabia, the UAE, Bahrain, Oman, Jordan, and Kuwait. We have our operations in Saudi Arabia, Bahrain, and the UAE.

We have been a publicly listed company on Tadawul (Saudi Exchange) since 2021 with the trading symbol 2281. Our company was established in Jeddah in 1962 as a proprietorship under the name of “Agricultural Development Corporation”, owned by Abdullah Mohammad Ali Al-Dabbagh.

In 1991, the shareholders contributed in proportion to their respective shareholding. The Company was divided into two limited liability companies, one under the name of “Supreme Foods Company Limited” and the other under the name of the “Agricultural Development Company”. The Company was then converted into a closed joint stock company under the name of Tanmiah Food Trading Company. Pursuant to the Ministerial decree dated 2019 and pursuant to the Extraordinary General Assembly Resolution dated 17 April 2019, the Company’s name was changed to “Tanmiah Food Company”.

● GRI 2-2: Entities included in the organisation’s sustainability reporting

The entities covered in our sustainability reporting are Agricultural Development Company (ADC), Supreme Foods Processing Company (SPFC), Desert Hills For Veterinary Services Company Limited, and Gulf Brand for Fast Foods Company (GBFFC). Ownership and subsidiaries details are provided in Annual Report 2022 on page no 83-85 under Governance section. Sustainability reporting covers directly owned TFC’s operations mentioned in the Annual Report 2022.

● GRI 2-3: Reporting period, frequency, and contact point

This is an Addendum to the Inaugural Sustainability Report (hereafter mentioned as “Report”) for TFC for the reporting period 1st January 2022 to 31st December 2022. The Report is published in November 2023. TFC will publish its Sustainability Report on an annual basis.

For any questions about this Addendum or the reported information, please get in touch with the TFC Sustainability department. (sustainability@tanmiah.com).

● GRI 2-4: Restatements of information

Not applicable, since this is the inaugural Sustainability Report.

● GRI 2-5: External assurance

Since this is our inaugural report, we have not sought any external assurance. We welcome any constructive feedback and inputs to further enhance our subsequent reports.

Activities and Workers

● GRI 2-6: Activities, value chain and other business relationships

We are one of the GCC's leading Packaged Food & Meats companies under the Consumer Staples category. We follow an efficient and integrated operating model that includes production, processing and distribution, and the Company's products are present in Saudi Arabia, the United Arab Emirates, Bahrain, Oman, Jordan, and Kuwait. We operate 108 farms, 6 hatcheries, 2 feed mills, 4 food primary processing plants, 3 further processing plants and 20 distribution centres in Saudi Arabia, Bahrain and the UAE. The Company distributes its products to a network of branches, wholesalers and retailers and sells them to consumers through e-commerce channel as well. Tanmiah's diversified portfolio includes high-quality poultry and other meat products free from any artificial additives, antibiotics, or hormones, with rigorously controlled production conditions by our expert farmers and technicians.

● GRI 2-7: Employees

Our employees' related data are captured in the section [Diversity, Equity & Inclusion - Human Capital Development](#).

● GRI 2-8: Workers who are not employees

The headcount is provided below:

Headcount (#)	2021	2022
	2,953	2,676

The headcount pertains to the sub-contracted colleagues working at our sites.

Governance

● GRI 2-9: Governance Structure and Composition

TFC's 'Board of Directors' comprises of 10 directors, as per its bylaws. The Board has formed committees to perform its duties in a manner that achieves efficiency and effectiveness of the Board. TFC has 4 board committees namely, Audit Committee (AC), Nomination and Remuneration Committee (NRC), Technical Committee (TC) and Environmental, Social and Governance (ESG) Committee.

The Audit Committee is formed through a resolution by the General Assembly that determines its duties and responsibilities, working procedures, and its members' remuneration and tenure.

The Board of Directors consists of 1 Executive Director, 4 Non-Executive Directors and 5 independent directors. It has 1 female board member and 9 male board members. The current Board was appointed in April 2022 for the second term for three years. The details of significant positions held by different board members, their credentials and proven track record is provided in the Annual Report 2022 - page no. 60-66. Further details can be found on our website.

● **GRI 2-10: Nomination and selection of the highest governance body**

For the Board nomination and selection, the process starts 30 days prior to the end of the current board term when TFC announces the start of the elections for the next board term. The registration process requires nominees to present their curriculum vitae, qualifications, details of other board memberships, and experiences to the NRC within one month from opening of the registration process to express their willingness to join the board.

The NRC reviews nominees' background, qualification, and profile in line with the nomination policy and makes its recommendations to the General Assembly considering that nominees must be more than the vacant seats in the Board. Based on the recommendations of the NRC, the General Assembly elects the Board for the next term.

The mandatory details including professional and career history of the elected board members are announced on the Saudi Exchange website.

There are no existing diversity requirements for the Board composition. The minimum requirement for independent directors is one third of the board, however, to ensure the independency of the decision-making process, the current Board is composed of 50% independent directors.

● **GRI 2-11: Chair of the highest governance body**

H.E. Amr Abdullah Al-Dabbagh, is the Chairman of the Board of Directors. As required by the Board Charter, the Chair and CEO roles must be separated. The Chairman does not hold any senior executive position in TFC.

● **GRI 2-12: Role of the highest governance body in overseeing the management impacts**

The Board sets up the key objectives and targets for the Company, which then further requires the Executive Management to develop a comprehensive operational, financial, sustainability and strategic plans to achieve the strategic targets within the set mandate and time. The detailed implementation plan is reviewed and challenged by various committees of the Board comprising of industry, financial and sustainability experts. The strategy is approved by the Board. Progress against the strategy is reported to the Board on a quarterly basis. The Board's role is governed by its charter and the relevant regulations of the Capital Market Authority – Governance Regulations.

More details about the role of highest governance body can be found in Board of Directors charter on our website.

● **GRI 2-13: Delegation of responsibility for managing impacts**

The Board delegates the oversight of ESG related matters to the Board ESG Committee. The ESG Committee consists of three board members and two external committee members, one of them is the CEO of TFC. The ESG Committee assists the Board in overseeing responsibilities, obligations and authorities in promoting the long-term sustainability of the Company's operations. It also assists the Board with oversight of the Company's ESG disclosures and compliance with international best practices. It also ensures that management has in place an effective process to manage sustainability related risks, opportunities, controls, and reporting systems. Additionally, it helps improve the understanding of ESG among the Board and Company executives.

● **GRI 2-14: Role of the highest governance body in sustainability reporting**

The ESG Committee oversees the development and approval of Sustainability reporting within TFC and reports to the Board quarterly. It also monitors the effectiveness of the risks and controls pertaining to Sustainability disclosures.

● **GRI 2-15: Conflicts of interest**

We have a policy for the Board of Directors Conflict of Interest Disclosure and Independence. The scope of this policy covers the Board and Committee members of TFC and its subsidiaries. The policy illustrates the procedures and the required forms to ensure the independence. It encourages maintaining proper disclosure record for all board members who have actual or potential conflicts, ensuring that all required disclosures are accurate and submitted in a timely manner.

The objectives of prevention and mitigation of conflicts of interests are as follows:

- Identify the risks of conflicts of interest.
- Prohibit unacceptable forms of private interest.
- Raise the awareness of circumstances in which conflicts of interest can arise.
- Build capacity through training to prevent conflicts of interest.
- Ensure effective procedures to resolve conflict of interest situations.

Conflicts of interests are disclosed to stakeholders, including conflicts of interest concerning cross-board membership; cross-shareholding with suppliers and other stakeholders; existence of controlling shareholders; related parties, their relationships, transactions, and outstanding balances.

TFC being a listed company is subject to and complies with various laws and regulations covering the recording and disclosure of conflicted transactions/businesses.

● **GRI 2-16: Communication of critical concerns**

TFC has an Audit Committee (AC) that oversees management system of internal controls, internal and external assurance mechanisms, financial management reporting process and enterprise risk management practices within the Company. AC also oversees the TFC's compliance with the applicable laws, regulations, policies, and instructions, ensuring the Company's adherence and compliance with the applicable laws and regulations to be considered as part of business operation and stakeholder expectations. The AC communicates its concerns and updates to the Board quarterly.

● **GRI 2-17: Collective knowledge of the highest governance body**

Capacity building sessions were conducted on Sustainability related topics for all the colleagues including the C-Suite leadership and the Board.

● **GRI 2-18: Evaluation of the performance of the highest governance body**

As per the NRC Charter, the evaluation of the Board and each of its members, is performed by NRC. The primary role of the NRC is to:

- Lead the process of nominating and evaluating the directors and senior executives of the Company.
- Ensure the effectiveness and soundness of the Company's Board and executive management structures and the relevant internal policies and procedures.
- Assist the Board in the review and determination of the remuneration of directors, members of the committees of the Board, and senior executives of the Company.

● **GRI 2-19: Remuneration policies**

TFC's NRC plays the key role in overseeing nomination of directors to the Board and the remuneration policy for the directors and the members of the Company's senior management. NRC consists of four members. It reviews the Board and Committees remunerations and incentives and recommends it to the AGM for further approval.

Remuneration of Board of Directors includes the following consideration:

- The Board can determine the remuneration for external members/member of Board of Directors for their membership in the Board's Sub Committees.
- The remuneration that the Board of Directors' member receives shall be fair and commensurate with the member's competencies, duties, tasks and specific goals (if any) assigned by the Board.
- The remuneration payment shall be stopped or retrieved if it turns out that it was approved based on inaccurate information.
- The remuneration is based on the number of meetings that the member attends.

