

Saudi Paper Manufacturing Co.

Board of Directors Report

2022



الشركة الرائدة في مجال
تصنيع الورق على مستوى الخليج



Abdullah Abdul Rahman Al-Kharashi
Chairman of the Board of Directors, member of the Nomination and Remuneration Committee, and member of the Executive Committee



Dr. Hani Mohammed Al-Zaid
Board Member



Bashar bin Abdul Aziz Aba Al-Khail
Member of the Board of Directors and Chairman of the Audit Committee



Wael Abdul Rahman Al-Bassam
Member of the Board of Directors and Chairman of the Nomination and Remuneration Committee



Abdulaziz Raed Al-Meshaal
Member of the Board of Directors, member of the Executive Committee and Assistant CEO



Abdul Rahman Raed Al-Meshaal
Member of the Board of Directors and Chairman of the Executive Committee



Abdul Majid Abdul Aziz Al-Abd Al-Wahhab
Member of the Board of Directors and Chairman of the Nomination and Remuneration Committee

M/s. Shareholders of the Saudi Paper Manufacturing Co.

Respected

Greetings

On behalf of myself and my respected colleagues, members of the Board of Directors of the Saudi Paper Manufacturing Company, I am pleased to put in your hands the annual report of the BOD for the year 2022 AD, including information on activities and works related to the performance of the financial year 2022 AD, as it contains financial statements and the most significant strategic achievements, and the BOD The administration and its various committees, and other complementary information designed to fulfil the needs of this report's user..

Also, this report met the regulatory requirements in line with the disclosure requirements in the Companies Law, the Capital Market Law, the Corporate Governance Regulations, and the instructions issued by the BOD of the Capital Market Authority.

During the fiscal year 2022 AD, the company was able to significantly improve its performance compared to last year, due to several factors, including:

The support granted by the industrial sector in the KSA through decisions issued based on the directives of the **Custodian of the Two Holy Mosques King Salman Abdulaziz Al Saud and the Crown Prince, His Royal Highness Prince / Muhammad bin Salman Abdulaziz Al Saud**, who contributed to supporting the local product and protecting investment for national products.

Increasing the capital by SAR 145 million, rehabilitating the company's infrastructure and subsidiaries, developing the company's products, increasing its market share, and starting to automate the company by starting to implement digital transformation to connect machines with technical systems according to the best international programs and work to link all companies and departments with all their operations through a unified technology platform.

Chairman of BOD Eng. Abdullah Abdul Rahman Al-Kharashi

Company Overview:

Saudi Paper Manufacturing Company is a Saudi joint stock company listed on the Saudi Stock Exchange since 14/6/2006 under the code 2300 within the Basic Materials Sector.

The company was established in 1989, and was listed on the Saudi Stock Exchange on 14/6/2006 and its headquarters is located in the city of Dammam - the second industrial area, and the company has passed through various stages of development expanded its business during the years since its establishment and developed its industrial capabilities by adding activities complementary to its main activity through the establishment of subsidiaries, and the Saudi Paper Manufacturing Company is one of the companies specialized in the manufacture of toilet paper, and its activity is focused on the production of high-quality toilet paper to fulfill the needs of the markets. The company's capital is SAR 337,000,000 and the number of its issued shares reached 33,700,000 shares with a nominal value of 10 riyals per share, fully paid-up, as at the end of the fiscal year 2022.

The Company's Vision, Mission, Objectives and Values:

Vision

To be among the largest companies with the fastest rate of growth, and to constantly work along two parallel axes—increasing shareholder profits and increasing the company's market value, on the one hand, and creating technological solutions that adhere to our strict environmental standards, on the other.

Mission

Enhancing production efficiency and sales growth to increase the company's revenue in a way that benefits its shareholders.

Our Objectives

The main objectives of the company are to obtain a market share in the paper industry sector as much as possible, to maintain its leadership and progress as an integrated company, and to enter the promising markets for the paper sector.

Company Value

Responsibility to shareholders:

The company continues to create better value for shareholders by achieving strong returns in the long term to ensure dividends.

Responsibility to Customers:

Gaining customers' trust, following up on their needs, and upgrading our product to reach the required standards globally.

Responsibility to Suppliers:

Maintaining a sustainable relationship with suppliers who provide the best services and prices.

Responsibility to The Environment:

Respecting environmental standards surround us and applying technical and industrial solutions that do not harm the environment, which is the most important source of our resources and our continuity.

Principles and Ethics of the Company:

The company's ethical standards focus on protecting the rights of shareholders, providing an appropriate work environment for employees, customer service, taking into account the interests of stakeholders, and working with official authorities and society.

The ethical standards of the company are based on the following:

- Respect for rules, regulations, laws, and legislation.
- Respect the rights of employees and stakeholders.
- Managing the company honestly, fairly and professionally, and following the best professional and ethical standards.
- Considering and serving mutual interests in all company relationships.
- Maintaining trust between the company on the one hand and shareholders, customers, employees, official authorities and society on the other hand.

