



35  
*Years*

*of excellence*

Building on a  
**strong legacy.**  
Transforming for a  
**robust future.**

Annual Report  
**2021**



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# Overview

## About SPIMACO

Established in 1986, Saudi Pharmaceutical Industries and Medical Appliances Corporation (SPIMACO) is a Saudi Joint–Stock company with a fully paid-up capital of SAR 1,200m. It is the Kingdom of Saudi Arabia’s largest pharmaceutical company and is one of the largest in the MENA region.

The Group became the first publicly traded pharmaceutical company in the Kingdom when it was listed on the Saudi Stock Exchange (Tadawul) in 1993. Recently, it was included in the FTSE Saudi Arabia Mid Cap Index.

SPIMACO and its subsidiaries are categorized into manufacturing and sale of pharmaceutical products, distribution services, and medical services. The Company manufactures products from tablets, capsules, injections, gels, creams and more.

The Group has a wide diversified portfolio covering:

**62**

Anatomical Therapeutical  
Classes (ATCs)

**104**

Molecules

**430**

Stock Keeping Units (SKUs)

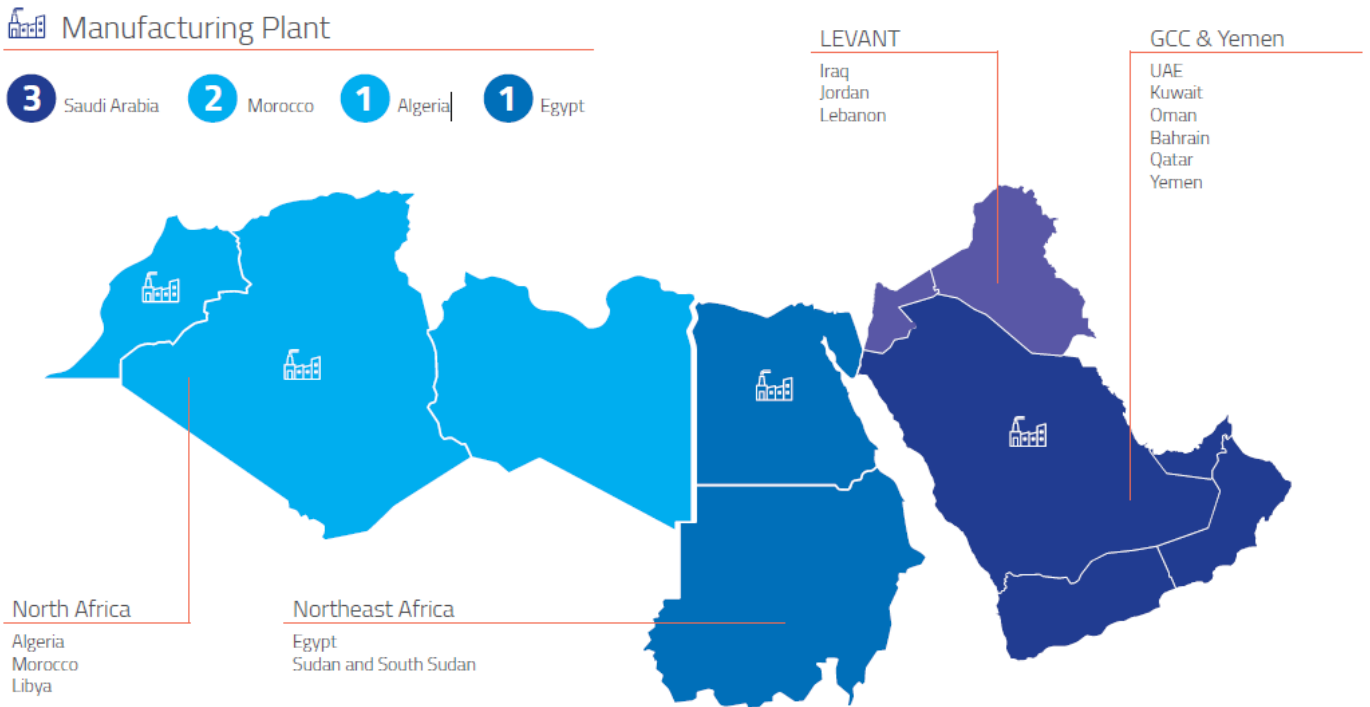
## Our Affiliated Companies

<b>ARAC</b> <b>Healthcare</b>	<b>ARACOM</b>	<b>Dammam</b> <b>Pharma</b>	<b>Al Qassim</b> <b>Medical</b> <b>Services</b>	<b>ENAYAH</b>	<b>CAD</b> <b>MIDDLE</b> <b>EAST</b>
Ownership: 100%	Ownership: 100%	Ownership: 85%	Ownership: 57.22%	Ownership: 51%	Ownership: 46.08%
<b>SPIMACO</b> <b>Morocco</b>	<b>SPIMACO</b> <b>Misr</b>	<b>SPIMACO</b> <b>Egypt</b>	<b>SPIMACO</b> <b>Algeria</b>	<b>TAPHCO</b> <b>Algeria</b>	
Ownership: 72.5%	Ownership: 51.7%	Ownership: 100%	Ownership: 100%	Ownership: 22%	

For more information and updates on our subsidiaries, refer to page 27.

## Where We Operate

SPIMACO has a presence in all major MENA markets, with an unparalleled regional footprint.



## Our Journey

### 1985

First established Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO)

### 1988

A strategic alliance agreement was signed with International SmithKline Beecham (GlaxoSmithKline)

### 1990

The first product was manufactured in SPIMACO Pharmaceutical Factory

Signing the first manufacturing agreement of Pfizer products at SPIMACO Pharmaceutical Factory

Signing a supply contract with the Ministry of Health that covered the first six products of SPIMACO Pharmaceutical Factory

### 1993

Listed on the Saudi Stock Exchange

### 1994

Ideal Plant Award in chemical industry

The company began exporting products to overseas markets, the first such step at the level of pharmaceutical companies in the Kingdom of Saudi Arabia

### 1997

The first Saudi pharmaceutical company to obtain ISO 9001 certification

### 1998

Inauguration of the drug development centre at the company's factory in Qassim

### 2016

Manufacturing of HCV drug from the active ingredient to the production and packaging process

### 2018

Operation of the Company's factory automated warehouse, the first of its kind at the pharmaceutical companies' level in the Middle East

### 2020

Launch of a variety of products to enter the oncology market

## Year in Review

- The Swiss company, Hoffmann-La Roche, signed an agreement with SPIMACO to make immunosuppressive drugs for organ transplants available locally.
- SPIMACO launched the People & Culture Synergy Project, to develop and implement a transformation structure that supports employees with the necessary tools, training, and motivation.
- The Company signed an agreement with the Healthcare Leadership Academy of Saudi Commission for Health Specialties, which aims to train, educate, and develop leaders at all levels within the healthcare system.
- Under SPIMACO's Synergy Project, the Women's Leadership Program was concluded in cooperation with the Saudi Commission for Health Specialties.
- Ibrahim AlHodaithy International Company and SPIMACO signed an agreement for the marketing and distribution of medical supplies, valued at over SAR 160 million for 3 years.
- SPIMACO was elected as deputy chairman for National Committee for Pharmaceutical Industries.
- SPIMACO received a Local Content Score of 28.90%, with an Export Revenue Score of 33.76% against average benchmark score of 22% set by Local Content Authority for the pharmaceutical manufacturing sector.
- Launched and registered 30 new products.
- Registered for the first bio similar product to be manufactured in the factory.
- Received "Good Manufacturing Practices (GMP)" certification from Saudi Food & Drug Authority (SFDA).

## **Building on a strong legacy. Transforming for a robust future.**

As Saudi Arabia's leading private pharmaceutical player, SPIMACO has a legacy of success forged over decades on a core foundation of trust, collaboration and value creation for our customers, partners, and the Kingdom. This unique market position and track record has brought us to where we are today, but a re-evaluation of our vision and strategic direction was needed to take us forward.

2021 was a turning point in the history of SPIMACO, as a large-scale corporate reorganization and transformation began. We are reimagining the future of our Company, analyzing and assessing every opportunity to build the strengths and capabilities we need in our core and across our footprint, while ensuring that we continue to support our key stakeholders, launch new products, and deliver revenue.

We are creating a robust foundation for growth and driving positive change in our business model, strategic focus, and organizational structure. We are establishing new enterprise-wide systems, processes, and technologies, while investing in innovation and research and development, to create distinctive capabilities in the Kingdom that will provide opportunities to expand our market share and geographic footprint.

Our Synergy program will position the Company as an employer of choice in our sector, bolstering our new leadership team's ability to attract and retain the top talent needed to continue to innovate and grow. We are building a robust risk management and corporate governance, while integrating ESG into our business model, in order to ultimately position SPIMACO for strong and sustainable growth as a regional pharmaceutical leader.



## Investment Case

SPIMACO offers an unrivalled opportunity to gain exposure to the rapidly expanding MENA pharmaceuticals sector through a private sector market leader in generics with a clear growth strategy

We are a **vertically integrated pharmaceuticals and medical supplies provider** with a 35 years track record of producing and distributing products across a range of therapeutic areas

- Leader in production of generics; growing capacity in production of high-margin oncology treatments and internally developed generics
- Regional manufacturing footprint and efficient operations – we operate manufacturing facilities in 5 sites across the MENA region
- Diversified business model across business segments, therapeutic areas, and product ranges
- SPIMACO is committed to increasing access to healthcare, improving the quality of life of patients, increasing access to treatment, and supporting the communities where it operates

The KSA health sector enjoys **strong fundamentals underpinned by supportive market dynamics** driving demand for our products

- An aging population and a rise in chronic disease requires quality healthcare and medication/treatment
- Favorable pricing guidelines which set the price of the first registered generic at 70% of the innovator, in addition to pricing advantage for new tenders
- Favorable regulatory environment which benefits locally listed manufacturers

Our **proven track record and clear strategy** will support our ambitious plans to **serve local and international markets** and maximize market opportunities

- Pharmaceuticals manufacturer with largest private market share; 430 SKUs, including generic and innovations
- Exporter of pharmaceutical products to the GCC and through subsidiaries in North Africa
- Experienced commercial teams and supportive organizational structure to drive value from products across markets
- New 5-year strategy to drive organic and inorganic growth by optimizing existing portfolio, growing the core, and tapping into new business avenues internationally.

We've delivered **consistent financial results and operational growth throughout cycles** despite changing market dynamics

- Healthy balance sheet despite expansion with adequate gearing levels
- Increased capacity achieved through site expansion in Qassim and new facilities in Dammam, Saudi Arabia, and Morocco
- Continuous improvements expected in return profile in line with new strategy

SPIMACO is led by an **experienced management team and a balanced Board** with the necessary skills to guide the Group on its next growth phase

- Strong management team continues to drive growth through organic and inorganic opportunities
- Well-constructed Board with diverse backgrounds in compliance with local regulations
- Restructured governance framework now in place, legacy challenges have been addressed

## Market and Health Sector Overview

### The Global Pharmaceutical Market

The global pharmaceutical market is estimated at ~ USD \$1.3 trillion (2020) and is forecasted to grow at 5.2 % CAGR (2020-2025 Forecast), which is higher than the actual CAGR 4.9% (2015-2020).

#### a) Geographical Market Size, Market Shares & Growth Outlook:

Rank	Geography	Market Size (USD\$ billion)	Market Share	CAGR% 2015-2020	CAGR% 2020-2025
	Global Ph. Market	1,328	100%	4.9%	5.2%
1	North America	573	43%	4.6%	4.7%
2	Europe (EU Countries)	236	18%	7.7%	7.6%
3	China	154	12%	4.5%	4.5%
4	Japan	90	7%	5.8%	7.4%
5	Latin America	60	5%	3.1%	4.2%
6	Europe (Non-EU Countries)	52	4%	6.4%	8.6%
7	Southeast & East Asia	51	4%	-0.4%	0.1%
8	Indian Subcontinent	30	2%	4.2%	4.6%
<b>9</b>	<b>MENA*</b>	<b>24</b>	<b>2%</b>	<b>6.5%</b>	<b>6.7%</b>
10	CIS	24	2%	10.7%	9.7%
11	Oceania	15	1%	10%	9.7%

Source: Market Prognosis Global 2021-2025, May 2021 version (latest report as of March 2022)

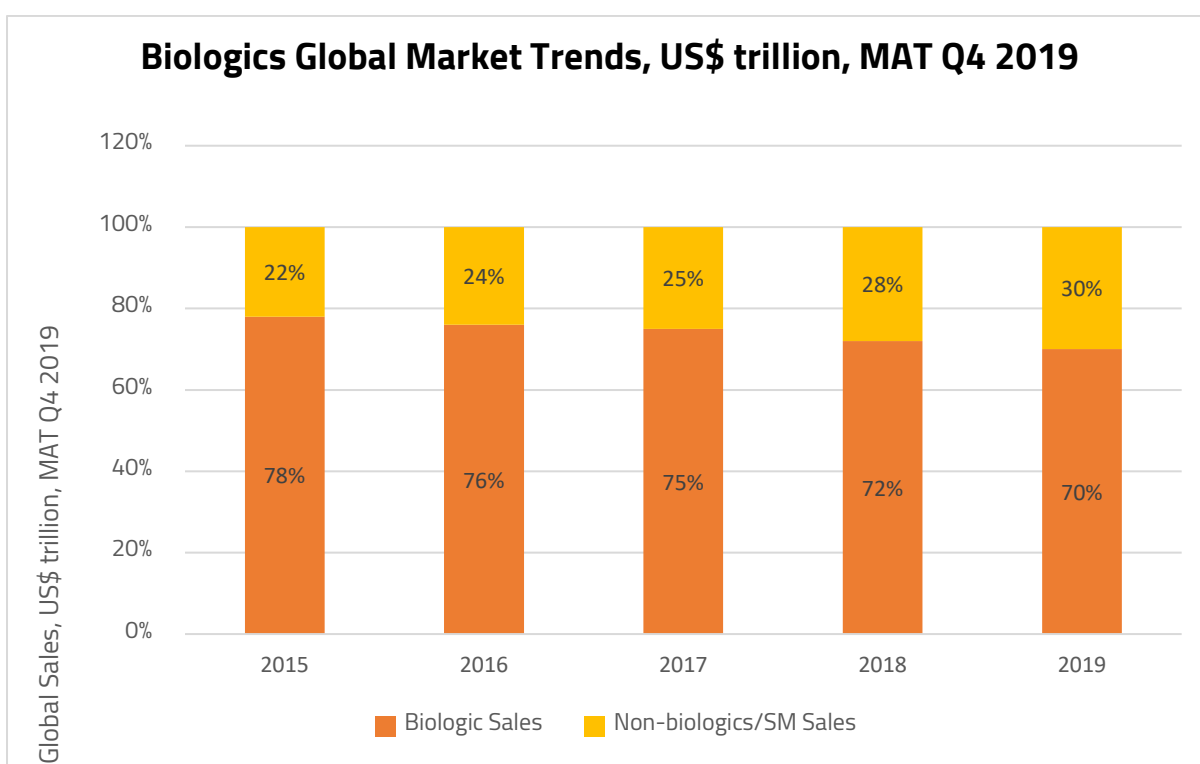
\*MENA includes KSA, UAE, Kuwait, Bahrain, Oman, Qatar, Lebanon, Jordan, Egypt, Algeria, Morocco, Tunisia

## b) Key Therapy Area

- The two leading global therapy areas — oncology and immunology — are forecast to grow 9–12% CAGR through 2025.
- Major advances are expected to continue, especially in oncology, immunology, and neurology.
- Most therapy areas are forecast to grow more slowly over the next 5 years, except for vaccines.
- The fastest growing category over the next five years will be vaccines, including COVID-19 vaccines, at 12–15%

## c) Biologicals

- increase in biologics adoption in several therapy areas and the rise of biosimilars
- Sales of Biological exceeded 300 billion in 2020



Source: *Realizing Biosimilar Potential in the Middle East & Africa. IQVIA white paper. Nov 2020 (latest report as of March 2022)*

## MENA Region

- MENA pharmaceutical market size is USD\$ 24 billion and accounting for 1.8% of total global pharmaceutical market.
- MENA forecasted to grow at 6.7 % CAGR (2020-2025), which is higher than the actual MENA CAGR 6.5% (2015-2020) and higher than the Global Ph. Market forecast 5.2% CAGR (2020-2025)
- Within MENA, KSA has historically contributed to ~35% market share; Egypt is expected to drive future growth.
- Top leading countries in 2020 are KSA (34%MS), followed by Egypt (20%MS), UAE (12%MS) & Algeria (12%MS).

### MENA country-wise growth (Historical growth vs. forecasted growth)

Country	Historical CAGR '15 -'20	Forecast CAGR '20-'25
Others	6.6%	3.5%
Jordan	-0.3%	2.2%
Lebanon	1.4%	2.4%
Tunisia	6.5%	4.3%
Kuwait	10.7%	8.7%
Morocco	4.1%	7.3%
Algeria	6.1%	4.5%
UAE	5.2%	6.5%
Egypt	20.4% (4.3%)	12.2% (12.7%)
KSA	3.0%	4.7%

Source: Market Prognosis Global 2021-2025, (latest report as of March 2022)

Values in bracket indicate CAGR at variable exchange rate

Others includes Bahrain, Oman, Qatar

## Saudi Arabia's Pharmaceutical Sector

The Kingdom's pharmaceutical market is the largest in the MENA region, with expected further growth in line with the growing population and increasing demand for chronic disease treatment. Rebounding from the effects of COVID-19 in 2020, the Kingdom's pharmaceutical market is expected to grow steadily in the next few years.

Between 2019 and 2024, the pharmaceutical market is forecast to grow at a CAGR of 4.7% ( $\pm 1.5\%$ ), reaching SAR 40.4 billion by 2024 (USD \$ 10.7 billion).<sup>2</sup>

**Table 1: Total Market Sales (2019-2024) SAR millions**

	2019	2020	2021	2022	2023	2024	CAGR 2019- 2024 (%)
Retail Sector	14,344	15,189	16,023	16,739	17,309	17,876	4.5
Annual Growth (%)	5.3	5.9	5.5	4.5	3.4	3.3	
LPO Sector	4,583	4,506	4,501	4,643	4,884	5,131	2.3
Annual Growth (%)	-0.5	-1.7	-0.1	3.2	5.2	5.1	
Tender Sector	13,149	13,697	14,244	15,115	16,230	17,372	5.7
Annual Growth (%)	3.8	4.2	4.0	6.1	7.4	7.0	
Total Market	32,076	33,392	34,768	36,498	38,423	40,380	4.7
Annual Growth (%)	3.8	4.1	4.1	5.0	5.3	5.1	

Forecast cut-off date: 9 March 2020

Source: IQVIA

**Table 2: Total Market Sales (2019-2024) Local Currency \$\* millions**

	2019	2020	2021	2022	2023	2024	CAGR 2019- 2024 (%)
Retail Sector	3,824	4,050	4,272	4,463	4,615	4,766	4.5
LPO Sector	1,222	1,201	1,200	1,238	1,302	1,368	2.3
Tender Sector	3,506	3,652	3,798	4,030	4,327	4,632	5.7
Total Market	8,552	8,903	9,270	9,731	10,244	10,766	4.7
Annual Growth (%)	3.8	4.1	4.1	5.0	5.3	5.1	

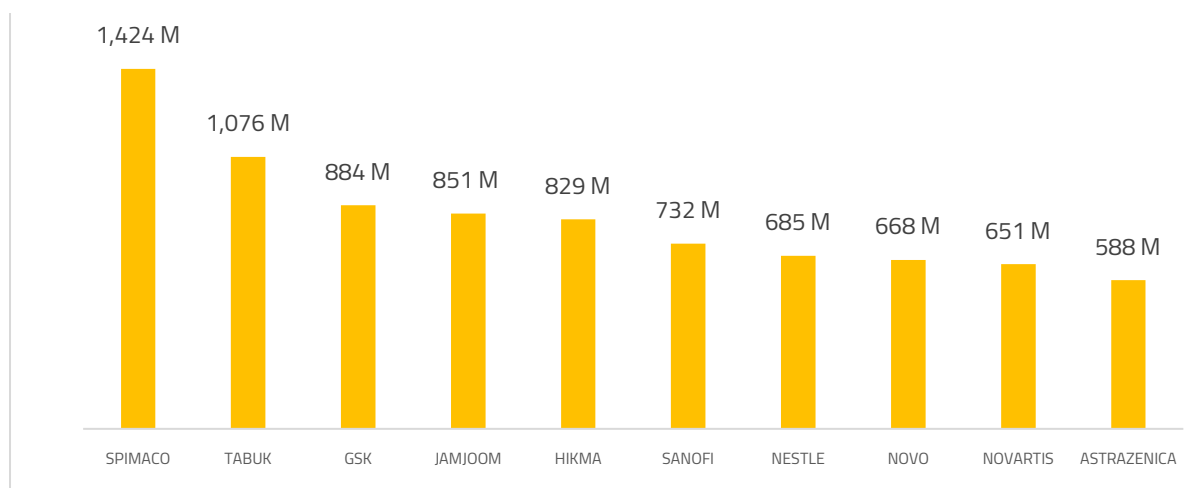
\*LC\$ = local currency sales converted to US dollars using a constant exchange rate (Q4 2019)

Source: IQVIA

Source; Market prognosis report 2020-2024, Saudi Arabia

Expected sales for 2022 are forecast at SAR 36.5 billion (USD \$ 9.7 billion)<sup>2</sup>, Furthermore, the pharmaceutical sector exports over SAR 1.5 billion annually and is predicted to increase at 5% per year.

SPIMACO has consistently maintained its leadership position in KSA private market with 7.9% market share.