The remuneration policies for members of the highest governance body and senior executives concerning the objectives and performance management of the Company's impacts on the economy, environment, and people is as follows:

- Remuneration shall be consistent with the Company's strategy and objective.
- Remuneration shall encourage the board members and executive management to achieve success for the Company and its long-term development and plans, for example making the variable part of the remuneration linked to the long-term performance.
- Remuneration shall be determined based on job level, duties, and responsibilities, educational, qualifications, practical experience, skills, and level of performance.
- Remuneration shall be consistent with the magnitude, nature and level of risks faced by the Company.

● **GRI 2-20: Process to determine remuneration**

According to the Nomination and Remuneration policy of TFC, the board members are not eligible to vote on the agenda item relating to the remuneration of board members at the Annual General Meetings (AGM). Remuneration is disclosed to the Board, its committee members and executive management in the Annual Report 2022 in line with applicable laws and regulations.

Members are entitled to the stipulated remuneration from the date they have joined the board or committee and as per the duration of their membership. The Company annual remuneration of the Board is paid in full after AGM approval.

● **GRI 2-21: Annual total compensation ratio**

Not disclosed

Note: Annual total compensation ratio is not disclosed in the Inaugural Sustainability Report, however it will be reported in the next sustainability reporting cycle.

Strategy, Policies and Practices

● GRI 2-22: Statement on sustainable development strategy

Please see letters from the Chairman, CEO, and Chairperson of the ESG Committee in the Report.

● GRI 2-23: Policy commitments

Our employee code of business conduct and ethics policy comprehensively captures our commitment to professional conduct and public morals, interacting with third parties, protection of Company assets, combating financial and administrative corruption, gifts and hospitality, conflicts of interest, maintaining confidentiality and disclosure mechanisms, compliance with laws/regulations/policies, and business ethics. We also encourage training and capacity building and declaration from our colleagues to practice the policy.

We are committed to respecting and upholding human rights in all aspects of our business operations. The details regarding our human rights practices can be found in [Responsible Procurement, Supply Chain Management, and Human Rights](#) section. All the policy commitments are endorsed by the board members and the executive team, considering the requirements of Company’s law and CMA regulations. Policy commitments are communicated to colleagues, business partners, and other relevant parties through training and awareness. For more details on all our policies please [visit our website](#).

● GRI 2-24: Embedding policy commitments

We allocate commitment to all the accountable colleagues across different departments within the Company. The departmental focal points are crucial in coordinating and help integrate policy commitment into corporate and operational procedures. All the colleagues are provided training (e-learning and face-to-face). Internal surveys and exams are also conducted, where applicable. We notify all our business partners of the processes and procedures to be followed in case of new policies or updates.

● GRI 2-25: Processes to remediate negative impacts

TFC aims to engage in dialogue with its stakeholders to understand their needs and opinions and then incorporate this feedback in its corporate activities. Our engagement covers our colleagues, business partners, customers, regulators, communities, environment and shareholders.

Stakeholders	Guidance and Engagement Channels
Colleagues	<ul style="list-style-type: none"> The engagement is based on our Human Right policy, code of conduct and corporate values. “Great Place to Work” surveys, labour-management meetings, training platform, employee portal.
Customers	<ul style="list-style-type: none"> Our commitment to product quality, customer information confidentiality and accuracy, service levels. Product and service feedback process through area managers (telephone, physical visits, email, etc.), daily sales activities.
Business Partners	<ul style="list-style-type: none"> Strong Know Your Customer (KYC) process to engage with business partners on fair standards, Supplier Code of Conduct. Daily business activities, production and sales trend briefing sessions, business review meetings.

Stakeholders	Guidance and Engagement Channels
Communities	<ul style="list-style-type: none"> • Our guiding pillar of ‘Giving’ drives us to contribute to communities we work with, including promoting culture, welfare, and providing employment opportunities. • Direct reach out to local communities and municipalities and dialogue with communities and NGOs. Our One Million Tree Initiative, Sa3ee, hiring of females in hatcheries from local community are some of the examples.
Environment	<ul style="list-style-type: none"> • Our commitment towards climate action and life on land, reduction of our carbon foot prints and sustainable business practices. • Signatories to UN Global Compact, working directly with entities and NGOs.
Regulators	<ul style="list-style-type: none"> • Tanmiah commitment to compliance with applicable rules and regulations. • Regulatory announcements, website, meetings with regulatory and statutory bodies.
Shareholders	<ul style="list-style-type: none"> • TFC commitment to value creation, fair, accurate and timely management reporting. • AGM, Extra ordinary shareholders meeting, board meetings, investors calls.

TFC has a well-positioned centralised Compliance function, which establishes base line policies, communicates them to relevant business units, helps business units implement compliance practices and monitors the entire process as part of its annual compliance program. The centralised Compliance works closely with compliance champions in different business units to ensure a formal and regular dialogue between various stakeholders.

● GRI 2-26: Mechanisms for seeking advice and raising concerns

We have a process to report an actual or potential violation as provided in our code of business conduct and ethics policy. As per the policy, the Company shall provide effective means to receive reports of actual or potential irregularities or report any suspicious transactions. The relevant colleague’s information and identity shall be dealt with as strictly confidential.

The Company shall provide the bona fide reporter (whistleblower) with the necessary protection and shall not tolerate any form of retaliation against the whistleblower. The Company will take appropriate action in response to any violation of this code. Violating legal laws and TFC policies, including the code of conduct, may result in disciplinary action up to and including termination of employment and criminal prosecution for law violations and restitution in cases of fraud, theft, or personal gain at TFC’s expense. TFC’s HR department plans to develop a formal grievance report process for colleagues by the end of 2023.

● GRI 2-27: Compliance with laws and regulations

In 2022, TFC was subjected to a total penalty of SAR 91,400 issued by some governmental entities, the details of the penalties are also provided in Annual Report 2022 on page no. 81 as well as captured below:

- National Centre for Environmental License = 20,000 SAR (for health & safety violation related to material handling)
- Municipality = 69,400 SAR (violation related to waste management handling)
- Municipal Admin = 1,000 SAR (fine for non-renewal of a worker’s card license as per labour regulation)
- Municipality Violation = 1,000 SAR (violation related building codes for maintenance on health & safety issues)

At the same time, there were no instance of non-compliance with laws and regulations in which non-monetary sanctions were incurred.

Apart from those mentioned above, we were not involved in any conflicts and controversies related to non-compliance issues and commit to all relevant laws and regulations during the reporting period of 1st January 2022 to 31st December 2022.

● **GRI 2-28: Membership associations**

We have membership in the following entities / associations.

1. United Nations Global Compact (UNGC Saudi Arabia)
2. International Biochar Initiatives
3. KSA Poultry Producers Association
4. Industrial Council – Ministry of Industry & Mineral Resources
5. Private Sector Corporate Sustainability – Ministry of Economy & Planning
6. KSA Feed Producers Association
7. Made in Saudi Program
8. Saudi Authorised Economic Operator (SAEO)

Stakeholder Engagement

● **GRI 2-29: Approach to stakeholder engagement**

We engage with our key stakeholders from time to time on various issues in our day-to-day operations. Our stakeholders include:

- Internal
 - Our colleagues
 - Head of business units
 - Board of Directors and senior management
- External
 - Direct stakeholders – government regulators, customers, investors, suppliers, experts, NGOS
 - Wider stakeholders – local communities, start-ups, social investors, consumer groups and representatives
 - Influential opinion makers – sector associations and bodies

We engage with our stakeholders through various modes such as surveys, industry events, corporate events, our corporate website, community partnership, press release, public reporting, interviews and meetings, partnership and programmes, Annual General Meetings, management meetings, internal communication, external communications, joint projects, and award events etc.

Stakeholder engagement aims to assess the need and expectations of all our direct, wider, influential and internal stakeholders across our value chain. This also helps us to understand, prioritise and respond appropriately to their varying needs, preferences and perspectives in the broader context of sustainable practices, related risks and business opportunities.

● **GRI 2-30: Collective bargaining agreements**

Not Applicable.

Material Topics

● GRI 3-1: Process to determine material topics

In 2022, we performed our first materiality assessment exercise. As a result of this exercise, a list of material topics were defined per international standards and framework, relevant to the Poultry and Food & Beverage companies. The shortlisted topics were tested with internal stakeholders to understand main concerns, familiarity with issues and inter-linkages between operational units and management strategy. Peer review was performed to identify leading sustainability practices, and analyse external stakeholders' expectations, followed by a validation with existing data and internal initiatives and projects within TFC.

Based on inputs from internal stakeholder engagement and peer review analysis, priority material topics important from both impact and stakeholder perspective were defined.

Our focus areas are also aligned with Saudi Exchange ESG Disclosure Guidelines, Saudi Arabia's Green Initiative, and Saudi Net Zero 2060 target.