Composition of BOD and Membership Classification:

The company's board of directors consists of seven members according to the company's articles of association. The members of the board of directors were elected for the current session, which starts on 27/04/2021 AD, to be a board of directors consisting of seven members (as shown in the table below) and there has been no change in the classification of membership Members during the year 2022. The table below shows the composition of BOD and membership classification for the year 2022:

Members of BOD		Title in BOD	Membership classification
1	Abdullah Abdul Rahman Al-Kharashi	Chairman of BOD	Independent
2	Bashar Abdul Aziz Aba Al-Khail	Vice Chairman	Independent
3	Abdul Majid Abdul Aziz Al-Abd Al-Wahhab	Board Member	Independent
4	Dr. Hani Mohammed Al-Zaid	Board Member	Independent
5	Abdul Rahman Raed Al-Mishaal	Board Member	Non-Executive
6	Abdul Aziz Raed Al-Mishaal	Board Member and Assistant to the Chairman	Executive
7	Wael Abdul Rahman Al-Bassam	Board Member	Independent

Board Meetings, Dates and Attendance Record of Members:

During the fiscal year 2022, BOD of the Company held six meetings, and the Board issued a number of passing decisions in the periods between the dates of its meetings during the year, according to the needs and requirements of the Company, especially the decisions to approve the interim financial statements for the quarterly and annual periods, after the Audit Committee studied them and submitted its recommendations to the Board. The table below shows the record of the meetings of the Board and the attendance of its members during the fiscal year 2022:

#	Name	First 11/02/2022	Second 01/04/2022	Third 08/ 08/2022	Fourth 17/09/2022	Fifth 14/10/2022	Sixth 03/12/2022
1	Abdullah Al-Kharashi	✓	✓	✓	✓	✓	✓
2	Bashar Aba Al-Khail	✗	✓	✓	✓	✓	✓
3	Dr. Hani Al-Zaid	✓	✓	✓	✓	✓	✓
4	Wael Al-Bassam	✓	✓	✓	✓	✓	✓
5	Abdul Majid Abdul Al-Wahhab	✓	✓	✓	✓	✓	✓
6	Abdul Rahman Al-Mishaal	✓	✓	✓	✓	✓	✓
7	Abdul Aziz Al-Mishaal	✓	✓	✓	✓	✓	✓

Information of Board Members, Committee Members and Executive Management:

Members of the Board of Directors:

	Name	Current Positions	Previous Jobs	Qualifications	Experiences
1	Abdullah Abdul Rahman Al-Kharashi (Independent)	Chairman of BOD of the Saudi Paper Manufacturing Co. He is currently the General Manager of the Riyadh Velvet Factory and a member of BOD	-	He holds a Bachelor's degree in Industrial Engineering from King Saud University And a master's degree in engineering management from the University of Los Angeles, USA.	14 years of experience in the administrative, industrial and investment fields.
2	Bashar Abdul Aziz Aba Al-Khail (Independent)	Founder and Chairman of Yasmina Company Member of BOD and Chairman of the Nominations Committee of the National Medical Care Company Member of the Board of Directors and Chairman of the Audit Committee of the Saudi Paper Manufacturing Co Member of the Food Development Board	Head of Strategy and Acting CEO of Al-Saqr Cooperative Insurance Company Insurance supervisor and director of inspection for the insurance sector in the Central Bank Bank supervisor	MBA from Cass Business School Bachelor's degree in Financial Management, King Saud University	Experience in the field of strategy, finance, governance and compliance, as well as oversight of financial institutions and international relations
3	Dr. Hani Mohammed Al-Zaid (Independent)	Transformation Consultant Vice Chairman of the Board of Directors of the Scientific Society for Cybersecurity	Consultant at the Ministry of Environment, Water and Agriculture Consultant at the Ministry of Finance Advisor to the Shura Council (May 2014 - May 2016) Deputy Director of the National Center for Information Security Technologies (2011 - May 2014). Researcher at King Abdulaziz City for Science and Technology (2000 - April 2014). Member of the Board of Directors of the Saudi Computer Society and Chairman of the Consulting Committee.	PhD in Wireless Sensor Network Security from the Institute of Information Security, University of Technology Queensland Master's degree in Computer Science and Engineering from the University of New South Wales Bachelor's degree in Computer Engineering from King Saud University	Council Governance Team Building Developing performance indicators Assess the status quo and re-engineer the procedures Business Automation Strategies development

			Member of the Communications and Information Technology Committee at the Riyadh Chamber of Commerce and Industry.		
4	Wael Abdul Rahman Al-Bassam (Independent)	He currently holds the position of Vice President in the Human Resources Group at Bank Aljazira	HR consultant in several companies	MBA from the University College of Bahrain	More than 25 years of experience in HR
5	Abdul Majid Abdul Al-Wahhab (Independent)	General Manager of Corporate Systems and Policy at Ahd Business Service Company	Legal advisor at Clyde & Co Advocates and Legal Consultants. Legal advisor to Omar Al-Rasheed and Partners Advocates and Legal Consultants	He holds a Bachelor's degree in Law from King Saud University. and an LLM in Corporate Law from Nottingham Trent University, UK.	He has more than fifteen years of experience in the legal field and corporate policies.
6	Abdul Rahman Al-Mishaal (Non-Executive)	Alinma Investment (financial analyst)	Aljazira Capital (financial analyst)	He holds a Bachelor's degree in Business Administration from Chapman University, USA.	He has 3 years of experience in financial analysis.
7	Abdul Aziz Al-Mishaal (Executive)	Assistant CEO	Planning & Development Specialist	Alfaisal University Bachelor's degree in Finance	Variety of experience in planning and development

Audit Committee Members:

	Name	Current Positions	Previous Posts	Qualifications	Experiences
1	Bashar Abdulaziz Aba Al-Khail (Independent - Chairman of the Committee)	It was mentioned above	It was mentioned above	It was mentioned above	It was mentioned above
2	Dr. Saleh Hamad Al-Shunaifi (from outside Board)	Member of the Advisory Committee of the Capital Market Authority Member of the Board of Directors and Chairman of the Audit Committee of the International Insurance Company Member of the Audit Committee of Seera Group Company Member of the Audit Committee of the Royal Commission for Al-Ula Governorate	Associate Professor of Accounting, King Saud University Consultant in charge of the internal audit of the Diwan of His Highness the Crown Prince Founding member of the Board of Directors of the Saudi Association of Internal Auditors Chairman of the Board of Directors of the Saudi Accounting Association and a member of the Board of Directors of the Saudi Organization for Certified Public Accountants	Doctorate in Business Administration Masters in Accounting Bachelor's degree in Accounting.	30 years of experience in finance and accounting
3	Khalid Abdulaziz Al-Hoshan (from outside the Board)	Director of Internal Audit in the Health Laboratory Member of the Audit Committee of the Gulf General Company Member of the Auditing Standards Committee of the Saudi Organization for Certified Public Accountants Member of the Audit Committee of the Arab Sea Company Member of the Audit Committee at Naseej International Company Member of the Audit Committee of the Arab Refineries Company Member of the Audit Committee of the Saudi Export Development Authority Member of the Board of Directors of the Gypsum Company Member of the Nominations Committee of the Gypsum Company	Director of Internal Audit at Safari Company Director of Internal Audit at Al Ahlia Insurance Company Legal advisor at the General Organization for Social Security Member of the Audit Committee of the Eastern Development Company	MBA from Newcastle University MSc Applied Finance from Newcastle University Bachelor's degree in Law from King Saud University	Nearly 20 years of experience in internal auditing

Members of the Remuneration and Nomination Committee:

	Name	Current Positions	Previous Jobs	Qualifications	Experiences
1	Wael Abdul Rahman Al-Bassam (Independent - Chairman of the Committee)	It was mentioned above	It was mentioned above	It was mentioned above	It was mentioned above
2	Abdullah Abdul Rahman Al-Kharashi (Independent)	It was mentioned above	It was mentioned above	It was mentioned above	It was mentioned above
3	Abdul Majid Abdul Aziz Al-Abd Al-Wahhab (Independent)	It was mentioned above	It was mentioned above	It was mentioned above	It was mentioned above

Members of the Executive Committee:

	Name	Current Positions	Previous Posts	Qualifications	Experiences
1	Abdul Rahman N. bin Raed Al-Mishal (Non-Executive - Chairman of the Committee)	It was mentioned above	It was mentioned above	It was mentioned above	It was mentioned above
2	Abdullah bin Abdul Rahman Al-Kharashi (Independent)	It was mentioned above	It was mentioned above	It was mentioned above	It was mentioned above
3	Abdulaziz Raed Al-Mishal (Executive)	It was mentioned above	It was mentioned above	It was mentioned above	It was mentioned above

Means of Evaluating the Performance of BOD, its Committees and Members:

In terms of applying the best governance practices and based on the company's by-law for evaluating the members of BOD and the committees deriving from it, the members of BOD self-assessed the efficiency of the Board's performance through Form No. (2) of the by-law. The Nominations Committee also made an evaluation of all committees and their performance during the year 2022 AD and the strengths and the defects were found through Form No. (3), and it appeared in general that there are approved regulations for the committees, and the members have the necessary relevant skills and experience, and the members' awareness of the company's business and the surrounding risks, and full keenness to implement the mandatory regulations and work as much as possible to implement the guiding items.

Membership of Board Members in Companies Inside or Outside the Kingdom:

The table below lists the board members' affiliations with other businesses both inside and outside the Kingdom, as well as their legal entities, in addition to their membership on the company's board. None of the board members is a member of more than five additional joint stock corporations' boards of directors.

Member Name	The names of the companies in which the board member is a member of their current boards of directors or one of their managers	Legal entity (listed joint stock / unlisted joint stock / limited liability /)	Inside the Kingdom / Outside the Kingdom	Names of companies in which a member of BOD was a member of their previous BOD or one of their managers	Inside the Kingdom/ Outside the Kingdom	Legal entity (listed joint stock / unlisted joint stock / limited liability /)
Bashar Aba Al-Khail	National Medical Care Company nutritional development	Public Shareholding	Inside the Kingdom	-	-	-
Abd El , Aziz Al , Meshaal	Member of the East Gas Company Board	Closed Joint Stock	Inside the Kingdom	-	-	-

The Interest of the Members of BOD, Senior Executives and their Relatives in the Shares of the Company and its Subsidiaries:

The table below shows the interest of the members of BOD in the company's shares during the fiscal year 2022. There is no interest for their relatives in the company's shares, nor do they or their relatives have any interest in its subsidiaries. None of the senior executives and their relatives have an interest in the company's shares or its subsidiaries.