	SPIMACO	TABUK	GSK	JAMJOOM	HIKMA	SANOFI	NESTLE	NOVO	NOVARTIS	ASTRAZENICA
PPG	5%	10%	4%	-8%	10%	3%	3%	45%	2%	11%
MS	7.9%	6.0%	4.9%	4.7%	4.6%	4.1%	3.8%	3.7%	3.6%	3.3%

## Saudi Arabia's Pharmaceutical Market by Sector

### Retail Sector

Retail Sector Showed a recovery from the COVID-19 impact with a growth of 9%\* in 2021, consumption is expected to return to pre-COVID-19 growth levels starting in 2<sup>nd</sup> semester 2022.

\*Wasfaty project is inflating the retail (Private) market since Gov. patients are dispensing their prescriptions from private chain pharmacies' accounts.

### Tender Sector

In 2021 Tender Sector Showed a growth of 7.2% in terms of value, recovering from the impact of Covid-19 on this important sector.

# Strategic Review

## Chairman's Statement

Building on a strong legacy. Transforming for a robust future.

SPIMACO is a leading private pharmaceuticals provider, with a strong track record of achievement and a clear vision for the future. We are beginning an ambitious growth journey that will see our products diversify and our customer base grow, setting the foundation for increasing and sustainable value creation for our shareholders and stakeholders.

In 2021, we added an extra dimension to our internal and external responsibilities. This was a year of true transformation as we re-evaluated our direction, our purpose and our ambitions. SPIMACO has played a major role in the Kingdom's pharma industry for more than 35 years and now it is time to forge new boundaries and lead new fields as we measure success through progress.

Not only are we undergoing our largest organizational restructuring, but we are also adopting a new vision for growth and a radical change of strategy to deliver a more energetic and enterprising business model, that will drive our business forward and support National drug security. This is a year we will remember as the beginning of a new SPIMACO era.

### The changing face of pharmaceuticals

COVID-19 had a major impact on pharmaceutical businesses across the world including those in the Kingdom. There was an inevitable slowdown in growth during 2020 due to lockdown measures that restricted patients' access to medical services followed by a gradual recovery for 2021. Consumption is expected to return to pre-pandemic growth levels during the second half of 2022.

The new Saudi Food and Drug Authority regulatory framework is also having a profound effect on the industry due to its incentives of pricing, innovation and competition. Private pharma businesses are able to submit and promote their products more effectively in a shorter time.

Although more than two-thirds of Saudi Arabia's population is under 35, there is also an ageing population as life expectancy increases. This will create the need for more medication and treatment in chronic diseases in the future, a focal area for our own research and development.



## **Our national inspiration**

Our restructuring and re-imagining of SPIMACO is a reflection of Saudi Vision 2030 – its goals for the Kingdom, its independence as an economy and its population as a community. In focusing on operational excellence and organizational improvement, we have modernizing our technology, reforming our governance, and enhancing our processes and procedures.

Our human resources program, Synergy, is centred on training, managing and mentoring Saudi nationals in order to ensure a self-sufficient workforce of the highest caliber, while establishing a strong team culture and a solid base of leaders for the future.

Our commitment to accelerated expansion in line with our restructuring now forms an even greater part in the core strategies as we increase our portfolio in the Middle East & Africa (MEA) region. Even further afield, we aim to be a major player both regionally and globally.

As part of the Kingdom's Vision 2030 related to promotion of locally produced goods and services, SPIMACO also received its first Local Content Certificate, recognizing our commitment to increasing local content throughout our Group.

## **Reflect and restructure**

The primary focus and lead strategy for 2021 was to revisit and redefine SPIMACO's practices and purposes. We reviewed our businesses with an objective, critical eye and focused on the means and ways that will add value to our own operations. While it is an ongoing process, the results have already proved highly effective in the ability to deliver corporate strategic objectives, enhance our workflows to strengthen technology systems, improve efficiency and establish corporate control functions.

Through our national strategy of diversification, we introduced 13 new products in 2021. This year we entered the 'Wasfaty' project to increase our market share in the government sector. This was a major milestone for our reformed organization and a testament to the success of our new direction.

In increasing our geographical footprint by entering select markets with both established and future businesses, we will capitalize on our ability to produce specialty products. Currently, 44 new SKUs are registered for international markets. With regards to our expansion vision, we continue to engage with leading consultants to assess and plan for inorganic and investment opportunities.

As a leading private pharmaceuticals manufacturer with 430 SKUs, we are well-positioned for the future. Our strategic direction which is fully aligned with Saudi Vision 2030, will not only maintain that position, but will also drive organic and inorganic growth by optimizing our existing portfolio and tapping into other business avenues across the region.

The restructuring of our company has created an even more formidable presence in the regional pharmaceutical industry. We have the benefit of an energetic and passionate leadership team whose expertise will make SPIMACO a recognized leader and industry driver.

### **Robust risk management for resilience**

A major achievement in 2021 was to make compliance and risk management part of our culture and embed governance in every aspect of our company, at every level of the organization. We created a new unit for risk and resilience that brought together the Risk Office, Risk Assessment and Monitoring, Business Continuity Management and Emergency Management to establish a comprehensive and integrated framework. This is critical during this age of accelerating change and volatility. With supply chain, environmental, cybersecurity and other risks to our business, it is imperative that we identify, manage and mitigate them effectively in order to achieve our strategic objectives.

Our commitment and clarity to governance, transparency, authority and responsibility is now firmly established and intrinsic to all our operations through the 'SPIMACO Way of Doing Business'.

### **Our sustainability commitment**

We have always believed in creating a better environment for our communities and generations to come. In order to reach our sustainability ambitions, we sought the experience and expertise of an established Environmental, Social and Governance leader, who is dedicated to embedding ESG into the business model in compliance with global best practices.

With regards to local community assistance, we donated SAR 1 million to a foundation close to our heart. Through Ehsan we can be sure that our gift will fund a number of deserving charities including social, educational, health, environmental and economic.

We continued to create positive change this year through our ongoing support of a range of worthy charities and organizations, including extending our sponsorships of the Children with Disability Association for the 13<sup>th</sup> year and the Self-Made Youth Award for the 3<sup>rd</sup> year. More broadly, we

conducted a range of community support initiatives, including donating vital pharmaceutical products to many individuals and charities.

### **Positioned for future growth**

While 2021 has been a year of transformation and a road of discovery and delivery, the coming year will drive an ambitious strategy to put those changes into full action. We will look to accelerate growth from the beginning of 2022 by accelerating revenues over the coming years through organic and inorganic growth. We will also forge new partnerships locally and globally to spur growth and enhance knowledge and technology transfer to the Kingdom.

Our dynamic approach will bring us many new opportunities; however, our expansion must not be at the cost of our core business. We have the management, the organization and the structure now in place and the unique capability to combine agility, tradition and competitive aggression to be an exceptional pharmaceutical leader on an international scale.

### **Acknowledgements**

I would like to extend my sincerest thanks to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud and to HRH Crown Prince Mohammed bin Salman for their guidance and support to the healthcare sector in general and pharmaceutical industry in particular.

My gratitude also to the government partners who oversee and support our industry, fellow board members, senior management and all employees across the group for their dedication and hard work. Thank you too for the shareholders for their confidence and trust.

## CEO's Message

### A solid foundation for future growth

We have recommitted ourselves to reorganizing, regenerating and rejuvenating SPIMACO this year. Through investing in our people, our culture and our technology, we are in the process of reimagining our future. Over the next two to three years, we will discover further opportunities to improve, invest and progress. While this change in direction will open new doors, we will continue to solidify our core business in order to maintain our sales, revenue and industry leading market share, while also working to continually improve the quality of our offerings and enrich the diversity of our organization.

### Transforming for growth

As a well-established and recognized name in the pharma market, we are proud to have launched a record number of products in 2021 and retained our status as having the largest market share in Saudi Arabia.

We made it our key priority to examine the past and present strategies and identify which areas needed our focus to guide us towards an even more successful business model. Hence every aspect of every unit needed to be scrutinized in order to optimize our operations and maximize our profits. These included reassessing SPIMACO's sales and marketing, reviewing our portfolio, expanding into specialty products and entering new geographies.

We implemented a Strategic Business Units concept including international markets which is now a core competency to have clear accountability of our international customer base. In order to succeed in our aims, we need the very best people at the helm and hence, in 2021, we recruited experienced leaders across the organization.

These were our primary goals and we have now made them our achievements. While the work is far from over, we have established a strong foundation for the remainder of the transformation to take effect and have set our sights on the rewards that come with that.

### Progressive successes

Our record number of product launches encompasses a vast range of medical treatments for the cardiovascular system, central nervous system, urology, bone health, diabetes, men's health, respiration, antibiotics, oncology, and organ transplants. By the end of 2021, the trajectory of sales from new launches have improved significantly from last year.

Despite the impact of the pandemic, SPIMACO business development had an extremely successful 12 months, exploring new business opportunities, expanding current collaborations and seeking new partners for future projects. Local and regional expansion was also a primary goal, along with continued support for affiliated companies.

Our business development team signed 16 strategic agreements with multinational companies for either obtaining or extending the rights of manufacturing, licensing, and distribution for new products to enrich our pipeline. Seven of these have an expected annual revenue of SAR 100 million and nine will maintain an average annual revenue of SAR 150 million.

Also, in line with the Saudi Vision 2030, we signed technology transfer and manufacturing localization agreements for major products in our Qassim plant, along with the new oncology and high-potent facility which is currently under approval.

### **Modernizing for the future**

Our ongoing technological transformation played a large part in our move towards a more agile business in 2021. We have started to modernize our outdated infrastructure, working on cloud solutions to update previous practices. Our critical cybersecurity vulnerability assessments showed that many of the systems required hardware and software upgrades or replacements.

Restructuring our digital framework is essential to our transformation and we have made great progress in developing our teams in IT capability, particularly in areas such as project management.

We also initiated new enterprise resource planning software to standardize and manage our business activities across departments.

### **Building on the strength of our people**

The success of our strategies to transform as a business and an organization rests squarely on the shoulders of the people who will implement them. It is vital that they are given the tools, the knowledge and the incentives to play their part, and the responsibility for providing those rests squarely on the shoulders of the management. The means by which we will all achieve our goals is through 'Synergy', our inspirational new HR program.

During 2021, our Synergy objectives were to strengthen human resources governance, instil a culture to engage our workforce, develop their skills, ensure fair and efficient talent management and reward their efforts and achievements. We have already seen the enormous benefits Synergy has brought and will continue to bring in the years to come.

### **Accelerating towards a better future**

Our journey has begun, and it is already making a material difference to the way we work, the results we achieve and the opportunities we discover. Our Synergy program of a united company culture, combined with investments in technology and organizational efficiency will propel us further than the local and regional markets.

We have grand but realistic ambitions to enter new territories and through a series of orchestrated business development strategies, we will become a global player. To initiate these radical changes, a company needs to have all the attributes of a strong, successful and progressive organization. SPIMACO possesses all those and many more. Our changes are bold but not impulsive, they are far-reaching but not near-sighted and they are confident but not brash. I firmly believe that our brand and our operational excellence will be an inspiration for any company in our industry.

### **Acknowledgements**

I would also like to extend my gratitude to the Saudi Food & Drug Authority for their engagement with SPIMACO and ongoing their support and guidance.

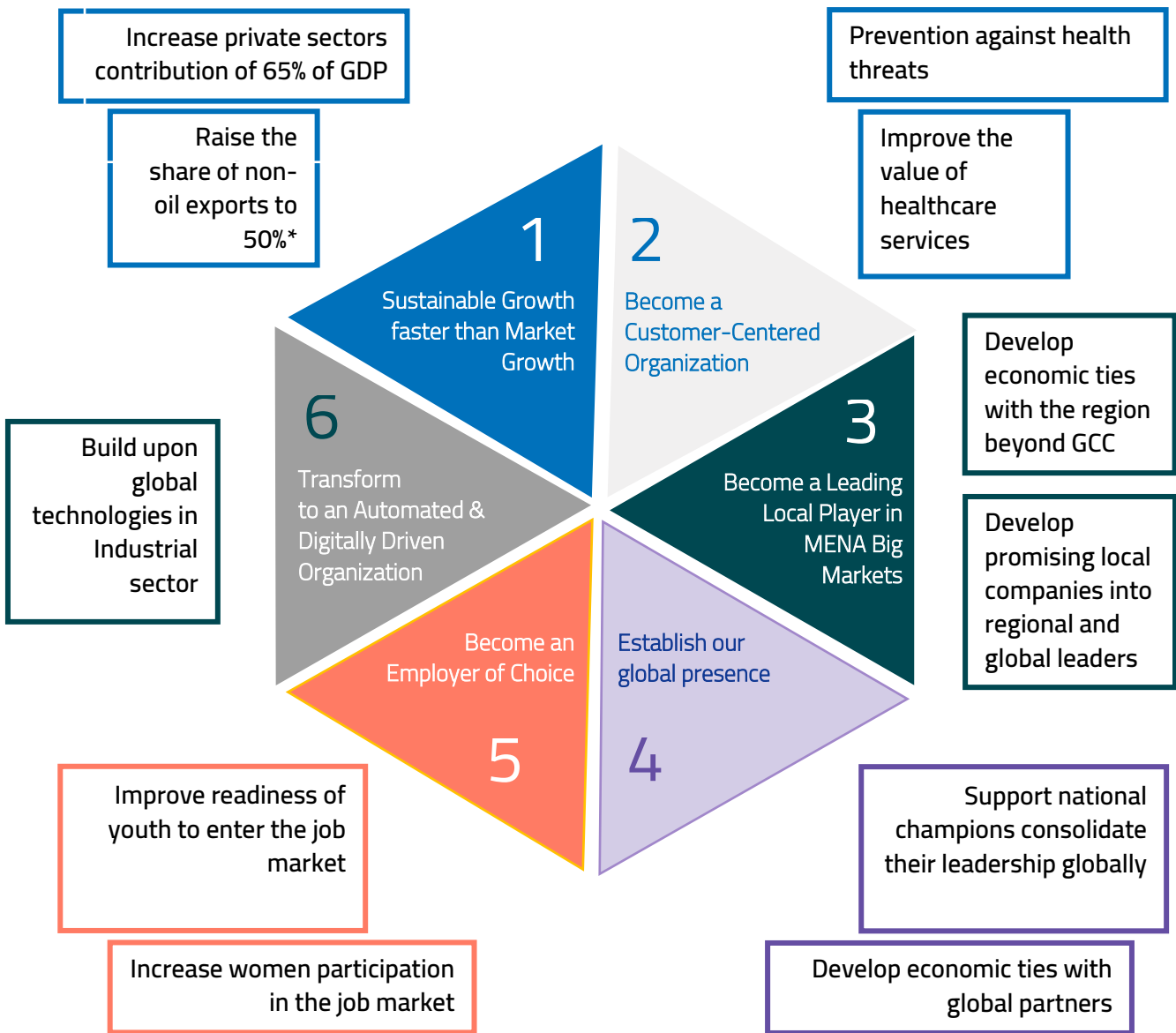
I would also like to thank the SPIMACO Board Members for their continued vision and invaluable guidance. I extend my gratitude also to our partners and customers for your trust and loyalty and to the SPIMACO employees for your ongoing dedication and efforts.

As we look to the future with pride in what we have accomplished and a clear vision for where we need to go, we are committed to bringing together the strength and focus of all our stakeholders to ensure that our shared future is even brighter for us all.



## Business Model

<p><b>Business segments</b></p> <p><i>What we do</i></p> <ul style="list-style-type: none"> <li>• Business to Consumer (B2C)</li> <li>• Business to Business (B2B)</li> <li>• Business to Government (B2G)</li> </ul>	<p><b>Geographies</b></p> <p><i>Where we operate</i></p> <ul style="list-style-type: none"> <li>• KSA</li> <li>• MENA Region</li> </ul>	<p><b>Key Resources</b></p> <p><i>Our strengths</i></p> <ul style="list-style-type: none"> <li>• Competent employees</li> <li>• Manufacturing facilities</li> <li>• Equity structure</li> <li>• Automation</li> <li>• Industry experience and knowledge</li> </ul>
<p><b>Value Propositions</b></p> <p><i>Our competitive advantages</i></p> <ul style="list-style-type: none"> <li>• Public listed company</li> <li>• High quality and diversified portfolio</li> <li>• Brand equity</li> <li>• Full value chain</li> <li>• Strong distribution network</li> <li>• Advanced manufacturing facilities</li> </ul>	<p><b>Channels</b></p> <p><i>How we reach our customers and suppliers</i></p> <ul style="list-style-type: none"> <li>• Tendering/LPOs</li> <li>• Distribution</li> <li>• Wholesale</li> <li>• Agencies/Sub-agencies</li> <li>• Hospitals/Clinics</li> <li>• Licensing</li> </ul>	<p><b>Stakeholders</b></p> <p><i>Our stakeholders and partners</i></p> <ul style="list-style-type: none"> <li>• Distributors</li> <li>• Licensors</li> <li>• Licensees</li> <li>• SPIMACO affiliates and subsidiaries</li> <li>• Governmental bodies</li> </ul>

# Our Strategy



Legends:

-  SPIMACO's Strategic Objectives
-  Relevant KSA's 'Vision 2030' Objectives



## SPIMACO's Transformation Outlook 2022



### Organizational Restructuring

New operating model & organization design  
Enhanced governance policies

Efficient & automated business processes



### People & Culture Transformation

Performance management culture

Competency mapping & talent management  
Career progression framework

Succession planning  
Rewards & recognition systems



### Strengthen Scientific Capabilities & Portfolio

Strengthen R&D, IHD (In-house development) & manufacturing capabilities in different technologies

Strengthen local & global Portfolio

Shift to high-margins business model

Leverage the biologics & biosimilars opportunities

Build partnerships with global pharmaceutical technology leaders



### Automation & Digital Transformation

Upgrade to high-performance IT tools & infrastructure

Install a best-in-class, secured networks

Build online & paperless working culture

Shift to data-driven decision making & systematic performance tracking

Adept to emerging & futuristic technology trends



### Commercial & Operational Excellence

Continuous enhancement of Sales & Marketing team's productivity

Introduce differentiated products & improve new products' performance

Improve market access in the region

Optimize manufacturing capacity utilization

Cost reduction programs across all business aspects

## Moving Forward with Covid-19

As the Covid-19 pandemic continued to impact the economy in 2021, the Group was able to maintain production with no delays across all product lines. This was achieved through careful implementation of processes and procedures in 2020 for all development, manufacturing, and distribution activities. In this way, the Group was able to maintain its contribution to the medicine security of the Kingdom and meet demands in a timely manner.

With the global pharmaceutical industry experiencing supply chain challenges due to the pandemic, the Group managed its purchases of active pharmaceutical ingredients (APIs) by engaging effectively with suppliers and engaging in bulk orders of key ingredients. This pre-empted any lack of availability. The Group also liaised constantly with customers to understand their upcoming requirements. Supply chain pressures eased in the second half of the year in line with an overall reduction of the business impacts of the virus.

The Group's joint venture, Arab Medical Products Manufacturing Company (Enayah) saw production normalizing to pre-pandemic levels in 2021 in response to a decrease in demand for products including face masks and higher competition in medical supplies. While ensuring the continuity of the business, the Group also successfully prioritized the safety and wellbeing of its staff, customers, and other stakeholders. Significant focus was placed on health and safety training at manufacturing and other facilities. To avoid large gatherings for training or meetings, the communication was shifted to digital platforms. Fingerprint accessibility was disabled on several devices to avoid contamination and the premises were disinfected on a regular basis.

The Group encouraged the vaccination of staff and from May 2021 ensured that all staff had received their first dose, in line with the Ministry of Health guidelines. Entry to certain facilities was allowed only to those who had received both doses. Employees were mandated to wear protective masks at all times and temperatures were monitored regularly. Automatic sterilizers were installed in over 50 locations and provided hand sanitizing to all staff.

The Group also made use of the Ministry's official Tawakkalna Covid-19 monitoring app, enabling the follow up on the infection status of individuals to help limiting the spread of the virus. The quarantine of confirmed cases was followed up, as well as those traveling from abroad. On a weekly basis, management was informed of employees' Covid-19 cases to ensure that the proper steps were taken. This was also done monthly for suppliers and partners.

Overall, SPIMACO overcame the impacts of the virus successfully through a combination of rigorous mitigation policies and diligent execution, which included the active support of the employees.

## Business Review

SPIMACO's four main operational units are SPIMACO Pharmaceutical Operations, SPIMACO Contract Manufacturing, SPIMACO Distribution and SPIMACO Health Services.

### The Subsidiaries



**SPIMACO Group Ownership:** 85%

**Year invested:** 2013

**Location:** Dammam, Saudi Arabia

Dammam Pharma was established in November 2012 with the aim to set up an advanced pharmaceutical manufacturing company in the Kingdom. The Company manufactures oral solids in the form of tablets, capsules, and dry powder.

SPIMACO invested in Dammam Pharma to cater to the growing demand for oral solid dosage forms. A manufacturing facility was established with a different brand name, to capture market share of competitors while maintaining the existing share as the largest pharmaceutical company in the Kingdom.



**SPIMACO Group Ownership:** 100%

**Year invested:** 1996

**Location:** Riyadh, Saudi Arabia

ARAC Healthcare Company was established in 1996 as an authorized distributor for SPIMACO. ARAC supports SPIMACO in logistics, distribution, sales and marketing services, as well as in its sales and marketing operations in cosmeceutical and veterinary. Today, ARAC's capabilities extend to acting as a distributor and agent for various companies.



**SPIMACO Group Ownership:** 100%

**Year invested:** 2015

**Location:** Riyadh, Saudi Arabia

ARACOM Medical is an SFDA licensed wholesaler and supplier of pharmaceutical products. It was established in 2015 as a sub-agent of pharmaceutical wholesale business to penetrate small and medium scale customers by trading pharmaceutical products from all agents. The Company is committed to providing high quality pharmaceuticals to its customers. Through a complex supply chain, ARACOM is ensuring consistently safe, secure, and efficient delivery. The Company has one warehouse in Riyadh serving more than 250 customers in various regions of Saudi Arabia.

In line with SPIMACO's vision, ARACOM is committed to delivering high quality pharmaceutical products and aims to be a leader in wholesale services to pharmacies in the Kingdom. In 2021, ARACOM expanded its business by providing a full range of pharmaceuticals, favorable contractual agreements, efficient ordering procedures and short delivery lead-times.