● GRI 3-2: Our Material Topics - Focus Areas

From the materiality assessment, peer benchmarking and internal reviews, we identified the following material topics:

Focus Areas
Building customer trust through high quality & safety of the product and responsible labelling
Climate and water action
Reducing waste at every stage of farm-to-fork cycle
Strong corporate culture
Investment in talent
Responsibility as a corporate citizen
Building resilient ecosystems through continuous innovation and R&D
Diversity, equity & inclusion

● GRI 3-3: Management of Material Topics

For these areas, we are setting up ambitions and goals by defining baseline targets, processes, and policies as needed and developing projects and initiatives to meet the aspirations of respective material topics. We are also aligning investments in the relevant areas where we can have maximum sustainability impact. TFC's ESG Committee and executive management is responsible for reviewing material Sustainability topics and managing progress against our targets. Key underlying ESG projects and initiatives are reviewed regularly by the cross functional management ESG Committee.

Further details on the management of these focus areas are discussed in this addendum in line with the Saudi Exchange ESG Disclosure Guidelines.

Sustaining the Planet and Agriculture

We are committed to transforming our entire business and supply chain by taking a net neutral approach to our environmental activities. We aspire to be recognised as the first carbon neutral poultry Company in the region by striving to produce healthier and nutritious food which is good for people and the planet.

Based on the Omnipreneurship philosophy of Giving, Earning and Sustaining, Tanmiah's Sustainability vision lays the foundation of the Company's strategies and incorporates environmental, social, governance and financial aspects into the sustainable practices managed by the Company.

In 2022, we undertook specific initiatives such as performing an in-house Greenhouse Gas (GHG) inventory and accounting exercise, we collaborated with technology providers to adopt innovations such as converting waste to value, enhancing waste management practices, and reducing resource consumption, including energy, raw materials, and water. This section provides an overview of our environmental achievements aligned with the Saudi Exchange ESG Disclosure Guidelines.

Climate Action – Greenhouse Gas Emissions

Background

TFC has aligned itself to the UN SDGs no. “7 – Affordable and Clean Energy” and no. “13 – Climate Action”. We performed an internal GHG inventory and accounting initiative in the year 2022 (the baseline year) to ascertain our overall operational Impact. The total operational emissions in the reporting period 1st Jan 2022 to 31st Dec 2022 were 210,999.17 tCO₂e covering scope 1 (direct) and scope 2 (indirect) emissions.

We have planned to undertake a comprehensive GHG (Green House Gases) accounting exercise to review our scope 1 and scope 2 emission calculations.

Mitigation Measures

We have initiated multiple decarbonisation related projects such as working on clean energy initiatives, improving the operations to manage energy, implementing demand side measures to reduce future energy needs. Our “One Million Tree Initiative” project is underway to offset negative impact of our operations. An overview of some exciting projects include:

Clean Energy

Solar Power – We are working on a power purchase agreement to install 3 MW (Net 2.5 MW) solar power plant at TFC feed mill and Haradh hatchery. The solar power system will generate approx. 8 million units of electricity once operational. Further it will help reduce approximately 5,000 tCO₂e per year.

Bio Waste – We are also working on ‘waste to energy’ project to utilise the waste generated from poultry bio waste to generate renewable energy with a potential to produce 5.2 MWh energy sequestering approximately 25,000 tCO₂e per year. The project is expected to be operational by 2025. The gasification plant will also produce 75 tons of biochar per day with CO₂ sequestration from 2 to 2.5 tons per ton of biochar. The biochar is expected to reduce gross 64,000 tCO₂e further. The waste to energy project will also reduce the carbon and ammonia emissions by managing the manure in a responsible way.

Operational Management

In 2022, we have identified several processes and practices across our value chain from farming to further processing to optimise the production and logistics efficiency. To enhance the operational efficiency of farmhouse operations and improve animal welfare, we have collaborated with an agro-tech solution provider to monitor farming data and practices. The aim of the project is to reduce the supply and demand mismatch in the feed deliveries, improve the farms environment management, track and trace the bird's performance and implement predictive action planning.

Demand Side Management

We implemented a demand side management project by installing LEDs in all our farms and warehouses. The project started in 2021 and completed in 2022. TFC achieved the following benefits from the project:

- 8.7 million kWh of savings in energy
- 1.5 million Saudi Riyals in cost savings

Tree Plantation Initiative

We initiated a tree plantation project in 2021 that aimed at planting one million trees by 2025. The details of the total trees planted and expected offsetting is provided below:

Particulars	2021	2022	Planned in 2023
No. of trees planted (000's)	200K	100K	100K Cumulative 400K
Equivalent offsetting	27,000 Metric ton CO ₂ e	Cumulative 56,000 Metric ton CO ₂ e	Cumulative 102,000 Metric ton CO ₂ e

Note: For the trees carbon sequestration, we have used Winrock International Forest Landscape Restoration carbon storage calculator. Majority of the trees planted are Eucalyptus, and we used the tool <https://winrock.org/flr-calculator/> to arrive at the final offsetting from the tree plantation initiatives. (Winrock international is a recognized leader in U.S. and international development).

Major Performance

The GHG inventory and accounting performed internally in 2022 covered scope 1 and scope 2 for TFC, and the key sources of emissions included:

Emission Scope	Major Sources of Emission
Scope 1	1. Mobile combustion – Gasoline and Diesel used in Company vehicles in addition to fuel consumption such as natural gas, ethanol, fuel oil, LPG in the industrial process and diesel for backup power.
Scope 2	1. Purchased Electricity from local power suppliers in the UAE and Saudi Arabia.

Emission Scopes	Year - 2022	Emission Intensity
Scope 1 (MtCO ₂ e)	162,691	122.17 tCO ₂ e/ million SAR revenue (scope 1 & scope 2)
Scope 2 (MtCO ₂ e)	48,308	

Note: The carbon calculation is done using the actual energy consumption data for 2022 which was extracted from the TFC's procurement data. For the fuel related data, we have used the emission factors as recommended by EPA (US based Environmental Protection Agency. For electricity consumption we have used the grid emissions factors for Saudi Arabia from the link - <https://www.climate-transparency.org/wp-content/uploads/2022/10/CT2022-Saudi-Arabia-Web.pdf> and UAE (as per Dubai Electricity and Water Authority's emission factors) based on our operations in the region.

We have followed a mix of location and market-based approach for estimating our emission scopes. The applicable emission factors were used for all the locations for assessing the GHG emissions. Our annual revenue for the year 2022 was 1.727 billion SAR, and our GHG emissions intensity observed was 122.17 (tCO₂e (scope 1 + scope 2)/million SAR revenue for the reporting period of 2022.

Improving Energy Efficiency - Product Carbon Footprint

We plan to undertake a detailed study to assess our supply chain emissions covering upstream and downstream processes. As of now we have calculated our scope 1 and scope 2 emissions which are already tabulated above covering the operational emissions of TFC. We are monitoring our energy consumption and benefits of energy efficiency projects that we have realised in our operations.

Particulars	2021	2022
Electricity consumption (Million kWh)	~ 75	~ 82
Reduction in electricity consumption (Million kWh) (LED project)	3.5	5.2
Reduction in Carbon emissions (tCO ₂ e)	2,150	3,200

The reduction in electricity consumption was observed due to the demand side management project of LED installation in farms and warehouses. Although the number of birds per day processed was increased by 23% from 2021 to 2022, the energy consumption only increased disproportionately by approximately 9%.

We are also tracking our fuel consumption on an annual basis, as can be seen from the table below. We have witnessed an increase in the fuel consumption for Petrol by 2% and for Diesel by 46% respectively in 2022 as compared to 2021. The major reason for the increase is production ramp-up, which is evident from the revenue which saw a jump of 43% in 2022 as compared to 2021. The increase in petrol is also linked to the increase in the number of staff traveling to the plant locations, given that our staff count has also increased by 49% in 2022 as compared to 2021. Details of staff count are provided in [Diversity, Equity & Inclusion - Human Capital Development](#).

Fuel consumption in transportation & logistics (supplies and finished goods)	2021	2022	Change in Fuel Consumption	% Change
Petrol consumption (million litres)	1.31	1.34	0.03	2% Increase
Diesel consumption (million litres)	40.77	59.55	18.78	46% Increase
Revenue (Billion SAR)	1.209	1.727	0.51	43% Increase
Total no. of colleagues	2,008	2,997	1,078	49% Increase

We are working on initiatives to manage logistics more efficiently, which will help us reduce fuel consumption. We have installed a vehicle tracking system in our feed delivery trucks and we are also working on a project to install the tracking and tracing system in our cold chain logistics. We are optimizing our logistics route planning integrated with utilizing the optimal load capacity in the feed bulkers and augmenting the number of trips for the feed bulker for the same production capacity of feed per day on any respective route. It will help us save time, fuel, and cost.

Responsible Water Management

Governance and Strategy

Water scarcity is a big concern in the GCC region where we operate, additionally water is an extremely important resource for our Company, being a part of the livestock production industry, which falls under the Packaged Foods and Meats sub-industry.

TFC has Board level ESG Committee (composition of ESG Committee at Board level is already provided in [2-13: Delegation of responsibility for managing impacts](#)). In addition, a cross functional Management ESG Committee has also been established which is headed by the Managing Director with senior representatives from the Corporate Strategy, Sustainability, Finance, Human Resource, Compliance, Operations and Logistics functions. This cross functional committee is responsible for managing the sustainability initiatives and projects within the Company. It also supervises water management related initiatives by assigning the focal points in different departments and functions within the organisation. The Committee reports its progress and updates on sustainability projects to the Chief Executive Officer.

