



**NADEC**

# **2023 Sustainability/ESG Report**

# Table of Contents

<b>ABOUT THIS REPORT</b>	<b>03</b>
<b>CHAIRMAN'S MESSAGE</b>	<b>04</b>
<b>CEO'S MESSAGE</b>	<b>05</b>
<b>ABOUT NADEC</b>	<b>06</b>
Our Corporate Strategy – New Dawn	08
NADEC's Journey	09
NADEC in Figures	10
Our Market Sectors	11
Facilities and Locations	12
Financial Performance	13
Associations, Memberships and Awards	14
<b>OUR APPROACH TO SUSTAINABILITY</b>	<b>15</b>
Alignment with Saudi Vision 2030	16
Stakeholders Engagement	17
Sustainability Strategy	18
<b>ENVIRONMENTAL RESPONSIBILITY</b>	<b>19</b>
Environmental Management	20
Addressing Climate Change	20
Water Conservation	21
Waste Management	22
Promoting Biodiversity	22
<b>SOCIAL IMPACT</b>	<b>23</b>
Customer Satisfaction	24
Investing in Human Capital	25
New Hires and Turnover	26
Training and Development Opportunities	27
Diversity and Inclusion	28
Compensation and Benefits	29
<b>CORPORATE GOVERNANCE</b>	<b>31</b>
Governance Approach	32
Compliance	33
Driving Digital Transformation	33
Responsible Procurement	37



<b>RESPONSIBLE PRODUCTS</b>	<b>38</b>
Research and Development	39
Sustainable Packaging Design and Innovation	40
Supporting Health and Nutrition	41
Promoting Animal Health and Welfare	42
<b>APPENDICES</b>	<b>43</b>
APPENDIX (A) ABBREVIATIONS	44
APPENDIX (B) GCC ESG METRICS	45
APPENDIX (C) GRI CONTENT INDEX	48



# About This Report

NADEC is pleased to present the company's 2023 sustainability/ESG report. This first annual sustainability/ESG report provides an overview of our Environmental, Social and Governance (ESG) commitments, activities, achievements and performance throughout 2023.

## Materiality

All content in this report has been developed with consideration for the priorities, needs, and expectations of our stakeholders and the strategic objectives of our businesses.

## Reporting Guidelines and Alignment with National and International Priorities

The content for this report has been developed in accordance with the Global Reporting Initiative (GRI), and with reference to the United Nations Sustainable Development Goals (UN SDGs), Gulf Cooperation Council (GCC) ESG Disclosure Metrics, Tadawul ESG disclosure guidelines, the Saudi Vision 2030, Saudi National Standards for Sustainability, as well as Social Responsibility Guidance Standards (ISO 26000).

## Forward-Looking Statements

This report contains "forward-looking statements" that reflect NADEC's approach to carrying out its future operations and activities. These statements can be identified by terms such as "plans," "aims," "aspire," "assumes," "continues," and "believes," in addition to expressions indicating the likelihood or possibility of events occurring or results being achieved, such as "may" or "might."

These statements are intended to provide a comprehensive overview of NADEC's future plans and aspirations. However, they are subject to change due to unforeseen developments or changes that may arise from external or internal factors. NADEC emphasizes that these statements should not be considered as an accurate guarantee of expected outcomes. Accordingly, NADEC disclaims any liability for decisions made based on these statements or for any discrepancies between stated expectations and actual results.

## Report Scope and Limitations

This report covers all NADEC operations in Saudi Arabia during the period from January 1, 2023 to December 31, 2023. All monetary values in this report are in Saudi Riyal (SAR) unless otherwise stated.

## Contact Us

NADEC understands that being a sustainable business means continually evolving to meet stakeholder needs socially, environmentally and economically. To help us on our journey, we invite you to provide us with your feedback, suggestions and questions on the content of this report or on our sustainability activities. Please contact us via the following channels:



## Disclaimer

NADEC assumes no responsibility for any decisions or actions taken based on the content of this report or for any direct, indirect, or consequential damages that may arise from its use. It strongly recommends seeking specialized advice before making investment or strategic decisions.

The commitments, goals, and plans outlined in this report represent NADEC's aspirations and do not constitute binding obligations. These initiatives are subject to change in response to evolving circumstances, including regulatory developments in laws and requirements issued by supervisory and regulatory authorities, market conditions, and resource availability. should not be considered as an accurate guarantee of expected outcomes. Accordingly, NADEC disclaims any liability for decisions made based on these statements or for any discrepancies between stated expectations and actual results.

# Chairman's Message

“ Beyond the responsibility to address environmental imperatives, we understand the significance of our role in ensuring food security and quality, and providing consumers with healthy and nutritious products. ”



Mr. Abdulaziz bin Saleh Al-Rebdi  
The Chairman

As the food and agriculture sector strives to meet the demands of a rapidly growing global population, our role in the sustainable development of Saudi Arabia's food and agriculture system has never been more crucial. With the world population projected to reach 10 billion by 2050 and a corresponding 60% increase in food demand, the pressure on our sector is intensifying.

We face critical challenges such as water stress, soil degradation, pollution, waste, biodiversity loss, and the imperative to mitigate climate change. Beyond the responsibility to address these environmental imperatives, we understand the significance of our role in ensuring food security and quality, and providing consumers with healthy and nutritious products. This past year, these concerns have taken centre stage globally, a high light of which was the 2023 UN climate summit where the sector's impacts were a key focus, and world leaders endorsed the Emirates Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action.

Here in Saudi Arabia, water stress and food security are critical concerns for both the Kingdom and NADEC. With water requirements increasing at 7% annually and agriculture consuming 84% of the Kingdom's water, the pressure is mounting. Additionally, 33% of the country's waste comes from food, resulting in SAR 40 billion in annual losses. Without focused

intervention, these issues will escalate as climate change exacerbates farming conditions and supply chain pressures. Furthermore, the issues of food security and regenerative agriculture are fundamentally intertwined with societal well-being, necessitating healthier, more nutritious food options to address obesity, adequate nutrition, and the demand for organic, low-calorie, and low-sugar products.

As one of Saudi Arabia's largest food and agriculture companies, NADEC is acutely aware that we have a significant opportunity and a deep responsibility to drive a transformational shift to regenerative agriculture and food production.

NADEC aims to lead this transformation in ways that enable greater food security and self-sufficiency for the Kingdom and mitigate critical environmental impacts such as carbon and water, all while keeping people at the centre of this transition.

Leading this transformative journey will require significant investment in the sustainability of our supply chains, our operations and our products, to drive the adoption of climate-resilient solutions and optimise resource use to deliver health through nourishment of people and the planet. In 2023 NADEC launched New Dawn, our new five-year strategy. The New Dawn strategy aims to enable the Saudi national transformation, Saudi Vision 2030, the Saudi National Agriculture Strategy, the Kingdom's net zero emissions

by 2060 target, and other initiatives by focusing our investment, resources and energy on regenerative agriculture and sustainable sourcing, operational excellence and resource optimisation, and health, wellbeing, and access to nutrition. Under the umbrella of the New Dawn strategy, NADEC is also developing a formal sustainability strategy designed to deliver lasting value for all shareholders as we collectively tackle the challenges and complexities of accelerating Saudi Arabia's transformation to a sustainable food system, which we will launch in 2024.

Through these efforts, NADEC is working to lead by example, contributing to sustainable growth for Saudi Arabia through responsible practices that go beyond environmental impact alone, simultaneously creating a safe, inclusive culture that inspires excellence and meets the needs of the people and communities we are proud to serve.

Thank you for your support as we move forward on this exciting journey. We look forward to sharing our progress with you.

# CEO's Message

“NADEC is developing a comprehensive sustainability strategy. This strategy will guide NADEC in maximising our contributions to ensuring food security and self-sufficiency, and the sustainable economic and social development of Saudi Arabia.”



Dr. Solaiman bin Abdulaziz Al-Twaijri  
The CEO

Motivated by our deep commitment to enabling Saudi Arabia's national vision and strategies for sustainable growth, including food security and self-sufficiency, and economic and social development, this first annual sustainability/ESG report offers an overview of NADEC's ESG performance for 2023.

Understanding our capacity to continue meeting growing consumer demand is intertwined with our ability to tackle the negative environmental and social impacts generated by agriculture and food production, NADEC is developing a comprehensive sustainability strategy. This strategy will guide NADEC in maximising our contributions to ensuring food security and self-sufficiency, and the sustainable economic and social development of Saudi Arabia. It aligns NADEC's environmental and social priorities with our commitment to contributing to Saudi Vision 2030, National Agriculture Strategy, and net zero emissions by 2060 target.

NADEC sustained a strong upward trajectory for the year, with a 19% increase in total revenue highlighted by 106% growth in our agricultural sector earnings and a 45% revenue contribution from our dairy products. These increases were the outcome of our ongoing efforts to expand the range of food and dairy products NADEC offers.

We are highly aware of the influential opportunity we have to drive transformation in the sustainability of food production in the Kingdom. In 2023 as a foundational step in accelerating our environmental performance, NADEC adopted the 14001 environmental management system and completed a solar power purchase agreement with ENGIE, producing 30MW of power, reducing fuel consumption by 124,000 barrels annually, and cutting emissions by 53 million kilograms. We also partnered with Pure Harvest on an ambitious initiative to intensify our efforts to implement innovative farming systems that use resources efficiently and reduce water consumption per kg of production – a critical endeavour in a water-stressed region.

Aware the ultimate mission of agriculture and food production is to ensure the continued delivery of nutrition, quality and value to the people who choose our products, we keep people at the centre of our journey. In 2023, we were proud to continue employing some of Saudi Arabia's top talent, and we continued to focus on cultivating a welcoming, safe, inclusive and diverse workplace. During the year, we doubled the number of female employees, in various level and roles and achieved significant investment in training, with 130,502 hours in total, averaging 26 hours per employee. To enrich our customers' experience, we implemented a variety of initiatives to streamline and energize engagement, including product sampling,

reimbursement programs, and new product introductions. As a result, NADEC achieved a continuous improvement of net promoter score for the third year.

With increasingly stringent ESG and sustainability requirements on the regulatory horizon, we continued to maintain and uphold robust ESG standards throughout our operations and across our supply chain. The convergence of technological advancements and evolving regulatory landscapes continued to serve as key drivers in our ambitious push towards full-scale digital transformation. Our use of cutting-edge technology enables us to deliver the highest quality products to our customers, and drives the continuous improvement of our operations, systems, processes, and services. In 2023, this included our adoption of intelligent technologies that leverage the power of Artificial and Machine Learning to optimize the efficiency of critical operations, including auto stock replenishment, material requirement planning, and manufacturing integration intelligence.

We take pride in NADEC's sustainability achievements and invite you to join us in building on this momentum. Together, we can lead the way to greater food independence, self-sufficiency, and sustainability for Saudi Arabia and beyond.

Thank you for your continued support.



# ABOUT NADEC

Our Corporate Strategy – New Dawn	08
NADEC's Journey	09
NADEC in Figures	10
Our Market Sectors	11
Facilities and Locations	12
Financial Performance	13
Associations, Memberships and Awards	14





# About NADEC

Founded in 1981, the National Agricultural Development Company (NADEC) is one of the largest agricultural and livestock companies in the Kingdom of Saudi Arabia. Headquartered in Riyadh with operations in Dubai and Bahrain, NADEC was the first agricultural company to be listed on the Saudi Stock Exchange (Tadawul). The Company plays a pivotal role in strengthening Saudi Arabia's food security and contributing to global food suppliers. NADEC's operations include dairy farms, agricultural and dairy product manufacturing. The Company is a market leader in the production of crops, fruits, olive oil, vegetables, dairy products, juices, and red meat.



## Our Mission

Is to provide delicious food products with high nutritional value and quality so that our customers can be satisfied and healthy.