The Interest of the Directors in the Shares or Instruments of the Company's Debt							
Sr.	Members of BOD	Beginning of the year		End of the year		Net Change	Percentage change
		Number of shares	Debt instruments	Number of shares	Debt instruments		
1	Hani Mohammed Al-Zaid	27,789		48,775		20,986	75.5%
2	Wael Abdul Rahman Al-Bassam	40		40		0	0%
3	Abdul Aziz Raed Al-Mishaal	67,000		117,598		63,677	75.5%
4	Khaled Walid Abu Hana	150		263		113	75.3%
5	Muhammad Abdul Ghaffar Darwish	1,200		2,016		906	75.5%

Main Company Committees:

Within the framework of the rules of corporate governance, the company, in accordance with the corporate law and corporate governance regulations, approved the composition of the audit committee and its members, and the assembly approved all its members. The board also formed the nominations and rewards committee and the executive committee at its first meeting in the current session, and the board periodically studies the need to form other committees. The committees were formed with the aim of assisting the Board in performing its tasks and responsibilities, conducting its work efficiently and effectively, and raising the level of supervision, control, and decision-making controls in the company. The committees inform the Board of Directors of the results of their work, and the Board

follows up and supervises their work. The terms of reference of the committees, their tasks, and data on their members and meetings are summarized as follows:

First: Audit Committee:

The audit committee is responsible for monitoring the company’s business and verifying the soundness and integrity of reports, financial statements and internal control systems in it. The committee’s tasks include studying the preliminary and annual financial statements, reviewing important issues that may affect the preparation of financial reports, ensuring the application of approved accounting policies, studying those policies, and expressing opinion and recommendation. It also falls within its duties to study and implement internal control and risk management systems, supervise internal audit activities, study its reports, follow up on corrective actions for its notes, nominate auditors and verify their independence, review the auditor’s plan and work, the auditor’s report and his observations on the financial statements and the necessary procedures in their regard, and verify The company's commitment to the relevant laws and regulations and ensuring the importance of the existence of procedures for submitting complaints related to internal control procedures and preparing financial reports. The following is a table showing the chairman and members of the committee, the number and dates of its meetings, and the attendance of its members for each meeting during the year 2022:-

	Audit Committee Members	Nature of Membership	Number of Audit Committee Meetings (7) Meetings						
			First meeting 26/01/2022	Second meeting 24/03/2022	Third Meeting 24/04/2022	Fourth Meeting 24/07/2022	Fifth Meeting 12/10/2022	Sixth Meeting 07/11/2022	Seventh Meeting 11/12/2022
1	Bashar Aba Al -Khail	Chairman (Independent)	✓	✓	✓	✓	✓	✓	✓
2	Dr. Saleh Al-Shanifi	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓
3	Khaled Al Hoshan	Member (from outside the Board)	✓	✓	✓	✓	✓	✓	✓

Results of the Annual Review of the Effectiveness of Internal Control Procedures and the Opinion of the Audit Committee on the Adequacy of the Internal Control System:

Control procedures and their effectiveness are extremely important and play a pivotal role in achieving the company's objectives. The company's management is responsible for designing, preparing and implementing a comprehensive and effective system of internal control. The internal control system is based on the vision and appreciation of the company's management to develop a control system commensurate with the relative importance of financial, operational and other risks inherent in the company's activities, and the internal control system is prepared on sound foundations, in order to achieve continuous evaluation of the internal control system and its effectiveness.

The committee hereby affirms that it did not discover any material weaknesses in the internal control systems in the operation of the company, based on the decisions of the executive management and the assurances of the external auditor. Given that no internal control system can guarantee with certainty the security, efficacy, or efficiency of internal control system design and implementation.

Audit Committee Recommendations:

At the outset, we would like to point out that there is no conflict between the recommendations of the Audit Committee and the decisions of BOD during the period.

The committee performs the tasks and responsibilities entrusted to it to assist in obtaining the necessary assurances regarding the integrity and efficiency of the internal control systems in the company, taking into account the annual risk-based audit plan that aims to objectively evaluate the internal control system and internal control, through the internal audit department submitting periodic reports to the committee For the operational, administrative and financial audits that it carries out on an ongoing basis, which aim to verify with a reasonable degree of certainty the achievement of the company's objectives represented in the protection of its assets, the accuracy and completeness of accounting records, and adherence to the systems and policies adopted by the management to achieve the company's goals and is constantly monitored by the committee.

The Committee has also been discussing and presenting recommendations and decisions related to developing and supporting the management and tasks of the Audit Committee in accordance with the best standards, principles and practices related to the work of the Audit Committee. **The main work and recommendations made by the Committee are as follows:**

- Study the quarterly financial statements for the first, second and third quarters of the company to ensure their approval and conformity with the accounting principles recognized in the Kingdom, and submit a recommendation to BOD for approval.
- Study the company's annual financial statements to ensure their approval and conformity with the accounting principles recognized in the Kingdom, and submit a recommendation to BOD for approval.
- Study the proposals submitted by the audit offices to review and evaluate the financial statements and accounts of the company, and recommend candidates for the General Assembly after verifying the independence of the proposals submitted and the scope of work.

- Study and discuss the internal audit plan, the scope of its work and the independence of management in the performance of its work.

The Committee additionally examines the external auditor's reports on a regular basis in accordance with the authorised plan. These reports also evaluate the efficacy and sufficiency of internal controls. In order to reinforce the internal system, work was done to address the findings from the internal audit work in the fiscal year 2022 AD. The necessary corrective observations and plans were addressed, and controls were put in place to ensure that they do not occur again in the future.