TFC is not involved in any controversy with its community concerning any water usage related aspect. We currently use ground water (as per the relevant government procedures and laws) and water supplied by government approved third parties. The ground water consumption was 28% of the overall consumption in 2022 and the third parties supplied 72%. The quality control team of TFC continuously monitors the water consumption to keep it within permissible limits set by industry standards. We are also managing the wastewater generated from our entire operations by either recycling it or getting it disposed of through approved National Center for Environmental Compliance (NCEC) third parties.

We have a wastewater treatment facility at our Primary Processing Line in Shaqra which treated 581 Mega litres of wastewater in 2022 to an agriculture grade grey water level which is currently being utilised for our One Million Tree Initiative supporting the natural environment and biodiversity within the community in which we operate. Our other facilities in Majmah, Salbook and Abha dispose of the wastewater via NCEC approved third-party contractors. We have also planned to treat the wastewater from Majmah and Salbook in the Shaqra facility for further treatment and future reuse for agricultural purposes. All new plants have been designed to be equipped with state-of-the-art waste and water management facilities.

An average of 44% water recycling rate was achieved during 2022 with some variations in Q3 and Q4 2022.

#	Q1 - 2022	Q2 - 2022	Q3 - 2022	Q4 - 2022	Average 2022
Water recycling rate (%)	48%	48%	40%	41%	44%

Key Targets

At the Company wide level, we have initiated multiple projects to manage our overall water consumption. All our plants and sites are equipped with water meters to provide real-time information of our water consumption. Each site monitors the wastewater generated and recycled, with the help of quality department personnel. To add more controls to manage the wastewater, all our new plants are set-up with wastewater recycling facility, which is an integral part of our strategy to strengthen our water management practices.

#	Water Management Actions	2022
1	Water Consumed (Megalitres)	3,083
2	Wastewater generated (Megalitres)	1,324
3	Wastewater recycled (Megalitres)	581
4	Total Monetary Savings (Million SAR)	5.7 million SAR per year (disposal cost)

Furthermore, we are planning to recycle 100% of wastewater generated in the hatchery and other locations which will be further utilised for the agricultural purposes. In the first phase we will recycle the wastewater in Harad hatchery with annual wastewater generation of 55 Mega litres. By recycling this wastewater, TFC will be able to recycle overall 48% of wastewater generated annually.

Major Performance

Our Water Intensity performance for freshwater consumption improved by 11% as can be seen from the table.

Year	Freshwater Consumption (Megalitres)	Revenue (Million SAR)	Freshwater consumption intensity (Megalitre/SAR million sales)
2021	2,430	1,209.57	2.01
2022	3,083	1,727.04	1.79
Net change			11%

Reducing Waste

Governance and Strategy

We have environmental control through our group wide HSE policy that outlines our environmental commitments. The policy covers our vision and our commitment to protect the natural environment in which we operate. Our policy is applicable to all our locations, operations, offices, and contractors, and we also encourage our stakeholders (partners, suppliers, contractors, and others) to replicate similar policies when working with us.

Starting 2024, we plan to implement Environmental Management Systems - ISO 14001 covering all our facilities. As a part of ISO 14001 implementation, we plan to undertake a gap assessment of our existing environmental practices to fulfil all requirements to comply with Environmental Management Systems. A governance structure will be proposed to have management direction for effective roll-out and implementation of ISO 14001. As part of the process, a third-party certification agency will be onboarded to verify our claims and facilitate the ISO 14001 certification. Once the systems are developed, we plan to undertake periodic reviews in the form of internal and external audits annually to maintain certification status.

We follow the standard operating procedures (SOP) of Evaluation of the Implementation of Biosecurity Standards in Poultry Projects (EiBSPP) as recommended by the Ministry of Environment Water and Agriculture (MEWA), Saudi Arabia, and ensure compliance to all directives related to our existing operations and planned expansion.

Major Performance

We formalised a policy for Sustainable Agriculture in 2022, that fosters environmentally sustainable practices within the Company, along with managing poultry litter to avoid environmental damages and enhance soil health. At Tanmiah, we encourage the use of processed poultry biomass and biochar as a soil amendment to improve soil health and reduce the need for synthetic fertilizers. We are working in collaboration with innovators and researchers to develop innovative methods of composting and pyrolysis treatment for the litter, and simultaneously advocate to our suppliers to follow sustainable practices when handling poultry litter.

Waste Generated (tonnes)	2021	2022	Percentage Improvement
Recycled (tonnes)	16,960	22,956	35%
Waste Send to Landfill (tonnes)	136,125.16	127,961	(6%)
Total Waste Generated (tonnes)	153,085	150,917	(1.4%)
Percentage of waste diverted away from landfill	11%	15%	4% improved over 2021

Due to our waste management practices, we were able to recycle 35% more waste in the year 2022 as compared to 2021. The increase in waste recycling is due to the increase in conversion of offal to offal meals. Our waste sent to landfill reduced by 6%, and our total waste generated reduced by 1.4% overall in 2022 compared to 2021, creating positive environmental impact from our operations. We were also able to divert 15% of waste away from the landfill in 2022, a 4% improvement over the last year. Due to waste management practices deployed, we also saved 10.6 million SAR in the year 2022 by avoiding waste disposal through third parties.

Packaging Material

Policies and Targets

Product packaging is critical to ensure our customers get the best product experience. Good packaging integrated with environmentally friendly practices are important for shipping, storage, quality, and recycling of packaging to minimise waste. Plastic packaging is a major problem for the poultry and meat industry, since its waste management is a challenge due to long decomposition periods and difficulties in re-cycling.

We deal with two kinds of packaging - Primary and Secondary. Primary packaging deals with product level packaging and secondary packaging is related to the safe delivery and handling of the product to the point of sale.

To contribute to our environmental pillar of "Sustaining the planet" we have taken strategic initiatives to improve our environmental footprint by introducing Oxo-degradable packaging solutions (for primary packaging), a first in Saudi Arabia. We have started selling our chilled whole chicken in an Oxo-degradable packing which maintains product quality, hygiene, taste, and customer expectation in terms of food quality and packaging disposal. The packaging is completely degradable and has a label providing details for responsible treatment after use.

We are also using Oxo-degradable plastic and plastic trays for portioned SKUs. For trays, we have shifted a significant portion from foam trays in 2021 to PET (Polyethylene Terephthalate) trays in 2022. Foam trays are more environmentally disadvantageous and cannot be recycled whereas PET trays can be recycled.

In 2022, majority of our packaging was done using plastic bags which constituted 39% of overall packaging by weight. Overall, we saw an increase in packaging consumption in 2022 from 940 tonnes to 1,200 tonnes – an increase of 28% by weight as compared to 2021.

Packaging Types - Weight (Tonnes)	2021	2022	Percentage Share in 2022	2021-2022 Trend
Foam Trays (Tonnes)	341	225	19%	(34%)
PET Trays (Tonnes)	18	307	26%	1,606%
Plastic bags (Tonnes)	397	468	39%	18%
Feed bags (Tonnes)	184	200	17%	8%
Total (Tonnes)	940	1,200	100%	

We successfully managed to decrease the secondary and tertiary packaging units. Despite the 23% increase in the volume of the birds processed over the last year, the packaging intensity remained at 1.16 for the total production and packaging units used in 2022.

Packaging Intensity	2021	2022
Total Packaging (Million numbers)	117.19	133.27
Total Production (Million numbers)	100.30	114.95
Packaging (units packaging per units of production) Intensity	1.17	1.16

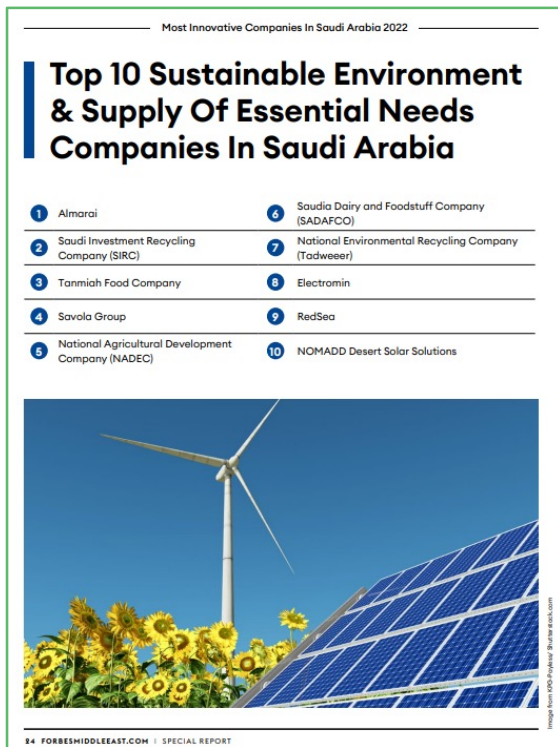
We are also involved in educating our customers on the benefits of our products as well as the packaging that we use. We also provide awareness on safe disposal of the packaging material to reduce environmental impact. We share information on the product label, and air awareness campaign for customer information. In 2022, we witnessed a 48% increase over 2021, for our awareness campaigns focusing on our products, services, health benefits, environmental benefits and social benefits.

Number of awareness campaigns based on type	2021	2022
Out of Home (OOH) Campaign	3	4
Digital (social media)	1	4
Instore	2	3
Above The Line	1	1
Public Relation (PR)	14	19
Total Number of Campaigns	21	31

Major Achievement

Our Oxo-degradable packaging won the “Product of The Year 2023” at the Gulf Awards 2023. We were rewarded for innovatively utilising the ecofriendly practices in the packaging material, first such instance of packaging in Saudi Arabia. The application and evaluation process were completed in 2022 and the results were announced in Q1 - 2023 for the 2022 award cycle.

