



Audit Committee Report



SADAFCO**سدافكو****SAUDIA DAIRY & FOODSTUFF COMPANY
SAUDI JOINT STOCK CO.****الشركة السعودية لمنتجات الألبان والأغذية
شركة مساهمة سعودية****Saudia Dairy & Foodstuff Company (SADAFCO)****Audit Committee Report****For the short Fiscal year ended on 31/12/2023**

Dear shareholders,
Greetings,

The Audit Committee (the “**Committee**”) of the Company’s Board of Directors, which was formed by a resolution issued by the General Assembly of Shareholders, has prepared this report in accordance to Article (٨٨) of Corporate Governance Regulations issued by the Capital Market Authority. The Current members of the Audit Committee are:

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| 1. Mr. Faisal Hamad Mubarak Al-Ayyar | Chairman |
| 2. Mr. Ahmed Mohamed Hamed Al-Marzouki | Member |
| 3. Mr. Saied Ahmed Saied Basamh | Member |

The Committee, by continuously supervising the internal and external audit processes, and through coordination with the management of the internal audit department and the executive management of the company, ensured the effectiveness of the company's internal control system, which the committee and BOD consider as very important. The Committee verifies the observations and recommendations of the auditors and the soundness of the procedures taken by the management to implement those recommendations through the information contained in the reports issued by the internal audit.

The following is a summary of the duties and work of the Committee during the period ending on 31/12/2023:

First: External Audit and Financial Statements

1. The Committee ensured the independence of the external auditors and their commitment to provide high quality and efficient service in return for fair professional fees that have been approved, in addition to a recommendation to the Board of Directors regarding the reinstatement or termination of their services.
2. The Committee reviewed the results of the company’s operations and its financial position as it appeared in the financial statements and the quarterly and annual audit reports for the period ending on 31/12/2023, in addition to the monthly report prepared by the management, in coordination with auditors and the company’s senior management, and in light of Auditing standards, International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia, and the company's strategy and budget. The committee approved these statements and reports and submitted its recommendations thereon to the Board for approval.

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3. The completeness of the abovementioned statements and reports was confirmed through ensuring that they contain all significant financial information, including transactions with related parties.

Second: Internal Audit

1. The Committee ensured the independence of the internal auditors, and the availability and adequacy of the resources and capabilities necessary for them to carry out their duties fully and in a manner that serves the interests of the company, and in line with international standards of internal auditing.

2. The Committee reviewed and approved the annual audit risk-based plan prepared by the Internal Audit Department and ensured its implementation according to the timetable specified for it.

3. The Internal Audit Department, through the performance of its regular duties, reviewed the company's internal control and risk management systems to ensure their adequacy, efficiency and effectiveness, and their implementation and compliance therewith by the company's employees, which is partially achieved through the execution of the approved annual audit plan mentioned above.

4. The Committee, through the follow up carried out by the Internal Audit Department, ensured that the Executive Management took the necessary measures to implement the recommendations contained in the internal audit reports and which were due for implementation, including updating and issuing internal policies and procedures, including the business continuity plan (crisis management) manual, which would contribute to enhancing and improving the effectiveness of the company's internal control system.

Third: Internal controls and risk management

Based on the work of the internal and external auditors and the conclusions contained in their audit reports issued during the current year and management's representation with respect to the effectiveness of the Company's internal and financial control systems, no major control issues that require disclosure have been noted and thus the Board believes that these systems are effective.

The committee also reviewed the results of the risk management process to ensure its effectiveness and the achievement of its objectives, which is to identify events that may negatively affect the achievement of company's objectives and thus take the appropriate measures and precautions to manage the effects of such events.

Fourth: The Audit Committee selected four audit firms-licensed to operate in the Kingdom of Saudi Arabia, and they were addressed to submit their offers to audit the company's accounts for the fiscal year from 01/01/2024 to 31/12/2024, prepared in accordance with International Financial Reporting Standards (IFRS), and upon the review performed by the Committee for the submitted offers, which are as follows:

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#	Nominated Accounting office	Value of the offer individually (SAR)
1	KPMG Al-Fawzan and Al-Sadhan	770,000
2	Dr. Mohammed Al-Amri & Co. (BDO)	570,000

After verifying the expertise of the nominated offices in the field of auditing and their expertise in accordance with the IFRS, the Audit Committee decided unanimously in its resolution by circulation on Monday 15/09/1445H corresponds to 25/03/2024G to nominate:

- 1. KPMG Al-Fawzan and Al-Sadhan.**
- 2. Dr. Mohammed Al-Amri & Co. (BDO)**

Provided that one auditor shall be selected by the General Assembly Meeting of Shareholders when it is held after obtaining the necessary approval from the competent authorities, to review and audit the Company's quarterly and annual financial statements for the second, third and annual periods of financial year ended 31-12-2024. In addition, the first quarter of financial year ended 31-12-2025.

The Committee based its nomination of these auditors on that they possess the sufficient cadres to audit the company's accounts prepared in accordance with the IFRS. In addition, each of them is among the well-known, experienced and reputable audit firms in this field.

**On behalf of Audit Committee
Faisal Hamad Mubarak Al-Ayyar
Chairman of Audit Committee**