**SPIMACO Group Ownership:** 72.5%

**Year invested:** 2014

**Location:** Berrechid, Morocco

SPIMACO Morocco was created in 2014 through acquisition of IPHARMA. SPIMACO Morocco has a capital of MAD 567 million. The Company's core business is the manufacturing and sales of pharmaceutical products, and it has developed a strong manufacturing facility in Berrechid to serve the local and export markets.

SPIMACO Morocco is aligned with SPIMACO's strategy to become the leading pharmaceutical company in the MENA region and an effective global player in providing high quality healthcare services through a diversified portfolio. SPIMACO is building a strong footprint to serve Morocco and create a gateway to the African market.



**SPIMACO Group Ownership:** 100%

**Year invested:** 1999

**Location:** Algiers, Algeria

SPIMACO Algeria is a sole proprietorship company specialized in importing pharmaceutical products from SPIMACO KSA and distributing them in the Algerian market. It has a social capital of SAR 7.48 million. The Company's head office and warehouse are located in Algiers.

SPIMACO Algeria has an established existence in the Algerian market and is known for its quality products and strong relationships with customers. The Company further aligns its vision SPIMACO's aims to become an active global company, expand business outside of the Kingdom and profit from emerging markets.

**SPIMACO Group Ownership:**

51.66%

**Year invested:** 2015**Location:** Alexandria Governorate, Egypt

SPIMACO Misr has a factory located in the Alexandria Governorate, Borg El Arab Industrial City. The factory is dedicated to the manufacturing of pharmaceutical products. The process begins with the dispensing of raw materials and continues until the packaging of the finished product. Currently, the types of products being manufactured are in the oral dosage form.

SPIMACO invested in the subsidiary to expand its operations into a new market, to continue to provide high quality pharmaceutical products and expand its customer segments.

**SPIMACO Group Ownership:**

57.23%

**Year invested:** 2016

Al-Qassim Medical Services Company is a closed Saudi Joint-Stock company with its head office in Buraydah City. It was established to carry out the ownership and equipping of hospitals, health centers and units, managing their administration, maintenance, and investments, as well as manufacturing materials, devices, and medical supplies.

SPIMACO recognizes the value in investing in the Company as Al-Qassim National Hospital is one of the largest healthcare providers in the Qassim region. The Company further complies with SPIMACO's vision and mission statement and ensures their alignment with SPIMACO's quality management system (QMS) strategy.

## SPIMACO Pharmaceutical Operations

SPIMACO Pharmaceutical Operations is the heart of SPIMACO's business. Through market-leading R&D, production and manufacturing, the Group produces world-class products for the Kingdom and key regional markets. In 2021, the Company built on its strong foundation and track record to overcome a range of challenges, demonstrating its agility in adapting to evolving market dynamics while continuing to serve its government, private and export clients, in order to successfully position the Group for further growth and diversification in the years ahead.

### Research & Development

In 2021, SPIMACO's research and development (R&D) investment and activities remained robust, reflecting its commitment to continuous innovation and superior quality. As the foundation of the Company's sustainable success, R&D investment totaled SAR 12.3 million for the year, further spurring the development of its diverse portfolio of life-enhancing products for its customers.

To ensure the best possible support for the Company's diverse operations, R&D operations introduced *lean*, an automated system to streamline manufacturing through sequential production stages. This allowed production activities to run more smoothly, and in line with international regulatory requirements and standards.

Across its R&D facilities, SPIMACO implemented an electronic quality management system for deviation, change control and CAPA systems. In efforts to ensure improved practices, it also launched Good Manufacturing Practices (GMP) training and increased awareness for factory employees, which will be held on an ongoing basis.

SPIMACO also completed a process validation exercise for all products manufactured, and implemented a vendor qualification program, which improved the implementation process of a lean manufacturing concept for validated products.

A wide range of new products were successfully qualified and launched in the Company's key markets, with R&D actively supporting the Sales team in delivering products to customers on time. Successful R&D efforts were also supported by the Company's Quality Department, which implemented processes to run production activities online, avoid delays and ensure quality.

During the year, SPIMACO Pharmaceutical Operations received SFDA approval to manufacture small volume high value products at its R&D facility, following the qualification of all equipment and facilities in its Qassim facility. This supports Saudi Vision 2030 ambitions to achieve medicine security and enables the Company to locally manufacture many imported products in the Kingdom.

## Production

SPIMACO exceeded a number of its production targets during a successful 2021, including improving batch yield and reducing waste of all batches by 5% versus the previous year.

The Company aimed to achieve over 90% of its production plan targets, and successfully completed the year at 91.4%. Its Overall Equipment Effectiveness was 41.7%, slightly higher than its target, while also achieving Labor Cost Reduction for 140 products (430 SKU), well above the annual target of 125 products (385 SKU). Finally, it aimed to fulfil orders at a 95% rate, and successfully exceeded this target with 99.6% for the Governmental sector, 99.7% for the export sector and 95% for the private sector.

Furthermore, in line with its new SFDA approval for manufacturing of commercial batches in the R&D area, in the Oncology and High Potent Manufacturing facility, the Company completed the qualification of all machines and utilities, while the site was prepared for SFDA certification. After renovation, it completed the qualification for the sterile area with SFDA approval.

## Manufacturing Process

In the pharmaceutical industry, manufacturing is the process of synthesizing drugs for manufacturing. The manufacturing process can then be broken down into a series of unit operations, including mixing, milling, granulation, coating and tablet pressing, filtration, filling and packaging. Throughout the process, SPIMACO aims to ensure timely, cost-effective and uninterrupted production of all products while complying with stringent quality standards.

SPIMACO Pharmaceutical Operations maintained focus on increasing productivity, enhancing efficiency and optimizing production costs during the year. The Company was successful in increasing production capabilities for small volumes in the R&D facilities and producing potent products in the new High Potent area.

This year, in support of SPIMACO's overall goals and vision, the Company continued to increase the efficiency of production lines and reduce staffing requirements and costs within the lines. As such, it succeeded in optimizing the occupation time of all lines to fulfil sales orders.



Production Line	Available Capacity	Production in 2021
Oral Solids – Tablets and Capsules	1,760	1,193
Oral Liquids – Bottles (100-150 ml)	55.0	16.8
Antibiotics – Tablets and Capsules; Dry Syrups	336.6	95.6
Antiseptics – Filling Lines	3.5	0.96
Aseptic – Ampoule Filling	20.0	3.7
Cream and Ointment – Filling Lines	16.5	11.3
Suppositories – Filling Lines	41.8	16.7

### Business Development

SPIMACO Pharmaceutical Operations was successful in increasing the scope of its existing agreements and explored opportunities for new partnerships during 2021, looking to support the Group in expanding operations both locally and regionally. The Company also continued to support affiliated companies by extending agreements and proposing potential business opportunities for their evaluation, with 16 strategic agreements with international and multinational companies either signed or amended during the year. These agreements allow SPIMACO to obtain and extend the rights of manufacturing, licensing and distribution for new products, to enrich the Group's product portfolio and pipeline.

These include:

1. **Technology Transfer (TT) and Distribution Agreement with Roche** for localization of Cellcept® in the Qassim Plant, as the first time in the Middle East to localize a leading brand used as an immunosuppressant for organ transplant patients.
2. **License and Supply (L&S) Agreement** with Tris Pharma, a US Pharma Company, for three innovative products (**Amphetamine XR Suspension, Methylphenidate ER Suspension and Methylphenidate ER Chew Tablet**), used in the treatment for ADHD patients and serving the Saudi ADHD community.
3. **Agreement with Vifor** in the final stages, with respect to TT and localization of their leading brand, Ferinject® Vials, through a Contract Manufacturing agreement with a license for a second brand to SPIMACO. The product is used to treat patients with anemia and iron deficiency.
4. **L&S Agreement** with Chemo, an INSUD Company for the Fulvestrant Injection, an oncology product used in the treatment of metastatic breast cancer.
5. **TT Agreement** with SANA Pharma for Empagliflozin, used in the treatment of Diabetes Mellitus, to be locally manufactured in Qassim Plant.

6. **L&S Agreement** with Pharmathen for Deferasirox, used to reduce chronic iron overload in patients who are receiving long-term blood transfusions for conditions such as beta-thalassemia and other chronic anemias.
7. **L&S Agreement** with Adamed for Abiraterone, used to treat metastatic prostate cancer, to enrich the SPIMACO oncology products.

In addition, the Company renewed or amended nine agreements, including:

1. **Side Letter for Co-Marketing and Contract Manufacturing Agreement** with GSK to renew the current agreement and amend the API prices of the anti-infectives group (Klavox®, Hymox® & Amoxil®).
2. **L&S Agreement** with Eumedica for Bactrim®, used in the treatment of several infectious diseases.
3. **L&S Amendment** with Pharmathen for Fingolimod, used for the treatment of multiple sclerosis patients, to add FDF supply option to the original TT Agreement, to expedite its market launch prior to the readiness of the SPIMACO HP facility.
4. **L&S Amendment** with Shilpa for Capecitabine, an oncology product used for the treatment of breast, gastric and colorectal cancers to add an FDF supply option to the original TT Agreement.
5. **Amendment for Out License Agreement** with Al-Hudaithy Group for Mouthwash Portfolio, to add these products to the agreement scope and renewal until 2024.
6. **Amendments for Technology Transfer Agreements (1) and Second Brand Agreement (1)** with Cooper Pharma to amend the supply price of the products listed in the signed agreements.
7. **Replacing the old L&S Agreement** between SPIMACO and Bayer with new CM and supply agreements to improve the intellectual obligations for the antihistamines, such as Aerius® and Claritin®. Also, adding a new product: Calritin chewable tablet.
8. **Amendments for the Manufacturing and Technology Transfer Agreements** with SPIMACO affiliated companies such as Dammam Pharma (1), SPIMACO Maroc Des Industries Pharmaceutiques (1), SPIMACO Misr (1) to add new products to the signed agreements.
9. **Amendment for the Manufacturing and TT Transfer Agreement** with Cooper Pharma to shift the manufacturing of all listed products to the Dammam Pharma facility in order to improve the capacity utilization of the DP facility.

SPIMACO has further signed multiple confidential disclosure agreements (CDAs) with multinational, international and local companies to localize and transfer the manufacturing technology for strategic products, as well as for licensing in other key products. Moreover, SPIMACO has a Roland Berger Bio Strategy that is re-engineered in line with the Strategic Bio Unit task force team.

These agreements will allow for the creation of new job opportunities and contribute to training and development. The Bio agreement, for example, will ensure the commitment of the Bio licensor for the training of SPIMACO's medical, marketing and sales departments.

Additionally, the Company was able to overcome challenges that accompanied the localization project of Augmentin with GlaxoSmithKline (GSK). It also manufactured the initial batches of the product Nexium for 20mg and 40mg (AstraZeneca Company Products) and handled the Roche and Bayer companies' tech transfer project.

Finally, it successfully completed audits by Pfizer, Lilly, GSK, Roche, MSD and AstraZeneca, and it successfully passed due diligence requirements and initiated technology transfers for Vifor, AstraZeneca, Roche, Pfizer and Bayer.

In line with Vision 2030, and with the MOH policies represented in SFDA, the Company also signed technology transfer and manufacturing localization agreements for major products. These are to be fully manufactured in SPIMACO's Qassim Facility or in the new Oncology and High Potent Facility, which is in the final stages of approval.

### Commercial Operations

During 2021, SPIMACO Commercial Operations continued to invest and execute its strategy while investing to expand its regional footprint, grow its customer base and maintain operational excellence.

SPIMACO delivered significant sales growth across therapeutic areas, mitigating potential risks and supporting SPIMACO's goals through various initiatives, in order to serve millions of customers in 14 countries across the region through a network of more than 430 representatives.

For the **private sector** in the Saudi Market, SPIMACO Commercial Operations sought to solidify the Group's leadership position, achieving a 7.8% market share and a gap of SAR 280 million above the second ranking corporate in the sector by year-end 2021.

The Company also actively focused on expanding into new therapy areas, including oncology, digestive enzymes, minerals and supplements, urology, diabetes, organ transplants and bone health, to increase SPIMACO's market share.

It also increased the number and efficiency of its launches, supporting the many new product launches during the year with improved processes, including redesigning the process of pre-launching to expedite launching steps and time; forming a special committee to track the new launches' performance; and planning to form a Hospital Key account team to expedite the enlisting process.

In addition, the Company also fully complied with new Government regulations to ensure Saudization of the field sales force, in both private and government sectors. The Company recruited and trained fresh graduate Saudi pharmacists to join the promotional teams during the year and is proud that 100% of its 310 sales representatives within Saudi Arabia are now Saudi Nationals.

In order to induct and train the influx of newly hired Saudi medical reps, the Company launched the 'Hope Project', which covered the following knowledge and skills:



For its **Government sector**, 2021 witnessed a record tender being awarded in both value and volume for NUPCO and Wasfaty, which SPIMACO will deliver over the coming two years.

This year, a dedicated operations department was also established to handle Government and Export sector sales. In addition, a dedicated sales operation was created to handle the Levant region (Iraq, Jordan, and Lebanon), where the Company managed to mitigate the risk related to political and financial crises in Lebanon.

For its **Export sector**, the Company successfully increased sales in its export markets by 2%, with SAR 2.5 million in additional sales compared to the previous year.

In Morocco, the Company saw an increase in construction costs related to its new site, with the budget now at MAD 567 million (SAR 229 million), a result of a one-year construction delay due to COVID-19 restrictions. The remaining works at the Berrechid manufacturing site and operational cash flow related to start-up of the site will be financed by a new debt financing of MAD 120 million (SAR 48 million) that was finalized during the year.

In Egypt, the Company was successful in growing total sales as well as increasing market share during 2021.

Finally, in Algeria, as the registration process takes a great deal of time with several products banned from importation, the Company shifted its strategy towards food supplements. This allowed for a more efficient registration process and continuity of operations, with one product already launched and three others to be launched soon in the market.

### Overcoming Operational Challenges

During 2021, SPIMACO Pharmaceutical Operations took critical steps to respond and mitigate the impact of SFDA recalls of PROTON, LORINASE Tab, and LORA-S at the beginning of the year, combined with the continued impact of COVID-19 across the Company's operations, which substantially impacted sales of antibiotics and pediatric products compared to normal years. Despite the fact that LORINASE was reintroduced as LORINASE-D in Q3 2021 following bioequivalence studies, these events had a material impact on the Company's results for the year. SPIMACO Pharmaceutical Operations mitigated the negative impact on sales of these events through 27 new product launches during the year, representing the highest number of new launches in a single year since 2016. These were products and SKUs in the therapy areas of the

central nervous system, cardiovascular system, urology, bone health, diabetes, men's health, respiratory, and antibiotics.

In the Kingdom, it introduced an extensive range of new products to serve the Saudi Market. It also expanded its business by providing a full range of pharmaceuticals, favorable contractual agreements, efficient ordering procedures and short delivery lead-times.

### New Registered Products in 2021

SN	Product name	Active ingredient	Pack Size
1	Ondans 4mg FCT	Ondansetron HCl Dihydrate	10 Tablets
2	Ondans 8mg FCT		
3	Proton IV 40mg Powder for solution for injection	Pantoprazole sodium sesquihydrate	1 Vial
4	Proton IV 40mg Powder for solution for injection		10 Vials
5	Golimara 0.5mg hard capsule	FINGOLIMOD	28 Tablets
6	Catabina 500mg Tablets	Capecitabine	120 Tablets
7	Catabina 150mg Tablets		60 Tablets
8	CITO Ointment 0.25% (w/w)	Beta-sitosterol	1 x (30g)
9	Valtroza 3.5mg/vial powder for solution for injection	Bortezomib	1 x (3.5mg)
10	Glitamomet 15/850mg FCT	Pioglitazone/ Metformin	56 Tablets
11	Luciderm 2.65% Cream	Cetyl Alcohol	1 Tube (1g)
12	Feromenta Syrup 50 mg/5mL (DP)	FERRIC HYDROXIDE	1 x (100ml)
13	Feromenta 100mg Tablet (DP)	POLYMALTOSE COMPLEX	30 Tablets
14	Feromenta-Folic Tablet (DP)	FERRIC HYDROXIDE POLYMALTOSE, FOLIC ACID	30 Tablets
15	Enzymax forte	Natural Enzymes	20 Capsules
16	Teroda 65 mg FCT	Potassium Iodide	100 Tablets
17	Teroda 65 mg FCT		10 Tablets
18	Teroda 130 mg FCT		100 Tablets
19	Teroda 130 mg FCT		10 Tablets
20	Bexenta 2mg/ml Solution for Injection	Cisatracurium	5 x (5ml)

<b>21</b>	Endosa 2000 IU Solution for injection in pre-filled syringe	Enoxaparin	2 x Syringes (0.2ml)
<b>22</b>	Endosa 4000 IU Solution for injection in pre-filled syringe		2 x Syringes (0.4ml)
<b>23</b>	Endosa 6000 IU Solution for injection in pre-filled syringe		2 x Syringes (0.6ml)
<b>24</b>	Endosa 8000 IU Solution for injection in pre-filled syringe		2 x Syringes (0.8ml)
<b>25</b>	Quetta XR 50mg Prolonged-release tablet	Quetiapine Fumerate	30 Tablets
<b>26</b>	REMOSTA 12.5 mg Hard Capsules	SUNITINIB Hydrochloride	30 Capsules
<b>27</b>	REMOSTA 25 mg Hard Capsules		
<b>28</b>	REMOSTA 50 mg Hard Capsules		
<b>29</b>	Prena 15mg/5ml Syrup	Prednisolone	1 x (100ml)
<b>30</b>	Levox 500mg/100ml Solution for Infusion	Levofloxacin	1 x (100ml)

## Investing in Projects and Technology for Future Growth

SPIMACO Pharmaceutical Operations continued to implement its digital transformation plans during the year to drive efficiency, safeguard the Group and lay solid foundations for accelerating growth.

The Company launched a digital transformation program to modernize infrastructure and cloud migration by identifying outdated systems and planning for a tech-refresh. The entire network will be restructured to prepare for the new digital transformation and ensure cybersecurity. The Information Technology division also worked with international consultants to identify business requirements for process improvements, aligning internal teams to drive positive change and recruiting employees with new skills that will be needed to effectively deliver this critical transformation.

Moreover, the Company implemented a new automated warehouse management system, linked to SFDA monitoring, to track medications from the initial packaging until distribution to customers, while it also worked on a comprehensive cybersecurity assessment and testing for all its networks, servers and sensitive systems, including a vulnerability analysis of the international standard, ISO 27001.

SPIMACO also made significant progress towards concluding its High Potent Facility project in Qassim plant during 2021, with all process equipment delivered and positioned, putting the strategic project on track for delivery during 2022. The Company also completed the preparation of SPIMACO's new offices in Al-Khobar and resumed work on its the Riyadh Tower project, finalizing requirements and taking key steps towards its completion in 2022 as well.

## Key Project Updates

In 2021, we were involved in several strategic projects that are expected to be completed in 2022 and early 2023:

Project	Status	Expected Finish
Construction of Al-Khobar Offices and Warehouse	<ul style="list-style-type: none"> <li>In the commissioning phase to issue the handover certificate</li> </ul>	Q2 – 2022
High Potent Facility Project	<ul style="list-style-type: none"> <li>All process equipment is delivered and positioned</li> <li>Ongoing qualifications of the systems and equipment to operate the facility</li> </ul>	Q2 – 2022
SPIMACO Riyadh Tower	<ul style="list-style-type: none"> <li>Finalizing requirements to issue the Civil Defense Certificate</li> <li>Finalizing remaining requirements of the architectural packages</li> </ul>	Q2 – 2022

### Looking Forward

In 2022, SPIMACO Pharmaceutical Operations will remain focused on executing its strategy and fulfilling its mandate as SPIMACO's core growth engine. It will actively seek strategic M&A opportunities to drive growth within its core business and in complementary areas and to deliver on the ambitions of the government's Global Champion's Program for which SPIMACO has been selected. This will be largely achieved through inorganic growth, to accelerate the Company's vision of becoming a global generics player with a strong regional presence. The focus will primarily be on the acquisition of companies, both in MENA and in developed markets, which will be complemented by key technological upgrades.

In the Kingdom, the Company will continue to integrate and achieve further economies of scale across the Group. It will focus on developing and diversifying the Group's products, while maintaining strong relationships with pharmaceutical manufacturers and agents, in order to accelerate the development of its brand and drive growth.



## **SPIMACO Contract Manufacturing**

SPIMACO is working with many of the world's largest pharma giants to manufacture their branded products in the Kingdom, while ensuring the highest standards of quality, safety and service. In 2021, the Company built on this market-leading foundation by launching a wide range of new agreements and accelerating its technology transfer program to bolster its long-term prospects and serve the broader goals of the Saudi pharma sector.

## **SPIMACO Distribution**

SPIMACO Distribution has been distributing high-quality pharmaceutical products across the Kingdom and wider region for over 25 years, with a reputation for service and efficiency that was reinforced this year, as it continued to grow its reach and capabilities to better serve and create value for SPIMACO and all its valued clients.

SPIMACO Distribution continued to provide exceptional distribution services during this year, successfully onboarding a range of new products and partners across the pharma, cosmeceutical and veterinary sectors. It also launched a plethora of exciting new brands into the market, including Omegana Soft Gelatine Capsule, Damesta Tablet and Lovera 10 mg.

In line with its commitment to quality and reliability, the Company finalized the creation of the Pharmacovigilance Department, in full adherence with SFDA requirements. It also successfully renewed its quality certificates, including ISO, GDP and GSP.

It also initiated a Portfolio Harmonization program, which included conducting several alignment workshops between the marketing teams SPIMACO's various subsidiaries. This allowed it to allocate products optimally within each therapy and affiliate, leading to a stronger portfolio allocation model.