Because of our innovative thinking to support ecofriendly practices, utilising bio-waste to generate energy, and other environmentally friendly initiatives, we were also listed in Forbes Middle East Special Report as one of the “Top 10 Sustainable Environment & Supply of Essential Needs Companies in Saudi Arabia” under the theme “Most Innovative Companies in Saudi Arabia 2022”.



Sustaining People and Agriculture

We are committed to transform ourselves into an employer of choice within the packaged foods and meats sub-industry in the region. We aspire to achieve best place to work status (Best Place to Work Certification) by focussing on the people pillar of our ESG framework.

We have developed plans for employee engagement by focusing on attracting, developing, and retaining the best talent. We are fostering a diverse and inclusive work environment across our value chain and providing support to the communities in which we operate through education and welfare programs.

We are continuously working to improve agricultural practices in the Kingdom with a focus on animal welfare. We follow the highest quality and safety standards in poultry management throughout our value chain and getting our internal systems verified by reputed third parties.

This section provides an overview of our social achievements aligned with the Saudi Exchange ESG Disclosure Guidelines.

Health and Safety

Governance and Strategy

'Occupational Health and Safety' are of utmost importance to us at TFC. To uphold the importance of health and safety, we take every precaution necessary to ensure that our colleagues work in safe conditions, whereby the number of accidents is minimised as much as possible.

We have listed our policies on occupational, health and safety (OHS) in our group-wide Health, Safety & Environment (HSE) policy document, which highlights our commitment to comply with all applicable HSE laws and regulations everywhere we operate. Our HSE policy is applicable to all colleagues, visitors, contractors/vendors and suppliers working on behalf of TFC. We ensure that the HSE policy is enforced diligently and conduct HSE audits through-out the year, internally. We have a Safety Management System (SMS) manual which is being enhanced in accordance with ISO 45001:2018, and the Saudi Human Resources and Social Development Ministry (HRSD) guidelines.

Apart from the group HSE policy, we have also covered health and safety aspects in several other policies concerned with our colleagues, suppliers and contractors as listed below:

- Code of business conduct and ethics – covers a detailed section on 'Safe Workplace'.
- Human rights policy-covering the aspect of safe and healthy work environment for all colleagues, customers, suppliers, and partners.
- Contractor safety policy.
- Supplier code of conduct – minimum requirement for supplier health and safety in their respective facilities for workers and visitors.
- Team member value – stressing on safety and wellbeing of team members and providing access to right tools to perform work safely.

The HSE Committee is a functional body responsible for managing the health and safety related aspects at the workspace. The committee is chaired by the head of HSE with representations from Operations, Maintenance, Environment, Quality, Agriculture Affairs and HR. HSE Committee has also rolled out plans to implement ISO 45001:2018 Occupational, Health and Safety management system certification in 2023-2024.

The policies ensure that health and safety is also enforced on our contractors, and they are included within the health and safety metrics. One of our main tools to address health and safety issues within TFC is periodic risk assessments, which allows us to quantify and quickly address any outstanding risks related to the occupational health and safety of our colleagues, contractors, suppliers, and visitors. We have a well-defined system to formally log and investigate all incidents – major and minor including near misses when they do occur, to find and address the root causes as appropriate.

Major Targets

We understand that health and safety is a subject that is constantly reviewed and improved upon, so we have set ourselves the target of Zero accident in (maintenance and operation) by the end of 2025 over a baseline year 2022. We have started multiple initiatives to contribute to meeting our ambitions, including:

- Process for Hazard Identification and Risk Assessment (HIRA & Hierarchy control).
- Perform periodic audits as per the TFC risk register classification.
- Safety toolbox talking, training, and capacity building of our colleagues on HSE and OHS aspects.
- Providing signages at appropriate areas.
- Performing fire drills/safety drills at various TFC locations.
- Displaying HSE policy at appropriate locations/sites within the TFC premises.
- Performing periodic monitoring of all HSE aspects and defining their hierarchy of controls to eliminate or substitute hazards.
- Developing continuous improvement plans for OHS across TFC.

OHS Initiatives	2021	2022	% Change
No. of OHS Audits Performed (#)	1	1	-
Safety talks (OHS trainings conducted) (Hrs.)	140	460	229%
No. of first aid cases	32	17	(47%)

We have an annual OHS audit frequency as per our risk register. The number of first aid cases dropped by nearly 50% in 2022 as compared to 2021 which is attributed to improvement in OHS practices as well as providing more and more awareness through safety talks, as clearly established from the table. The number of hours of OHS safety talks increased by more than 3 times in 2022 as compared to 2021.

Major Performance

We have seen an overall improvement in our OHS performance with lost time due to injury reduced by nearly 50% in 2022 as compared to 2021. Additionally, we were able to record all injuries and no severe injury was reported in the reporting period from 1st January 2022 to 31st December 2022.

OHS KPIs	2021	2022	%Change
Lost hours due to injury	288	152	(47%)
Recordable injury	100%	100%	-
Fatalities (no severe injury)	0	0	-

Diversity, Equity & Inclusion – Human Capital Development

Strategy

In our aspiration to be an employer of choice, we are working on various people-centric initiatives such as talent management programs, empowerment of our colleagues training and development programs, diversity and inclusion programs, programs around their health and safety and work-life balance etc. Our people's career development and welfare are the core of all the programs we implement within the Company.

We have a HR Strategy Plan which considers the feedback from all departments across TFC on the planned human capital requirements on an annual basis. Our human capital budgets are aligned with our strategy, which also considers the budget for unplanned recruitment aligned with individual departmental budgets in TFC. Our talent pipeline is influenced by our year-on-year growth, our commitment to Saudization initiative, and to the local community. Some of the relevant policies implemented include:

- Code of business conduct and ethics.
- Team member value.
- Working hours policy.
- Human rights policy.
- Anti-nepotism and conflict of interest policy.

Apart from the listed policies, we plan to develop a formal grievance reporting process by 2023. To assess the effectiveness of our human capital actions across the value chain, we started conducting annual employees' satisfaction surveys in the form of Annual Cultural Surveys. In 2022, we achieved 68% satisfaction as per the survey results of our workforce.

Employment Impact

Over the last three years, we have seen an increase in the number of applicants interested in working with TFC. Our organic growth integrated with our Sustainability commitment has been a vector in building our workforce and retaining talent.

Employment by Gender	2020	2021	2022	% Change
Female (#)	146	165	282	71%
Male (#)	1,621	1,843	2,715	47%
Total (#)	1,767	2,008	2,997	49%
Female to Male Ratio %	9%	8.9%	10.4%	16%

We have seen an increase of 49% in our overall workforce between 2021 and 2022, with a 71% increase in females employed, promoting gender diversity, compared to 2021. Our female to male ratio has also improved by 16% between 2021 and 2022. Consistent with our strategy, we have witnessed a net growth in our workforce (even after taking attrition impact) in the countries where we operate. The Company is also working on initiatives to keep a check on staff turnover.

Staff Attrition	2020	2021	2022
Staff Turnover (%)	6.70%	8.80%	9.40%

Our strategic actions led by our Human Resource Department have yielded us recognitions across Saudi Arabia. TFC, being a part of the Al Dabbagh Group, has been recognised in the top 10 Great Place to Work (GPTW) in Saudi Arabia over the previous three years. Additionally, we also received recognition from 'Great Place to Work' in Saudi Arabia 2023, as per the survey results/assessment performed in 2022.

Investment in Talent - Wellbeing and Culture

We have rolled out various programs and initiatives for employee engagement and development. We have an annual appraisal program for all the staff members of TFC. As a part of the appraisal program, a supervisor/people manager is assigned to every individual. The appraisal is based on nine values which include: integrity, forward thinking, respect, teamwork, passion, problem solving, quality, capability development and commitment. We aim to enhance our appraisal cycle as part of the ESG strategy implementation.

Performance Appraisal (Participation by Our Colleagues)	2021	2022
Executive - C Level Management (#)	11	11
Senior Management (#)	25	31
Middle Management (#)	41	50
Front-line colleagues (#)	1,933	2,043
Total numbers (#)	2,010	2,135

Note: The total number of colleagues participated in the appraisal is not equal to the total number of colleagues in TFC as only those colleagues are eligible for appraisal who joined the Company before 1st July every year. Additionally, the appraisal is only applicable to supervisory and managerial roles. However, below managerial level and front-line colleagues are eligible for bonuses as per the relevant variable incentive plan.

We offer competitive benefits to all our colleagues aligned with the local labour law. Annual appraisals play a key role across both fixed and variable compensation, where variable pay/incentives are dependent on the annual performance of the organisation. We also provide a safe and secure working environment to all colleagues and contractual staff members who work on behalf of TFC.

Apart from the pay-benefits, we offer non-pay benefits such as family health insurance, life insurance, phone allowance, school fee allowance, transportation allowance and air tickets to home country. To encourage work-life balance, we engage our colleagues in various cultural and community engagement activities apart from the daily work routine. We also celebrate national days of various countries including Saudi Arabia/Sudan/Sri Lanka/Bangladesh/Philippines and others.