## Our Vision

Is to provide products with high nutritional value for our customers, in order to achieve the highest satisfaction rates to achieve regional and global leadership in the food sector, reflecting positively on the image of the Kingdom of Saudi Arabia and its economic position. In addition to supporting the Saudi Vision 2030 by contributing to increasing the Kingdom's GDP.

## Our Values



### Care

We are dedicated to providing food products of the highest quality. Stemming from our deep commitment to excellence throughout our production and operations, we take great care to ensure the quality of our food products and to enable our customers to achieve their aspirations.



### Responsibility

We take responsibility for our environmental and social impact. We apply sustainable practices across all aspects of our business, from supply chain to packing and packaging, and we are active parts of our community, striving to add value local initiatives and provide fair and sustainable employment.



### Motivation

We are committed to excellence and innovation is reflected in the continuous improvement, development, we provide an inspiring, stimulating work environment that fosters team spirit and creativity. We foster a culture of ideation, sharing, and innovation, and provide opportunities to enhance the personal and professional skills of our team, enabling everyone to reach their full potential.



### Excellence

We continuously seek to achieve the highest levels of quality and distinction in every aspect of our operations, from raw materials selection to product distribution. We invest in research and development to help us deliver unique, innovative, and compelling products that offer a competitive advantage in exceeding our customers' expectations.



### Cooperation

We welcome and cultivate close cooperation with our partners and customers to help us drive innovation and sustainability. We prioritize trust, integrity and strong relationships with our suppliers and partners, seeking to build a culture of mutual respect and an active exchange of ideas. We look for ways to integrate collaboration across supply chain in ways that improve all aspects of our operations – solidifying our position as an innovative and responsible food products company.



## Our Corporate Strategy – New Dawn

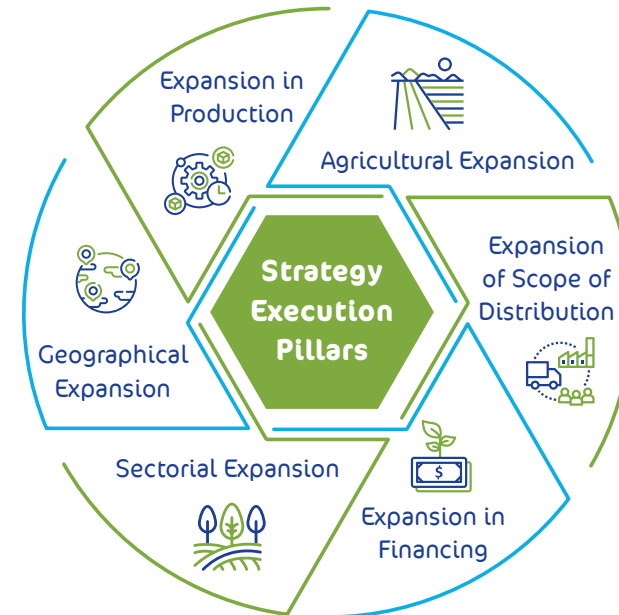
In context of ongoing global political and environmental challenges, the ease with which food products and other basic commodities can be provided to consumers has become a major challenge for our region. To address this challenge, the Kingdom of Saudi Arabia has launched a National Strategy for Agriculture under the Saudi Vision 2030. NADEC is working to support this national strategy through contributing to the Kingdom's economic, social, and food security as well as the continued development of a regenerative agriculture sector. In 2023, NADEC launched New Dawn – Growth, Health, Sustainability, a five-year corporate strategy focused on expanding its contributions to these objectives.

The New Dawn strategy defines our modus operandi and updates our organizational strategic objectives focused on accelerating our transformation into an integrated food enterprise. Such strategy serves as a roadmap for NADEC's expansion into promising sectors, entry into new markets, and the diversification of products in ways that embrace new technologies, drive innovation, and successfully anticipate and exceed the evolving needs of customers, shareholders, and investors. Through its delivery, NADEC aims to lead in food and agriculture, thereby strengthening the Kingdom's economic development by contributing to the GDP, generating jobs, driving appropriate returns, and ensuring sustainable growth.

For more information regarding New Dawn, please refer to the Annual Report 2023.

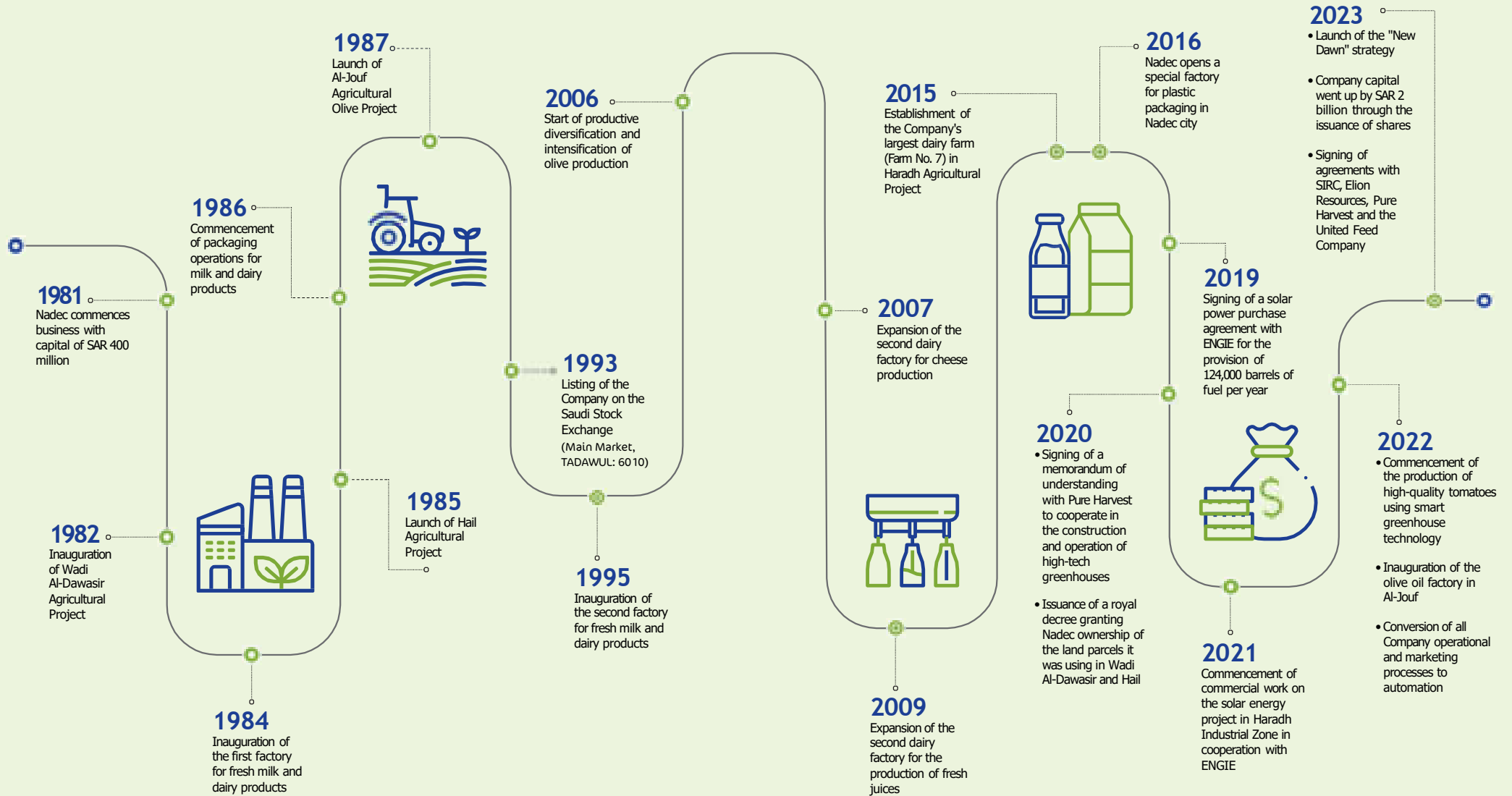
## Nadec's New Strategy

The New Dawn strategy focuses on NADEC's expansion across six pillars of expansion, which are Agricultural, Sectorial, Geographical as well as Expansion in Production, Scope of Distribution and in Financing.



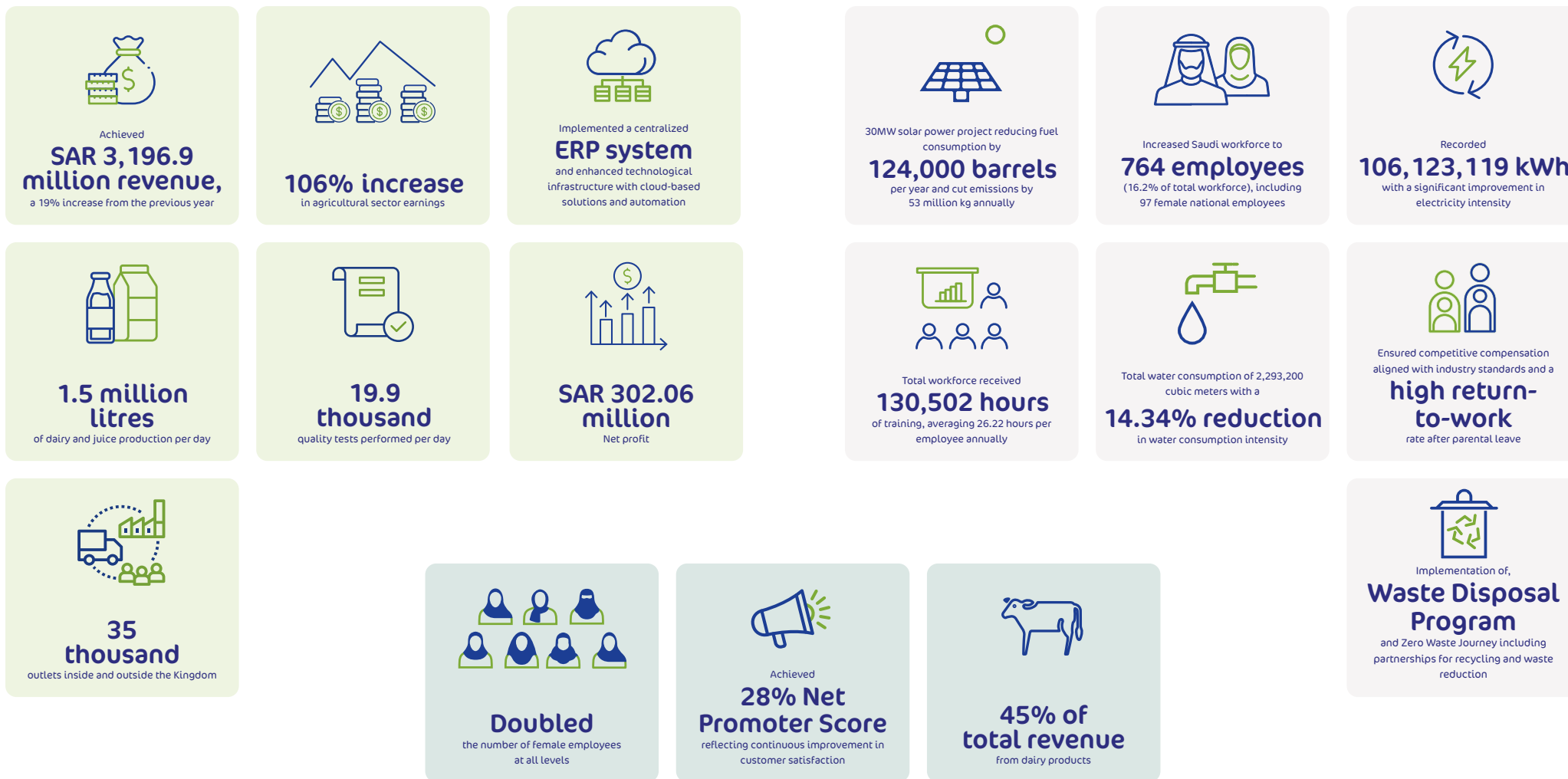


## NADEC's Journey



## NADEC by the Numbers

NADEC has achieved notable milestones in its 2023 ESG journey through diligent sustainability initiatives. The appended timeline provides an overview of the efforts undertaken this year.