To build capacity, capabilities and safety, the Company prepared its new rental offices in Riyadh and Dammam, as well as redesigning its HVAC for its warehouse in Al-Sully.

In the year ahead, SPIMACO Distribution aims to enhance the capacity of its warehouses, while expanding its business with existing partners, in order to drive further growth and development.

## **SPIMACO Health Services**

SPIMACO Health Services is a respected Saudi healthcare provider headquartered in Buraydah City. It owns and operates Al-Qassim National Hospital, one of the largest healthcare providers in the Qassim region, successfully expanded its service offering in 2021.

SPIMACO Health Services was established to manage hospitals and medical centers, managing their administration, maintenance and investments, as well as manufacturing materials, devices and medical supplies.

During 2021, the Company signed a new contract with Al-Taawoun FC to expand its remit into ambulance services. It also launched a fully operational pharmacy and a standalone dental and ophthalmology clinic during the year.

To better serve the increasing number of patients visiting Al-Qassim National Hospital, the Company increased the number of specialists available while also adding a range of new medical specialist services. It also reinforced its commitment to quality and international standards by receiving certifications from CBAHI, JCI and CAP.

To better control its revenues and costs, the Company reviewed insurance price lists and services costs, controlling the rejection with insurance companies and the MOH, while also redesigning most of the hospital cycles, focusing on cash flow and collection from clients.

In 2022, SPIMACO Health Services aims to expand its footprint to offer high quality healthcare to a wider group of patients by actively pursuing strategic investment opportunities to acquire a new hospital or a group of smaller polyclinics.

## New Services in 2021

- Nursing and home visits
- Bariatric surgery
- Paediatric orthopaedics
- Spine surgery
- Family medicine
- Psychiatric
- Colorectal surgery
- Plastic surgery
- Rheumatology
- Allergy and Immunology

## Financial Review

Subsidiary Company	Commercial register number and state established	The main location of the Company's operations	The Company's main activity	Companies' Share Capital	Direct and indirect ownership ratio
ARAC Healthcare Company (ARAC)	1010075320 Issued from Riyadh Saudi Arabia	Saudi Arabia	Sale and distribution of pharmaceutical products	50,000,000 SAR	100%
ARACOM Medical Company <sup>2</sup>	1010438142 Riyadh	Saudi Arabia	Management and operation of pharmacies, and wholesale trade in the health sector	5,000,000 SAR	100%
Dammam Pharmaceutical Company	2050088711 Issued from Dammam, Saudi Arabia	Saudi Arabia	Manufacturing, marketing and selling pharmaceuticals	180,000,000 SAR	85%
Al Qassim Medical Services Co.	1131011745 Saudi Arabia	Saudi Arabia	Owning, managing and maintaining hospitals, medical units and medical equipment trade	200,000,000 SAR Number of shares 20,000,000	57.22%
Pharmaceutical Industries for Distribution Company <sup>1</sup>	1010219722 Issued from Riyadh Saudi Arabia	Saudi Arabia	Wholesale and retail trade in medical devices and chemical industries	1,000,000 SAR	100%
Anora Trading Company <sup>4</sup>	1010932393 Saudi Arabia	Saudi Arabia	Activities of pharmaceutical enterprises	300,000 SAR	99%
Al Watan Arabian Pharmaceutical	1131169001 Riyadh	Saudi Arabia	Production of pharmaceuticals and semi-	100,000,000 SAR	100%

Industries Company <sup>3</sup>			pharmaceutical cosmetics		
SPIMACO Algeria	0011047N00 Algerian Republic	Algerian Republic	Import and export of pharmaceuticals, raw materials, medical equipment, equipment, consumables and semi-pharmaceuticals	160,000,000 (Algerian Dinar)	100%
SPIMACO Morocco Pharmaceutical Industries Co.	15555 Kingdom of Morocco	Kingdom of Morocco	Manufacturing, marketing and selling pharmaceuticals	567,000,000 (Moroccan Dirhams)	72.5%
SPIMACO Misr for Pharmaceutical Industries	137914 Alexandria	Arab Republic of Egypt	Manufacturing, selling and marketing pharmaceuticals	66,879,000 (Egyptian Pound)	51.66%
SPIMACO Egypt for Distribution <sup>1</sup>	35176 Arab Republic of Egypt	Arab Republic of Egypt	Sales, distribution, medical advertising and manufacturing with third parties	20,000 (Egyptian Pound)	100%
SPIMACO Egypt for Marketing <sup>1</sup>	35177 Arab Republic of Egypt	Arab Republic of Egypt	Sales, distribution, medical advertising and manufacturing with third parties	20,000 (Egyptian Pound)	100%
SPIMACO Egypt Co.	36022 Arab Republic of Egypt	Arab Republic of Egypt	Import, export, sale, distribution and marketing of pharmaceuticals	2,000,000 (Egyptian Pound)	100%
Arabian Medical Products Manufacturing Company (ENAYAH)	1010089052 Issued from Riyadh Saudi Arabia	Saudi Arabia	Production of consumer medical supplies	20,000,000 SAR	51%

CAD Middle East Pharmaceutical Industries	1010221859 Issued from Riyadh Saudi Arabia	Saudi Arabia	Effective raw materials industry in the pharmaceutical industry	200,000,000 SAR	46.08%
Tassili Arab Pharmaceutical Company - TAPHCO Algeria	00B14160 Algerian Republic	Algerian Republic	Production, marketing and sale of medical preparations	1,083,482,400 (Algerian Dinar)	22%

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<sup>1</sup> Special purpose vehicle (SPV).

<sup>2</sup> Companies owned by 80% of ARAC Healthcare and 20% of Pharmaceutical Distribution Company.

<sup>3</sup> On 16 September 2020, the partners of Al Watan Arab Pharmaceutical Industries Company (Watan Pharma) decided to liquidate the Company voluntarily and appoint a legal liquidator of the Company in accordance with the provisions of Article 205 of the Saudi Corporate System and give him all the necessary powers to complete the liquidation work. Watan Pharma is an 85% owned company by SPIMACO Pharmaceuticals and 15% by ARAC Healthcare.

<sup>4</sup> On 17 November 2021, SPIMACO decided to liquidate the Company voluntarily and appoint a legal liquidator of the Company in accordance with the provisions of Article 205 of the Saudi Corporate System and give him all the necessary powers to complete the liquidation work. It is 99% owned by ARAC Healthcare Company.

## Financial Results

Statement	2021	2020	Change + or (-)	Percentage change
	SAR'000	SAR'000	SAR'000	
Total operating income	<b>1,459,784</b>	1,555,286	(95,502)	-6%
Cost of revenue	<b>(839,918)</b>	(864,809)	24,891	-3%
Total income	<b>619,865</b>	690,477	(70,612)	-10%
Operating income	<b>55,503</b>	153,734	(98,231)	-64%
Financial guarantees	<b>(1,494)</b>	299	(1,793)	-600%
Financing expenses	<b>(39,490)</b>	(44,065)	4,575	-10%
Net income from investments and affiliated companies	<b>11,406</b>	38,213	(26,807)	-70%
Loss from non-continuous operations	<b>(3,282)</b>	(5,264)	1,982	-38%
Income / (loss) after zakat and tax and before calculating the non-controlling interest's share in net income of subsidiaries	<b>18,101</b>	109,541	(91,440)	-83%
Net income attributable to the company's shareholders	<b>26,454</b>	124,787	(98,333)	-79%

The following table shows the distribution of revenues to different sectors:

Sector	2021	2020	Rate of change (%)
	SAR'000	SAR'000	
Revenue from Private sector	797,553	811,651	%2-
Revenue from Ministry of Health and other government agencies	337,939	447,793	-25%
Revenue from exports	152,105	149,645	2%
Revenues from foreign subsidiaries	48,343	33,241	45%
Revenue from services	123,844	112,956	10%
<b>Total</b>	<b>1,459,784</b>	<b>1,555,286</b>	<b>-6%</b>

Financial results for 2020 compared to the previous years (SAR'000):

Compared to 2021 in 2020	Percentage change %	Key reasons for change
<b>Revenue</b>	-6%	The revenues decreased mainly attributable to the return sales and lost business that resulted from recalling two of products as per a decision taken by the of the Company's Other factors that Saudi Food and Drug Authority (SFDA) also impacted the revenue were the repricing of some .products in 2021 and the change in sales mix.
<b>Operating profit</b>	-64%	<ul style="list-style-type: none"> <li>- Reduction in operating profit is mainly attributable to the reduction in revenues however the decline was partially offset by a reduction in the cost of revenue by SAR 24.9 million.(%3-)</li> <li>- In line with growth plans, the net operating expenses increased by SAR 27.6 million.(%5)</li> <li>- Share of profit from investment in associates and joint venture decreased by SAR 26.8 million(%70-)</li> <li>- Finance cost decreased by SAR 4.5 million.(%10-)</li> </ul>

<b>Net income attributable to the Company's shareholders</b>	-79%	The net income reduction is in line with the overall reduction in revenues and increase in operating expenses as explained above.
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The following are the revenues of subsidiaries (inside and outside Saudi Arabia) for 2021:

Companies	Revenue	Percentage of total revenue
	(SAR '000)	
ARAC Healthcare Co.	179,372	47%
Al Qassim Medical Services Co.	105,748	28%
ARACOM Medical Company	47,269	12%
Dammam Pharmaceutical Company	1,364	0.4%
SPIMACO Morocco for Pharmaceutical Company	19,275	5%
SPIMACO Misr Pharmaceutical Industries	9,344	2%
SPIMACO Egypt	13,472	4%
SPIAMCO Algeria Company	6,252	2%
<b>Total</b>	<b>382,096</b>	<b>100%</b>

#### Export Revenues in Each Country

Country	Revenue (SAR'000)	Percentage of sales (%)
UAE	70,530	35%
Sudan	24,646	12%
Egypt	22,816	11%
Kuwait	19,663	10%
Morocco	19,276	10%
Sultanate of Oman	16,124	8%
Bahrain	12,629	6%
Algeria	6,252	3%
Iraq	4,969	2%
Jordan	2,374	1%
Lebanon	1,169	1%
<b>Total</b>	<b>200,448</b>	<b>100%</b>

Below is a description of the income statement for 2021 compared to the previous 4 fiscal years

Description	2021	2020	2019	2018	2017
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Revenues	1,459,784	1,555,286	1,486,846	1,503,323	1,640,903
Cost of revenues	(839,918)	(864,809)	(989,209)	(894,807)	(936,442)
<b>Gross profit</b>	<b>619,866</b>	690,477	497,637	608,516	704,461
Sales and marketing expenses	(332,203)	(319,105)	(354,096)	(349,536)	(358,348)
General and administrative expenses	(238,787)	(206,265)	(210,141)	(199,739)	(132,306)
Research and development expenses	(8,066)	(20,413)	(13,502)	(40,576)	(37,492)
Impairment of trade receivables	13,855	(1,475)	(95,738)	5,932	3,418
Impairment of the goodwill value	-	-	(137,699)	-	-
Other Revenues (Expenses)	838	10,515	20,262	53,834	13,730
<b>Income from main operations</b>	<b>55,503</b>	153,734	(293,277)	78,431	193,463
Share of profits from associates and joint ventures	11,406	38,213	(14,261)	(6,403)	(2,793)
Finance expenses	(39,490)	(44,065)	(53,643)	(27,037)	
Financial guarantees expenses	(1,494)	299	(108,530)	-	-

Dividends received	-	7,002	21,007	29,191	15,780
Investment profits at FVTPL	7,805	3,518	727	-	-
Zakat and foreign income tax	(12,346)	(43,897)	(29,936)	(25,500)	(43,204)
Loss from discontinued operations	(3,282)	(5,265)	(6,125)	-	-
<b>Net profit before non-controlling interest</b>	<b>18,101</b>	<b>109,541</b>	<b>(484,038)</b>	<b>48,682</b>	<b>148,531</b>
Non-controlling interest	(8,353)	15,246	44,297	25,566	(9,630)
Net Profit	26,454	124,787	(439,741)	74,248	138,901
Earnings per share	0.22	1.04	(3.66)	0.62	1.16

Some of the figures of previous years have been reclassified to match the 2021 rating as described in the consolidated financial statements.

#### Comparison of the statement of financial position for the five-year period (2017-2021)

Description	2021	2020	2019	2018	2017
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Total current assets	2,457,729	2,545,562	1,923,385	2,100,510	2,079,647
Total current liabilities	1,637,062	1,571,674	1,499,975	1,215,727	909,272
Working capital	820,667	973,888	423,410	884,783	1,170,374
Investments in fair value through other comprehensive income	0	128,990	816,244	873,905	1,058,808
Property, machinery and equipment	1,816,582	1,830,730	1,725,251	1,468,226	1,230,691
Total assets	4,434,074	4,682,791	4,655,518	4,770,262	4,710,752

Total liabilities	2,440,669	2,611,827	2,541,391	2,014,144	1,895,637
Paid-up capital	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Reserves, retained earnings, unrealized earnings	637,762	715,533	743,541	1,353,735	1,381,305
Non-controlling interest	155,643	155,430	170,586	202,382	233,811
Shareholders' equity	1,993,405	2,070,963	2,114,127	2,756,118	2,815,115
Total liabilities and Shareholders' equity	4,434,074	4,682,791	4,655,518	4,770,262	4,710,752

Some of the figures of previous years have been reclassified to match the 2021 rating as described in the consolidated financial statements.

## People and Culture

At SPIMACO, human capital is critical to our operations and the success of our strategy. The People and Culture Department understands the value of SPIMACO employees, and we are committed to enhance our business by improving the workplace and talent capabilities.

This year, we have successfully accelerated HR practice by launching the *Synergy Program*, which has a transformation plan to develop SPIMACO's structure, operating module, reward framework, HR strategy and changing culture.

### Synergy Program Mission:

To develop and implement a value-added HR transformation project to ensure, given the right tools, training, and motivation, employees operate in the most efficient and effective manner.

### Synergy Program Vision:

To transform SPIMACO culture and provide our employees with the right tools to increase their performance.

### Synergy Program Structure

#### A. HR Revamp Project

The project consists of 3 main categories, as follows:

1. **Organization effectiveness and design**, which aims to help the organization build its capacity to change and achieve greater effectiveness by developing, improving, and reinforcing strategies, structures, and processes.
2. **Talent philosophy**, where we focus on designing HR strategy, policies, and procedures to support SPIMACO employees in achieving the organization's goals. The policies will also outline employees' rights and ensure fairness and clarity of transactions in all processes.
3. **Total reward**, where we aim to provide monetary, beneficial, and developmental rewards to employees who achieve specific business goals. The strategy combines compensation and benefits with personal growth opportunities.

*The project above is 90% complete, and the expected completion date is 28 February 2022.*

#### B. Digitalization

Implementing the SAP Success Factors system, a cloud-based solution. The digitalization project consists of 3 phases, as follows:

1. **Phase 1:** implement the performance and goal management system. *This phase was completed on 1 January 2022.*
2. **Phase 2:** implement the Core HR system, recruitment, and compensation system.
3. **Phase 3:** implement SAP Employee Central Payroll (ECP), a cloud-based solution.

### C. **New Culture**

Launching sets of initiative phases, as follows:

1. **Leadership programs:** Various leadership courses have been conducted for different levels of SPIMACO employees. A total of 103 employees were trained on leadership courses.

Leadership courses:

- Coaching skills for managers
- Emotional intelligence for healthcare leaders
- Healthcare Management Professional Certificate
- First time managers
- Women Leadership Certificate

*This initiative was completed on 31 December 2021.*

2. **Qualified Technical Manager course:** Targeting Qassim Plant employees.  
*This initiative was completed in November 2021.*

3. **LinkedIn e-learning:** An e-learning platform that offers more than 16,000 courses rolled out to SPIMACO, ARAC and Damam Pharma employees, with more than 1,200 users.

*This initiative was completed on 1 October 2021.*

E-learning activities as of 1 January 2022:

<b>Activated seats</b>	<b>Course completions</b>	<b>Average time per viewer</b>
1,030	3,115	3h 40m

## General Statistics of People and Culture

This year, SPIMACO's Saudization rate increased to 51%, compared to 45% in the previous year.

Furthermore, the Group hired 62 women, with 7 in management positions.

Headcount	Male	Female	Saudization	Expat
1,639	1,493	146	51%	49%

Hired 2021		Managers and directors 2021		Vacancies filled 2021
Male	Female	Male	Female	168 vacancies
196	62	38	7	

## Major Objectives in 2022

- **HR Governance**
  - Development of HR Policies, Procedures Manual and Process Maps
  - Develop, implement, and communicate new HR Policies and Procedures Manual
  - Transform HR transactions to Robotics Process Automation (RPA)
  
- **Culture**
  - Executive Leadership Program (targeted 8 executives in 2022)
  - Leadership Program (targeted 200 employees in 2022)
  - Employer branding initiatives
  - Engage our workforce
  - English courses for all levels (targeted 500 employees in 2022)
  - Establish our employer brand to be internally respected and externally admired
  
- **Workforce and Organizational Design**
  - Organizational structure review and rollout
  - Design all job profiles
  - Accelerate behavioural competencies development
  - Introduce Employee Career Paths
  - Launch workforce planning process
  
- **Talent Management**
  - Succession planning design
  - Launch succession planning at SPIMACO

- **Rewards**

- Compensation and benefits review and rollout
- Fixed pay and benefits review and rollout
- Develop and launch employee saving program
- Develop and launch home loan program
- Develop and launch employee recognition program



## Corporate Social Responsibility

SPIMACO recognizes our responsibility to leave a positive impact on the world. Our Corporate Social Responsibility (CSR) model outlines how we are held accountable to SPIMACO itself, our staff, our stakeholders, the broader community, and local and international environments. At its core, SPIMACO's CSR model tries to address the following:

How can SPIMACO ensure our economic progress and pharmaceutical development to assist the greatest number of societies?

Since the Kingdom committed to the 2030 Agenda for Sustainability Development in 2015, SPIMACO's CSR model was developed on a principles-based approach derived from the United Nations Sustainable Development Goals (SDGs). Furthermore, its aims are in line with Environment, Social, and Governance (ESG) criteria to gauge our journey to actively prioritizing sustainability and social responsibility. As such, SPIMACO aims to benefit every corner of our business and all the areas in which we operate.

With our commitment, SPIMACO is promoting the health and wellbeing of both local and international communities through donations to vulnerable segments of society, in the hope that we can make the world better by giving back to those in need. SPIMACO's goals encompass a combination of economic progress, social responsibility, and environmental protection.

In 2021, SPIMACO promoted its corporate social responsibility in various regions of the Kingdom, where we acted in line with our commitment to social responsibility. Believing in achieving the sustainable development goals that were adopted by the member states of the United Nations in 2015 to be achieved by 2030, SPIMACO made the following contributions during 2021 among the 17<sup>th</sup> principles:



### *Principle 1* *End poverty in all its forms everywhere*

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In support of the Kingdom's pledge to the UN SDGs in September 2015 and the country's endeavours to combat poverty, SPIMACO participated in the National Campaign for Charity platform, Ehsan, with a contribution of SAR 1 million.



### ***Principle 3***

***Ensure healthy lives and promote wellbeing for all at all ages***

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To support the general health of the local community, SPIMACO has donated a range of medications to the Unaizah Society for Humanitarian Services (TAHEEL) for the disabled and physically impaired. This was done in an effort to ease the burdens of health costs as well as increase general well-being.

As the Covid-19 pandemic stressed the global supply chains of sterilizers and sanitizers, SPIMACO donated and provided these vital supplies to several governmental and civil agencies, including:

- Emirate of Al-Qassim Province
- Saudi Authority for Industrial Cities and Technology Zones (MODON)
- Civil Development Association
- Association of Quality

In addition, acting responsibly, SPIMACO has provided safe and quality medicines to many people to ensure the well-being of all.



### ***Principle 4***

***Ensure inclusive and equitable quality education and promote lifelong learning opportunities***

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SPIMACO understands the importance of being engaged with the educational sector to promote the transfer of knowledge to the future generation. We have successfully trained over 70 graduates and learners through a combination of internships and our Human Resources Development Fund program, Tamheer.

Furthermore, SPIMACO supports several Saudi Arabian universities with samples of pharmaceutical raw materials. This allows the universities to expand students' knowledge from theoretical to practical, which enables them to pave away for future expertise.



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***Principle 5***  
***Achieve gender equality and empower all women and girls***

SPIMACO affirms the vital roles women play in the development of society at large and more specifically, their role in the contribution to the local communities. Around 10% of SPIMACO's workforce are women. Furthermore, several of our female employees are in decision-making positions, in alignment with the Kingdom's Vision 2030.



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***Principle 6***  
***Ensure availability and sustainability management of water and sanitation for all***

SPIMACO monitors its wastewater discharges and conducts Environmental Impact Assessment studies in-house, to meet the requirements of the National Center of Environmental Compliance (NCEC). SPIMACO's monthly discharge of wastewater equates to less than 10% of the total quantities released in the industrial area. The wastewater is collectively treated in the municipality treatment facility to be reused as grey water for irrigation in the industrial area and is used as a cooling water for brick and concrete manufacturing systems. Thus, SPIMACO ensures it has a positive impact on the downstream sanitization of the local aqua systems.



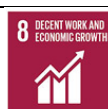
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***Principle 7***  
***Ensure access to affordable, reliable, sustainable and modern energy for all***

As the Government of Saudi Arabia is becoming less dependent on oil as a source of energy, SPIMACO is also studying its current and future sources of energy in an attempt to diversify our energy portfolio and find more sustainable alternatives.

SPIMACO is currently analyzing the feasibility of solar rays and cells to lower its carbon footprint and impact on the environment. Thus, we have been accessing cleaner energy reservoirs, minimizing our waste in a lean and efficient manner.

In addition, SPIMACO is carrying out a project of replacing traditional infrastructure systems starting with the replacement of incandescent, fluorescent, and CFL lights to LED lights. As a result, the Group has significantly reduced the electricity consumption needed for production, as well as the heat generated from traditional lighting technology.