We also celebrated international days:

- World Cancer Day - 4th February
- World Pulses Day - 10th February
- International Childhood Cancer Day - 15th February
- Arabic Mothers' Day - 21st March
- Tanmiah Iftar - 20th April 2022
- World Mental Health Day - 10th October

Gold Coins Distribution

The annual gold coin distribution ceremony, a long-held tradition in TFC, is a unique welfare activity in which TFC awards pure gold coins to colleagues who have completed 10 years and beyond for every additional 5 years in the Company. In 2023 TFC awarded 2.96 million SAR worth of gold coins to 130 eligible colleagues. This has resulted in enhancing staff loyalty, their welfare and commitment towards the organization.

TFC provides various job specific trainings to its colleagues for example leadership training, Omniprenuership training, technical and operational trainings in specific areas such as hatchery, broiler operations, IT security, sustainability etc. We also facilitate free online courses by top educational experts.

Training Hours	2021	2022	% Change
Below managerial role - Training Man Hours	107,348	385,841	259%
Managerial Level and above (including C-level management, senior management, middle management, front line colleagues) - Training Man Hours	3,011	3,673	22%

TFC does not have Employees Stock Ownership Plan (ESOP) or Employee Stock Purchase Plan (ESPP).

We had one minor non-compliance related issue for non-renewal of labour card license as per Saudi labour law and paid a fine of SAR 1,000. Apart from that, we were not involved in any case of non-compliance and controversy related to human capital development, labour management, workforce diversity or any discrimination related issues during the reporting period of 1st January 2022 to 31st December 2022. All the locations where we are operating have no or low likelihood of any labour unrest related situation. We did not have any incident of layoffs in the reporting period from 1st January 2022 to 31st December 2022.

Responsible Procurement, Supply Chain Management, and Human Rights

Governance and Strategy

Our staff centric policies play a key role in institutionalising industrial labour practices across our value and supply chain. The scope of our staff related policies include:

1. **Human rights policy** – We are committed to respecting and upholding human rights in all aspects of our business operations. We recognize our responsibility to respect the dignity, rights, and well-being of our colleagues, customers, suppliers, and the communities in which we operate. Our human rights policy statement reflects our commitment to compliance with the applicable laws and regulations.
 - a. **Forced labour** – Our human rights policy strictly provides our commitment of zero tolerance to any form of forced or involuntary labour and no compromise to any non-compliant practices prohibited by the Saudi Labour law.
 - b. **Child labour** – We prohibit the use of child labour in any of our operations or supply chain. We comply with the provisions of the Saudi labour law, which prohibits the employment of minors under the age of eighteen.
 - c. **Working hours and wages** – We ensure that all colleagues are fairly compensated for their work, in compliance with the Saudi labour law. We recognize the importance of work-life balance and provide reasonable working hours and break periods to our colleagues.
 - d. **Non-discrimination** – We do not discriminate based on race, ethnicity, gender, religion, age, disability, or any other characteristic protected under the Saudi labour law. We are committed to providing equal opportunities for all colleagues, customers, and suppliers.
 - e. **Health and Safety** – We are committed to providing a safe and healthy work environment to all colleagues, customers, and suppliers. We comply with the provisions of the Saudi labour law regarding workplace safety and health, and we continuously strive to improve our safety practices.
2. **Working hours policy** – We recognize the importance of providing safe and healthy working conditions to our colleagues, including reasonable working hours. We are committed to upholding our core values of integrity, respect, transparency, and accountability in developing and implementing our working hours policy.
 - a. **Standard workweek** – Our standard workweek consists of 48 hours or less, in accordance with local laws and regulations. Colleagues are entitled to at least one day off per week.
 - b. **Overtime and breaks** – Overtime work is only authorized in exceptional circumstances, such as peak production periods or unexpected events. We compensate our colleagues for overtime work in accordance with local laws and regulations. Staff members at operational sites are entitled to rest breaks and meal periods in accordance with the local laws and regulations.

Our supplier code of conduct outlines our commitment for highest ethical standards in business practices, including relationship with suppliers. We have set pre-qualification (minimum requirement) criteria that must be adhered by all suppliers which broadly includes issues on legal compliance, human rights, labour standards, supplier health and safety, environmental stewardship, animal welfare, and business ethics. Any non-compliance to the code of conduct may result in termination of the supplier relationship with TFC.

In the last two years, 100% of our suppliers were screened against the supplier code of conduct. We plan to strengthen our supply chain and labour practices by initiating projects and initiatives in 2023-2024 to include supplier capacity building based on our supplier code of conduct and other procurement practices (including training on quality and assurance). We also envisage initiating supplier audits in the future.

We require all the suppliers to be GFSI certified. The Global Food Safety Initiative (GFSI; the Coalition) is a Coalition of Action from The Consumer Goods Forum (CGF) which brings together 44 retailers and manufacturers from across the CGF membership and an extended food safety community to oversee food safety standards for businesses and help provide access to safe food for people everywhere.

Responsibility as a Corporate Citizen – Community Relations

Community Impact and Disturbance

We are a signatory to the United Nations Global Compact (UNGC) and have made our commitment to support the ten principles of UNGC on human rights, labour, environment, and anti-corruption. Being a UNGC signatory, we refrain from operating in protected areas.

Our Sustainable Agriculture Policy outlines our commitment to community engagement by promoting sustainable agriculture practices in the region and addressing any food security challenges. We prioritize employment of human resources from the local community as much as possible. Some of our key contributions include employing local women in the Harad hatchery for hatchery operations and working with Shaqra municipality to build a park for the local community. We also promote various programs for people of determination within the community. We have partnered with Sa3ee to employ people with disabilities, providing them with a platform to learn new skills and make a positive contribution to the society.

Key Policy Commitments

Our human rights policy as explained in the [Responsible Procurement, Supply Chain Management, and Human Rights](#) section discourages any form of discrimination, child labour, forced labour, promotes the best practice for colleague health and safety, encourages fair compensation and wages, endorses the practice of sustainability and human rights across the supply chain. Our Code of Business Conduct and Ethics policy comprehensively captures our commitment to:

1. Professional conduct and public morals
2. Interacting with third parties
3. Protection of Company assets
4. Combating financial and administrative corruption
5. Gifts and hospitality
6. Conflicts of interest
7. Maintaining confidentiality and disclosure mechanisms
8. Compliance with laws, regulations, and policies
9. Business ethics

We plan to initiate training and awareness sessions of our policies to oversee the progress of policy implementation process and its effectiveness. Compliance with these ethical policies is independently reviewed by the TFC Compliance function.

Distribution of Benefits

Aligned with our community commitment, our colleagues committed 1,200 CSR hours in 2022 which is two times the colleague CSR hours committed in 2021. We supported various community programs on food security, health and safety, community building, education, training, support during festivals etc. Our CSR contribution in 2022 was 1.56 million SAR which was almost 30% more as compared to 2021.

CSR Contribution	2021	2022	% Change
CSR - Spending (in Million SAR)	1,205,000	1,560,000	30%
CSR Hours*	600	1,200	100%

*Note: CSR Colleague Hours are devoted by colleagues working in the head office which is approximately 300 staff. For 2021 it was almost 2 hours per person and it increased to 4 hours per person in 2022.

We encourage local procurement, and we launched two Omnipreneurship awards of one million dollars each in the year 2020 and 2022. In 2022, 76 participants from 38 countries took part in the competition and submitted their ideas. The idea of Omnipreneurship awards is to contribute to commercialisation of sustainable technologies that can help in reducing impact of carbon emissions and waste in poultry production and becoming a vector in developing the technical and financial capacity of the local community.

Our spending on local procurement saw a dip due to post covid impact for the local businesses on whom we were relying for local supplies. Unfortunately, some of the business could not sustain during the covid and post covid period, resulting in sourcing from international parties. Also, the total procurement spending witnessed a significant increase because of the increase in supply chain costs/import costs over the last two years.

Local Procurement	2020	2021	2022
Local Procurement Spending (Million SAR)	540.38	566.73	642.82
Total Procurement Spending (Million SAR)	695.21	986.38	1,404.48
% Local Procurement Spending/Total Procurement Spent	78%	57%	46%

On an annual basis, we hire senior staff from the local community, based on their credentials and as per organisational need, as can be seen from the table.

Local Opportunity	2020	2021	2022
% of senior leadership hired from local community	18%	45%	36%

Building Customer Trust Through High Product Quality & Safety

Policies and Programs

At TFC, we are proud of the consumer confidence in our portfolio that we have earned through rigorous quality control and safety standards. A key component of maintaining our product quality and safety standards is the extensive in-house testing of raw materials and finished products. Our labs are ISO 17025 certified from A2LA USA, (American Association for Laboratory Accreditation (A2LA)), which is amongst the largest accreditation bodies in the world. The tests are conducted within our in-house chemistry and microbiology laboratories equipped with the latest hi-tech equipment such as PCR, molecular detection system, check & trace Salmonella serotyping and bacterial identification with Vitek-2 system. In chemistry we have Inductive Couple Plasma Spectrophotometer (ICP) for mineral and heavy metals analysis in food and feed products, Randox Investigator system for Antibiotic and Mycotoxin determination, Ultraperformance Liquid Chromatography (UPLC) for vitamins and Amino acids.