## Our Market Sectors



### Dairy

The dairy sector produces three types of products: fresh dairy products, long-life dairy products, and cheese and butter products.

- Dairy products and by-products represent 45.16% of the Company's revenue
- Long life dairy products represent 26.02% of the Company's revenue
- Cheese and butter products represent 11.06% of the Company's revenue
- 28 types of dairy products and by-products
- 16 types of full fat/low fat dairy products
- 8 types of full fat/low fat/ fat-free yoghurt products
- 7 types of Greek yoghurt products
- 25 types of cooked cheese
- 23 types of spreadable & cream products
- 7 types of high-level protein products

Revenue from dairy (SAR millions)	2021	2022	2023
Fresh dairy products and by-products	1,072.3	1,246.0	1,506.1
Long-life dairy products	450.8	622.6	833.2
Cheese and butter products	270.3	376.8	353.6



### Juice

NADEC produces fresh and natural juice in a variety of flavors processed using modern technologies. Our juice products contain antioxidants and vitamins to promote consumer health. The segment produces two types of products: fresh juices and nectars.

- Juices represent 7.35% of the Company's revenue
- 36 varieties of fresh juices and nectars

Revenue from juices (SAR millions)	2021	2022	2023
Fresh juice products	238.4	237.2	234.9



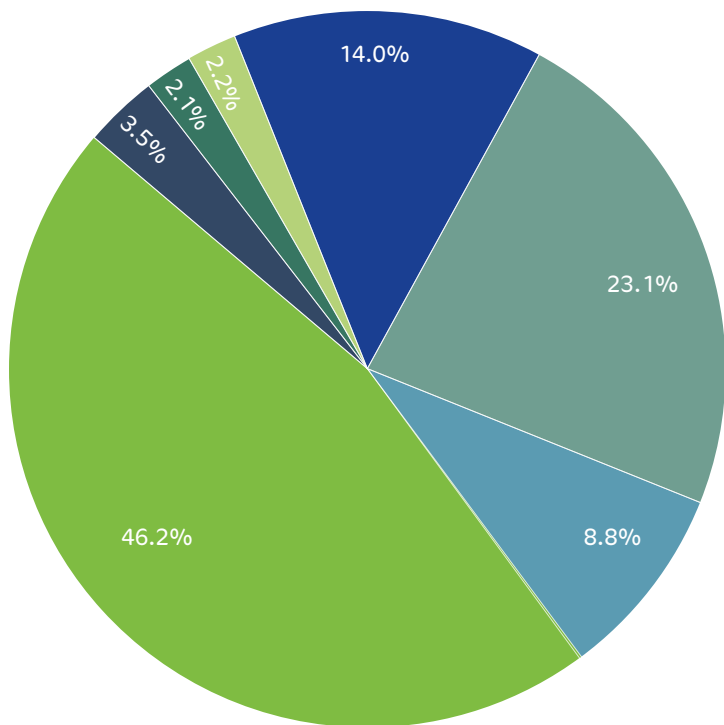
### Food Products

NADEC produces a variety of food products on our farms using modern irrigation systems and organic fertilizers. Food products are processed using high quality ingredients and innovative technologies to meet market standards and customer preferences. NADEC's food products include olives, agricultural products, calf products, and red meats.

- Agricultural products represent 3.66% of the Company's revenue
- Olive products represent 2.15% of the Company's revenue
- 5 types of organic olive oil
- 21 types of agricultural crop products
- 29 types of calf products and red meats

Revenue from food products (SAR millions)	2021	2022	2023
Olive products	55.9	60.4	68.6
Agricultural products	50.3	56.7	116.9
Calf products and red meats	134.3	94.5	83.6

## Product Distribution in 2023 (SAR million)



- 1 Fresh dairy products and by-products
- 2 Fresh juice products
- 3 Long-life dairy products
- 4 Cheese and butter products
- 5 Olive products
- 6 Agricultural products
- 7 Calf products and red meats

## Facilities and Locations

NADEC has two branches outside the Kingdom: in Dubai, United Arab Emirates (UAE), and in the Kingdom of Bahrain. We market and sell our products through an agent in the city of Sharjah, the UAE and in the state of Kuwait. NADEC also sells its products through distributors in other countries including Jordan, Lebanon, Libya, and Yemen. NADEC products are also distributed in Palestine, Iraq, Mauritania, Somalia, Maldives, Seychelles, and the United States of America.

NADEC has four (4) agricultural projects in the Kingdom of Saudi Arabia located in Wadi-AL-Dawasir, Haradh, Hail, and AL-Jouf.



## Financial Performance

In 2023, NADEC sustained a strong upward earnings trajectory with 19% surge in total revenue hallmarked by 106% upswing in agricultural sector earnings, while dairy products represented 45% of the total revenue contribution. This revenue increase can be attributed to numerous factors, including the success of NADEC's expansion strategy with regard to the provision of food and dairy products, our continued focus on innovation, and our commitment to continuous improvement. Our steady revenue growth also reflects NADEC's capacity to adapt to market challenges while maintaining a balanced product portfolio that continues to meet and/or exceed customer needs and expectations.

Economic Performance (SAR Million)	2021	2022	2023
Total Revenue	2,272.3	2,694.2	3,196.9
Revenue from facilities in KSA	2,040.5	2,399.6	2,829.3
Revenue from facilities in other countries	231.7	294.5	367.6
Operating Cost	2,438.4	2,547.2	2,852.4
Employee wages and benefits	434.9	462.4	502.3
Payments to capital providers	0.3	0.2	0.2
Payments to the government	218.9	303.3	344.4

**Notes:**

Certain amounts from the previous years have been reclassified to conform to the presentation in the current year.



NADEC sustained a strong upward earnings trajectory with 19% surge in total revenue hallmarked by 106% upswing in agricultural sector earnings.





## Associations, Memberships and Awards



ISO 9001 Quality Management System

ISO 22000 Food Safety Management System

ISO 17025 Laboratory Management System

ISO 27001 Information Security Management



AIB International (2017 – 2018)



CERES



FSSC 22000 V.5.1 Food Safety Management System



GLOBAL G.A.P



Halal Certificate



SASO – Quality Mark



Saudi GAP (Dairy)

Saudi GAP (Wheat & Dates)



SAUDI MADE Certificate



Saudi Organic Certificate

### Disclaimer

"References to third-party trademarks, logos, or proprietary information are included for informational purposes only and do not imply endorsement, ownership, or affiliation. NADEC respects the intellectual property rights of others and expects the same from its stakeholders".



# OUR APPROACH TO SUSTAINABILITY

Alignment with Saudi Vision 2030	16
Stakeholders Engagement	17
Sustainability Strategy	18



NADEC recognizes that our operations and activities have a direct impact on human health and the environment. Guided by our mission, vision, and values, we are committed to responsible environmental, social, and governance (ESG) practices that ensure a positive, sustainable future for our customers, suppliers, partners, employees, and the local communities in which we operate. Driven by our New Dawn corporate strategy, NADEC aims to lead Saudi Arabia's food sector towards greater food security. In alignment with Saudi Vision 2030, we are dedicated to contributing to the Kingdom's economic, social, and environmental sustainability goals.



## Alignment with Saudi Vision 2030

Aspect of Saudi Vision 2030	Contributions by NADEC
<b>A Vibrant Society</b>	
Enhancing the Quality of Life	Providing high-quality nutritious food products. Supporting community health initiatives.
Achieving Environmental Sustainability	Implementing water conservation technologies and efficient irrigation methods. Incorporating renewable energy sources like solar power.
Promoting Culture and Entertainment	Engaging in community events and cultural activities.
<b>A Thriving Economy</b>	
Diversifying the Economy	Investing in the agricultural and food industries to reduce reliance on oil.
Increasing Employment	Generating employment opportunities in agriculture, manufacturing, and distribution.
Enhancing the Role of the Private Sector	Expanding operations and investments in the private sector.
Supporting Small and Medium-Sized Enterprises (SMEs)	Collaborating with local farmers and providing them with resources and modern farming techniques.
Promoting Industrial Development	Utilizing advanced farming techniques and sustainable practices to boost agricultural productivity.
<b>An Ambitious Nation</b>	
Promoting Islamic Values and National Identity	Participating in initiatives that promote national identity and cultural heritage.
Improving Government Effectiveness	Adhering to regulations and contributing to national agricultural policies.
Increasing Transparency and Accountability	Maintaining high standards of corporate governance and transparency in business operations.
Promoting Social Responsibility	Engaging in Corporate Social Responsibility (CSR) activities focused on health, education, and community welfare.
Enhancing International Partnerships	Expanding into regional and international markets, promoting Saudi products globally.

## Stakeholders Engagement

NADEC defines its stakeholders as individuals or entities with the greatest potential impact on our operations and our value creation process, as well as those who stand to be most materially impacted by our activities. This range of stakeholders is extensive, including (but not limited to), our customers and employees, the local authorities, organizations linked to our food-related operations, the communities in which we operate, and end consumers.

We take a robust approach to engaging with these stakeholders to ensure their interests and needs are actively considered in the strategic and day-to-day direction of our operations and activities. We prioritize timely, transparent, and open communication with our stakeholders, bolstering engagement through a variety of channels, including regular participation in local and international conferences and meetings, periodic reports, social media platforms, newsletters, and board member gatherings. Through these channels we actively encourage two-way communication with stakeholders and invite feedback at any time.

Other stakeholder communications in 2023 include the following:

- Publicizing NADEC's sustainability issues, material impacts, and objectives.
- Transparently reporting on progress made across all NADEC divisions.
- Expanding open communications channels to allow stakeholders an even deeper insight into NADEC's activities and approach.
- Identifying potential opportunities for product and service enhancements through consumer research and analysis.



### Continuously Improving the Stakeholder Experience

In 2023, NADEC conducted a competitor service speed assessment to benchmark our performance within our target market. This resulted in a variety of procedural enhancements to ensure NADEC is the fastest in addressing issues, with a target resolution time of no more than two business days. As part of the assessment process, we conducted an analysis of common concerns raised by end-consumers and other stakeholders. Based upon our understanding of stakeholder preferences and an iterative learning approach, we began developing educational materials and content to help enhance stakeholder experiences.

## Sustainability Strategy

NADEC is currently developing a sustainability strategy that supports the implementation of the Company's strategy and maximizing the value generated for all stakeholders through our operations, while prioritizing the health of individuals and the environment. The strategy will provide sustainability that shall be implemented under the umbrella of our New Dawn corporate strategy, the sustainability strategy will provide a framework for operationalizing our ambitious investment in sustainability and embedding sustainable practices throughout our company and across our supply chain as well as setting performance targets and measuring our progress towards them.

### Sustainability Oversight

Reporting directly to the Board through the Executive Committee, NADEC's Head of Strategy manages and monitors ESG and sustainability at the upper management level. Additionally, responsibility for managing the operation's impacts on the economy, environment,

NADEC is in the process of developing a sustainability strategy that will support the delivery of our corporate strategy and maximise the value created for all stakeholder through our operations, prioritizing the health of both people and the environment.





# ENVIRONMENTAL RESPONSIBILITY

Environmental Management	20
Addressing Climate Change	20
Water Conservation	21
Waste Management	22
Promoting Biodiversity	22



Agriculture and food production are on of the frontlines directly facing the effects of climate change. Increasing frequency of extreme weather conditions, including flooding and drought, directly impact our capacity to produce crops and food. Reliant on natural resources, successful food production is dependent upon energy, soil health, water quality and availability, and biodiversity. Taken together, these factors directly affect Kingdom's food security and independence. As a result, NADEC realizes the urgent need to proactively invest in climate change mitigation and adaptation projects, including investments in renewable energy, carbon neutrality, and collaboration with climate-progressive suppliers.