Second: Nomination and Remuneration Committee:

The Nominations and Remunerations Committee is concerned with tasks related to nomination to BOD and Executive Management, and recommending remunerations for the Board, committees, and Executive Management. The Committee's tasks include proposing policies and criteria for membership in BOD and Executive Management, reviewing the required skills requirements for membership of the Board of Directors and Executive Management, and preparing a description of the required capabilities and qualifications. Determining strengths and weaknesses, reviewing the structure of BOD and the executive management, verifying the independence of the independent members and any conflict of interests in their membership in BOD of other companies, and preparing job descriptions and contract terms for executive managers. Related to performance, periodic review of bonus policy and standards based on the company's performance, financial position and basic trends in the labor market. The following is a table showing the chairman and members of the committee, the number and dates of its meetings, and the attendance of its members for each meeting during the year 2022: -

	Members of the Nomination and Remuneration Committee	Nature of Membership	Number of Nomination and Remuneration Committee Meetings (3) Meetings		
			First meeting 07/02/2022	Second meeting 27/07/2022	Third Meeting 13/12/2022
1	Wael Al , Bassam	Chairman (Independent)	✓	✓	✓
2	Abdullah Al-Kharashi	Committee Member (Independent)	✓	✓	✓
3	Abdul Majeed Al-Abd Al-Wahhab	Committee Member (Independent)	✓	✓	✓

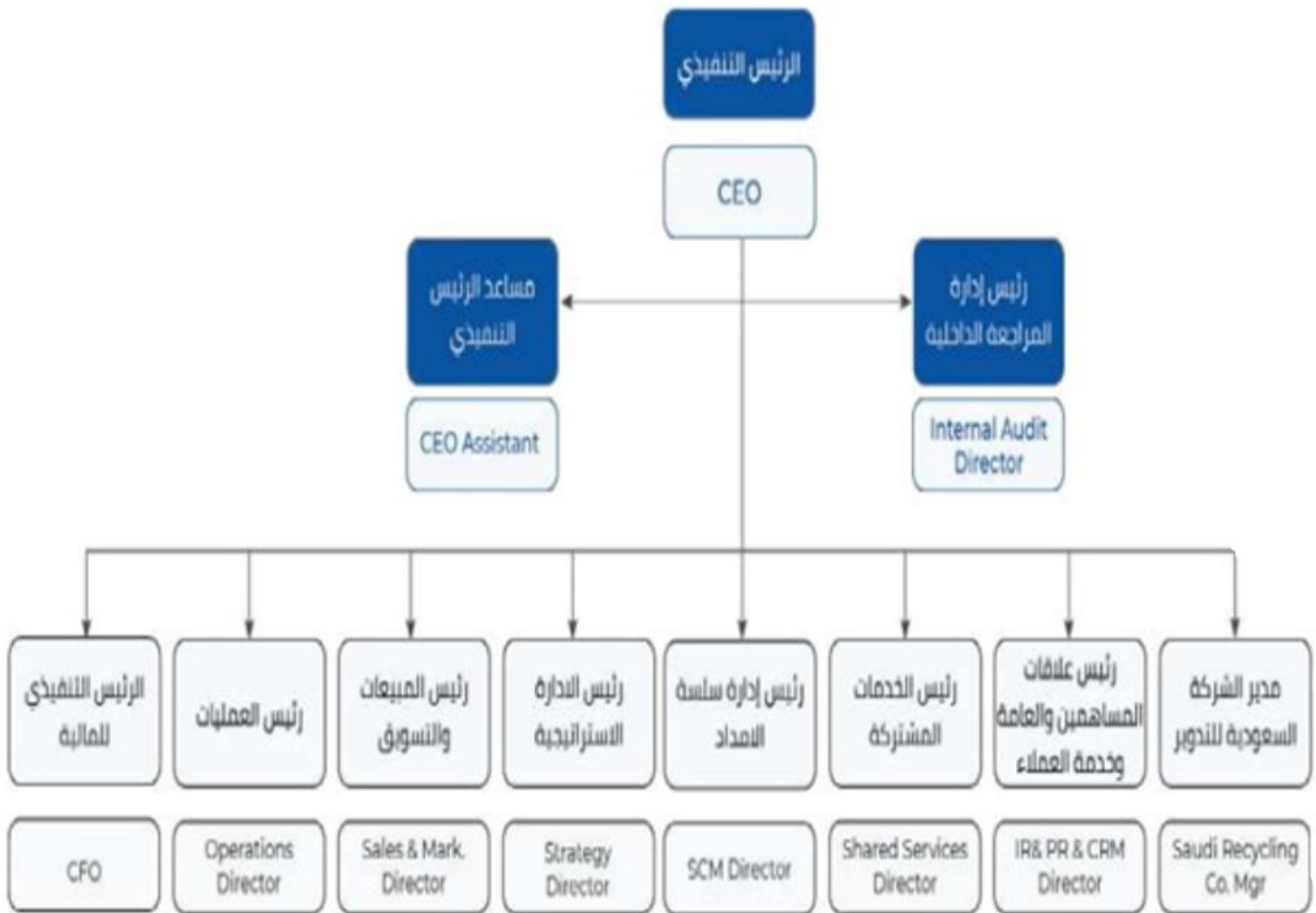
Third: Executive Committee:

The Executive Committee is responsible for supervising the implementation of strategic objectives, financial and operational priorities, and evaluating the long-term productivity of the company's operational operations. Its tasks include reviewing strategic planning procedures and processes with the executive management, verifying the efficiency of procedures for implementing strategic plans, reviewing the distribution of company resources that achieve long-term goals in accordance with strategic plans, and reviewing The periodic operational goals of the company and its subsidiaries, reviewing the annual and long-term goals and strategies and performance

indicators associated with them, studying the financial matters of the company and its subsidiaries related to the company's capital, cash flows, borrowing proposals, the company's position on its financial obligations, checking and reviewing capital expenditures with the approved budgets, in addition to study the strategic decisions related to the opportunities in front of the company that aim to improve the quality of products and rationalize costs. The following is a table showing the chairman and members of the committee, the number and dates of its meetings, and the attendance of its members for each meeting during the year 2022: -