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***Principle 8***  
***Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all***

At SPIMACO, we promote sustainable economic growth while ensuring decent work for all and protect our people as our most valuable assets.

We aim at higher levels of economic productivity through diversification, technological upgrades, and innovation. Furthermore, our Research and Development facility is working to develop breakthroughs in the pharmaceutical formulation and production to increase the economic growth of the Company. At the same time, SPIMACO sets a priority for the Health and Safety of its employees. We demonstrated our commitment by successfully obtaining certification in ISO 45001, Occupational Health and Safety Management System, to ensure decent work of all whom work in our facilities.

Moreover, SPIMACO believes in providing equal opportunities for all. We have several colleagues with disabilities who are paid for their work of equal value. We aim to recruit and encourage economic growth at every level of society.



**Principle 13**  
***Take urgent actions to combat climate change and its impacts***

The rise of average temperatures is associated with adverse impacts on the environment and the health of the societies we serve.

SPIMACO has committed to reduce its CO<sub>2</sub> emissions by 5% on an annual basis, through a sustainable approach by replacing the conventional lighting systems, increasing cooling system technology, and possibly installing new, renewable energy systems.

Kilograms of CO <sub>2</sub> equivalent emissions 2017-2021				
2017	2018	2019	2020	2021
21,851,909 kg	24,232,189 kg	23,948,011 kg	25,056,002 kg	28,086,723 kg

## Risk Management

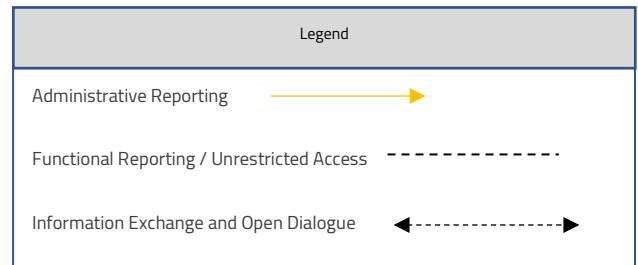
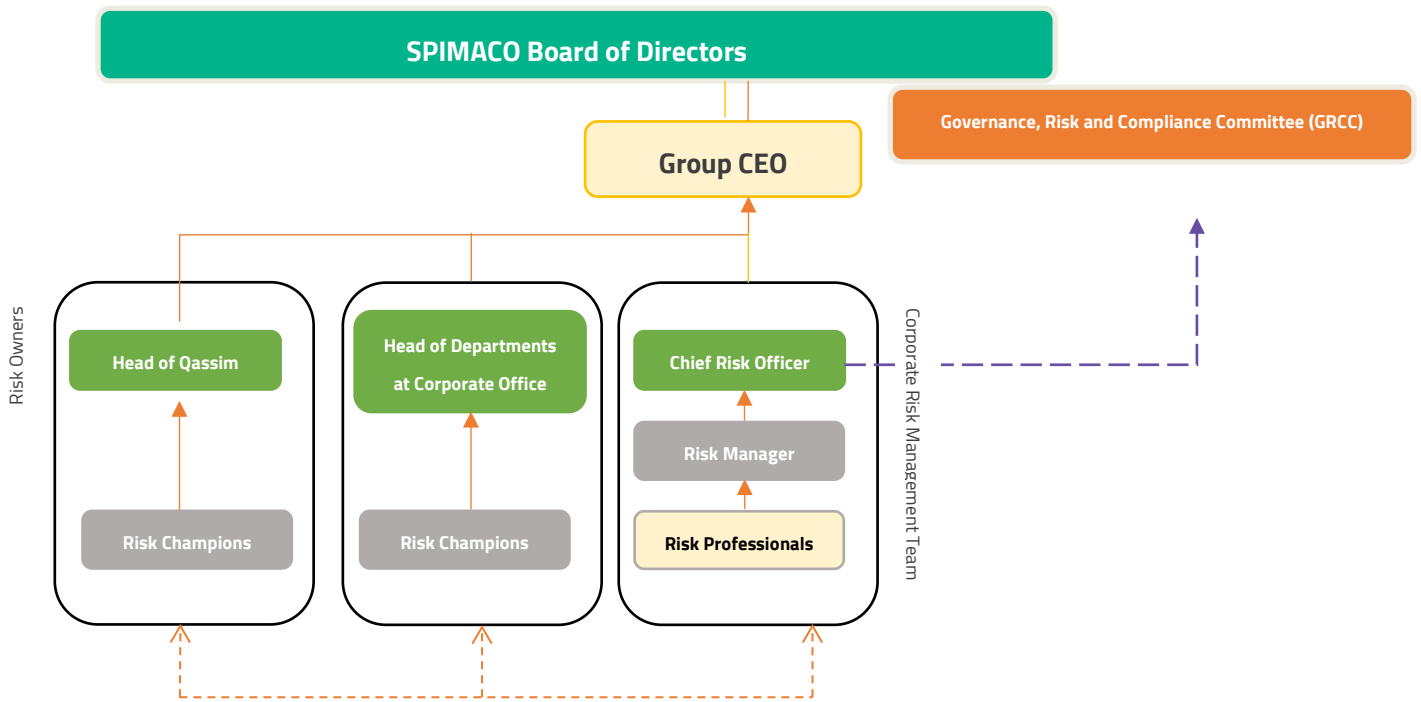
At SPIMACO, our continued success depends on our ability to manage risk. In 2021, we created a new function for risk and resilience that brings together the Risk Office, Risk Assessment and Monitoring, Business Continuity Management and Emergency Management, in order to establish a comprehensive and integrated risk management framework that is coordinated among risk functions, functional departments and affiliates. The Risk Committee of the Board of Directors is responsible for overseeing the risk management system and processes.

The Risk team introduced an innovative, integrated enterprise risk management (ERM) approach. The process is a series of coordinated activities designed to detect and control risks. It is based on risk discussions conducted by the leadership teams at the global level in alignment with strategy, and in close collaboration with all risk functions.

This process resulted in a single holistic view of risks across the Company, which summarizes the key risks across 8 important dimensions: strategic; financial; operational; legal, regulatory and compliance; human resources; technology; health, safety and environment, and reputational. This system will help enable senior management and the Board of Directors to focus discussions on key strategic risks and more closely align the Company strategy, our risk exposure, and our ways of working.

In initiating the ERM, we followed ISO 31000 and set up the 3 lines of defence framework, where operational departments and units are responsible for risk management and internal controls, Risk Management function supports, monitors, and reports on risk management activities and priority risks, while Internal Audit provides independent assurance.

## SPIMACO Risk management Department organization structure



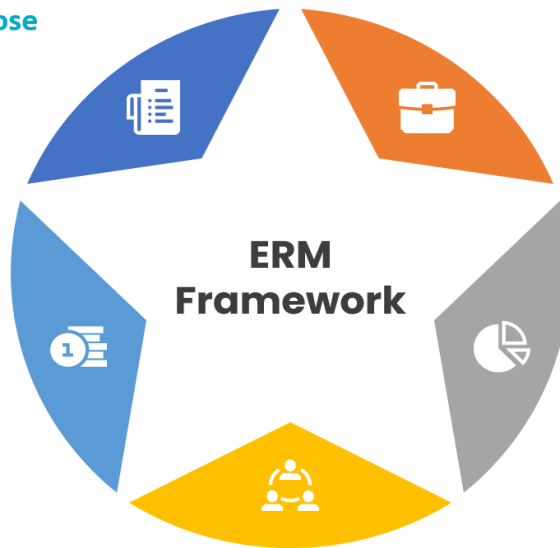
## ERM Framework Overview

### ERM Introduction and Purpose

- ERM Purpose
- ERM Objectives
- ERM Benefits
- Critical Success Factors
- ERM Limitations
- Adopting ISO 31000:2018
- Three lines model and ERM

### ERM Enablers

- Governance
- Culture
- ERM Strategy
- Objective Setting



### ERM Tools

- Risk Universe
- Risk Categories and Risk Assessment Criteria
- Risk Register
- Key Performance Indicators
- Key Risk Indicators
- Risk and Control Self-Assessment
- Risk Quantification

### Integrating Risk Management with Other Business Functions

- In developing strategy and business plans
- In making major business decisions
- Pharmacovigilance integration with ERM
- Continuous feedback and information sharing between ERM and BCM

### ERM Governance

- ERM Organization Structure
- Roles and Responsibilities

## SPIMACO RISK CATEGORIES AND DEFINITION

**Financial**  
Risk arising from any uncertainty that could lead to an adverse financial impact on SPIMACO financial performance. Risks associated with potential for financial losses such as impact on revenues, net profits, liquidity, cash flows etc. High financial risks could have severe impact that SPIMACO will not be able to meet its financial obligations.

**Strategic / Market**  
The risk arising from the absence of strategy/business plans, unclear strategic direction, inadequate decisions, strategic alliances/ partnerships, and any other requirements/guidelines/factors contributing to strategic and governance risks.

**Operational**  
Risk arising from inadequate or failed internal processes, and systems, or from external events, but is better viewed as the risk arising from the execution of Company's functions including failures resulting from poor policies, fraud, etc.

**People / Human Resources**  
Risks arising from ineffective leadership and engagement, sub-optimal culture, inappropriate behaviors, the unavailability of sufficient capacity and capability and/or non-compliance with relevant employment legislation/HR policies that could adversely affect the company's operations / strategy.

**Information Technology**  
The risks arising from absence of or not using appropriate systems & technology, or from existing IT, technology & systems, transactions / data such as business interruptions and downtime, adoption of emerging technologies and related systems, compromise of information / cybersecurity requirements and including threats & vulnerabilities and any other factors contributing to systems, IT, & technology risks.

**Legal, Regulatory and Compliance**  
Risk arising from inability to comply with or non-compliance to legal and regulatory requirements leading to sanctions being imposed on the Company by the concerned regulatory authorities.

**Reputational**  
Risk arising from adverse media / community attention, internal or external events that alters perception of the Company and expectations of stakeholders, and any other symptoms that affects or may affect the public image, brand, goodwill etc. of the SPIMACO.

**Health, Safety, Security and Environment (HSSE)**  
Risks arising from incident, accidents related to health, safety issues and damages to environment that result from business operations or force majeure events such as natural disasters, pandemics etc.

## TOP SPIMACO RISK IN 2021



### Financial

Subsidiaries and investments management



### Strategic

Geopolitical and socio-economic threats  
New business models and strategic priorities  
Research, development and strategic partnerships  
Consolidation of customer groups and competitive pressure



### Operational

Business disruptions  
3<sup>rd</sup> party management  
Manufacturing optimization and product quality  
Operational frameworks and procedures



### People / Human Resources

New operational model  
Organizations, structure and cultural transformation  
Talent and manpower management



### Information Technology

Cybersecurity and IT systems  
Global ERP implementation



### Legal, Regulatory and Compliance

Compliance with evolving regulations



### Reputational

Social media management  
Crisis communications



### Health, Safety, Security and Environment (HSSE)

Environmental impact  
Biosecurity



# Annual Board Report

**For SPIMACO ADDWAIEH**

**For the fiscal year 2021**

## **Introduction**

The Board of Directors of the Saudi Pharmaceutical Industries and Medical Appliances Company (SPIMACO ADDWAIEH) is pleased to present to its valued Shareholders the annual report for the fiscal year ending on 31 December 2021, which includes all of its activities and the performance of SPIMACO ADDWAIEH as well as its investments inside and outside the Kingdom of Saudi Arabia.

## **The Governance of the Company**

The Board of Directors of SPIMACO are focused on the principles of the governance of the Company and are eager to convey a character of transparency and follow high professional standards in its dealings, for the purpose of protecting the rights of Shareholders and Stakeholders, to achieve justice, and competitiveness, as well as promote standards of good governance within the Company, in line with the directives of the Capital Market Authority.

SPIMACO ADDWAIEH is proud of being an entity that enjoys moral and social responsibility in fair work practices to create an attractive and ethical work environment to confirm its commitment to its values. The Company pays great attention to fair and equal treatment of its Shareholders, employees, customers, and government and public agencies.

## Board of Directors

### Names of Board Members

The Board of Directors is formed, according to the Company's Bylaw, from 9 members, the majority of whom are non- executive members, and 3 independent members, who were appointed by the Shareholders in the General Assembly for a period of 3-years. The membership term started on 3rd April 2019 and ended on 2nd April 2022. The table below lists the names of the Board Members and their membership descriptions:

Board of Directors Names	Position	Membership Description
His Excellency Mohammed Talal Al Nahas	Chairman of the Board	Non-Executive
Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman of the Board	Non-Executive
Mr. Faisal Mohammed Shaker	Board Member	Non-Executive
Dr. Mohamed Khalil Mohamed	Board Member	Non-Executive
Mr. Saleh Abdullah Al Hanaki	Board Member	Independent
Mr. Khalid Abdulrahman Al-Gwaiz	Board Member	Non-Executive
Mr. Thamer Abdullah Al-Humud	Board Member	Independent
Eng. Adel Kareem Kak Ahmed	Board Member	Non-Executive
Mr. Turki Abdullah Al Jawini	Board Member	Independent

The following are the current and previous positions for the members of the Board and their qualifications and experience:

Name	Current Position	Previous Position	Qualifications and Experience
His Excellency Mohammed Talal Al Nahas	Governor of the General Organization for Social Insurance	Governor of the Public Pension Agency	He holds a Bachelor's degree in Accounting from King Saud University, and an Executive Management Program for Business Administration from the University of Michigan. He started his working life at Samba Financial Group, then rose to several leadership positions before being appointed General Manager of Alinma Banking.
Mr. Ammar Abdulwahed Al- Khudairy	General Director of Amwal AlKhaleej	Chairman of the Board of Directors at Samba Financial Group	He holds a Master's degree in Engineering Management from George Washington University. His experience spans more than 30 years in the financial sector, where he held several positions, including Regional Director for the Central region at Banque Saudi Fransi, Managing Director of Amwal Al Khaleej Investment Company, and several positions on company's Boards and committees, including Chairman of the Board of Directors for Samba Financial Group. He is currently the Chairman of the Board of Directors of the Saudi National Bank.
Mr. Faisal Mohammed Shaker	Partner and CEO of Modern Food Company	CEO and Head of Wealth and Investment Management for Audi Capital	He holds a Bachelor degree in Marketing from King Saud University, and a Master degree in Economics from Old Dominion University - Norfolk in the United States. He began his working life as a New Business Development Manager for General Dynamics Arabia, and worked as an Assistant Director of Wealth Management at Merrill, while doing his Master degree. He held various other positions including Head of Banking Services at SABB Bank, Head of Wealth Management and Business Development at Gulf Investment, Head of Wealth Management at Audi Capital, Head of Wealth and Investment Management at Barclays, Head of Markets for both the Kingdom of Saudi Arabia and Bahrain, and CEO and Head of Wealth and Investment Management at Audi Capital. and currently he is the Executive Partner for Hadbat Al Emaar

			Real Estate Development and Investment Company.
Dr. Mohamed Khalil Mohamed	General Manager of the Arab Company for Pharmaceutical Industries and Medical Appliances - Acdima	CEO of Acdima Center for Bioequivalence and Pharmaceutical Studies	He holds a Bachelor degree in Pharmacy and a Doctorate in Medicinal and Pharmaceutical Chemistry from the University of Toledo in America. He obtained the American Board of Pharmacy from the National Association of Boards of Pharmacy (NABP). He began his working life as an expert and a member of various committees in the Jordanian Food and Drug Corporation, as well as being an expert in the field of biological medicines. He worked as an instructor in the Faculty of Pharmacy at the University of Toledo in America and various other positions including Pharmacist at the American company, CVS, Professor at the College of Pharmacy at the University of Jordan, and Executive Director of the Acdima Center for Bioequivalence and Pharmaceutical Studies.
Mr. Saleh Abdullah Al Hanaki	CEO of Nitaq Finance	CEO of Mohamed Ibrahim Al Subaie & Sons Investment Company (MASIC)	He holds a Bachelor degree in Administrative Sciences from King Saud University, a Master degree in Economics from the University of Colorado. and a Master of Science degree in Mathematics from the University of Michigan in America. He began his working life as a Portfolio Manager at Al Rajhi Bank, and held other positions including General Manager of Asset Management at Falcom Financial Consulting, CEO at Alinma Investment

			Company, and CEO of Mohamed Ibrahim Al-Subaie and Sons Investment Company (MASIC).
Mr. Khalid Abdulrahman Al-Gwaiz	CEO of Binladin International Holding Group	Managing Director of the Arab Company for Water and Power Development (ACWA Group)	He holds a Bachelor degree in Urban Planning from the University of Washington Seattle - America. He began his working life at the Saudi Industrial Development Fund and rose in many leadership positions. He worked at Tawuniya Insurance Company in insurance underwriting and claims departments, with his last position there being Director of the Affairs Sector Finance and Administration. He obtained a fellowship from the British Insurance Institute in Britain. He then worked for the Arab National Bank as General Manager of the Credit Group, before moving to Samba Financial Group as Assistant General Manager of Credit Risk Management, and then General Manager of the Corporate Banking Group in the Central Region. He was appointed as a CEO for Astra Industrial Group, before becoming Managing Director of the Arab Company for Water and Energy Development (ACWA Group).
Mr. Thamer Abdullah Al-Humud	Director of Legal Affairs at Al Ra'idah Investment Company	Director of the Board's Decisions and Instructions Unit at the Capital Market Authority	He holds a Bachelor degree in Law from King Saud University, and a Master's degree in Financial and Securities Law from the University of California - America. He began his working life as a Legal Advisor at the Food and Drug Authority, and then at the Nazareth Rose Fulbright Law Firm. He also worked in the Capital Market Authority as Director of the Board's Decisions and Instructions unit.
Eng. Adel Kareem Kak Ahmed	Iraqi Minister of Electricity / Agency	Member of the Executive Council of the Arab Organization for Industrial Development and Mining	He holds a Bachelor degree in Engineering which was obtained in 1983, and now holds the position of Undersecretary of the Ministry of Industry and Minerals for Technical Affairs in the Republic of Iraq. He held the positions of Chairman of the Board of Directors for the Arab Federation of Chemical Fertilizers, Chairman of the Board of Directors for the Arab Company Tassili Taphco Algeria, Chairman of the Board of Directors for the Arab Company for the Industry of Antibiotics (ACAI) Iraq and served as a member of the Board of Directors for Akbitra Company, for the manufacture of veterinary medicines, affiliated with Acdimia

			Pharmaceutical Industries. He was also a member of the Board of Executive Directors of the Arab Industrial Development and Mining Organization, a member of the Board of Directors of Acdim Pharmaceutical Industries, and a representative of the Board for Iraq from 2006 until now.
Mr. Turki Abdullah Al Jawini	Director General of the Human Resources Development Fund "Hadaf"	Chief Executive Officer of Dammam Airports	He holds a Bachelor's degree in Management Information Systems from Clarion University in the United States of America. He held several leadership positions in the Saudi British Bank (SABB), Nas Holding Company and NasJet Private Aviation Company, and worked as a consultant to the Assistant President for the Airports Sector at the General Authority of Civil Aviation and Director General of King Fahd International Airport in Dammam, and also held the position of CEO at Dammam Airports Company (DACO).