## Environmental Management

As a foundation for managing our environmental performance, NADEC has adopted the ISO 14001 Environmental Management System. We are also developing a set of environmental management policies, including an ESG policy, designed to bring our environmental governance and management in line with global best practices. In line with the Agricultural Law issued by Royal Decree No. (M/64) on 2021/03/23, NADEC actively supports efforts to combat agricultural and animal epidemics, implements measures to limit their spread, and meet the obligations supervised by the Ministry of Environment, Water, and Agriculture to ensure compliance and adherence to national regulations in this area.

## Addressing Climate Change

NADEC's role, as an agricultural company, makes our operations particularly vulnerable to the challenges and risks associated with escalating climate change, including desertification and water stress. In response to these and other climate-related environmental concerns, including national net-zero targets, NADEC undertook several mission-critical climate change initiatives in 2023.

NADEC is aligned with the ESG disclosure guidelines issued by the Saudi Exchange, and has implemented rigorous standards and practices aimed at minimizing the carbon intensity of its products. Our strategies extend through our supply chain and to the end use of our products and services, focusing on reducing the overall carbon footprint. We closely monitor and report on our total carbon consumption and the carbon intensity of our real estate assets. Additionally, NADEC is at the forefront of adopting advanced technologies aimed at cleaner hydrocarbon energy production. This includes significant investments in carbon capture, utilization, and storage technologies, ensuring compliance with the executive regulations for air quality.

NADEC has entered into a solar power purchase agreement (PPA) with the French energy developer "ENGIE". The project boasts an output of 30MW and is located in NADEC City, Haradh, Eastern Province of the Kingdom of Saudi Arabia. This initiative marks a significant step towards sustainable energy. This project is expected to reduce NADEC's fuel consumption by 124,000 barrels per year, cutting emissions by 53 million kilograms annually.



- Signing several agreements related to programs and initiatives that yield positive results in addressing climate change, including a partnership with Pure Harvest to create a food system that uses resources efficiently and reduces emissions.
- Continuing to use innovative cooling technologies on our dairy farms to reduce the amount of electricity required for cooling.
- Recognizing the critical role our value chain plays in key solutions, we collaborate with our suppliers by sharing knowledge and the best practices.

Our energy management practices have shown improvements in efficiency over the past three years. Electricity consumption increased from 98,120,322 kWh in 2021 to 106,123,119 kWh in 2023, representing a 7.42% increase from 2021 to 2022 and a further 0.68% increase from 2022 to 2023. Despite this rise in absolute consumption, our electricity intensity, or the consumption relative to revenue, improved notably. Electricity intensity decreased from 43,180 kWh per SAR million in 2021 to 39,125 kWh per SAR million in 2022, with a reduction of 9.38%, and further decreased to 33,192 kWh per SAR million in 2023, with a reduction of 15.18%. This indicates significant improvements in energy efficiency relative to our revenue growth.

Energy Management	Unit	2021	2022	2023
Electricity Consumption	kWh	98,120,322	105,402,493	106,123,119
Vehicle Consumption of Diesel	Liters	16,725,252	18,068,774	19,304,005
Vehicle Consumption of Gasoline	Liters	1,669,490	1,814,655	2,126,089
Energy Intensity Ratio	kWh / SAR million	43,180	39,125	33,192

Emissions (MTCO2e)	2021	2022	2023
R22 Refrigerant Gases	1	1	0
R410A Refrigerant Gases	0	0	0

## Water Conservation

Our business relies upon the use of water to grow crops and produce food. Driven by concerns over freshwater availability, quality, and equitable access, NADEC is placing a rising emphasis on sustainable water management practices and conservation efforts, taking proactive measures to mitigate identified risks. In 2023, these efforts included formalizing our approach to managing water risks and ensuring responsible water consumption through development of Water Management Policy. We also carried out several projects and initiatives focused on wastewater management and on reducing water consumption.

- Partnering with Pure Harvest to implement innovative farming systems that result in reduced water consumption per kg of production.
- Signing a memorandum of understanding with Al-Jouf Olive Producers Association to promote the adoption of best practices in irrigation and other activities.
- Completing a study on water reclamation within our operations with the aim of leveraging insights from the study to maximize our water efficiency.
- Preparing to implement a wastewater treatment project in 2024.

Our water management practices have shown consistent performance over the past two years. In 2022, our total water withdrawal and consumption were both 2,255,760 cubic meters. In 2023, these figures slightly increased to 2,293,200 cubic meters. While our consumption increased, our water intensity, defined as the ratio of water consumption to revenue, decreased by 14.34%, dropping from 837 cubic meters per SAR million in 2022 to 717 cubic meters per SAR million in 2023.

Water Management	Unit	2022	2023
Total Water Withdrawal	Cubic meters	2,255,760	2,293,200
Total Water Consumption	Cubic meters	2,255,760	2,293,200
Water Consumption Intensity	Cubic meters/SAR million	837	717



While our consumption increased, our water intensity, defined as the ratio of water consumption to revenue, decreased by 14.34%, dropping from 837 cubic meters per SAR million in 2022 to 717 cubic meters per SAR million in 2023.

## Waste Management

Optimizing resource use efficiency and reducing waste are core elements of our approach to product sustainability. Through our waste management initiatives, we aim to give waste value by turning it into usable resources instead of disposing of it. To this end, we embarked upon several waste initiatives in 2023, including the launch of our Waste Disposal Program and Zero Waste Journey. As part of the Waste Disposal Program, NADEC's digitization and automation programs are applied to the reduction of waste throughout our operations, alongside the implementation of other waste reduction initiatives such as compostable packaging, biofuels, food waste reuse, and wastewater treatment. We also signed several agreements in 2023 which are related to programs and initiatives aimed at reducing unnecessary waste, including a partnership with SIRC for recycling of organic waste.

## Promoting Biodiversity

In alignment with Saudi Vision 2030, NADEC is currently developing a comprehensive land regeneration plan designed to guide the systematic rejuvenation of degraded land areas. Tree planting initiatives to foster biodiversity and maintain ecological balance play a key role in the plan.

We embarked upon several waste initiatives in 2023, including the launch of our Waste Disposal Program and Zero Waste Journey.



### Disclaimer

"The environmental initiatives described in this report are based on current assessments and available information. Results and impacts may vary depending on numerous factors, including operational changes and external circumstances. NADEC does not guarantee specific outcomes from these initiatives."



## SOCIAL IMPACT

Customer Satisfaction	24
Investing in Human Capital	25
New Hires and Turnover	26
Training and Development Opportunities	27
Diversity and Inclusion	28
Compensation and Benefits	29





NADEC recognizes that its success is driven by the success of its people. Our Company's activities have a direct impact on lives and livelihoods across our value chain, from employees and suppliers to end consumers. With this in mind, we are dedicated to cultivating business practices and a workplace environment that reflects the highest standards of human rights and welcomes the diverse contributions of every person associated with our company.

### Protection of Human Rights

In the Kingdom of Saudi Arabia, NADEC is keen to enforce its human rights policies by observing the local and international laws and regulations, and realizing alignment between them and its policies and approach. Adherence to human rights is an important concern in our business operations, especially in a vital sector such as the food and dairy industry.



In 2023, NADEC achieved a 28% net promoter score, marking our continuous improvement for the third consecutive year.



## Customer Satisfaction

NADEC customers include both end consumers and distributors such as Horica and supermarkets. Regardless of customer category, our number one priority is always the same: to meet our customers' needs and exceed their expectations through the delivery of high-quality products that adhere to the strictest quality standards. This attention to excellence across our food quality standards adds value by driving operational efficiency, reducing losses and waste, and enabling the continuous improvement of our production processes.

We prioritize customer satisfaction and have established comprehensive processes to address and resolve complaints regarding our products. Customers can reach us through social media, our website, and phone calls to report issues such as damaged food products.

We address these complaints through a two-step process:

- **Quality Department Review:** Upon receiving a complaint, we initiate a request to our Quality Department to withdraw a random sample of the product from the market, as well as the customer's specific product. These samples are tested in our laboratories to determine whether the damage occurred during production or due to improper storage by the customer.
- **Customer Compensation:** To ensure customer satisfaction, we compensate the affected customer by providing a variety of replacement products. These replacements are

Customer Satisfaction	Unit	2021	2022	2023
Net Promoter Score (NPS)	Number	25%	26%	28%
Customer complaints received through communication channels*	Number	21,306	25,108	1,920
Resolved issues raised through communication channels	Percentage	50%	60%	90%

Notes:

\*In 2023, the total calls received were around 31,000 calls, including 1,920 calls for filing complaints. For the previous years, the numbers shown are total numbers of calls not complaints.

## Investing in Human Capital

Our people are the driving force behind NADEC's success, and we take great pride in employing some of the Kingdom's most talented professionals. With human capital as our priority, and in alignment with our commitment to Saudi Vision 2030 objectives, attracting, retaining and localizing talent is one of the key pillars in our long-term strategy.

NADEC has a comprehensive set of policies guiding all our human resource-related activities in line with our corporate values, strategy, and objectives. These policies provide a framework for promoting a positive, professional work environment, managing recruitment, retention, and employee development, and cultivating our overall success.

### Talent Attraction and Retention

NADEC aims to attract the most skilled, academically accomplished and technically qualified men and women. In addition to our own recruitment efforts, we also partner with external recruitment agencies to grow our talent pool. To ensure every NADEC employee can forge their own successful career, we are committed to investing in the resources, tools and opportunities they need to grow and thrive.

### Saudization

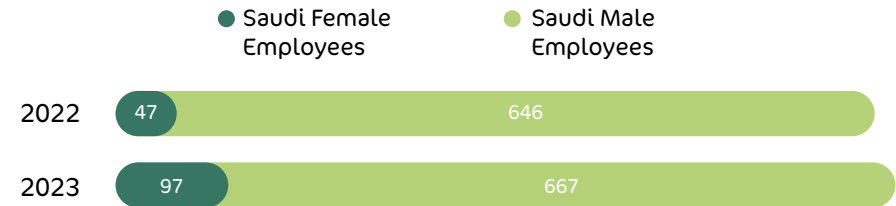
As part of our contributions to realizing the Saudi Vision 2030 objectives for economic development, NADEC is proud to support the employment and development of Saudi talents. Where possible, we prioritize hiring of qualified Saudi nationals for roles at every level of our organization. We also make an effort to hire young Saudi talents, and to provide the education, training and resources they need to help propel NADEC towards future success.

In 2022, our workforce included 693 Saudi full-time employees, comprising 15% of the total workforce. By 2023, the number of the Saudi full-time employees increased to 764, representing 16.2% of the total workforce, with a rise in Saudi female employees to 97 and 667 Saudi male employees.



Our people are the driving force behind NADEC's success, and we take great pride in employing some of the Kingdom's most talented professionals.