#	Executive Committee Members	Nature of Membership	First 01/06/2022	Second 16/09/2022
1	Abdul Rahman Al-Mishaal	Chairman (Non-Executive)	✓	✓
2	Abdulaziz Al-Mashaal	Committee Member (Executive)	✓	✓
3	Abdullah Al-Kharashi	Committee Member (Independent)	✓	✓

Executive Management:





**Yousry Abdul Hamid
Al-Bishri**

CEO

With his employment in a number of senior positions internationally, regionally, and within the Kingdom of Saudi Arabia, he has accumulated extensive knowledge spanning more than 38 years in the business sector and the paper industry.

University degree from the University of Paris VI in France

38 years of experience in the paper industry business



**Abdul Aziz bin Raed
Al-Mishaal**

**Member of
the Board of
Directors
CEO
Assistant**

Planning and development specialist

Bachelor's degree in Finance from Al-Faisal University

Variety of experience in planning and development



**Muhammad Abdul
Wahhab Al Skeet**

**Director of
Shareholders
Relations
and
Secretary of
Board
Directors,
Audit
Committee**

Chief Executive Officer of Foundations of Creativity Consulting
Head of Compliance Department at Solidarity
Violations and Complaints Officer at the Health Insurance Council
Supervisor of Compliance Management at Al Arabiya Company
Administrative works at Olayan Financial Company

Bachelor's degree in Public Administration from King Abdulaziz University
Diploma in Banking and Investment Management

Nearly 18 years of experience in compliance, governance, AML/CFT, management and board of directors



**Khaled Walid Abu
Hana**

**Chief
Financial
Officer**

Treasury manager in the paper Manufacturing Co.
Financial Director of the Commercial Sector, Mazen Al-Saeed Holding
Financial Director of Al Fozan Building Materials Company
Audit Manager at Talal Abu-Ghazaleh Organization

Bachelor's degree in Accounting from King Faisal University

28 years of experience in the financial sector and auditing



**Nasser Mohammed
Al-Otaibi**

**Director of
Security and
Safety**

Director of Security and Safety at Al Bawani Group
Head of security at the Kingdom Holding Company
Officer in the Ministry of National Guard

MSc in Risk Management
Bachelor of Military Sciences

30 years of experience in security, safety, VIP protection and military science



Muhammad Abdul Ghaffar Darwish

Director of Operations

maintenance manager
Operations Manager, Fine Corporation

Bachelor of Engineering

30 years of experience in the paper industry



Muhammad Mohsen Al-Harbi

Director Shared Services

Vice President of Shared Services in a medical company
Vice President of Administrative Affairs at MMG
General Manager of Shared Services at the Petroleum and Chemical Company.

Bachelor's degree in Media and Public Relations from King Saud University
Diploma in Strategic Management from the British MLS College

22 years of experience in the shared services and administrative affairs sector



Ekramy Hussein Hassanein

Operations Manager for Saudi Recycling Company

Branch manager of the Saudi Company for Paper Recycling
Antiquities inspector at the Egyptian Ministry of Antiquities

Bachelor's degree from the Faculty of Archeology from Cairo University

20 years of experience in the paper recycling sector



Ehab Taha Al-Askelani

Director of Sales and Marketing

Sales manager at Mediterranean Company
Export Manager, Saudi Paper Manufacturing Co.
Head of Sales at Fine Corporation

Bachelor of Business Administration from October 6 University
Diploma in Sales and Marketing

17 years of sales experience in the toilet paper industry

Important Plans, Decisions and Future Expectations:

Achievements for 2022:

In continuation of the work carried out by the company's management since assuming its duties in the year 2020, it worked to develop a strategy of change, construction and development at all levels in the company and its subsidiaries, the most important of which are: - **Increasing the company's capital (twice) with a total amount of 245 million riyals, raising production rates by increasing The production capacity of the company and its subsidiaries, and the promotion of investment in human capital through attracting, developing and training human cadres according to a stimulating work plan that is compatible with the development of an attractive work environment. Work, the company's application of paths that are compatible with achieving the goals of the Kingdom of Saudi Arabia's vision 2030, and the Saudi industrial strategy (energy mix) (dealing with emissions) (reducing them, recycling them, reusing them, removing them from the atmosphere) sustainability and the transformation of a green company, and in all business The company and its two subsidiaries, which contributed to raising the volume of sales at high rates and maximizing the revenues of the company and its subsidiaries, following up on previous pending issues and taking what is necessary in this regard to preserve the rights of the company.**

Finance: Capital: Increasing the capital by 145 million riyals to become 337 million riyals, in support of achieving the company's expansion plans from purchasing assets and supporting working capital. The financial department also succeeded in renewing all bank facilities, after achieving all the requirements for renewal. In addition to managing cash flows so that the company can fulfill its obligations, reduce the value of long-term bank loans by 80 million riyals, which constitutes 19% of the value of long-term loans, and developed the automation of financial reports, after moving to the company's new system S4Hana, and restructuring credit management and relying on Governmental platforms to obtain guarantees that preserve the rights of the company and reduce credit risks, and update the costs of products, as the company has increased production efficiency, improved and developed its products to focus on selling the most profitable products, and applied international financial reporting standards in preparing financial statements and seeking the help of external financial advisors in Review the application of the standards.