**The following is a list of the company's names, inside or outside the Kingdom, for which a member of the Board of Director is a member of its current and previous Boards of Directors or one of its managers:**

Member of the Board of Directors	Current Memberships	Company Headquarters	The Legal Entity of the Company	Previous Memberships	Company Headquarters	The Legal Entity of the Company
His Excellency Mohammed Talal Al Nahas	Riyad Bank	Saudi Arabia	Joint Stock	Medical Holding Company	Saudi Arabia	Joint Stock
	Raza Real Estate Company	Saudi Arabia	Limited Liability			
	Asma Capital Company	Bahrain	Closed Joint Stock	Water and Power Works Company (ACWA Power)	Saudi Arabia	Joint Stock
	Saudi Telecom Company	Saudi Arabia	Joint Stock	Raidah Investment Company	Saudi Arabia	Closed Joint Stock
	Saudi Basic Industries Corporation (SABIC)	Saudi Arabia	Joint Stock	Traveller's Cheque Company	Saudi Arabia	Closed Joint Stock

	Raidah Investment Company	Saudi Arabia	Closed Joint Stock			
	Dammam Pharma Company	Saudi Arabia	Limited Liability			
Mr. Ammar Abdulwahed Al-Khudairy	Maraai Company	Saudi Arabia	Joint Stock	Goldman Sachs Saudi Arabia	Saudi Arabia	Limited Liability
	Al-Ahli Capital Company	Saudi Arabia	Joint Stock	Al Tayyar Company	Saudi Arabia	Joint Stock
	Sports Clubs Company	Saudi Arabia	Limited Liability	Allianz Saudi Company	Saudi Arabia	Joint Stock
				Morgan Stanley	Saudi Arabia	Joint Stock
	Al-Farabi Medicine Company	Saudi Arabia	Limited Liability	Savola Group	Saudi Arabia	Joint Stock
				Kingdom Holding Company	Saudi Arabia	Joint Stock
	SPIMACO Egypt for Pharmaceutical Industries	Egypt	Closed Joint Stock	Herfy Company	Saudi Arabia	Joint Stock
	Amwal AlKhaleej Company	Saudi Arabia	Limited Liability	Banque Saudi Fransi	Saudi Arabia	Joint Stock
	Global Transformational Industries	Saudi Arabia	Limited Liability	Fawaz Al Hokair & Partners Company	Saudi Arabia	Joint Stock
	Global Chemical Industries Company	Saudi Arabia	Limited Liability	Saudi Mobile Telecommunications Company (Zain)	Saudi Arabia	Joint Stock
	Atebaacom Company	Saudi Arabia	Limited Liability	Waffer International Energy Company	Saudi Arabia	Limited Liability
Saudi National Bank	Saudi Arabia	Joint Stock	Arabian Shield Insurance Company	Saudi Arabia	Joint Stock	
Amwal AlKhaleej First Company	Saudi Arabia	Limited Liability				
Qantara Development	Saudi Arabia	Limited Liability				

	Investment Company					
	Amwal Al Khaleej Commercial Investment Co. Ltd.	Saudi Arabia	Limited liability			
Mr. Faisal Mohammed Shaker	Qassim Medical Services Company	Saudi Arabia	Closed Joint Stock	Falcon Plastic Products Company	Saudi Arabia	Limited Liability
	SPIMACO Morocco Pharmaceutical Industries Company	Morocco	Closed Joint Stock			
	SPIMACO Egypt Pharmaceutical Industries	Egypt	Closed Joint Stock			
	Arak Healthcare Company	Saudi Arabia	Limited liability			
	Abdul Mohsen Al Hokair Group for Tourism and Development	Saudi Arabia	Joint Stock			
	Aseer Company for Trade, Tourism and Industry	Saudi Arabia	Joint Stock			
	National Bank of Kuwait Wealth Management	Saudi Arabia	Closed Joint Stock			
Dr. Mohamed Khalil Mohamed	Arab Company for Pharmaceutical Industries (SAIF)	Tunisia	Limited liability			
	The Arab Company for the Pharmaceutical Industry (Ekbeitra)	Syria	Limited Liability			
	The Arab Pharmaceutical		Closed Joint Stock			



	Company Tassili (Taphco)	Algeria				
	Cad Middle East Pharmaceutical Industries Co.	Saudi Arabia	Closed Joint Stock			
	SPIMACO Morocco Pharmaceutical Industries Company	Morocco	Closed Joint Stock			
	The Arab Company for Antibiotic Industries and Supplies – Acai	Iraq	Joint Arab Company			
Mr. Saleh Abdullah Al Hanaki	National Finance Services Company	Saudi Arabia	Closed Joint Stock	Alinma Investment Company	Saudi Arabia	Closed Joint Stock
	Maharah HR Company	Saudi Arabia	Joint Stock	Wafaa Insurance Company	Saudi Arabia	Joint Stock
	Roa Al Haram Development Company	Saudi Arabia	Closed Joint Stock	Zakher Real Estate Development Company	Saudi Arabia	Limited Liability
	Developing the Center of Riyadh Company	Saudi Arabia	Closed Joint Stock			
	Arabian Jazl Company for Commercial Investments	Saudi Arabia	Closed Joint Stock			
	Awqaf Mohammed Al Habib Company	Saudi Arabia	Waqafia			
	Al Habib Holding Company	Saudi Arabia	Closed Joint Stock			
	King Abdullah Foundation for Humanitarian Works	Saudi Arabia	Humanitarian Foundation			

	Saudi Egyptian Construction Company	Saudi Arabia	Closed Joint Stock			
Mr. Khalid Abdulrahman Al-Gwaiz	Riyadh Cables Group	Saudi Arabia	Closed Joint Stock	Water and Power Works Company (ACWA Power)	Saudi Arabia	Joint Stock
	Binladin International Holding Group	Saudi Arabia	Closed Joint Stock	Astra Industrial Group	Saudi Arabia	Joint Stock
	Al Rajhi Bank	Saudi Arabia	Joint Stock	Saudi Cooling Company	Saudi Arabia	Closed Joint Stock
	Emcore Saudi Co. Ltd.	Saudi Arabia	Limited Liability			
	Bawan Company	Saudi Arabia	Joint Stock			
	The Arab Company for the Manufacturing of Medical Products	Saudi Arabia	Limited Liability			
	Unique Solutions for Chemical Industries	Saudi Arabia	Limited Liability			
	Roaa Development Holding Company (One of the Binladen Group companies)	Saudi Arabia	Limited Liability			
	Roaya Home Holding Company (one of the Binladen Group companies)	Saudi Arabia	Limited Liability			
Mr. Thamer Abdullah Al-Al Humud	Saudi Industrial Investment Group	Saudi Arabia	Joint Stock Company			

Eng. Adel Karim Kak Ahmed	Arab Company for Pharmaceutical Industries and Medical Appliances (Acdima)	Jordan	Joint Stock Company			
	Acdima Company for Veterinary Medicines Industry (Akbitra)	Syria	Limited Liability			
	SPIMACO Morocco Pharmaceutical Industries Company	Morocco	Closed Joint Stock			
Mr. Turki Abdullah Al Jawini	Takamol Business Services Company	Saudi Arabia	Closed Joint Stock			
	Future Work Company	Saudi Arabia	Closed Joint Stock			
	National Gas and Industrialization Company "Gas"	Saudi Arabia	Joint Stock			

The following is a description of any interest, contractual securities and subscription rights related to the members of the Board of Directors and their relatives in the shares or debt instruments of the Company or any of its subsidiaries, and any change in that interest or those rights during the fiscal year 2021:

Name	Total Number of Shares in 01/01/2021	Total Number of Shares in 31/12/2021	Net Change	Change Percentage
His Excellency Mohammed Talal Al Nahas	-	-	-	-
Mr. Ammar Abdulwahed Al-Khudairy	1000	1000	-	-
Mr. Faisal Mohammed Shaker	1000	1000	-	-
Dr. Mohamed Khalil Mohamed	-	-	-	-
Eng. Adel Kareem Kak Ahmed	-	-	-	-
Mr. Saleh Abdullah Al Hanaki	20	20	-	-
Mr. Khalid bin Abdulrahman Al-Gwaiz	10	10	-	-
Mr. Thamer Abdullah Al-Humud	100	100	-	-
Mr. Turki bin Abdullah Al Jawini	-	-	-	-

It should be noted that there are no interest, contractual securities and subscription rights belonging to the members of the Board of Directors and their relatives in the shares or debt instruments of the affiliated companies.

## Board Meetings

During the year 2021, the Board of Directors held 6 meetings, as follows:

Board Members	Position	Membership Description	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting
			22/3/2021	31/5/2021	28/6/2021	27/9/2021	24/11/2021	28/12/2021
His Excellency Mohammed Talal Al Nahas	Chairman	Non-Executive	Present	Present	Present	Present	Present	Present
Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman	Non-Executive	Absent	Present	Present	Present	Present	Present
Mr. Faisal Mohammed Shaker	Member	Non-Executive	Present	Present	Present	Present	Present	Present
Dr. Mohamed Khalil Mohamed	Member	Non-Executive	Present	Present	Present	Present	Present	Present
Mr. Saleh Abdullah Al Hanaki	Member	Independent	Present	Present	Absent	Present	Present	Present
Mr. Khalid Abdulrahman Al-Gwaiz	Member	Non-Executive	Present	Present	Present	Present	Present	Absent
Mr. Thamer Abdullah Al-Humud	Member	Independent	Present	Present	Present	Present	Present	Present
Eng. Adel Kareem Kak Ahmed	Member	Non-Executive	Present	Present	Present	Present	Present	Present
Mr. Turki Abdullah Al Jawini	Member	Independent	Present	Present	Present	Present	Present	Present

## Company Committees

Based on the Corporate Governance Regulations, the Company's Board of Directors has the right to form specialized committees according to the Company's needs, circumstances, and conditions which enables it to perform its tasks effectively, as their tasks, responsibilities, powers, term of membership, and method of work are defined in its business regulations. The Company has the following committees: the Executive Committee, the Remuneration and Nomination Committee, the Governance & Risk Committee, the Investment Committee, and the Audit Committee.

### **Executive Committee**

The committee is composed of 4 members from the Board of Directors in accordance with the Board of Directors decision, and the committee meets periodically or whenever the need arises. The following table shows a list of the names of the committee members, their current and previous jobs, their experience and qualifications:

Committee Member Names	Current Position	Previous Positions	Qualifications and Experience
His Excellency Mohammed Talal Al Nahas			Current position, previous positions, qualifications and experience were previously mentioned
Mr. Ammar Abdulwahed Al-Khudairy			
Mr. Faisal Mohammed Shaker			
Dr. Mohamed Khalil Mohamed			

## Executive Committee Meetings

During the year 2021, the Executive Committee held 6 meeting. The following table shows the attendance of the members of the committee at the meetings:

Committee Member Names	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting
		21/4/2021	9/5/2021	14/6/2021	13/9/2021	23/11/2021	22/12/2021
His Excellency Mohammed Talal Al Nahas	Chairman	Present	Present	Present	Present	Present	Present
Mr. Ammar Abdulwahed Al-Khudairy	Member	Present	Present	Present	Present	Present	Absent
Dr. Mohamed Khalil Mohamed	Member	Present	Present	Present	Present	Present	Present
Mr. Faisal Mohammed Shaker	Member	Present	Present	Present	Present	Present	Present

## Committee Duties and Responsibilities

- Review periodic management reports, evaluate performance, and review new investments or reinvestments and approve them before submitting it to the Board for approval.
- Review annual budgets and plans and investigate the essential differences related to budgets - if any - before they are presented to the Board of Directors. Follow up and receive reports on the implementation and completion of major projects or major expansion works for the Company, subsidiaries, or associates.
- Monitor Company's performance and seek explanations for any deviations from approved plans, budgets and forecasts.
- Assist the Board in carrying out its responsibilities, in particular the tasks entrusted to it by the Board when the time factor is crucial.
- Recommendation to amend the Company's Articles of Association.
- Make recommendations in mergers and acquisitions to the Board of Directors.
- Provide recommendations regarding the Company's purchase of its shares.
- Receive management reports periodically via the CEO on the Company's performance to be presented at the Executive Committee meetings for discussion and review before submitting to the Board, if the need arises.

- Manage and maintain the committee's charter by the committee's secretary, as well as ensure that the charter is flexible to better adapt to changing circumstances and regulatory requirements.
- The committee shall be responsible for the relevant competencies mentioned in the authority matrix approved by the Board of Directors.

In addition to the above, the committee is responsible for the relevant competencies contained in the organizational structure for governance of SPIMACO and its subsidiaries approved by the Board of Directors.



## **Remuneration and Nomination Committee**

The Remuneration and Nomination Committee is composed of 5 members, 2 of whom are Board members and 3 of whom are from outside the Board. They were appointed by a decision of the Board of Directors, and the following table includes a list of the names of the committee members, their current and previous jobs, their experience and qualifications:

<b>Committee Member Names</b>	<b>Current Position</b>	<b>Previous Position</b>	<b>Experience and Qualifications</b>
Mr. Thamer Abdullah Al-Humud	Current positions, previous positions, qualifications and experience were previously mentioned		
Mr. Turki Abdullah Al Jawini			
Mr. Mohammed Nazzal Al-Khaldi	Assistant Governor of Administrative Affairs for the Retirement Agency in Riyadh	General Manager of Human Capital Operations and Business Partners for Advanced Selling Company in Riyadh	He holds an Executive Master's degree in Business Administration from Al Yamamah University, and a Bachelor's degree in Business Administration and Human Resources Management from King Abdulaziz University.
Mr. Ahmed Misfer Al-Ghamdi	Vice President of Human Resources for Saudi Telecom Company	General Manager of Human Resource Planning for Saudi Telecom Company	He holds a Bachelor's degree in Industrial Engineering from King Fahd University of Petroleum and Minerals, an Executive Master's degree in Business Administration from the University of Hull, and completed the Certified Executive Strategy Program - INSEAD
Mrs. Munira Abdulaziz Al-Mohammed	Director of Human and Administrative Resources for Raidah Investment Company	HR Project/Organizational Development Manager for Arabian Centers Company	She holds a Bachelor's degree in Languages and Translation (English) from King Saud University, and many professional certificates in the field of Human Resources, CHRM, and CIPD from Oakwood International. She has extensive experience in human resources from her career in the field. She worked as a Recruitment Manager at Novartis, and as a Project Manager for Human Resources and Organizational Development at Arabian Centers.

## Remuneration and Nomination Committee Meetings

During the year 2021, the Remuneration and Nomination Committee held 5 meetings, and the following table shows the attendance of the members of the committee at the meetings:

Committee Member Names	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting
		2/3/2021	3/5/2021	21/9/2021	26/10/2021	14/11/2021
Mr. Thamer Abdullah Al-Humud	Chairman	Present	Present	Present	Present	Present
Mr. Turki Abdullah Al Jawini	Member	Present	Present	Present	Present	Present
Mr. Mohammed bin Nazzal Al-Khalidi	Member	Present	Present	Present	Present	Present
Mr. Ahmed Misfer Al-Ghamdi	Member	Present	Present	Present	Present	Present
Mrs. Munira Abdulaziz Al-Mohammed	Member	Present	Present	Present	Present	Present

## Committee Duties and Responsibilities

- Recommend candidates to the Board of Directors for nomination for membership of the Board in accordance with the approved policies and standards, taking into account not to nominate any person previously convicted of a crime against honor and honesty.
- Annual review of the appropriate skills needed for membership of the Board of Directors and preparation of a description of the capabilities and qualifications required for membership of the Board of Directors, including the time that the member must allocate for the work of the Board of Directors.
- Review the structure of the Board of Directors and Executive management and make recommendations regarding changes that can be made.
- Determine the weaknesses and strengths of the Board of Directors and make suggestions as to how to address them in the best interests of the Company .
- Ensure, on an annual basis, the independence of the independent members, and the absence of any conflict of interest if the member is a member of the Board of Directors of another company or has dealings in the field of the Company's activities .
- Develop clear policies for the compensation and remuneration of members of the Board of Directors, sub-committees and senior Executives, and submit them to the Board of Directors for consideration in preparation for approval by the General Assembly, as well as the disclosure and verification of their implementation .
- Periodic review of the remuneration policy, and evaluation of its effectiveness in achieving its objectives .
- Recommend to the Board of Directors the remuneration of the members of the Board of Directors and its committees and senior Executives of the Company in accordance with the approved policy .

- Propose clear policies and criteria for membership of the Board of Directors and Executive management .
- Prepare a description of the capabilities and qualifications required for membership of the Board of Directors and the Executive management positions .
- Determine the time that the member should allocate for the work of the Board of Directors.
- Develop job descriptions for Executive members, Non-Executive members, independent members and senior Executives .
- Establish special procedures in the event of a vacancy in the position of a member of the Board of Directors or senior Executives .
- Supervise the Company's bonus and incentive plans, and the procedures and practices regulating them, including the Executive management's bonus plans and incentive bonuses, and preparing an annual report showing what the Executive management received during the year and include this in the Company's annual report.

## **Audit Committee**

The Audit Committee is composed of 4 members, who were appointed by a decision of the General Assembly of Shareholders, and the following table includes a list of the names of the members of the committee, their current and previous jobs, their experience and qualifications:

<b>Committee Member Names</b>	<b>Current Position</b>	<b>Previous Positions</b>	<b>Experience and Qualifications</b>
Mr. Khalid Abdulrahman Al-Gwaiz	Current positions, previous positions, qualifications and experience were previously mentioned		
Mr. Saleh Abdullah Al Hanaki			
Dr. Khalid Daoud Al-Faddagh	Member of several boards of directors and audit, risk and compliance committees	Saudi Aramco's General Auditor and Secretary of the Internal Audit Committee of the Company's Board of Directors	He holds a PhD in Mechanical Engineering, obtained in 1983 from the University of London. He began his working life at Aramco and worked there for 30 years until he retired from it in 2015. At that time, he was the company's General Auditor and Internal Audit Secretary to the Saudi Aramco Board of Directors. He also served as Chief Executive Officer of the joint company in the Philippines, participated in a number of memberships of different boards of directors and managed the program of quality, specifications and industrial safety.
Mrs. Kholoud Abdulaziz Al-Dakhil	Managing Director for Al-Dakhil Financial Group	Assistant General Manager for Al-Dakhil Financial Group	She holds a Master degree in Business Administration in Finance from the American University (Washington DC). She began her career as an Assistant Manager at the IFC World Bank Group in 1994 until 1995, and worked as a Credit Analyst at the Saudi British Bank from 1997 until 1998. She was an Assistant General Manager for Samba Financial Group from 1998 until 2006. She has also participated as a member of a number of committees and boards of directors.

## Audit Committee Meetings

During the year 2021, the Audit Committee held 7 meetings, and the table below shows the attendance of the committee members at the meetings:

Committee Member Names	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting	Seventh Meeting
		28/2/2021	17/3/2021	10/5/2021	1/7/2021	11/8/2021	4/11/2021	30/12/2021
Mr. Khalid Abdulrahman Al-Gwaiz	Chairman	Present	Present	Present	Present	Present	Present	Present
Mr. Saleh Abdullah Al Hanaki	Member	Present	Present	Present	Present	Present	Present	Present
Dr. Khalid Daoud Al-Faddagh	Member	Present	Present	Present	Present	Present	Present	Present
Mrs. Kholoud Abdulaziz Al-Dakhil	Member	Present	Present	Present	Present	Present	Present	Present

### Committee Duties and Responsibilities

- Recommend to the Board of Directors to nominate and dismiss chartered accountants, determine their fees, and evaluate their performance, after verifying their independence, reviewing the scope of their work and the terms of contracting with them.
- Review the Company's chartered accountant's plan and his work and verify that he did not submit technical or administrative works that are outside the scope of the audit work, and make comments thereon.
- Study the chartered accountant's report and his notes on the financial statements and follow up on what has been done about them.
- Answer the Company's chartered accountant's inquiries.
- Review and evaluate the Company's internal and financial control systems.
- Oversight and supervision of the performance of the Internal Audit department in the Company, in order to verify the availability of the necessary resources and their effectiveness in carrying out the work and tasks assigned to it by the Board of Directors.
- Review the Company's annual internal audit plan.
- Study the internal audit reports and follow up the implementation of the corrective procedures for the notes contained therein.
- Study the Company's draft annual financial statements before submitting them to the Board of Directors and express an opinion and recommendation in this regard to ensure their integrity, fairness and transparency .
- Study any important or unfamiliar issues contained in the financial reports.
- Verify the Company's compliance with relevant laws, regulations, policies, and instructions.
- Thoroughly research any issues raised by the Company's Financial manager, or whoever undertakes his duties, the Company's compliance officer, or the auditor.
- Verify accounting estimates in material matters contained in financial reports .

- Review the results of the reports of the regulatory authorities and verify that the Company has taken the necessary measures in this regard.
- Review the contracts and transactions proposed to be undertaken by the Company with related parties and presenting its views in this regard to the Board of Directors.
- Raise the issues it deems necessary to take action on to the Board of Directors and make recommendations for the actions to be taken.

### **Investment Committee**

The Investment Committee is composed of 5 members, 4 of whom are Board members and 1 from outside the Board. They were appointed by a decision of the Board of Directors, and the following table includes a list of the names of the committee members, their current and previous positions, their experience and qualifications:

<b>Committee Member Names</b>	<b>Current Position</b>	<b>Previous Positions</b>	<b>Experience and Qualifications</b>
Mr. Ammar Abdulwahed Al-Khudairy	Current positions, previous positions, qualifications and experience were previously mentioned		
Eng. Adel Kareem Kak Ahmed			
Mr. Saleh Abdullah Al Hanaki			
Mr. Khalid Abdul Rahman Al-Gwaiz			
Mr. Abdul Latif Ali Al-Saif*	CEO and Managing Director for Al Rai'dah Investments Company	Executive Vice President and Investment Manager at King Abdullah Humanitarian Foundation	He holds an MBA and MA in Economics from Boston University and is also a Chartered Financial Analyst and Chartered Accountant. He started his career as an Analyst at Saudi Aramco and progressed to become the Head of Investment Portfolio Management, where he managed huge portfolios invested across asset classes. He worked at King Abdullah University of Science and Technology in its early years and then held the position of Portfolio Manager in Public Markets, and later was the Executive Vice President and Investment Manager at the King Abdullah Humanitarian Foundation. He was also Head of Portfolio Management for Mohammed

			Ibrahim Al-Subaie and Sons Investment Company (MASIC).
Mrs. Saba Al-Tuwaijri*	Senior Financial Analyst for Al Raidah Investment Company	Assistant Portfolio Manager for MEFIC Capital	She holds a Bachelor's degree with Honors in Finance from King Saud University, many professional certificates in Financial Management and Capital Market, as well as completed many training programs on investment and financial analysis from multiple universities, institutes and financial institutions.

\* Mr. Abdul Latif Al-Saif resigned from the committee on 30 May 2021, and Mrs. Saba Al-Tuwaijri was appointed by a decision of the Board of Directors on the same date.

### Investment Committee Meetings

During the year 2021, the Investment Committee held 4 meetings, and the table below shows the attendance of the committee members at the meetings:

Names of the Committee Members	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting
		21/4/2021	16/6/2021	14/9/2021	8/12/2021
Mr. Ammar Abdulwahed Al-Khudairy	Chairman	Present	Present	Present	Present
Eng. Adel Kareem Kak Ahmed	Member	Present	Present	Present	Present
Mr. Saleh Abdullah Al Hanaki	Member	Present	Present	Present	Present
Mr. Khalid Abdulrahman Al-Gwaiz	Member	Present	Absent	Present	Present
Mr. Abdul Latif Ali Al-Saif*	Member	Present			
Mrs. Saba Al-Tuwaijri*	Member		Present	Present	Present

\* Mr. Abdul Latif Al-Saif resigned from the committee on 30 May 2021, and Mrs. Saba Al-Tuwaijri was appointed by a decision of the Board of Directors on the same date.

### Committee Duties and Responsibilities:

- Recommend, to the Board of Directors, and propose policies and strategies for the Company's investments in accordance with the strategic plan of SPIMACO and its subsidiaries.
- Recommend the Board of Directors approve the evaluation of new investment opportunities, and mergers and acquisitions in accordance with the strategic plan of the Company and its subsidiaries after studying it with the Executive management.
- Recommend to the Board of Directors the best options to exit poorly performing investments or to redirect investments.

- Recommend to the Board of Directors, after coordination with the Audit Committee, to form financial allocations to hedge against poor performing investments.
- Recommend to the Board of Directors to contract with investment managers and external investment advisors.
- Recommend to the Board of Directors, after coordination with the Risk Committee, considerations of the investment risk policies to ensure that the Company's overall risk remains within an acceptable range.
- Report to the Board of Directors the views of the committee on the performance of the Company's investments.

