

Risk Management

Risk Management Framework

- The Company's Risk Management Framework is aligned with leading global standards and industry best practices.

Risk Management Governance

- The Company manages risks under the supervision of the Board of Directors, with follow-up from the CEO and a specialized team from various levels.
- Operations are based on supply, wholesale, and retail, focusing on achieving profits through economies of scale and value chain integration, and applying strict policies to mitigate risks.
- The Executive Management conducts periodic assessments of the Company's risk profile by establishing appropriate policies to effectively manage key risks and maintain them at acceptable parameters.
- In instances where risks exceed acceptable levels, the Executive Management develops a clear action plan that includes defined responsibilities and timelines to mitigate the severity of these risks.

Risk Identification

- The risk management process commences with the identification of potential risks, through analyzing the Company's operations, business activities, external environment, and regulatory landscape. These risks encompass all factors that may impact the Company's strategy, objectives, and key operations.

Risk Response

- The Company takes necessary measures to respond to risks and closely monitors them to avoid exposure or minimize their impact, aiming to prevent any potential damages that may arise.

Risk Prioritization

- Potential risks are prioritized based on impact to optimize resource allocation and facilitate informed decision-making, with a focus on reducing the likelihood of occurrence and mitigating the potential impact on the Company.
- Strategic Management collaborates closely with the Company's Risk Team to ensure the alignment of risk assessments and plans with the overall operational framework, alongside continuous assessment of all risks.
- Risks are regularly reviewed via weekly, monthly, and quarterly meetings, with periodic reports presented to Executive Management and the Board of Directors to ensure transparency.



Key Risks

In First Milling Company, we are keen on increasing the awareness of current and potential investors of all elements of risks which the Company might be subject to within the course of its business, to allow them to carefully consider and review them before taking any investment decisions since the occurrence of any of such risks might negatively or substantially affect the Company's business, financial status, business results, and future outlook.

Like all companies operating in the local market,

First Milling Company might be subject to a number of risks that may directly and/or indirectly affect its activities, business continuity of its works, profitability, and financial position. First Milling Company monitors market changes to improve its readiness for future challenges and opportunities. Additionally, it should be noted that the risks mentioned in this report may not materialize at all, neither by the Company nor its Board, or may not occur at all. In the following section, we shall be tackling the potential effect of such risks:

Operational Risks

Mitigation Measures	
Increased Costs and Operating Expenses	<ul style="list-style-type: none">Periodically reviewing costs and ensuring they are appropriately controlled to achieve optimal results.
Occupational Safety Incidents	<ul style="list-style-type: none">Committing to local and international safety and health laws, employing highly competent employees, and providing continuous training.
Technical and Technological Failures	<ul style="list-style-type: none">Relying on advanced systems and developing contingency plans for addressing any potential failures.
Poor Storage and Inventory Mismanagement	<ul style="list-style-type: none">Managing inventory based on experience and demand forecasts.
Production Defects	<ul style="list-style-type: none">Utilization of best-in-class machinery and equipment and conducting all necessary tests to minimize production defects.
Supply Chain Disruptions and Raw Material Price Volatility	<ul style="list-style-type: none">Hedging against price fluctuations, maintaining strategic relationships with suppliers, and monitoring inventory levels to avoid being affected by any disruptions.




Economic and Financial Risks

Mitigation Measures	
Interest Rates	<ul style="list-style-type: none">Interest rate risk is periodically assessed by a specialized team that analyzes the local and international economy, raw material markets for products, and their correlation with interest rates, and subsequently takes necessary actions to address any potential risks.
Currency Exchange Rate Volatility	<ul style="list-style-type: none">Currency exchange rate volatility may affect the Company's obligations due to conducting some transactions in currencies other than the Saudi Riyal. However, First Milling Company continuously studies the global exchange rate market and understands the fluctuations in the currencies it deals with, in order to mitigate these risks to their lowest levels.
Credit Risks	<ul style="list-style-type: none">The Customer Credit Risk Management Department establishes credit limits for each customer and monitors outstanding accounts receivable.The Company's Management considers factors that may affect credit risk related to its customer base, including default risks associated with the business activities of its customers.Given the nature of First Milling Company's business, a significant portion of its revenue is collected in cash; therefore, the Company is not materially exposed to credit risks.
Liquidity Deficit and Expansion of Borrowing	<ul style="list-style-type: none">The Company has strong cash liquidity, which helps it face future challenges should it need to inject liquidity. It also benefits from a robust financial position that can mitigate liquidity deficit risks.