The following principles, listed in our Product Food Safety Policy, are the foundation of Tanmiah Food Company's commitment to food safety:

- Ensuring that every colleague is aware of our commitment to quality and food safety, and receives all necessary training, instruction, and supervision.
- Ensuring that all personnel complied to the standards defined within our Food Safety System in a uniform and responsible manner.
- Delegating necessary responsibility and authority for effective day-to-day operation of our systems to suitably qualified and competent personnel.
- Coordinating and monitoring the activity of Company personnel against the requirements of legislation and Food Safety Certification Standards such as HACCP, BRC, ISO 22000.
- Applying a risk assessment methodology, aligned with the context in which we operate, to facilitate our ability to achieve quality and food safety management system objectives and to continually improve.
- Continually reviewing food safety policies, standards, and procedures to effectively manage food safety risks associated with changes in products, processes, and technologies.
- Communicating quality and food safety requirements to suppliers, contractors, customers and consumers, and other relevant interested parties by establishing specifications for ingredients and packaging materials, product storage and distribution and consumer guidelines.
- Ensuring an effective method of resolution is applied to any non-conformity identified during internal audits or routine checks.

As stated, we see our colleagues as vital to maintain product quality and safety. All TFC colleagues in the manufacturing and production area are required to undergo 'Good Manufacturing Practice' training. All Quality Control team members and line leaders are required to undergo product safety and quality training, which must be repeated every 3 years from the approved certification provider. In addition, internal quality training to be undertaken on a periodic basis. Apart from the quality trainings, we also train our colleagues on responsible marketing practices for our products.

	2020	2021	2022	% Change
Colleagues participated in Quality Trainings (#)	642	696	1000	56% increase in 2022 over 2020

In addition to educating and training our colleagues, we also actively seek their input on how operations can be improved. To achieve this, we:

- Have suggestion boxes for colleagues to raise concerns and suggestions.
- Conduct surveys wherein colleagues can address food safety related concerns.

We recognise that our suppliers are a key part of ensuring high product quality and safety. In line with this commitment, we require all our suppliers to be certified under the Global Food Safety Initiative (GFSI).

TFC is also a member of the Kingdom of Saudi Arabia's poultry association and collaborates with other market players to promote healthy and sustainable practices across the industry.

We keep a track of following key indicators as part of maintaining our service quality:

Quality Performance	2020	2021	2022
Critical Quality complaints (#)	0	0	0
Adherence to regularity standards	100%	100%	100%
Batch Testing/Inspection	100%	100%	100%
Food Safety compliance	100%	100%	100%
Food Safety Hazzard Issue (#)	0	0	0

We have initiated various projects to improve the quality of services we provide, for example:

- We have invested in product testing capabilities by getting accreditation from international bodies on standards like:
 - o ISO 22000 certification across all feed mills
 - o ISO 17025 - requirements for testing and calibration of laboratories (from A2LA USA) for our product testing labs
 - o Primary Processing Plant - BRC (British Retail Consortium Global)
 - o Primary Processing Plant - HACCP (Hazard Analysis and Control Points)
 - o Saudi Good Agriculture Practices (Saudi GAP) Certified - MEWA
 - o NSF Animal Welfare Certified
 - o Hatchery - Animal welfare NSF Certified (National Sanitation Foundation)
 - o Farms - Animal welfare NSF Certified (National Sanitation Foundation)
- We have improved our processing time and packaging systems.
- We continuously work on our customer relations and service delivery aspects that help us manage any customer related issues effectively.

Our responsible marketing and consumer protection guidelines focus on promoting responsible marketing practices, effective implementation, training, and capacity building of concerned colleagues, and periodic monitoring of policy implementation through audits.

Major Performance

We have not been involved in any product recalls, regulatory warnings, FDA Form 483s (The FDA Form 483 notifies the Company's management of objectionable conditions), or warranty payments in the past and during the reporting period of 1st January 2022 to 31st December 2022. This requirement is not applicable in Saudi Arabia.

Product Safety and Quality – Chemical Safety

Governance, Programs, and Initiatives

We have a 'Chemical management program' and a 'Chemical handling storage' procedure available in house.

Our chemical management program outlines our efforts to control chemicals and eliminate any risk of contamination of food contact surfaces and finished products with non-food-grade substances. It also helps protect our colleagues and the production area from exposure to any hazardous chemicals.

Our chemical handling and storage procedure provides guidelines for handling and storing hazardous chemical at the workplace. It lays importance in developing a chemical management procedure which is imperative as it encapsulates detailed risk assessment of each substance as well as setting up controls around potential hazards.

We have a chemical identification register which classifies chemicals into various hazards such as oxidising, corrosive, etc. The chemical management and chemical handling storage documents clearly highlights dos and don'ts with reference to chemicals and any emergency response plan for unexpected situations.

We ensure compliance to the legal requirements from the Ministry of Municipal and Rural Affairs, General Directorate of Civil defence, Ministry of Environment Water and Agriculture, and World Health Organization on any aspects pertaining to chemicals, its use and managing chemical waste. We maintain such compliances in all our products and future product considerations. We follow all government procedures for product registration and labelling details highlighting ingredients, process to use, and disposal, before selling any product in the market.

We also encourage our suppliers:

- To supply only regulated chemicals as per local regulations and in line with international standards, after considering necessary phase-out plan for certain chemical categories.
- To correctly label the contents, chemical composition, instructions for use and safe disposal.

Building Resilient Ecosystems through Innovation and R&D – Opportunities in Health and Nutrition

Management

As a company focused on agriculture and food products, we understand our responsibility to providing healthy and nutritious products. Some of the key improvements and innovations across our portfolio include:

- Being the first company within the GCC to introduce Omega-3 enriched chicken (which is using Algal oil as a source of DHA (Docosahexaenoic acid and EPA (Eicosapentaenoic acid) are Omega-3 fatty acid found in cold-water, fatty fish, such as salmon).
- 100% grass fed chicken, which is highlighted on our fresh chicken packaging.
- Reducing sodium levels to 0.18%-0.23% per kg of feed.

TFC uses 100% vegetable-based feed. We do not add sugar in the feed, instead we use carbohydrates, fats, and proteins along with other additives for feed formulations. We use soybean oil (polyunsaturated fat) which is a healthier fat compared to saturated fats from palm or animal fats.

R&D Investments	2021	2022	% Change
Revenue (Million SAR)	1,209.57	1,727.04	43%
Investments into R&D (Million SAR)	32.48	41.67	28%
% of revenue invested into R&D	2.6%	2.4%	

We encourage innovation and research and have two operational research teams with 13 members, 30% more as compared to 2021. Some of the major research projects handled by our team include:

- Conversion of desert to a cultivable land in collaboration with King Abdullah University of Science and Technology (KAUST).
- Launch of the 2nd Omnipreneurship Grand Challenge 2022.
- Applied for provisional patent in the US for the 1st Omnipreneurship Grand Challenge for biodegradable plastic from waste in collaboration with the winning team in KAUST.
- Omega-3 chicken research project.

R&D Capabilities	2021	2022
No. of colleagues in Research Team	10	13
No. of patents filed	No patent	One patent for biodegradable plastic provisional basis

Our Sustainable Agriculture policy encourages sustainable sourcing (promoting reduced use of chemicals), food safety, and environmental stewardship, and sustainable management of poultry litter.

Sustainable Land Use and Animal Welfare

Management

We are committed to sustainable use of land in our operational assets and the wider ecosystem. As part of our annual grand challenge 2022, a budget of USD1.1 million has been allocated for developing sustainable indigenous raw material for feed production in KSA. We shortlisted top 5 finalists who will compete for the grand prize by developing their prototypes and provide solutions for sustainable land use. The best initiative will be selected in 2024 by an independent jury comprising industry experts. The winning solution will be tested by TFC for further scaling and commercialisation. Additionally, through our One Million Tree Initiative, we are increasing organic matter in the desert, which converts it to cultivable soil.

We are committed to providing nutritional products while also complying with the ethical implications of poultry production. We have several safeguards in place to protect the welfare of animals and are also looking to make continuous improvements across our supply chain. As a testament to our commitment to animal welfare, we were the first company in the MENA region to have animal welfare principles and practices implemented across our poultry value chain, while achieving the Global Animal Wellness Standards certification from National Sanitation Foundation (NSF) for our operations. We are focused on improving animal welfare, maintaining certification, and ensuring that the fundamental rights of animals are upheld across all our locations. At our locations, we abide by five rules that are globally accepted as a standard for responsible animal care:

1. **Freedom from hunger or thirst** – provision of clean and fresh water with a healthy diet that maintains bird health and gives better growth.
2. **Freedom from discomfort** – provision of suitable housing environment for the birds.
3. **Freedom from pain or disease** – provision of scheduled medical care through proper vaccination and rapid diagnosing treatment.
4. **Freedom to express normal behaviours** – availability of required growth space, facilities, and company of similar species.
5. **Freedom from fear and distress** – providing favourable conditions and best treatment that avoids mental discomfort.

Additionally, we are accredited by NSF in the following areas:

- **Primary Processing Plant (PPL)** – Animal Welfare Certificate (NSF), British Retail Consortium (BRC) and ISO 22000.
- **Hatchery** – Animal Welfare Certified (NSF).
- **Farms** – Animal Welfare Certified (NSF).

In year 2022, we achieved 100% compliance to third-party animal welfare standards for PPL and Hatchery section. We also aim to achieve 100% compliance for our broiler segment in the future.