Operations: The Saudi Paper Manufacturing Co. has begun the steps of installing the new production line (with a production capacity of 30,000 tons), which was contracted for in 2021, and is expected to operate according to the company's announcement at the beginning of the second quarter of 2023.

And within the framework of the Saudi Paper Manufacturing Company's plans to expand the production of tissue paper rolls, it signed an agreement to manufacture and supply the fifth raw tissue paper roll production line with the "Toscotec" company, at

a value of 166 million riyals. The agreement includes manufacturing, supplying, installing and operating a production line for raw tissue paper rolls with a design production capacity of 60,000 tons annually, it aims to increase the company's production capacity from 130,000 tons to 190,000 tons to meet the requirements of the local market and increase exports. Toscotec provides the latest technologies and solutions for major paper producers around the world, aimed at maximizing production efficiency, reducing consumption and operating costs, and finished products with the highest levels of quality and respect for the environment. Production is expected to start during the third quarter of 2024.

The Saudi Paper Converting Company has also installed and operated the first line of the Refil lines, which were contracted during the year 2021 with the aim of increasing the production capacity of these lines and reducing the cost of production by relying on automation in production processes as a substitute for the human element, as well as improving product specifications and quality in line with market requirements. for this type of product.

Customer Service: Company believes in the need to serve customers after the sale and receive complaints and inquiries and deal with them. Company established a new department, which is the Customer Service Department, and made its direct reference to the CEO to ensure its independence in handling complaints. The year 2022 for the number of (946) operations, an increase of 36% compared to the year 2021, which amounted to (698) operations, so that the details of its operations for the year 2022 are as follows: complaints, which amounted to 14%, general inquiries, which amounted to 24%, and purchase or supply requests, which amounted to 62%.

Public Relations: In the company's keenness on institutional work, it has established a public relations department, which operates internally in organizing events for employees, for example, but not limited to (the celebration of the National Day, the annual breakfast, ...) and on the external level, for example, but not limited to (participation in international exhibitions Such as the international paper exhibition held in the regional area to identify the company and its products and its development and communicate with its customers and suppliers, as well as press and television interviews, media appearances, and through social networking sites, local and international conferences, external workshops, ...).

Information Technology and Automation Department: Many achievements have been made in the digital transformation through the completion of the project of the latest technical system in the world, which carries many applications that have contributed to improving its services. Monitoring and accessing information and reporting quickly and showing financial results automatically and quickly, improving ways of communicating with employees and evaluating their performance, monitoring sales mechanisms and their outlets, securing needs directly from warehouses, following up production lines and operational processes, determining losses and reconciliations automatically, collecting all data and contracts And legal issues in an application that provides all the required data, and the most prominent of these applications are the following:

(Financial management application: sales application: supply chain management application: production planning application: maintenance application: quality application: customer service application: authority matrix application: barcode application: technical reports application: project management follow-up application and development).

Sales in Saudi Paper Manufacturing Company The following achievements have been achieved: -

- All quantities produced were sold during 2022.
- Maintain strategic and sustainable partnerships with major clients in KSA.
- Restructuring the sales team and attracting Saudi cadres and training them to raise efficiency to be able to accommodate the expansions in the company, attract more customers, increase regional spread and raise the levels of service provided.
- Follow-up changes in market prices, thus achieving an increase in the value of sales by 20% compared to the year 2021.
- Establishing a mechanism to ensure the completion of documents for customers, which has achieved a rise in collection rates and a decrease in the rates of doubtful debts while ensuring the preservation of shareholders' rights.
- Increasing the percentage of Saudi exports.

Sales in the Saudi Paper Conversion Company have reached many achievements, including:

1- Increasing sales rates by more than 22% compared to 2021, which contributed to raising the market share, moving the company from eighth place in 2021 to third place in 2022, according to global marketing research studies.

2- At the level of retail markets for tissue paper, the market share has increased by 100% compared to the year 2021, according to global marketing research studies, and at the level of increasing the demand for products within sales outlets, it increased by 77%, with an increase in points of sale and distribution for retail markets by 19%. market share.

3- Implementing the objectives of the strategy by working on a plan in which the shares of the channels are redistributed and the sales portfolio reorganized to reduce risks by raising the percentage of sales to the channels and distributing the risk.

4- Introducing a new brand (SBC Pro) to raise the company's market share, and develop existing brands.

Supply Chain Management: Purchasing and planning departments have been reorganized and restructured, and many procedures and policies have been introduced to increase their effectiveness and to keep pace with global changes and determinants in supply chains. Among the most important achievements of the Department are the following:

- Develop the alignment of planning processes with the company's objectives, especially with regard to the efficiency of inventory management.

- Developing daily inventory monitoring mechanisms to ensure compatibility between sales orders, purchase orders, delivery dates, and its reflection on increasing the accuracy of sales forecast plans.
- Developing the transportation and shipping service, and meeting sales requests within 48 hours of receiving the order.
- Increasing the carrying capacity of loading and loading activities by 30%.
- Introducing internal equipment to transport goods inside the warehouse to reduce costs.
- Applying all security and safety standards to all warehouses.
- The Madinah branch was opened, and the Qassim and Jeddah branches were rearranged to waste capacity and achieve the company's goals in increasing sales.