Breakdown of the Workforce by Nationality (Number)	2022	2023
Saudi Full-time Employees in Senior Management	16	14
Employees of Other Nationalities	4,341	3,943
Saudi Full-time Employees	693	746



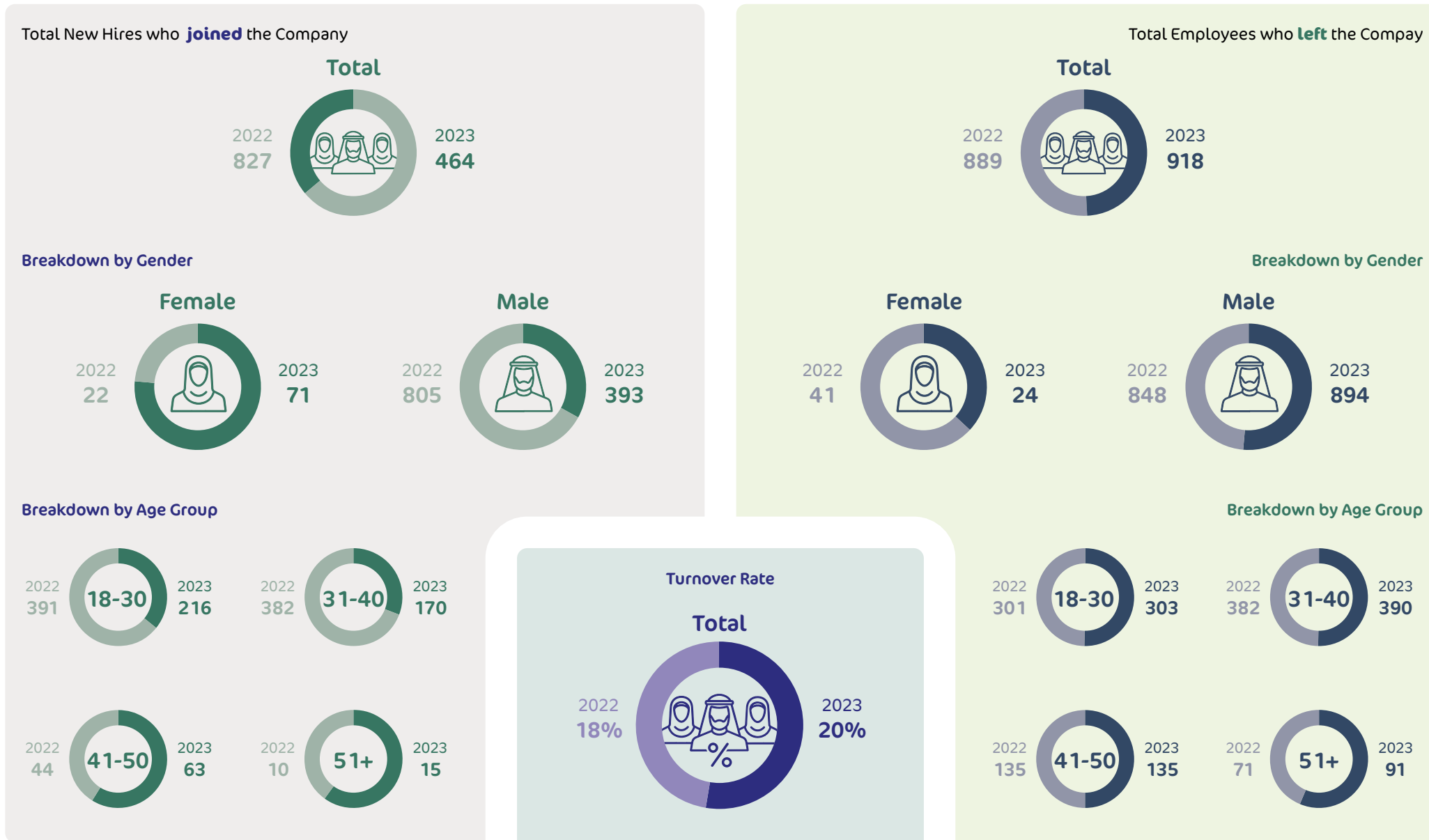
### Change Communications

For substantial changes such as organizational restructuring, we ensure a minimum notice period of six months to allow adequate time for preparation, adjustment and communication with employees and representatives. Depending on upon the nature of change, assistance of external consultants may be sought to provide support.



Our hiring practices reflect our commitment to organizational growth and diversity. In 2023, the total number of new hires was 464, with a notable increase in female new hires to 71, while male new hires were 393.

## New Hires and Turnover



## Training and Development

NADEC's training and development program includes a suite of skills training and professional development opportunities for employees at every level of our organization. Our capacity-building programs are designed to align closely with NADEC's strategic objectives, helping cultivate a dynamic culture promoting knowledge sharing and innovation while simultaneously growing our talent pipeline to meet our Company's current and future needs.

In 2023, we supported and empowered our employees through a variety of development programs and courses, including:

- 

**Management Training:**  
Develops leadership skills, strategic thinking, and decision-making capabilities.
- 

**Technical Training:**  
Provides role-specific technical training to keep employees updated with the latest industry practices and technologies.
- 

**Safety Training:**  
Focuses on the highest standards of safety given the nature of our business.
- 

**Online Training and E-Learning:**  
Offers a wide range of online courses through LinkedIn e-learning platforms, covering professional development, technical skills, and soft skills.
- 

**Learning Management System (LMS):**  
Allows flexible and continuous access to training materials.
- 

**NADEC Project Practicum Program:**  
Conducts regular awareness sessions on topics related to NADEC projects like Haradh, Al-Jouf, and Hail.
- 

**COOP Project:**  
Bridges the gap between academic learning and practical work experience.
- 

**English Academy:**  
Offers comprehensive language training programs to improve employees' English skills, including business English, communication skills, and technical writing.

In 2023, we have invested significantly in training and development of our workforce. Overall, our total workforce benefited from 130,502.50 hours of training. On average, each female employee received 14.68 hours of training over the year, compared to 3.59 hours for each male employee. Thus, the average training hours per employee were 26.22 hours annually.

Total Training & Development (Hours)	2023
Total Number of Training Hours for Female Employees	2,161
Total Number of Training Hours for Male Employees	15,359
Total Number of Training Hours for All Workforce	17,520
<b>Total Number of Training Hours Breakdown by Category</b>	
Senior Management	1,126
Middle Management	6,328
Non-managerial Employees	10,066
<b>Average Training Hours Breakdown by Gender</b>	
Per Female Employee Annually	21.61
Per Male Employee Annually	3.33
Per Employee Annually	3.72
<b>Average Training Hours Breakdown by Employment Type</b>	
For Senior Management Annually	24.49
For Middle Management Annually	22.60
For Non-managerial Employees Annually	2.29



## Diversity and Inclusion

NADEC built a workforce reflecting the diversity of the customers we serve. With this in mind, we recognize and appreciate the contributions of all employees regardless of gender, nationality, religion, socioeconomic status, or disability. We are dedicated to safeguarding the rights and opportunities for every person in our Company, keeping our workplace free from harassment and discrimination in alignment with NADEC's Code of Conduct and HR policy, and applicable labour laws and regulations.

In 2023, we successfully doubled female representation across all levels at NADEC. The total number of employees increased from 47 to 100, and the number of female employees in middle management significantly rose from 8 to 17 within the year.



Workforce Breakdown (Number)	2022	2023
Full-time Employees	5,034	4,707
Female Full-time Employees	47	100
Male Full-time Employees	4,987	4,607
<b>Breakdown by Category of Employment</b>		
Senior Management Employees	35	46
Senior Management Male Employees	34	44
Senior Management Female Employees	1	2
Middle Management Employees	244	280
Middle Management Female Employees	8	17
Middle Management Male Employees	236	263
<b>Breakdown by Age Group</b>		
18-30	1,047	1,071
31-40	2,312	2,120
41-50	1,157	1,073
51+	518	443

In 2023, we successfully doubled female representation across all levels at NADEC.





## Compensation and Benefits

NADEC ensures that its compensation practices are aligned with the industry's prevailing compensation levels and practices as determined by regular market benchmarking and assessment. We are also committed to offering competitive compensation to employees at every level. Our approach for determining compensation is based on individual roles, levels, and responsibilities within the Company. Commensurate with their roles and responsibilities, employees from junior management to the executive level have both fixed and variable components as part of their compensation. All other employees receive fixed compensation with no additional bonuses or piece rates. NADEC does not offer in-kind compensation in lieu of salary.

We also offer a portfolio of benefits to qualified employees, including:

- Health insurance
- Parental leave
- Education allowances
- Mobility allowances
- Flexible working hours
- “Mazaya Nadec” application offers a wide range of exclusive offers, discounts and coupons from over 600 brands across the Kingdom of Saudi Arabia. Employees can also add their family members or colleagues to enjoy these benefits



In 2023, 100% of NADEC employees returned to work after parental leave and remained employed for the following 12 months.

## Performance Reviews

To help employees grow, thrive, and map fulfilling careers with the Company, NADEC conducts regular performance reviews for employees at every level of our organization. From entry level to executive level, most NADEC employees receive an annual review during which they can map out their professional development and career objectives for the coming year.



In 2023, 91% of NADEC employees participated in the annual performance review.

Employee Performance Review Ratio (%)	2022	2023
Total Employees	93%	91%
Senior Management Employees	77%	65%
Middle Management Employees	86%	76%

### Female Employees



### Male Employees



## Living Wage Determination

We engage third-party consultants to determine a living wage or income at our significant locations of operation by analyzing market practices and wage trends.

NADEC is committed to ensuring all employees receive a living wage by compensating all our employees in line with the prevailing market norms. In 2023, our commitment to equitable compensation is clear. The entry-level wage for both male and female employees is equal to the minimum wage. The overall ratio of women's to men's salaries is 2.65, indicating efforts to close the gender pay gap. In senior management, the ratio is 0.74, while in middle management, it is 1.01, demonstrating more balanced remuneration at this level.

Employee Wages and Benefits (Ratio)	2023
Ratio of Male Entry-Level Wage to Minimum Wage	1
Ratio of Female Entry-Level Wage to Minimum Wage	1
Ratio of Basic Salary/ Remuneration of Female Employees to Male Employees	2.65
Ratio of Basic Salary/ Remuneration of Female Employees to Male Employees in Senior Management	0.74
Ratio of Basic Salary/ Remuneration of Female Employees to Male Employees in Middle Management	1.01

## Grievance Mechanisms

NADEC is committed to maintaining a workplace where every person is treated fairly, ensuring that every employee has the right to raise complaints about actions, behaviours or decisions taken by the Company or another employee without fear of retribution or reprisal. To this end, NADEC has an established grievance management policy designed to address concerns or complaints. These complaints are submitted in complete confidentiality through the designated email for this purpose.

### DAAM Committee

Daam Committee is responsible for reviewing employment disputes and complaints. Its terms of reference include deciding on grievances filed by employees against penalties issued to them, those filed with regard to their performance evaluations, and complaints or grievances related to improving the work environment. The Committee also considers any issues referred by the Company's management. Grievances or complaints can be submitted via the dedicated email (DaamCommittee@Nadec.com.sa) or through direct contact with any Committee member. Upon receiving a complaint, the Committee completes the necessary procedures and notifies the applicant of its decision by email.

## Community Initiatives

As part of our social strategy at NADEC, we are committed to providing accessible and quality education. With the construction of two primary schools—one for boys and one for girls with adherence to the best sustainable building practices— we strive to ensure that all children in Haradh City and the surrounding area have the opportunity to access a robust education system. In these schools which are fully funded by NADEC, we aim to equip students with the knowledge and skills necessary to thrive in their environment with a curriculum tailored to the local context, including elements focused on agricultural education and environmental stewardship.

We look forward to enhancing community engagement and increasing literacy rate. By providing a safe and supportive learning environment, for boys and girls who may face barriers to education, these schools will empower the next generation and foster greater social cohesion. Progress will be closely monitored through various metrics, including enrollment rates, academic performance and community feedback, to ensure the schools meet their objectives and contribute positively to the community.

Furthermore, NADEC has entered into a memorandum of understanding with the Saudi Food Bank (Ita'am), which aims to enhance efforts to conserve blessings and support local communities by maximizing the use of surplus food.

For further clarity and guidance on our social responsibility practices, please refer to NADEC's social responsibility policy published on the Saudi Exchange.

Community Investment	Unit	2021	2022	2023
Annual Spending on Schools	SAR	3,744,515	4,086,293	3,882,647



# CORPORATE GOVERNANCE

Governance Approach	32
Compliance	33
Driving Digital Transformation	33
Responsible Procurement	37



As a leading food producer, NADEC plays a crucial role in the future of the Kingdom's food security. Driven by consumer demand for ethically sourced products, and increased scrutiny from all stakeholders on environmental and social impacts across the supply chain, NADEC aims to lead the industry in implementation of rigorous governance practices spanning leadership, compliance, responsible procurement and data security. Our dedication to upholding the highest principles of responsible business ensures we remain a trusted partner for customers, suppliers, communities and other stakeholders.