### **Governance and Risk Committee**

The Governance and Risk Committee is composed of 4 members, 3 of whom are Board members and 1 is from outside the Board. They were appointed by a decision of the Board of Directors, and the following table includes a list of the names of the committee members, their current and previous jobs, their experience and qualifications:

<b>Committee Member Names</b>	<b>Current Positions</b>	<b>Previous Positions</b>	<b>Experience and Qualifications</b>
Mr. Faisal Mohammed Shaker	Current positions, previous positions, qualifications and experience were previously mentioned		
Dr. Mohamed Khalil Mohamed			
Mr. Thamer Abdullah Al-Humud			
Mr. Khaldoun Abdullah Al-Fakhri	-	Head of Risk Management at Alawwal Bank	<p>He holds a degree from the College of Medicine at King Saud University, a Bachelor's degree in Computer Information Systems from Webber State University, Ogden, Utah – USA, and a Master of Science in Accounting from Colorado State University, USA.</p> <p>He held several positions in Samba Financial Group, headed the Risk Management department at Al Rajhi Bank, and worked as the Head of Risk Management at Alawwal Bank (formerly Dutch Bank).</p>



## Governance and Risk Committee Meetings

During the year 2021, the Governance and Risk Committee held 6 meetings, and the table below shows the attendance of the members of the committee at the meetings:

Committee Member Names	Position	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Sixth Meeting
		7/3/2021	4/5/2021	21/6/2021	9/9/2021	21/10/2021	9/12/2021
Mr. Faisal Mohammed Shaker	Chairman	Present	Present	Present	Present	Present	Present
Dr. Mohamed Khalil Mohamed	Member	Present	Present	Present	Present	Present	Present
Mr. Thamer Abdullah Al-Humud	Member	Present	Present	Present	Present	Present	Present
Mr. Khaldoun Abdullah Al-Fakhri	Member	Present	Present	Present	Present	Present	Present

## Committee Duties and Responsibilities

- Review and update policies, rules and regulations in accordance with regulatory requirements and best practices.
- Review and develop the code of conduct and business ethics that represents the Company, and other internal policies and procedures in accordance with regulatory requirements and best practices.
- Inform the Board of Directors of developments in governance in general and best practices in this regard or delegate to whomever is required to do so.
- Develop a comprehensive risk management strategy and policies in line with the nature and size of the Company's activities, recommend them to the Board of Directors for approval, verify their implementation, review and update them based on the Company's internal and external changes.
- Develop a framework, the Risk Appetite Framework (RAF), to define and maintain an acceptable level of risk to the Company and verify that the Company does not exceed it, and hold the Company's management responsible for the integrity of that framework, including timely identification of violations, addressing violations of risk limits and reporting on exposure to significant risks.
- Verify the feasibility of the Company's continuation and its successful continuation of its activities, with identification of the risks that threaten its continuity during the next 12 months.
- Ensure that the Company's management has mechanisms to ensure that actions are taken in a timely manner in order to achieve the required effectiveness to mitigate risks, and serious exposures stemming from any negative risks, especially those that approach or exceed the Company's ability to face risks.

- Periodically reassess the Company's ability to take on risks and its exposure to it (for example by conducting stress tests) and other risk limits - when necessary - in strategic discussions, including those related to expansion of business sectors or products.
- Supervise the Company's risk management system, discuss its periodic reports, and evaluate the effectiveness of the systems and mechanisms for identifying, measuring, and following up on the risks that the Company may be exposed to.
- Assess and recommend the risks of underperforming investments to the Company.
- Review the organizational structure of the Governance, Risk Management and Compliance Department and make recommendations thereon before it is approved by the Board of Directors.
- Exercise supervision and ensure effective application of risk management.
- Ensure that the subsidiaries of SPIMACO play their role in risk management, which is to understand the risks related to the Company and their potential impacts.
- Review issues raised by the committees emanating from the Board of Directors issues that may affect the Company's risk management.

## **Board Performance Assessment**

In accordance with the provisions and regulations of corporate governance issued by the Capital Market Authority, the Board of Directors considered the evaluation of its performance and the performance of its committees and members during the current term of the Board of Directors. The Company has contracted with Compass Consulting Company (COMPASS) to work on evaluating the performance of the Board, its committees and members, and there is no relationship between Compass and SPIMACO.

## Executive Management

Names of the members of the Executive management, their current and previous positions, qualifications and experience

Executive Management Members	Current Position	Previous Positions	Qualifications and Experience
Mr. Khaled Saleh Al-Khattaf	CEO	Vice President of Finance and Chief Financial Officer of the Saudi Mining Company (Maaden)	He holds a Bachelor's degree in Accounting from King Saud University and has continued his education in Finance and Accounting at the University of Colorado, and has a degree in Applied Economics from the American University in Washington State. He holds a CPA Certified Public Accountant and a General Certificate in Securities Dealing CME-1. He has held many positions in several financial institutions such as the Saudi Arabian Monetary Agency, the World Bank, Tadawul, Nomura Bank, and Lavana Holdings, and also worked on the boards of directors and committees of various financial and investment institutions such as the Gulf Investment Corporation, Bupa Insurance, Al Raeda Investment Company, Samba Capital and the Saudi Arabian Insurance Company.
Mr. Mahmoud Abdel Khaliq	Chief Financial Officer	Executive Vice President at Dar Al Dawa Company, Amman, Jordan.	Holds a Bachelor's degree in Accounting from the University of Jordan, in addition to the Certified Public Accountants (CPA) Fellowship. His previous experience includes Director of Financial Audit at Ernst & Young, Head of the Financial Sector and Executive Vice President at Dar Al Dawa Development and Investment Company.
Dr. Muhammad Abdulaziz Al-Fadhli	Executive Vice President of Marketing and Sales	Vice President of Marketing and Sales for Arak Company	He holds a Bachelor's degree in Pharmacy, and a Master's degree in Business Administration. He has been working for the Company since 1997 and has a multitude of experience in the sale and marketing of pharmaceutical products. He was assigned to the position of CEO-designate for the Company for the period 15 December 2020 until 4 January 2021.

Mr. Waleed Abu Eleiz	Group Chief Strategy and Transformation Officer	Head of Finance and Operations for Qassim Medical Company	<p>He holds a Bachelor's degree in Commerce and Accounting from Macquarie University–Sydney. He has obtained several certificates in accounting, KPI measurement, and strategy innovation. He held many positions in his professional career including Chief Financial Officer-Acting GM at Retail Group Gulf (Fawaz Al Hokair Group) in 2009, General Manager-Finance at Abdul Mohsen Al Hokair Company in 2010, and Business Analyst at AMP Company Ltd-Sydney in 2012. He held the position of Regional Chief Financial Officer - North Africa at International Retail Morocco (Fawaz Al Hokair Group) - Casablanca in 2013. He served as Group Chief Financial and Operating Officer at Alfa International Company - Riyadh in 2014, and Strategy and Business Development Advisor at Alfa International Company, Saudi Rakeen Group, and Hawiyat Al Tamayoz Company in 2018. Moreover, he served as Chief Strategy Officer and Executive Board Member of the Arab Fashion Council, and as Chief Financial and Operating Officer for Al-Qassim Medical Services Co. in 2019. He worked at SPIMACO in February 2020 as an Advisor to the Group CEO. In April 2020, he assumed the position of Group Chief Strategy and Transformation Officer.</p>
Dr. Sakher Abdel Wahab	Chief Commercial Officer	CEO of Sebaste Marketing Solutions	<p>He holds a Bachelor's degree in Pharmacy and a Master's degree in Management from Britain.</p> <p>He worked for nearly 22 years in several positions at Al-Hikma Pharmaceutical Company, and in 2014 he held the position of General Manager of Sales and Marketing at Philadelphia Pharmaceuticals. In 2015 he worked as CEO for Sebaste Marketing Solutions.</p>
Mr. Amjad Ali	Chief Internal Auditor	Vice President and Head of Internal Auditing in Vision Invest (ACWA) Holding	<p>He holds a Bachelor's degree in Commerce from the University of Karachi, Pakistan. He is also a Certified Professional Accounting Affiliate from the Institute of Chartered Accountants in Pakistan. He holds the following Certificates from the Institute of Internal Auditors (IIA) in the United States of America.</p> <ul style="list-style-type: none"> <li>- Certified Internal Auditor (CIA)</li> <li>- Certified in Risk Management Assurance (CRMA)</li> </ul> <p>He also holds a Certified Fraud Examiner (CFE) Certificate from the Association of Certified Fraud Examiners in the United States of America, and is a Certified Lead Auditor - (ISO 9001:2015 &amp; 45000:2018). Moreover, he holds the following certificates from the Information Systems Audit and Control Association (ISACA) from the United States of America.</p>

			<ul style="list-style-type: none"> <li>- Certified Information System Auditor (CISA)</li> <li>- Certified in Governance of Enterprise IT (CGEIT)</li> <li>- Certified in Risk &amp; Information Systems Controls (CRISC)</li> </ul> <p>He is also a Certified Board Director (Cert. Dir.) from GCC BDI Institute. He has been an Audit and Risk Committee Member of various organizations in the KSA. It should be noted that he has more than 22 years of practical experience in the field of internal auditing and risk management with many companies, including Ernst &amp; Young and ACWA Holding.</p>
Ms. Ana Rubel	Chief Risk Officer	Business Unit Manager at AstraZeneca	She holds a Bachelor's degree in Business Administration and Economics from Belgrano University in Argentina, a Financial Excellence Program from Harvard University in the United States, and a Master's degree in Business Administration from INSEAD. She has held several positions including CEO of the Audit and Risk Management Development Program at Novartis in Singapore, Vice President and Director of Strategy and Innovation at Spanrose in the United States, and Director of the Business Unit at AstraZeneca.
Mr. Mohammed Alassmari	Chief Human Resources Officer	<p>Chief Human Resources Operations Officer, ACWA Power</p> <p>Head of Human Resources Operations at National Industrialization Company (for the Kingdom of Saudi Arabia and the GCC countries)</p> <p>General Manager of Human Resources and Shared Services at Hana Water Company</p> <p>Head of Human Resources Services and Administrative</p>	He holds a Master degree in Law from York University, and a Master's degree in International Law from Oxford University. He worked as a Legal Advisor for Labor Law at the Ministry of Labor. He held several positions in his career in human resources management, as he worked as Head of Human Resources Services and Administration - Shared Services at Almarai Company, General Manager of Human Resources and Shared Services at Hana Water Company, and Head of Human Resources Operations (Kingdom of Saudi Arabia and the GCC Countries) at Tasnee Company.

		Affairs at Almarai Company Legal advisor at the Ministry of Labor	
Dr. Bernd Sundermann*	Chief Scientific Officer	Senior Business Unit Manager at Fresenius	He holds a PhD in Synthetic Organic Chemistry from the Rhine Technical University in 1997, and a Masterdegree in Business Administration from Wales University - Britain in 2010. He has more than 20 years of practical experience in the field of pharmaceutical manufacturing and has been awarded more than 90 international patents, as a Head of Chemical Research and Development with expertise that has developed new chemical narcotic pain medications on their way to advanced clinical trials and to global markets. Before joining SPIMACO, Dr. Bernd held several positions, the last of which was Senior Director of the Business Unit at Fresenius.

\*Dr. Bernd Sundermann resigned from SPIMACO on 1 November 2021.

**A description of any interest, contractual securities and subscription rights belonging to senior executives and their relatives in the shares or debt instruments of the Company or any of its subsidiaries, and any change in that interest or those rights during the fiscal year 2021:**

Name	Total Number of Shares in 01/01/2021	Total Number of Shares in 31/12/2021	Net Change	Percentage Change
Mr. Khaled Saleh Al-Khattaf	19,000	19,000	-	-
Mr. Mahmoud Abdel Khaliq	-	-	-	-
Dr. Muhammad Abdulaziz Al-Fadhli	-	-	-	-
Mr. Waleed Abu Eleiz	-	-	-	-
Dr. Sakher Abdel Wahab	-	-	-	-
Mr. Amjad Ali	-	-	-	-
Ms. Ana Rubel	-	-	-	-
Mr. Mohammed Alassmari	-	-	-	-
Dr. Bernd Sundermann*	-	-	-	-

\* Dr. Bernd Sundermann resigned from SPIMACO on 1 November 2021.

It should be noted that there is no interest, contractual securities and subscription rights belonging to senior Executives and their relatives in the shares or debt instruments of the subsidiaries.

### **The results of the annual audit of the effectiveness of the Company's internal control procedures, in addition to the Audit Committee's opinion on the adequacy of the Company's internal control system**

During the fiscal year 2021, the Audit Committee monitored the Company's business and verified the integrity and reliability of the annual and interim financial reports and lists and ensured the application of internal control systems in them, and the adequacy of the Company's internal control system. This report deals with the work carried out by the Audit Committee during the year 2021 according to the tasks and responsibilities mentioned in the Audit Committee charter of SPIMACO, which was prepared in accordance with the requirements of the Companies Law and the Corporate Governance Regulations issued by the Board of the Capital Market Authority, as follows:

- Study the interim consolidated financial statements (first quarter, second quarter, and third quarter of 2021) and annual for the year 2020 to verify their fairness and transparency in light of the presentation and disclosure of the information contained in the financial statements in accordance with the generally accepted and approved international accounting standards in the Kingdom of Saudi Arabia before they are published on the Company's page at "Tadawul" on the date specified by the Capital Market Authority, in addition to submitting a recommendation to the Board of Directors for approval of the annual consolidated financial statements in preparation for submission to the General Assembly for approval.
- Study the reports and notes submitted by the external auditor and meet with him to consider the financial statements before approving them in order to verify his independence, objectivity and effectiveness of the audit work, as well as answer his inquiries and ensure that there are no obstacles that may affect the progress of his work.
- Study the reports and notes submitted by the internal auditor and meet with the Executive management to discuss the departments' work plans to address the risks resulting from these reports in order to reach a tight and effective control environment.

Accordingly, the committee considers that the audit work that was carried out by the internal audit and the external auditor during the year 2021 shows a weakness in the internal control system, and work is underway by the executive management to improve the existing internal control systems and procedures.

## General Assembly Meeting of Shareholders

The Chairman of the Board of Directors, through the meetings of the Board, informs all Board members of the Shareholders' proposals and their comments regarding the Company and its performance, which reach the Company through e-mail related to Shareholders' affairs or through the Shareholders' General Assembly's meeting, which is one of the Shareholders' means of communication with the Company. During the year 2021, the Company held one meeting of the Ordinary General Assembly of Shareholders on 30 May 2021, and the following is the record of the attendance of the members of the Board of Directors for the General Assembly Meeting.

No.	Name	Position	30/05/2021
1	His Excellency Mohammed Talal Al Nahas	Chairman	Present
2	Mr. Ammar Abdulwahed Al-Khudairy	Vice Chairman	Present
3	Mr. Faisal Mohammed Shaker	Member	Present
4	Dr. Mohamed Khalil Mohamed	Member	Present
5	Mr. Saleh Abdullah Al Hanaki	Member	Present
6	Mr. Khalid Abdulrahman Al-Gwaiz	Member	Present
7	Mr. Thamer Abdullah Al-Humud	Member	Present
8	Eng. Adel Kareem Kak Ahmed	Member	Present
9	Mr. Turki Abdullah Al Jawini	Member	Present

## Dividend Policy

Based on Article 42 of the Company's Articles of Association regarding the method of profit distribution, the annual net profits are distributed after deducting all general expenses and other costs, including the legally imposed Zakat, as follows:

- 10% of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue this deduction whenever the said reserve reaches 30% of the capital.
- 5% of the net profits shall be set aside to form a consensual reserve to be allocated for the purposes specified by the General Assembly. This deduction shall cease if the said reserve reaches 25% of the capital.
- The rest is then distributed as a down payment to Shareholders, equivalent to 5% of the paid-up capital.
- Preferred Shareholders shall be given the prescribed percentage of profits in accordance with the rules and regulations.
- In the event that it is decided that the remuneration of the members of the Board of Directors will be part of the profits, after the above, no more than 10% of the remainder shall be allocated to the remuneration of the Board of Directors, (what a member of the Board of Directors receives of remuneration and financial or in-kind benefits shall not exceed SAR



500,000 annually). The remainder is then distributed to the Shareholders as an additional share in the profits .

6. The Company may distribute interim dividends to its Shareholders on a semi-annual or quarterly basis under a mandate from the General Assembly of the Board to be renewed annually.

## **Remunerations of the Board of Directors, Committees, and the Executive Management**

### **Members of the Board of Directors and committees**

#### **Principles, Structure and Boundaries**

1. Board members and committees' members have the right to an annual remuneration in accordance with Article 42 of the Company's Articles of Association and in accordance with the relevant laws and regulations .
2. The structure of Remuneration and Compensation for members of the Board of Directors and its committees should be:
  - a. In line with the Company's strategy and objectives.
  - b. It aims to encourage Board members to achieve the Company's long-term success and development, for example by linking the variable portion of remuneration to long-term performance.
  - c. Fair and appropriate in view of the responsibilities of the members, and the actions of the members in other companies.
  - d. Based on tasks and responsibilities, educational qualifications, work experience, skills, and level of performance.
  - e. A motivating factor for existing members and attracting new members with the experience and qualifications required to enhance the Company's ability to achieve its goals.
  - f. It should be commensurate with the nature of the Company's business, activity, size and degree of risk.
  - g. Taking into account the practices of other companies in terms of determining remuneration, and avoiding the disadvantages arising from these comparisons that lead to an unjustified increase in remuneration and compensation.
3. The remuneration must be based on a recommendation from the Remuneration and Nomination Committee and submitted by the Board of Directors to the General Assembly. Members of the Board of Directors shall not vote on the agenda item related to the remuneration of members of the Board of Directors at the meeting of the General Assembly.
4. The remuneration structure and value limits for members of the Board of Directors and its committees must be reviewed annually, including all or some of the following:
  - a. Fixed bonus amount for membership
  - b. Rewards for attending sessions
  - c. Additional allowances (transportation expenses / daily allowance) for members of the Board of Directors who reside outside the meeting place.
  - d. Variable fees/allowances based on Company and board performance - applies only to Board members.
5. The members of the Board of Directors and its committees must be compensated for their actual expenses incurred in order to attend the meetings, including travel and accommodation

expenses, according to the travel policy of the concerned company and according to its highest Executive officer (CEO), and limited to economy class travel (preferably the national carrier), accommodation in a 5-star hotel in addition to premium transfer services, provided that the meeting is held in a city other than the member's current city of residence.

6. In the event that the variable remuneration or any part of it is a certain percentage of the profits of the Company, it shall be from the remaining amount:
  - a. After allocating 10% of the net profit as a statutory reserve. The Ordinary General Assembly may stop this allocation when the said reserve reaches 30% of the capital.
  - b. After allocating 5% of the net profits to form a consensual reserve to be allocated for the purposes determined by the Ordinary General Assembly. The Ordinary General Assembly may stop this allocation when the said reserve reaches 25% of the capital.
  - c. After distributing a dividend of no less than 5% of the Company's paid-up capital.
  - d. After the prescribed percentage of profits are distributed to preferred shareholders in accordance with the rules and regulations.  
Provided that this amount does not exceed 10% of the remaining net profit and is subject to a limit of SAR 500,000 (or equivalent) of the total remuneration (all components) paid to individual members for their role as members of the Board of Directors / Board Committees of SPIMACO.
7. The remuneration of independent board members must not be a percentage of the Company's profits or be based directly or indirectly on the Company's profitability.
8. Different amounts of fixed and variable remuneration may apply to members to reflect members' experience, skills, independence, and number of meetings attended, among other criteria.
9. Based on a proposal from the Remuneration and Nomination Committee, the Board of Directors must develop the necessary mechanisms for the annual evaluation of the performance of the Board of Directors, its members and its committees, using the main performance indicators related to the extent to which the Company's profits are achieved, the quality of risk management and the effectiveness of internal control systems and others, provided that weaknesses and strengths are identified and a solution is proposed for them in the interest of the Company.
10. Performance assessment procedures must be documented, disclosed and clearly mentioned to Board members and assessment stakeholders.

## Executive Management

1. Based on the recommendation of the Remuneration and Nomination Committee, the Board of Directors determines the remuneration of the Executive management, provided that they are in accordance with the following principles:
  - a. The rewards and compensation be compatible with the Company's strategic goals, and a factor to motivate the Executive management to achieve those goals, and to enhance the Company's ability to develop and sustain its business.
  - b. To be appropriate to the nature of the Company's business, its activity, its size, and the required skills and experience.
  - c. To enable the Company to attract executives with the capabilities, skills and qualifications necessary to enable the Company to achieve its goals.
  - d. Not to cause any conflict of interest that would negatively affect the interest of the Company and its ability to achieve its objectives.
2. The Remuneration and Nomination Committee annually recommends job grades, salary structure, annual remuneration package, and a plan to increase the bonus, and the Board approves it, including all or some of the following:
  - a. Basic salary.
  - b. Allowances such as housing allowance, transportation, children's education/tuition fees, telephone, etc.
  - c. Insurance benefits.
  - d. Reward linked to performance assessment.
  - e. Short-term/long-term incentive plans based on approved programs.
  - f. Other items that the Board of Directors may deem appropriate.
3. The Board of Directors sets standards for the performance of the Executive management in line with the Company's objectives and strategy, including reviewing and evaluating the performance of the Executive management using key performance indicators related to the extent to which the Company's strategic objectives have been achieved, the quality of risk management, the effectiveness of internal control systems, and others, provided that weaknesses and strengths are identified, and propose a solution to it in the interest of the Company. Performance appraisal procedures should be written and clearly stated.
4. The remuneration of each employee in the Executive management may vary depending on the results achieved during the year under review and their link to key performance indicators and performance evaluations.
5. The Company may take short-term incentive plans linked to exceptional performance, and long-term incentive plans such as stock option programs. The stock options for employees shall be in accordance with Article 9(b) of the Company's Articles of Association and Article 24 of the Listed Rules for Joint Stock Companies.
6. If the remuneration approved for any employee in the Executive management is based on inaccurate information or false results, the case will be submitted to the Board of Directors, and accordingly the remuneration will be suspended or refunded.
7. The Executive management must comply, at all times, with the Company's conflict of interest policies, code of conduct and disclosure.