Governance

We are committed to strong corporate governance principles to create and maintain increased value for shareholders. TFC has an approved corporate governance system that complies with the provisions of the Corporate Governance Regulations issued by the Capital Market Authority, which includes standards, frameworks, and determinants regulating the management of the Company to ensure adherence to the best practices that preserve the rights of shareholders and stakeholders. We apply all the provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority, except those which are listed in our Annual Report 2022.

This section provides an overview of our strong corporate governance aligned with Saudi Exchange ESG Disclosure Guidelines.

In our quest for implementing best governance practices, we aim to:

- Practice best corporate governance practices for our Board, Pay, Ownership and Accounting aspects.
- Practice best corporate behavior in terms of ethical and responsible business within the jurisdictions where we operate.

Ethical Business Practices Through Accountability at Every Level

Board

Background

We understand the crucial importance of a well-run board for effective governance. In accordance with our commitment to strong governance, we have followed stringent principles on board membership, independence, nomination, and diversity.

#	Member Name	Position	Membership Classification
1	H.E. Amr Abdullah Al-Dabbagh	Chairman of the Board of Directors	Non-Executive
2	Jamal Abdullah Al-Dabbagh	Vice Chairman	Non-Executive
3	Kamel Salahudin Abdullah Al Munajjed	Director	Independent
4	Stephen Mark Parsons	Director	Independent
5	Hawazen Nazieh Nassief	Director	Independent
6	Vincent Carton	Director	Independent
7	Mohamed Husnee Jazeel	Director	Non-Executive
8	Alexander S. Ivannikov	Director	Independent
9	Dirk Vanderbroeck	Director	Non-Executive
10	Ahmed Sharaf Osilan	Managing Director	Executive

Board Leadership, Independence, and Composition

Our non-executive chair is independent of management at TFC. He is also not a former CEO or CFO of TFC. We do not have a combined CEO and Chair, at the same time there are no board members with excessive influence. All board members are registered. TFC has a Managing Director who also holds an executive position in the Company, independent of Chairman and Vice Chairman.

As can be seen from the table above, TFC board consists of 50% of board members who are independent of the management and other interests. Furthermore, we have less than 30% of board members who are executives.

We have also disclosed details of our related party transactions on page number 79 of our Annual Report 2022.

The details related to the nomination and selection of board members is already provided in our Annual Report 2022 - Corporate Governance Section from page 56 onwards (including the details of board composition, skill sets of the members, membership in other boards, membership in committees, , attendance, remuneration etc.) and in the [2-10: Nomination and selection of the highest governance body](#).

The details of credentials of board members can be found on Annual Report 2022 - Page no. 60-63, outlining current occupation, previous roles, academic qualifications relevant to be the board member in TFC. We do not have any problems of an entrenched board. We have one female member on the Board who also chairs the Board ESG Committee.

Audit Oversight

TFC has an Audit Committee (AC) that comprises of 4 members, 2 of which are independent and 2 are non-executive and no representation from executives in the Audit Committee. The Audit Committee members have the relevant skills sets of financial management, accounting, and extensive industry specific knowledge as relevant for TFC. The financial and operational expertise in the AC also allows it to oversee TFC's risk management practices.

Nomination and Pay Oversight

TFC has a Nomination and Remuneration Committee (NRC) that is responsible for the nomination of directors to the Board of Directors and the remuneration policy for the directors and the members of the Company's senior management. NRC has 2 independent and 2 non-executive board members.

Strategic Oversight

Due to strong oversight from the board and independent committees supporting the Board, neither TFC nor any subsidiary of TFC is receiving any bankruptcy protection or facing liquidation, or any concerns/issues with debt covenants, or any concerns related to facing financial difficulties as identified by the Board and reported in the press. Furthermore, due to its strong risk management, Audit Committee, and Board oversight, TFC has no concerns pertaining to shareholders in relation to the raising and/or return of capital.

We have maintained transparency throughout the process when dealing with all our internal and external stakeholders and have not faced any allegation by any investor regarding the issuance of securities. TFC is not in breach of its continuing market obligations. Additionally, none of the current or recent members of the board or senior executive of the Company has allegedly failed to act with honesty and integrity, raising any aspect of business misconduct. TFC has not witnessed any situation that may distract the Board from focusing on business operations and strategic matters. No evidence of governance failure has been detected in TFC.

Pay

Controversy and Concerns

TFC strictly practices Corporate Governance rules and regulations. Currently, no equity is available for the Company CEO. The information on the remuneration for the Board members, committee members, senior management such as CEO and CFO is provided in the Annual Report – 2022 Page no 74-77. Process of performance evaluation and pay linked to performance is explained in the GRI [GRI 2-18: Evaluation of the performance of the highest governance body](#).

We understand that the pay performance alignment is a key factor in aligning incentives for executives, however, we did not have public criticisms regarding golden hellos concerning the CEO or other senior executives and at the same time, there have been no adverse public comments, or any negative vote made for our pay policies or practices. Details related to financial statements can be found in the Annual Report 2022 in the relevant sections.

Ownership and Control

Structure, Voting, Rights and Controls

The direct ownership structure of TFC is provided below. More details about the ownership are captured in Annual Report 2022 from page no. 83-85.

Shareholder	No. of Shares	Nominal Value (SAR)	Percentages
Al-Dabbagh Group Holding Company	14,000,000	140,000,000	70%
Public	6,000,000	60,000,000	30%
Total	20,000,000	200,000,000	100%

As per TFC Bylaws, the Board meeting is to be considered valid only if most of the members attend, however, a member of the Board may deputize another member to attend meetings of the Board on his/her behalf according to the following terms:

- The member is not permitted to be deputized by more than one member in the same meeting.
- Deputation must be proven in a written form and for a specified meeting.
- The deputy is not permitted to vote on resolutions that the regulation banned the deputized member from voting on.

The resolutions of the Board are to be issued by the majority of votes of the attending members or the representatives. At the same time, board governance is monitored to ensure managing the rights and concerns of all the stakeholders and investors within the Company. TFC does not have multiple equity classes.

According to Companies Law, there should be 50% of the voting to convene extraordinary general meetings.

With regards to the setting agenda for Annual General Meetings, all the nominations for board members follow the same process as explained earlier, there is no scope for proxy access to any nominee. Shareholders are allowed to elect directors/members in the Annual General Meetings. As per the CMA Rules, cumulative voting is practiced electing the board.

Business Ethics

Policy and Practices

We have an Employee Code of Business Conduct and Ethics Policy, the details of the same are already covered in GRI [GRI 2-23: Policy commitments](#). For more details on all our policy please visit our website. We encourage training and capacity building and declaration from colleagues on ethical standards.

We were not involved in any non-compliance and controversy related to business ethics during the reporting period of 1st January 2022 to 31st December 2022.

Strong Corporate Culture

Accounting Practices

Background

Tanmiah has a finance operating procedures and an accounting manual covering the accounting policies and detailed guidelines to prepare and present the financial statements to meet regulatory and management requirement and render proper accountability to all stakeholders. The Group's financial statements are prepared in accordance with International Financial Reporting Standards 'IFRS', as applicable in the Kingdom of Saudi Arabia. The manual aims to achieve standardization in accounting across the Company under IFRS.

Events and Controversies

At TFC, we have never had any situation of internal investigation on our accounting practices, nor it has been under any investigation by a regulatory body. Our Annual Reports are audited on an annual basis by a third-party independent auditor, a link for the last two years Annual Report can be found on the TFC Annual Reports for more information on the key audit matters and how they were resolved.

As a practice, we did not pay less to the external auditor for audit and audit-related services than for other services provided in the last fiscal year. Our Annual Report 2022 is the second year of reporting, as per the Saudi law for listed entities, with the term of auditors' appointment not exceeding 7 consecutive years and the auditors need to be changed every 7 years. We have a well-established system of performing Internal Audit within the organisation that highlights any material weakness within the accounting system, if any. Due to our comprehensive accounting systems and compliance to our Manual and IFRS, we had no cases of restatement in the past years, and we ensure we do all our statutory filings before the deadline.

Tax Transparency

Governance and Approach

We have an internal Tax Department supported by third party Tax consultants. We ensure periodic reviews and checks from our consultants to ensure compliance and regularity with applicable and relevant tax laws. Being a large Taxpayer, we have a dedicated Tax Relationship Manager from the Zakat Department, and we engage with them on a regular basis.

Our approach to tax is driven by regulatory landscape in Saudi Arabia:

- We pay tax such as Zakat, Withholding Tax (WHT), Income Tax & Value Added Tax (VAT) expenses as per the applicable laws.
- We strive for the highest levels of governance in sustainability, which is also one of the main pillars of our tax Strategy. 10% of the net profits will be maintained for the formation of the statutory reserve of the Company. The Annual General Assembly may decide to discontinue this sparing whenever the statutory reserve reaches (30%) of the paid capital.

#	Estimated Tax Gap	Tax Rate
1	Effective Tax Rate	1. Tax: 23% 2. Zakat: 10%
2	Statutory Tax Rate	3. Tax: 20% of Adjusted Tax Profit 4. Zakat: 2.5% on Zakat base and/or adjusted net profit

We are committed to all the relevant laws and regulations as issued by the Tax Authorities and we disclose the information appropriately in our financial statements. We do not engage in any other activities including public policy advocacy and lobbying as these are not applicable in Saudi Arabia.