## Governance Approach

NADEC operates according to a suite of policies, procedures and controls established throughout the Company, in line with the Corporate Governance Regulations issued by the Capital Market Authority, ensuring clear allocation of responsibility and business practices at all levels. Corporate governance is led by NADEC's General Assembly, the Board of Directors, and three Board Committees: Audit Committee, Nomination and Remuneration Committee, and Executive Committee, which includes at least one independent member from the Board of Directors, and the CEO as a member. Regular awareness sessions are conducted by GRC and HR Committee to ensure process owners and department leaders understand our governance policies and practices.

### Board of Directors

NADEC's Charter of the Board outlines the Board's responsibility for ensuring appropriate control systems are in place to measure, manage and mitigate risks, including sustainability-related risks. In the spirit of fostering a culture of transparency and risk management, the Board is also charged with conducting regular reviews of sustainability issues as part of its oversight function. Criteria for Board selection, tenure and the competencies are outlined in NADEC's Board Membership Nomination and Selection Policy. The Policy aims to ensure all Board members possess the competence and ability to represent NADEC and contribute to the Company's operational efficiency.

For more information about the Board of Directors and its Committees, please refer to the 2023 Annual Report.

### Board Composition

NADEC's Board composition has remained consistent over the past three years, with a total of seven Board members including three independent members. Four members held non-executive positions, and there were no executive members. Board seats are occupied by four members aged between 30 to 50 years, and three members over the age of 50.

### Board Performance Evaluation

Board performance is evaluated annually along with the performance of its members, committees and executive management. These evaluations include assessments of the Board's management and governance of economic, environmental and social topics. The Board may also form specialized committees for the purpose of evaluating the performance and activities of its members and committees.

### Corporate Policies & Charters

In compliance with corporate governance regulations issued by the Capital Market Authority (CMA), NADEC has an established set of corporate policies and charters that encompass Risk Management, Compliance, Whistleblowing, Investigation and Fraud. Many of these policies are publicly available on the NADEC website.

NADEC affirms its commitment to implementing all mandatory provisions outlined in the Corporate Governance Regulations issued by the Capital Market Authority, in addition to most of the advisory provisions, despite their non-mandatory nature from regulatory and supervisory authorities at present. NADEC also strives to implement the non-applied advisory provisions and will naturally comply with them if mandated by regulatory and supervisory authorities.



### Conflict of Interest

Members of NADEC's Board, Committees and Executive Management, and Employees are required to disclose any conflicts of interest when dealing with the Company or other stakeholders, including suppliers and contractors. Our approach to conflicts of interest is guided by a Conflict of Interest Policy developed and reviewed by the Board.

The Policy mandates that prospective Board members must disclose any existing or potential conflicts of interest, such as direct or indirect interests in company business or in competing activities. This disclosure is made to the Company's Board and General Assembly. Similarly, the Policy also mandates that any Board member's participation or involvement with competing activities must be disclosed to the Board and the concerned member cannot participate in decision-making. It is the duty of the Board to inform the General Assembly of any competing business engaged in by its members or committee members. The Conflict of Interest Policy and associated concerns are assessed annually according to the approved standards.

Examples of conflicts of interest can include but not limited to involvement in decisions voted upon by the Board, conflicts in Company operations or contracts, evaluation of member rewards, acceptance of gifts from parties having relationships with the Company, conflicts between duties at competing companies, and conflicts involving Company's executives, employees, and relatives' recruitment or transfer. Stakeholders are committed to providing annual disclosures or updates on conflicts of interest as per the applicable procedures.



### Code of Conduct

Approved by NADEC's Board of Directors, our comprehensive Code of Conduct covers the following areas:

-  Work Environment
-  Ethics, Anti-Fraud and Bribery
-  Respect
-  Privacy
-  Human Rights
-  Appearance Standards
-  Protection of Company Resources
-  Customer Service
-  Supplier Selection
-  Transparency
-  Communication
-  Gifts and Hospitality
-  Outdoor Activities
-  Opportunities within the Company
-  Workplace Harassment
-  Nepotism and Favoritism

The Code of Conduct also outlines consequences for non-compliance, and all employees, committee members, and Board members are required to submit a declaration of compliance.

### Corporate Communication

Our Corporate Communications Policy sets forth guidance for all aspects of communicating internally and externally with employees, customers, community members, suppliers, partners and other stakeholders. Aimed at aligning all communication activities with our



## Compliance Approach

NADEC's GRC Committee ensures our full compliance with all applicable legal requirements and industry regulations by providing crucial legal counsel and oversight, as well as overseeing our alignment with the evolving regulatory requirements for agriculture, food production and fast-moving consumer goods (FMCG).

As part of this commitment, NADEC's Compliance Department assesses, monitors and reports non-compliance risks and violations that may have significant legal or regulatory impact. During 2023 all incidents of non-compliance with laws and regulations were identified through these internal processes and corrective action was immediately applied to address relevant issues and mitigate associated risks. In addition, as an FMCG producer, there were instances of non-compliance in 2023 related to license renewals and traffic violations, for which mitigation plans have been established. Changes in Saudi Food and Drug Authority (SFDA) regulations also necessitated label amendments for certain products.



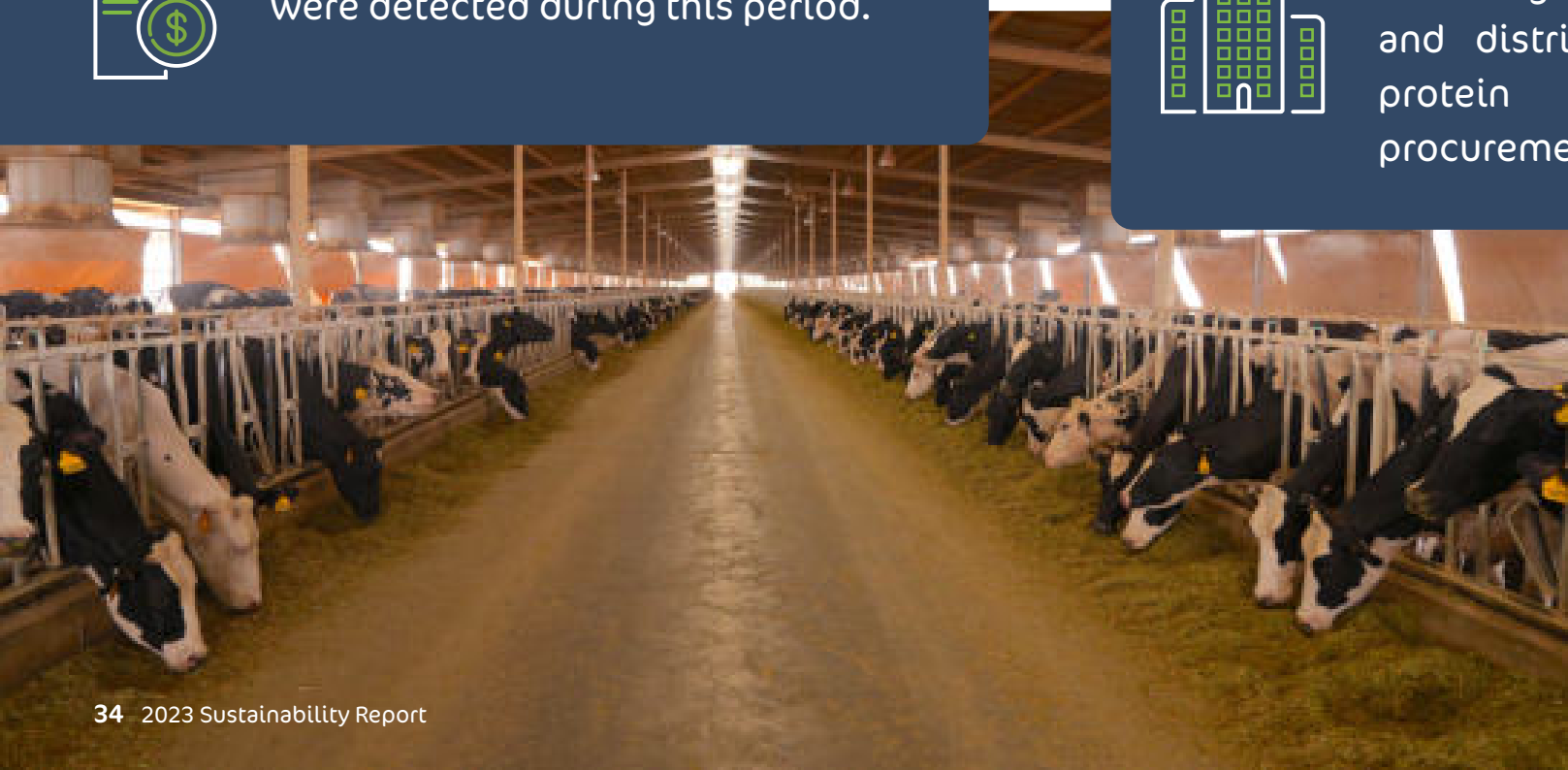
Non-compliance violations or issues were detected during this period.

## Driving Digital Transformation

NADEC's innovative and professional operating environment is hallmarked by our technical infrastructure and our investment in the latest global digital technologies. The convergence of technological advancements, sustainability imperatives, economic considerations, and evolving regulatory landscapes are all key drivers in our ambitious push towards full-scale digital transformation. Our use of cutting-edge technology enables us to deliver the highest quality products to our customers, and drives the continuous improvement of our operations, systems, processes, and services.



Since 2022, we established a centralized Enterprise Resource Planning (ERP) system encompassing more than 480 business scenarios across segments, including finance, HR, operations, sales and distribution, GRC, legal affairs, protein production, agribusiness, procurement and auditing.

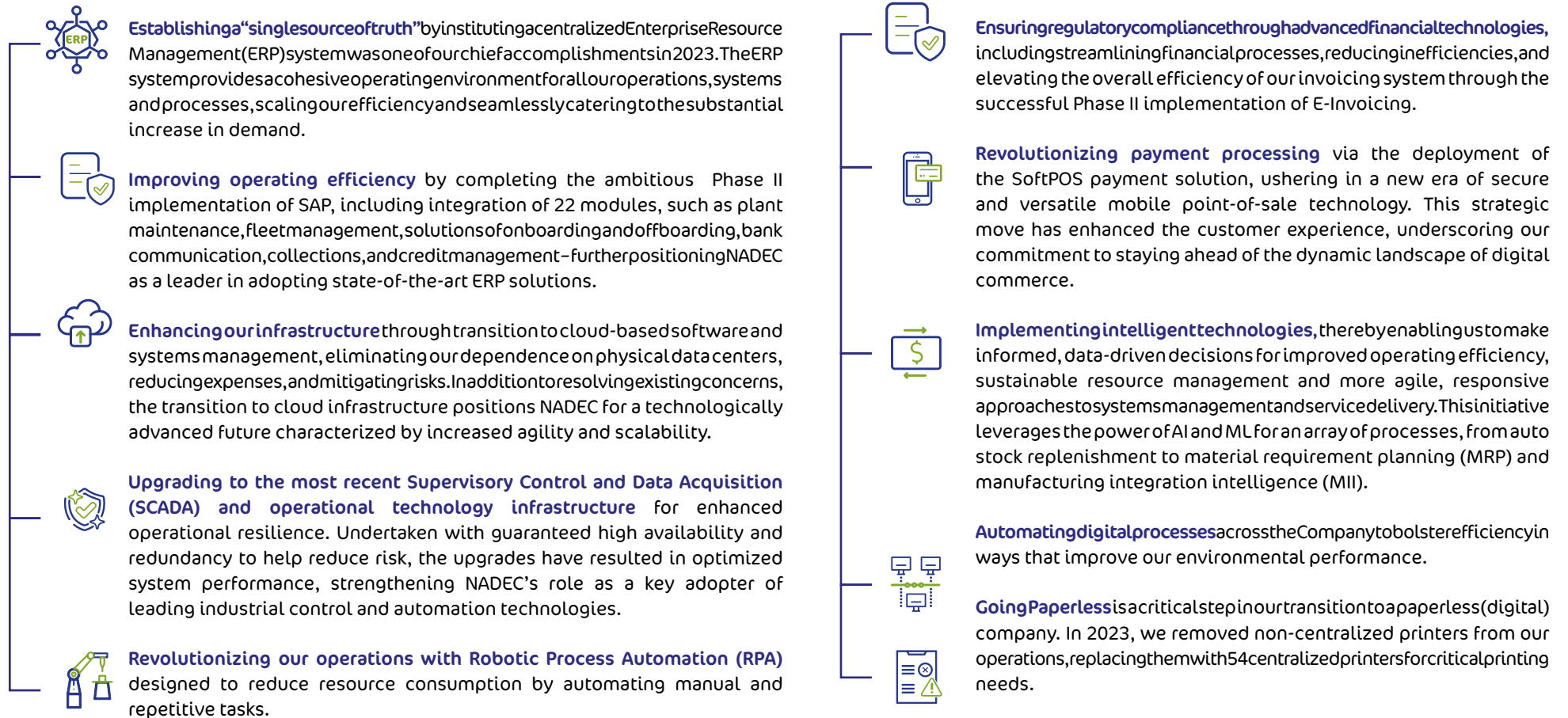




## Digitalization Roadmap

In our pursuit of digitalization in 2023 we introduced a strategic roadmap focused on placing NADEC at the forefront of technological advancements in the food industry. Focused on accelerating continuous improvement, innovation and automation across our key business sectors, the strategy provides a framework for streamlining our processes, integrating new technologies, advancing automation and fostering a business partner concept that drives individual engagement with business sectors to enhance support and service delivery.