Regulatory Risks

Mitigation Measures	
	Government Subsidies <ul style="list-style-type: none">● Purchasing wheat from GFSA, at subsidized prices and under more favorable terms.● The Company seeks to expand its portfolio of unsubsidized products to reduce future changes that may impact subsidies.
	Regulatory Compliance <ul style="list-style-type: none">● The Company adheres to numerous regulatory requirements, including those specific to GFSA and the Ministry of Commerce (MC), among other regulatory authorities.
	License Scope <ul style="list-style-type: none">● Renewal of permits and licenses through specialized teams to reduce the risk of license suspension.
	Taxes and Fees <ul style="list-style-type: none">● The Company is subject to Zakat and value-added tax (VAT), while considering any government decisions related to taxes and fees preemptively.
	Laws and Regulations <ul style="list-style-type: none">● Compliance with all applicable laws and regulations in Saudi Arabia, with a specialized team in place to monitor new legislation.
	Saudization and Foreign Labor Requirements <ul style="list-style-type: none">● Commitment to Saudization employment ratios and enhancing training for young Saudi nationals to mitigate risks associated with workforce Saudization.



Market Risks

Mitigation Measures	
	Competitive Environment <ul style="list-style-type: none">● First Milling Company may face increased competition in the local market from domestic and international food and feed companies. However, the Company regularly monitors the market, prices, and promotions to enhance its competitive edge, understand challenges and opportunities, and adopt strategies to strengthen its brand and continuously improve product quality.
	Concentration of Company's Revenues in Specific Geographic Regions <ul style="list-style-type: none">● The Company studies expansion opportunities and increases local penetration in accordance with regulations, through product development and enhances market share, to reduce geographical revenue concentration.
	Changing Consumption Patterns <ul style="list-style-type: none">● First Milling Company updates production and marketing strategies in line with developments in the food and feed sector to meet consumer expectations to deliver the best quality.
	Uncontrollable Market Conditions <ul style="list-style-type: none">● The Company may be affected by prevailing global political and economic conditions, which may lead to increased inflation rates and rising costs. In this respect, First Milling Company continuously monitors market variables and assesses their impact on customers and suppliers.● To address these risks, First Milling Company employs effective strategies that include improving production, developing storage technologies, and flexibly adapting to raw material market fluctuations.
	Natural Disasters and Climate Change <ul style="list-style-type: none">● The Company continuously develops contingency plans to address natural disasters and climate change, including rainy seasons that may affect the feed product, with the aim of mitigating potential damages.
	Eruption of Viruses and Infectious Diseases <ul style="list-style-type: none">● First Milling Company is committed to developing pandemic preparedness plans, drawing upon the effective procedures implemented by the Kingdom to control viral outbreaks, as was the case in the COVID-19 pandemic.
	Cybersecurity <ul style="list-style-type: none">● A cybersecurity incident may lead to confidential and sensitive data leaks or disruption of business continuity and operations, which may eventually result in harming the Company's reputation.● First Milling Company addresses these risks through the following:<ul style="list-style-type: none">- The Executive Management closely monitors the effectiveness of cybersecurity programs.- The Company continuously relies on advanced technologies to identify and mitigate all security threats.- First Milling Company continues to enhance the technical infrastructure to ensure resilience and readiness.- The Company adopts effective business continuity plans to reduce disruptions in the event of a technical failure.