**The relationship between the remuneration granted and the remuneration policy in force, and an indication of any material deviation from this policy:**

There is no material deviation in the remuneration granted from the remuneration policy.

## Board Member Remuneration

	Fixed Rewards						Variable Rewards					End of Service Rewards	Total	Expense Allowance		
	Specific Amount	Allowance for Attending Board Meetings	Total Allowance for Attending Committee Meetings	In-kind Benefits*	Remunerations for Technical, Managerial and	Remuneration of the Chairman, Managing Director, or Secretary, if he is a Member	Total	Percentage of the Profits	Periodic Remunerations	Short-Term Incentive Plans	Long-Term Incentive Plans				Granted Shares (Value is entered)	Total
<b>First: Independent Members</b>																
1- Mr. Saleh Abdullah Al Hanaki	200,000	12,000	27,000	-	-	-	239,000	-	-	-	-	-	-	-	239,000	-
2- Mr. Thamer Abdullah Al-Humud	200,000	15,000	33,000	-	-	-	248,000	-	-	-	-	-	-	-	248,000	-
3- Mr. Turki bin Abdullah Al Jawini	179,235	18,000	15,000	-	-	-	212,235	-	-	-	-	-	-	-	212,235	-
<b>Total</b>	<b>579,235</b>	<b>45,000</b>	<b>75,000</b>	-	-	-	<b>699,235</b>	-	-	-	-	-	-	-	<b>699,235</b>	-
<b>Second: Non-Executive Members</b>																
1-His Excellency Mohammed bin Talal Al Nahas	200,000	15,000	15,000	**	-	150,000	380,000	-	-	-	-	-	-	-	380,000	-
2- Mr. Ammar Abdulwahed Al-Khudairy	200,000	12,000	24,000	-	-	-	236,000	-	-	-	-	-	-	-	236,000	-
3- Eng. Adel Kareem Kak Ahmed	179,235	15,000	9,000	-	-	-	203,235	-	-	-	-	-	-	-	203,235	-
4- Dr. Mohamed Khalil Mohamed	200,000	15,000	33,000	-	-	-	248,000	-	-	-	-	-	-	-	248,000	-
5- Mr. Faisal Mohammed Shaker	200,000	15,000	33,000	-	-	-	248,000	-	-	-	-	-	-	-	248,000	-
6- Mr. Khalid Abdulrahman Al-Gwaiz	200,000	15,000	21,000	-	-	-	236,000	-	-	-	-	-	-	-	236,000	-
<b>Total</b>	<b>1,179,235</b>	<b>87,000</b>	<b>135,000</b>	-	-	<b>150,000</b>	<b>1,551,235</b>	-	-	-	-	-	-	-	<b>1,551,235</b>	-

No variable remuneration is paid to the chairman of the board of directors or members

\* Medical insurance is provided to members of the board of directors and their families

\*\* Car insurance is provided for three years

**In addition to above, rewards were paid to the following Board members resigned during the year 2020;**

Name	REWARDS COMMITTEE	BOD REWARDS 2020	Total
Fayadh Asaad Fayadh AlDandash	20,765.00	20,765.00	41,530.00
Mohammed Ahmed Turkey AlSudairy	20,765.00	20,765.00	41,530.00

## Senior Executive Remuneration

Details of bonuses and compensation for senior executives	Fixed rewards				Changing rewards							End-of-service bonus	Total executive bonus for the Board, if any.	Total
	Salaries	Allowances	Awards in kind	Awards in Advances	Total	Periodic rewards	Profits	Short-term	Long-term	Shares	Total			
Five senior executives who received the highest rewards from the company, including CEO and Chief Financial Officer	5,007,765	2,191,146	355,209	7,554,119	824,999	-	-	-	-	-	-	737,051		9,116,170

## Committees Members Remuneration

	Fixed Remuneration (except for the allowance for attending meetings)	Allowance for Attending Meetings	Total
<b>Audit Committee Members</b>			
-1Mr. Khalid Abdulrahman Al-Gwaiz	200,000	15,000	<b>215,000</b>
2- Mr. Saleh Abdullah Al Hanaki	200,000	18,000	<b>218,000</b>
3- Mrs. Kholoud Abdul Aziz Al-Dakhil	150,000	18,000	<b>168,000</b>
-4Dr. Khalid bin Daoud Al-Faddagh	150,000	18,000	<b>168,000</b>
<b>Total</b>	<b>700,000</b>	<b>69,000</b>	<b>769,000</b>
<b>Executive Committee Members</b>			
- 1His Excellency Mr. Muhammad Talal Al Nahas	200,000	15,000	<b>215,000</b>
-2Mr. Ammar Abdulwahed Al-Khudairy	200,000	15,000	<b>215,000</b>
3- Mr. Faisal Mohammed Shaker	200,000	15,000	<b>215,000</b>
4- Dr. Mohamed Khalil Mohamed	200,000	15,000	<b>215,000</b>
<b>Total</b>			
<b>Remuneration and Nomination Committee Members</b>			
-1Mr. Thamer Abdullah Al-Humud	200,000	15,000	<b>215,000</b>
-2Mr. Turki Abdullah Al-Jawini	123,497	15,000	<b>138,497</b>
3- Mr. Mohammed Nazzal Al-Khalidi	89,617	15,000	<b>104,617</b>
-4Mr. Ahmed Misfer Al-Ghamdi	89,617	15,000	<b>104,617</b>
5- Mrs. Munira Abdulaziz Al-Mohammed	100,000	15,000	<b>115,000</b>
<b>Total</b>	<b>602,731</b>	<b>75,000</b>	<b>677,731</b>
<b>Investment Committee Members</b>			
1- Mr. Ammar Abdulwahed Al-Khudairy	-	9,000	<b>9,000</b>
2- Mr. Saleh Abdullah Al Hanaki	-	9,000	<b>9,000</b>

-3Mr. Khalid Abdulrahman Al-Gwaiz	-	6,000	<b>6,000</b>
-4Eng. Adel Kareem Kak Ahmed	123,497	9,000	<b>132,497</b>
5- Mr. Abdul Latif Ali Al-Saif *	100,000	-	<b>100,000</b>
6- Mrs. Saba Al-Tuwaijri*	-	6,000	<b>6,000</b>
<b>Total</b>	<b>223,497</b>	<b>39,000</b>	<b>262,497</b>
<b>Governance and Risk Committee Members</b>			
1- Mr. Faisal Mohammed Shaker	-	18,000	<b>18,000</b>
2- Dr. Mohamed Khalil Mohamed	-	18,000	<b>18,000</b>
3- Mr. Thamer Abdullah Al-Humud	-	18,000	<b>18,000</b>
4- Mr. Khaldoun Abdullah Al-Fakhri	89,617	18,000	<b>107,617</b>
<b>Total</b>	<b>89,617</b>	<b>72,000</b>	<b>161,617</b>

\* Mr. Abdul Latif Ali Al-Saif resigned from the committee on 30 May 2021, and Ms. Saba Al-Tuwaijri was appointed by a decision of the Board of Directors on the same date.

## Loans

Company	Type of loan lender	Loan principal amount	Amounts paid in repayment of the loan during the year	Loan term	The remaining amount of the loan
SPIMACO ADDWAEIH	Islamic banking facilities Murabaha - Riyad Bank	400,000,000	-	2021-2022	400,000,000
SPIMACO ADDWAEIH	Islamic banking facilities Murabaha - Riyad Bank	330,000,000	-	2020-2024	330,000,000
SPIMACO ADDWAEIH	Financing loan - SIDF	287,100,000	42,024,421	2019-2024	219,824,537
SPIMACO ADDWAEIH	Export Financing - SIDF	150,000,000	150,000,000	2019-2021	-
SPIMACO ADDWAEIH	Export Financing – Saudi EXIM	150,000,000	-	2021-2022	150,000,000
Dammam Pharma	Islamic banking facilities Murabaha - Riyad Bank	90,000,000	481,036	2016-2023	45,411,740
Dammam Pharma	Islamic banking facilities Murabaha - Riyad Bank	20,000,000	-	2021-2022	20,152,418
Dammam Pharma	Saudi Industrial Development Fund (SIDF)	54,100,000	-	2016-2025	52,435,213
Qassim Medical	Ministry of Finance	36,540,000	2,281,000	15 Years	2,281,000
SPIMACO Misr for Pharmaceutical Industries	Banking facilities	11,088,033	-	2021-2022	10,467,861
SPIMACO Morocco	Financing loan – BMCE Bank	20,294,618	-	7 Years	24,598,995
SPIMACO Morocco	Financing loan – Attijari Wafa Bank	21,067,223	11,526,291	2021-2022	14,701,102
Total borrowings of the Company and its subsidiaries (in SAR)					1,269,872,866

## Regular payments made and payable for any Zakat, taxes, fees or other dues

The following table shows regular payments made and payable for any Zakat, taxes, fees or other dues, with a brief description and explanation of their causes:

Description	Paid amount	Due and unpaid amount until the end of the financial period	Description	Description of Reasons
Zakat	24,045,777	-	Zakat paid for 2020	-
Tax	8,631,784	-	Tax due for 2021	-
GOSI	17,253,282	1,794,224	Employee contributions for December 2021	Paid during January 2022
Labor and Passport Office	4,989,089	-	Work permit, residence, and visa fees for the Company's employees	-
SFDA fees	4,271,076	-	Medication registration and certification fees	-

## Accounting Policies Used by the Company

The consolidated financial statements of the Company were prepared during the fiscal year ended 31/12/2021 in accordance with the International Financial Reporting Standards adopted in Saudi Arabia, as well as other standards and issues adopted by the Saudi Organization for Certified Public Accountants (SOCPA).

## Treasury shares held by the Company and description of uses of these shares:

No treasury shares were held by the Company during 2020 G.

## Debt instruments, option rights, transfer rights

There are no transferable debt instruments and any contractual securities, subscription right notes, or similar rights issued or granted by the Company during the fiscal year. In addition, there are no transfer or subscription rights under convertible debt instruments, contractual securities,



subscription right notes, or similar rights issued or granted by the Company. Besides, there is no redemption, purchase or cancellation of any recoverable debt instruments by the Company during 2021.

## Contracts with Related Parties

- 1- Works and contracts that have been concluded between the Company and ACDIMA Center for Bioequivalence and Pharmaceutical Studies. They are annual agreements and contracts for biopharmaceutical studies. The Board Director of SPIMACO, Mr. Adel Karim Ahmed, who is the Chairman of ACDIMA and the Board Director of SPIMACO, Dr. Mohammad Khalil, who is the General Manager have an indirect interest. The volume of transactions during 2021 was SAR 3,168,933 without preferential terms.
- 2- Works and contracts that have been concluded with STC during 2021, namely contract agreements to provide fixed, mobile and internet services with STC during 2021, with different annual terms that are automatically renewed. The Chairman of SPIMACO, His Excellency Mr. Muhammad Talal Al-Nahhas, has an indirect interest, and he is a Director in STC Board. The volume of transactions was SAR 1,043,762 without preferential terms.
- 3- Works and contracts have been concluded between the Company and Al Rajhi Bank, namely an agreement to provide dividend distribution services to the Company's shareholders for 2020 with Al-Rajhi Bank during 2021 for SAR 103,190 without preferential terms. In addition, there were certain regular transactions through the current account. The Board Director of SPIMACO, Mr. Khalid Abdulrahman Al-Gwaiz has an indirect interest and he is a director in Al Rajhi Bank.

## Shareholders Register Requests

The record of Shareholders was requested from the Securities Depository Center Company 8 times during the year 2021, and the table below shows their dates and reasons.

Number of Requests	Date of Request	Purposes for the Request
1	21 February 2021	For internal company reporting purposes
3	4 March 2021	For internal company reporting purposes
1	30 May 2021	For the purposes of the General Assembly
1	2 June 2021	For earnings profile purposes
1	12 September 2021	For internal company reporting purposes
1	23 December 2021	For internal company reporting purposes

## External Auditor

The General Assembly of Shareholders, held on 14 May 2020, approved the recommendation of the Audit Committee to appoint the external auditor, Baker Tilly and Associates, Chartered Accountants, in order to examine, review and audit the financial statements (for 3 consecutive years), for the first, second, third quarters, and annually for the years 2020, 2021, 2022, and the first quarter of 2023, and determine its fees.

## Dividends distributed to shareholders of the Company during the fiscal year 2021

The General Assembly of the Company's shareholders on its meeting held on 30/05/2021 approved the recommendation of the Board of Directors to distribute cash dividends for 2020, as follows:

1. The total amount distributed was SAR 120,000,000.
2. The number of the shares receiving dividends is (120,000,000) shares.

3. Dividends per share was SAR (1).
4. The distribution ratio of the share nominal value was (10%).
5. The entitlement date for shareholders registered with the Securities Depository Center at the end of the second trading day after the date of the Ordinary General Assembly meeting.
6. Dividends started to be disbursed through Al-Rajhi Bank as of 16/06/2021.

## **Recommendation for 2021 Dividends**

The Board of Directors recommended that an amount of SAR (72,000,000) be distributed to shareholders for the year ended 12/31/2021, by SAR (0.60) per share, representing (6%) of the Company's par value, after the approval of the Next General Assembly. The entitlement date for shareholders owning shares shall be at the end of the day on which the Company's General Assembly meeting is convened, and the entitlement date for those registered with the Company's shareholders with the Securities Depository Center shall be at the end of the second trading day after the date of the Company's Ordinary General Assembly meeting. The meeting date will subsequently be determined after obtaining the approval from the official authorities.

## **Auditor's opinion on the annual financial statements**

An unmodified opinion.

## **The Audit Committee Recommendations that are in conflict with resolutions of the Board of Directors, or which the board refused to take into consideration with regard to the auditor**

There are no recommendations in this regard.

## Compliance with Corporate Governance

In general, SPIMACO applies all provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority, with the exception of the provisions listed below:

Number of Article/Item	Content of Article/Item	Reasons not to Apply
38	<p>Secretary's conditions: The Board of Directors shall determine the conditions that must be met by the Secretary of the Board of Directors, provided that they include any of the following:</p> <ol style="list-style-type: none"> <li>1) To have a university degree in law, finance, accounting, management or its equivalent, and to have relevant practical experience of no less than three years.</li> <li>2) He should have at least five years of relevant work experience.</li> </ol>	<p>This article is a Guiding Article.</p> <p>The Secretary of the Board of Directors holds a university degree in Accounting and has more than 10 years of experience in the field of governance.</p>
41	Assessment	<p>This article is a Guiding Article.</p> <p>The necessary evaluation of the Board of Directors was carried out by an external party.</p>
54/b	<p>Composition of the Audit Committee: b) The Chairman of the Audit Committee shall be an independent member.</p>	<p>This paragraph is a Guiding Article.</p> <p>The Audit Committee is chaired by a Non-Executive member.</p>
70	<p>Formation of the Risk Management Committee: By a decision of the company's board of directors, a committee called (Risk Management Committee) is formed, whose chairman and the majority of its members are non-executive board members. Its members are required to have an adequate level of knowledge of risk management and financial affairs.</p>	<p>This article is a Guiding Article.</p> <p>A Governance and Risk Committee was formed by a decision of the Company's Board of Directors.</p>
78/a	<p>Internal Audit Report: The internal audit unit or department prepares a written report on its work and submits it to the Board of Directors and the Audit Committee on a quarterly basis at least. This report must include an assessment of the company's internal control system, the results and recommendations of the unit or</p>	<p>This paragraph is Instructive.</p> <p>The internal audit report is prepared and submitted semiannually during the year, and it will be prepared and submitted quarterly during the year 2022.</p>

	department, and a statement of the actions taken by each department regarding the treatment of the results and recommendations of the previous audit, and any observations thereon, especially in the event of not being treated in a timely manner and the reasons for that.	
85/(3-2)	<p>Motivating employees: The company sets programs to develop and motivate the participation and performance of employees in the company, provided that they include - in particular - the following:</p> <ol style="list-style-type: none"> <li>1. Programs for granting employees shares in the company or a share of the profits achieved and retirement programs, and establishing an independent fund to spend on those programs.</li> <li>2. Establishing social institutions for the company's employees.</li> </ol>	This article is a Guiding Article.
87	<p>Social Responsibility: The Ordinary General Assembly sets - based on a proposal from the Board of Directors - a policy that ensures a balance between its goals and the goals that society aspires to achieve. For the purpose of developing the social and economic conditions of society.</p>	<p>This article is a Guiding Article.</p> <p>The Company works continuously to participate in various social activities with the aim of sustainability and achieving the desired goals, which also aims to develop the social and economic conditions of the community.</p>
88	<p>Social Work Initiatives: The Board of Directors sets the programs and determines the necessary means to present the company's initiatives in the field of social work, including the following:</p> <ol style="list-style-type: none"> <li>1. Setting measurement indicators that link the company's performance with the initiatives it offers in social work, and compare that with other companies of similar activity.</li> </ol>	<p>This paragraph is a Guiding Article.</p> <p>A similar policy is being prepared.</p>
8/90	<p>Disclosure in the Board of Directors' report of the remuneration of five senior executives in detail according to the</p>	<p>The Company has committed to disclose the elements of remuneration for senior Executives in total accordance with the</p>

93/b	attached table in the Corporate Governance Regulations .	statutory requirements contained in subparagraph (4/b) of paragraph (a) of Article (93) of the Corporate Governance Regulations, but to protect the interests of the Company, its Shareholders and its employees and to avoid causing any harm that may result from the disclosure in detail according to the titles and to the position, the details were not presented as provided in Appendix (1) regarding the remuneration of senior Executives from the Corporate Governance Regulations.
95	In the event that the Board of Directors forms a committee specialized in corporate governance, it must delegate to it the competencies stipulated in Article Ninety-four of these Regulations. This committee shall follow up on any issues related to governance applications, and provide the Board of Directors, at least annually, with the reports and recommendations it reaches.	This article is a Guiding Article.  A Governance and Risk Committee was formed by a decision of the Company's Board of Directors.

It is also worth noting the following:

- There was no arrangement or agreement under which a member of the Board of Directors waived any remuneration.
- There was no arrangement or agreement under which a Senior Executive has waived any remuneration.
- There was no arrangement or agreement under which a Shareholder of the Company waived any rights to profits.
- The Board of Directors did not recommend changing the Auditor before the end of the period for which he was appointed.
- There is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors regarding the appointment and dismissal of the Company's auditor, determining his fees, evaluating his performance, or appointing the internal auditor.

## Board Declarations

The Board of Directors acknowledges the following:

- a. Proper books of account have been maintained.
- b. The system of internal control is sound in design and has been effectively implemented.
- c. There are no significant doubts concerning the Company's ability to continue its activity.

## The Most Significant Events and Important Company Decisions during the year 2021

During the year 2021, the members of the Board of Directors took many decisions that positively affected the Company's business and activities, which in turn enhanced the rights and interests of Shareholders. The Company also witnessed during the year 2021 several achievements through the application of the best standards of governance and transparency, to ensure the achievement of the Company's goals and business continuity in it.

### **Among the most important decisions and achievements made by the Company during the year 2021:**

- On 28 April 2021, the final agreement was signed with Hoffmann-La Roche Switzerland for the localization and manufacturing technology transfer of its immunosuppressive drug used to prevent the body from rejecting new organs after organ transplantation, especially after kidney, heart and liver transplantation. This final agreement is considered the result of the previous memorandum of understanding between the 2 companies, which was announced on 12 April 2018.
- On 5 October 2021, a contract was signed with Ibrahim Alhodaithy International Company for selling, marketing and distributing medical products, that is the Fevadol range, an allergy product and 3 types of mouthwash.
- Organizing an earnings conference call meeting through modern technology means to discuss the Company's interim financial results for the period ending on 30 September 2021 (9 months) with representatives of investment companies and financial analysts.
- The liquidation of ANORA Trading Company by virtue of a Shareholders Resolution dated 17 November 2021, and the appointment of a liquidator for the Company, due to the Shareholders decision to liquidate. ANORA Trading Company is a limited liability company, with a paid-up capital of SAR 300,000, and it is 99% owned by Arac Healthcare Company. Arac Healthcare Company is fully owned by SPIMACO ADDWAIEH.

### **The most important structural and organizational changes in the Company:**

In pursuit of the Company to develop business and complete the transformation project and to increase opportunities for operational improvement, the Executive management took into account the work to develop and form the organizational structure to be in line with the Company's plan, objectives and strategy through the use of highly qualified functional cadres, which in turn was reflected in the Company's performance to achieve sustainable growth, and to start creating a healthy work environment that positively affects employee productivity.

## Future Expectations

It is expected that the pharmaceutical sector will witness an improvement in the coming years in terms of manufacturing medicines and increasing their production locally, in order to achieve one of the objectives of the vision of the Kingdom of Saudi Arabia 2030, which is to increase the local production rate of pharmaceutical preparations by 40%. This will positively reflect on the Company's financial results and business growth, in addition to increasing the rate of exporting medicines outside the Kingdom instead of importing them.

Accordingly, the Board of Directors of the Saudi Pharmaceutical Industries and Medical Appliances Company (SPIMACO) is pleased to extend its thanks and gratitude to all the Shareholders of the Company, and thanks are also extended to all the regulatory authorities for their support and the strengthening of control and governance in companies in the Kingdom and the application of the state's laws and regulations. The Board of Directors also thanks and praises the Executive management for their efforts during the year 2021.

## **Conclusion**

The Board of Directors of the Saudi Pharmaceutical Industries and Medical Appliances Company (SPIMACO) is pleased to extend its thanks and gratitude to all the Company's Shareholders for their contribution to the continuation of its work. The Board of Directors would like to thank all the Company's clients for giving them confidence, and to reaffirm the Company's commitment to developing the relationships and to continue to provide the best services, standards, and performance to its customers. The members of the Board of Directors acknowledge that the achievements of the year 2021 are only the beginning of a series of achievements in the year 2022.