In alignment with NADEC's New Dawn Strategy, our digital and technology sector also experienced substantial expansion through initiatives contributing to strategic growth, enhanced technological development and digital transformation efforts designed to increase our operational effectiveness.



## Data Privacy and Security

We lean heavily on our SAP to efficiently manage a diverse array of data types across our Enterprise Resource Management system, including finance, HR and operations. SAP securely stores customer information, supply chain data, operational systems integration, financial data, and e-invoicing details.

Knowing protection and privacy of our operations' and customers' data are critical, we employ a multifaceted approach to fortifying the security of our IT infrastructure, mitigating risks and vulnerabilities. NADEC's data security is overseen by our IT Security Department along with a Cybersecurity Department. Both Departments report directly to our Governance, Risk, and Compliance group.

Under leadership of the IT Security and Cybersecurity Teams, our proactive security measures include regular external and internal vulnerability assessments performed by a third party, routine phishing and penetration testing, plus ongoing monitoring, checks and efforts to anticipate, identify and address weaknesses in our IT environment. We also conduct at least one internal and external audit per year managed by our Internal Audit Sector to assess our privacy and security management systems' effectiveness.



- We are an active participant in the National Cybersecurity Alliance (NCA), which ensures regular checks on controls. In 2023 we achieved a 60% compliance level and have implemented efforts to address any outstanding elements to reach full compliance.
- NADEC is currently working towards ISO 27001 certification for information security management, with an anticipated completion in 2024.
- Our Security Operations Center (SOC) diligently monitors all inbound and outbound transactions. We have also engaged a third party to further bolster our monitoring capabilities.

## Personal Data Protection

NADEC is dedicated to safeguarding privacy and fostering responsible data management practices, and actively committed to protecting personal data and privacy in full compliance with the Kingdom's Personal Data Protection Law for the year 1443 AH.

## Responsible Procurement

At NADEC, we pride ourselves on working with suppliers and other third parties committed to upholding our policies and share in our dedication to regenerative agriculture and food production practices. Our partnership approach enables us build long-term relationships across our supply chain. As part of our support for Saudi Vision 2030, we also prioritize community-based procurement wherever possible. To mitigate potential environmental, social and governance risks across the supply chain, we have implemented Supplier Code of Conduct and Procurement Policy that establishes ethical and responsible practices for safeguarding people and environment.

As part of the supplier onboarding process, we ensure new suppliers understand the Supplier Code of Conduct and Procurement Policy, and approach suppliers to declare their SEDEX registration to authenticate that they do not use child labour or forced labour. In addition, certifications such as FSSC ensure suppliers comply with natural ecosystem conservation policies and commitments. No suppliers were subject to a social or environmental audit in 2023.

Our supply chain operations remained robust and consistent. The total number of suppliers remained steady over the past years, and our total procurement spending in 2023 was SAR 1,466,510,227 for our top 50 suppliers.

### Assessment of Our Ingredients for Risk Identification

As a food producer, NADEC considers all its ingredients for identifying risks, including potential environmental and human risks. As a safeguard, we also make every effort to diversify our suppliers geographically to ensure multiple sources of suppliers for each ingredient. In instances of single source suppliers, a list is set, and diversification plans are put in place.



# RESPONSIBLE PRODUCTS

Research and Development	39
Sustainable Packaging Design and Innovation	40
Supporting Health and Nutrition	41
Promoting Animal Health and Welfare	42



As the global climate imperative gathers urgency and consumers increasingly seek assurance that the products they choose are environmentally and socially responsible, product sustainability has become paramount to business continuity and success. As part of our Sustainability Strategy, NADEC has identified sustainability priorities for ongoing action.

For detailed information about the product sustainability priorities, please refer to the Annual Report 2023.

## Research and Development

The opportunity to make a transformational and qualitative leap forward is at the heart of NADEC's New Dawn Corporate Strategy, which marks the culmination of our four-decade journey from a dairy products company to an integrated food company spanning all categories. With food security high on the Saudi Vision 2030 priority list, the rapid realization of this goal in order to serve a dynamic, evolving and future-focused market is a business imperative.

To achieve this, NADEC is committed to looking for the best methodologies, business practices, and agricultural and food production practices for manufacturing products that meet and exceed the requirements of our partners and customers, along with attaining the highest levels of quality and efficiency. With this in mind, NADEC is committed to manufacturing innovative products accessible to all consumers.

Our Research and Development (R&D) strategy is focused on innovating and introducing new products in alignment with our New Dawn Corporate Strategy, with emphasis on speed to market through our Project Stage Gate process. We closely collaborate with global suppliers for third-party project development, market trend analysis, and insights into market new concepts and dynamics. Customer engagement, feedback and market trends are also critical innovation drivers, providing valuable feedback for the improvement of existing products and the optimization of recipe costs.

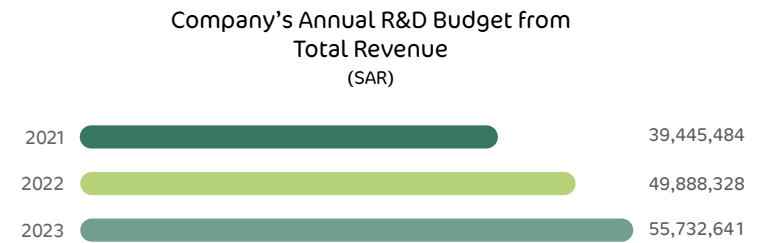
In 2023, our R&D initiatives included launching a new product line to produce calf and vegetable products with the aim of delivering high quality protein and vegetable products that meet internationally recognized standards. This venture is part of our new protein business, which includes the establishment of local, globally standardized abattoirs for

local meat production. As part of this effort and our burgeoning partnerships across the entire food supply chain, NADEC has also established key partnerships with red meat producers in Brazil.

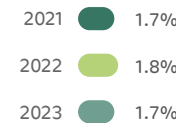
Other initiatives includes:

- Launching a lactose-free milk for the food service sector.
- Developing a hydration drink for active individuals.
- Introducing drinkable Greek yoghurt.
- Creating cooking sauces such as béchamel and mushroom cream sauce for home cooking.

To further realize and support our R&D Strategy, we increased annual R&D budget from SAR



**Percentage of Company's Product Portfolio developed or improved through R&D Efforts**




**Number of Company's Dedicated R&D Staff Members**





## Sustainable Packaging Design and Innovation

In recent years, NADEC has integrated a program of eco design principles to dematerialize our packaging, reducing material consumption and optimizing packaging size and weight. Since the launch of this program, we reduced the weight of our yogurt cups, reducing consumption of approximately 155,000 kg of plastic cups per year. We also reduced the height of carton trays for various products, yielding substantial reductions in materials consumption:



- Carton trays for **juices with 200 ml bottles** were reduced by approximately 47%, saving approximately 173,753 kg of carton per year.
- Carton trays for **juices with 300 ml bottles** were reduced by approximately 44%, saving approximately 21,182 kg of carton per year.
- Carton trays for **dairy with 200 ml bottles** were reduced by approximately 43%, saving approximately 193,272 kg of carton per year.

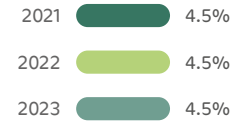
In 2023, the weight of juice bottles was reduced, leading to significant plastic consumption reductions:

- The weight of 1.3-liter juice bottles was reduced by 5.3%, saving around 30,000 kg of PET per year.
- The weight of 180ml juice bottles was reduced by 3.6%, saving around 37,500 kg of PET per year.

In 2023, NADEC applied further packaging innovations to minimize food waste by innovating bottles with different ingredients to extend product shelf life, enabling products to remain on shelves for longer durations, thus reducing market returns and wastage.

NADEC also follows specific strategies for reducing the environmental impacts of all packaging throughout its lifecycle. Materials are categorized as fully-, partially-, or non-recyclable. As of 2023, 59% of our packaging materials are fully recyclable, 23% of materials are partially recyclable, and 14% are non-recyclable, with efforts underway to increase the recyclability of partially- and non-recyclable materials. In addition, we are also engaged in ongoing collaborations with our suppliers to maximize recyclability across all packaging.

Percentage of Packaging made from Recyclable and/or Renewable Materials



Percentage of Recyclable, Reusable and/or Compostable Materials





## Supporting Health and Nutrition

NADEC has responsibility to ensure that its products we offer promote and support the health and nutrition of consumers. We abide by a formal process for identifying and managing the nutritional and health concerns of the food products and ingredients we produce.

Additionally, NADEC ensures compliance with national and international food regulations, including Saudi Standards, Metrology and Quality Organization (SASO), GCC Standardization Organization (GSO), or the Codex Alimentarius Commission (CAC).

1



### Screening and Evaluation:

All ingredients related to the health and nutrition of our customers undergo strict screening and evaluation prior to their incorporation into our recipes. This involves a rigorous assessment of each ingredient's technical specifications to ensure our full understanding of its effects on health and nutrition.

2



### Dosage Confirmation:

We confirm the dosage of each ingredient before its application to ensure it complies with the established standards for consumer safety and nutritional content, and their conformity with regulated amounts specified by authorities.

3



### Labelling Compliance:

We review all product labels to ensure they accurately and comprehensively list the ingredients of a given product. Special attention is given to allergenic materials which, if any, are clearly mentioned on the label. This transparency helps consumers make informed choices and reduces the risk of allergic reactions or other health concerns.



## Partnering for Fresh Produce



In 2023 NADEC announced a strategic collaboration with Del Monte to focus on establishing a company dedicated to delivering fresh produce to consumers across the Kingdom, including fresh fruit, vegetables and juices, along with potato processing and distribution. The partnership is part of NADEC's drive to support the Saudi Vision 2030 by diversifying fresh produce in order to meet market demand and support economic development through our use of contract farming with local farmers, including Agricultural small- and medium-sized enterprises (Agri-SMEs).

## Promoting Animal Health and Welfare

The health and welfare of the animals involved in our agriculture and food production processes are of paramount importance to us. In alignment with our ethics and values, NADEC is currently formalizing this commitment through development of a set of policies concerning the processing of animal products, animal transportation, handling, housing, confinement, and slaughter.

To ensure animal best welfare, NADEC collaborates with veterinarians to develop comprehensive Animal Health Plans which include preventive measures, disease monitoring, and treatment protocols tailored to each species.

In addition, NADEC is fully committed to complying with all animal health and welfare standards applicable during the production and procurement processes, including:

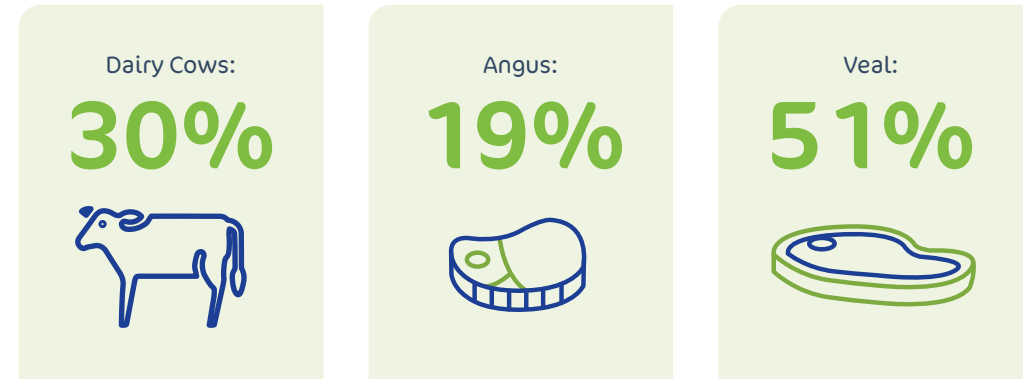


**GSO 815:1997** - Gulf Technical Regulation - Code of hygienic practice for preparation, transportation and storing of fresh meat.

**GSO 993:2015** - Animal slaughtering requirements according to Islamic rules.

**GSO 2055-1:2015** Gulf Technical Regulation - Halal Food General

Animal protein production, by category:



# APPENDICES

APPENDIX (A) ABBREVIATIONS	44
APPENDIX (B) GCC ESG METRICS	45
APPENDIX (C) GRI CONTENT INDEX	48



## Appendix (A) Abbreviations

Abbreviation	Definition
AI	Artificial Intelligence
CEO	Chief Executive Officer
ERP	Enterprise Resource Planning
ESG	Environmental, Social and Governance
FMCG	Fast-Moving Consumer Goods
FSSC	Food Safety System Certification
GDP	Gross Domestic Product
GRC	Governance, Risk and Compliance
GRI	Global Reporting Initiative
GSO	GCC Standardization Organization
HR	Human Resources
ISO	International Organization for Standardization
IT	Information Technology
ML	Machine Learning

Abbreviation	Definition
NADEC	National Agricultural Development Company
PET	Polyethylene Terephthalate
PPA	Power Purchase Agreement
R&D	Research and Development
RPA	Robotic Process Automation
SAP	Systems, Applications and Products
SAR	Saudi Riyal
SEDEX	Supplier Ethical Data Exchange
SIRC	Saudi Investment Recycling Company
SOC	Security Operations Center
UAE	United Arab Emirates
UN	United Nations

## Appendix (B) GCC ESG Metrics

Topic	Metric	Page Number(s) and/or Direct Answer
<b>ENVIRONMENT (E)</b>		
<b>E1. GHG Emissions</b>	(E1.1) Total amount, in MTCO <sub>2</sub> e, for Scope 1 (E1.2) Total amount, in MTCO <sub>2</sub> e, for Scope 2 (if applicable) (E1.3) Total amount, in MTCO <sub>2</sub> e, for Scope 3 (if applicable)	20
<b>E2. Emissions Intensity</b>	(E2.1) Total GHG emissions per output scaling factor (E2.2) Total non-GHG emissions per output scaling factor	Not disclosed
<b>E3. Energy Usage</b>	(E3.1) Total amount of energy directly consumed (E3.2) Total amount of energy indirectly consumed	20
<b>E4. Energy Intensity</b>	(E4.1) Total direct energy usage per output scaling factor	20
<b>E5. Energy Mix</b>	(E4.2) Percentage: Energy usage by generation type	Not disclosed
<b>E6. Water Usage</b>	(E6.1) Total amount of water consumed (E6.2) Total amount of water reclaimed	21
<b>E7. Environmental Operations</b>	(E7.1) Does your company follow a formal Environmental Policy? Yes/No (E7.2) Does your company follow specific waste, water, energy and/or recycling polices? Yes/No (E7.3) Does your company use a recognized energy management system?	20
<b>E8. Environmental Oversight</b>	Does your Management Team oversee and/or manage sustainability issues? Yes/No	18
<b>E9. Environmental Oversight</b>	Does your Board oversee and/or manage sustainability issues? Yes/No	18

<b>E10. Climate Risk Mitigation</b>	Total amount invested, annually, in climate-related infrastructure, resilience, and product development	20, 39
<b>SOCIAL (S)</b>		
<b>S1. CEO Pay Ratio</b>	(S1.1) Ratio: CEO total compensation to median FTE total compensation (S1.2) Does your company report this metric in regulatory filings? Yes/No	Not disclosed
<b>S2. Gender Pay Ratio</b>	Ratio: Median male compensation to median female compensation	30
<b>S3. Employee Turnover</b>	(S3.1) Percentage: Year-over-year change for full-time employees (S3.2) Percentage: Year-over-year change for part-time employees (S3.3) Percentage: Year-over-year change for contractors/consultants	26
<b>S4. Gender Diversity</b>	(S4.1) Percentage: Total enterprise headcount held by men and women (S4.2) Percentage: Entry- and mid-level positions held by men and women (S4.3) Percentage: Senior- and executive-level positions held by men and women	28
<b>S5. Temporary Worker Ratio</b>	(S5.1) Percentage: Total enterprise headcount held by part-time employees (S5.2) Percentage: Total enterprise headcount held by contractors and/or consultants	Not disclosed
<b>S6. Non-Discrimination</b>	Does your company follow a non-discrimination policy? Yes/No	28
<b>S7. Injury Rate</b>	Percentage: Frequency of injury events relative to total workforce time	Not disclosed
<b>S8. Global Health &amp; Safety</b>	Does your company follow an occupational health and/or global health & safety policy? Yes/No	Not disclosed
<b>S9. Child &amp; Forced Labor</b>	(S9.1) Does your company follow a child and/or forced labor policy? Yes/No (S9.2) If yes, does your child and/or forced labor policy also cover suppliers and vendors? Yes/No	37



<b>S10. Human Rights</b>	(S10.1) Does your company follow a human rights policy? Yes/No (S10.2) If yes, does your human rights policy also cover suppliers and vendors? Yes/No	24, 37
<b>GOVERNANCE (G)</b>		
<b>G1. Board Diversity</b>	(G1.1) Percentage: Total board seats occupied by men and women (G1.2) Percentage: Committee chairs occupied by men and women	32
<b>G2. Board Independence</b>	(G2.1) Does your company prohibit the CEO from serving as board chair? Yes/No (G2.2) Percentage: Total board seats occupied by independent board members	32
<b>G3. Incentivized Pay</b>	Are executives formally incentivized to perform on sustainability?	Not disclosed
<b>G4. Supplier Code of Conduct</b>	(G4.1) Are your vendors or suppliers required to follow a Code of Conduct? Yes/ No (G4.2) If yes, what percentage of your suppliers have formally certified their compliance with the code?	37
<b>G5. Ethics &amp; Prevention of Corruption</b>	(G5.1) Does your company follow an Ethics and/or Prevention of Corruption policy? Yes/No (G5.2) If yes, what percentage of your workforce has formally certified its compliance with the policy?	33
<b>G6. Data Privacy</b>	(G6.1) Does your company follow a Data Privacy policy? Yes/No (G6.2) Has your company taken steps to comply with GDPR rules? Yes/No	36
<b>G7. Sustainability Reporting</b>	Does your company publish a sustainability report? Yes/No	3
<b>G8. Disclosure Practices</b>	(G8.1) Does your company provide sustainability data to sustainability reporting frameworks? Yes/No (G8.2) Does your company focus on specific UN Sustainable Development Goals (SDGs)? Yes/No (G8.3) Does your company set targets and report progress on the UN SDGs? Yes/No	3
<b>G9. External Assurance</b>	Are your sustainability disclosures assured or validated by a third-party audit firm? Yes/No	NADEC does not undergo any external assurance.

## Appendix (C) GRI Content Index

Statement of Use	NADEC has reported the information cited in this GRI Content Index for the period 01/01/2023 – 31/12/2023 with reference to the GRI Standards.	
GRI 1 used	GRI 1: Foundation 2021	
GRI Standard 2021	Disclosure	Page Number(s) and/or Direct Answer
GRI 2: General Disclosures 2021	2-1 Organizational details	8-12
	2-2 Entities included in the organization's sustainability reporting	3
	2-3 Reporting period, frequency and contact point	3
	2-4 Restatements of information	This report has no restatements
	2-5 External assurance	This report has not been externally assured
	2-6 Activities, value chain and other business relationships	11
	2-7 Employees	28
	2-8 Workers who are not employees	28
	2-9 Governance structure and composition	32
	2-10 Nomination and selection of the highest governance body	32
	2-11 Chair of the highest governance body	32
	2-12 Role of the highest governance body in overseeing the management of impacts	18, 32
	2-13 Delegation of responsibility for managing impacts	18
	2-14 Role of the highest governance body in sustainability reporting	18, 32
	2-15 Conflicts of interest	33
	2-16 Communication of critical concerns	30, 32
	2-17 Collective knowledge of the highest governance body	Please refer to 2023 Annual Report
	2-18 Evaluation of the performance of the highest governance body	32
	2-19 Remuneration policies	32
	2-20 Process to determine remuneration	30, 32
	2-21 Annual total compensation ratio	30
	2-22 Statement on sustainable development strategy	4, 5
	2-23 Policy commitments	21, 28, 30,32, 33, 37

	2-24 Embedding policy commitments	21, 28, 30,32, 33, 37
	2-25 Processes to remediate negative impacts	30
	2-26 Mechanisms for seeking advice and raising concerns	30
	2-27 Compliance with laws and regulations	34
	2-28 Membership associations	14
	2-29 Approach to stakeholder engagement	17
	2-30 Collective bargaining agreements	Prohibited in KSA
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	13
<b>GRI 202: Market Presence 2016</b>	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	30
	202-2 Proportion of senior management hired from the local community	25
<b>GRI 301: Materials 2016</b>	301-1 Materials used by weight or volume	40
	301-2 Recycled input materials used	40
	301-3 Reclaimed products and their packaging materials	40
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	20
	302-3 Energy intensity	20
	302-4 Reduction of energy consumption	20
<b>GRI 303: Water and Effluents 2018</b>	303-1 Interactions with water as a shared resource	21
	303-2 Management of water discharge-related impacts	21
	303-3 Water withdrawal	21
	303-5 Water consumption	21
<b>GRI 304: Biodiversity 2016</b>	304-2 Significant impacts of activities, products and services on biodiversity	22
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	20

<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-1 New suppliers that were screened using environmental criteria	37
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	26
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	29
	401-3 Parental leave	29
<b>GRI 402: Labor/Management Relations 2016</b>	402-1 Minimum notice periods regarding operational changes	25
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	27
	404-2 Programs for upgrading employee skills and transition assistance programs	27
	404-3 Percentage of employees receiving regular performance and career development reviews	29
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	28
	405-2 Ratio of basic salary and remuneration of women to men	30
<b>GRI 408: Child Labor 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labor	37
<b>GRI 409: Forced or Compulsory Labor 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	37
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments, and development programs	30
<b>GRI 414: Supplier Social Assessment 2016</b>	414-1 New suppliers that were screened using social criteria	37
<b>GRI 416: Customer Health and Safety 2016</b>	416-1 Assessment of the health and safety impacts of product and service categories	39-41
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	34
<b>GRI 417: Marketing and Labeling 2016</b>	417-1 Requirements for product and service information and labeling	41



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