At the level of HR: The company continued to attract qualified cadres, especially Saudi ones, as the management is making efforts to replace the Saudi workforce in the various departments of the company from the administrative sector to production, maintenance, quality, and procurement, and to continue empowering women through the integrated women's work team in the conversion plant, as well as attracting distinguished female cadres in all departments, and the company continued to benefit from government support programs for companies, which contributes to the employment of many Saudi cadres. And based on its interest in creating an attractive environment that preserves human capital and facilitates the process of attracting qualified cadres. In line with the data of the labor market, the company completed a study of the situation of the local market and the competitive market, and determined the appropriate salary scale and job grades.

At the level of Development and Creating an Ideal Professional Environment, the company began implementing the technical work to implement the SAP program for human resources (Success Factor), which is one of the latest and best programs in the world.

At the level of Training, the company provided training programs for employees during the year, and it will continue to be keen to prepare expanded training programs for the year 2023 AD, which is expected to include, God willing, all levels of employees. The company also signed a contract with a specialized company to study the situation of the local market and the competitive market and determine the appropriate salary scale and job grades in order to create an attractive work environment that preserves human capital and facilitates the process of attracting qualified cadres. It is in line with the data of the labor market.

Quality Assurance: - Application of quality standards obtaining accredited certificates, which are as follows:

- Quality System Management Certificate (ISO-9001)
- Environmental Management System Management Certificate (ISO-14001)
- Occupational Safety and Safety Systems Management Certificate (ISO-45001).
- Launch a project to achieve compliance with the requirements of cybersecurity systems and qualify for the (ISO-27001) certification.

Government Communication Programs and Product Documentation:

- The company obtained the local content certificate with a score of (30.5).
- The company obtained a certificate of permission to use the quality mark from the Standards and Metrology Organization for the (Excellence) product.
- The company was selected by the Industrial Property Authority and Technology Zones (MODON) to implement circular economy projects.

Fourth Industrial Revolution Project:

- The company's accession did not initiate the National Productivity (NPP), an offshoot of the National Industrial Development and Logistics Zones Program (NDLP).
- Obtain a digital transformation assessment (SIRI Assessment), from McKinsey, approved by the Ministry of Industry and Mineral Resources.

Saudi Paper Recycling Company: Sales increased in the year 2022 by 67% compared to the year 2021, and the quantities allocated for sale in the year 2022 increased by 38% compared to the year 2021. An operating profit was achieved during the year 2022 by a rate higher than the year 2021 by 109%, and this increase is a result of the increase in the sales profit margin with the reduction of operating costs, all suppliers and customers of the company were preserved, and we worked to increase suppliers during the year 2022 by more than 20% over the year 2021.

At the level of the Legal Affairs Department: In the interest of the company to strengthen the Department of Legal Affairs, the Department was restructured with Saudi cadres to ensure that it carries out its tasks. The Legal Department was also able to carry out many achievements, the most important of which are: - (Re-negotiating with some defaulted clients, collecting non-existent amounts of money, fully coordinating with the Credit Department to file financial lawsuits directly to save The rights of the company, the establishment of follow-up mechanisms for debts so that implementation measures are taken immediately, have contributed to winning many external cases).

Highlights of the Challenges:

The problem of great fluctuation in the prices of raw materials and the persistence of the problem of supply chains (global) for some of the exporters of raw materials in light of the company's need to build a large strategic stock, and the continuation of competition from some (regional) companies that target the Saudi market due to its attractiveness, the entry of a local company with a card Productivity of 60 thousand tons, control over the quality of products due to the high rates of sale and production, maintaining international standards in production processes (stops, percentage of losses, mix of materials used for production, maintaining the efficiency of equipment), and one of the most important challenges in managing supply chains (increasing Competition in the used paper market (locally), limited suppliers for some raw materials), scarcity of cadres working in the (paper industry) sector due to the increase in expansions in the region (regionally), the intensification of competition due to the large companies developing their products and trying to increase their market share, and the high fluctuation In the exchange rates of foreign currencies against the Saudi riyal with regard to its purchases and foreign investments of the company, and the high costs of loans and interest rates on the riyal that affect the fluctuation of the value of financial instruments and the possibility of affecting the future profitability of the company or the fair value of financial revenues on its assets and liabilities, and the inability of customers to fulfill their obligations towards the Company and its subsidiaries and the negative impact on cash flows.

Strategy and future expectations:

The company continues to work on the main components of our strategy, namely:

human capital.

performance efficiency.

Ability to execute.

These components require that we continue to attract and develop competencies and human energies for our business, and work to improve the company's performance through the various departments of the company and subsidiaries. The company also works to get rid of its untapped foreign investments. The company will also continue its course of focusing on the local market, increasing export rates and increasing interest in regions that constitute an opportunity to achieve a higher market share. Based on this, our strategy is based on the following headings:

Sales to the Saudi Paper Manufacturing Co.: - The sales strategy will be worked on to build a strategic relationship with existing customers by providing all their needs of jumbo roll, as well as raising Saudi exports by meeting the needs of the market in the Gulf Cooperation Council.

Sales to the Saudi Paper Converting Co.: The sales strategy has been worked on to complete the series of development of products and specifications to reach the high sales rates of the most profitable products and improve the specifications of the products to achieve growth in profits while maintaining prices and completing the redistribution of sales channels in order to ensure the spread of the company's varieties in all market sectors, to be among the best leading companies locally and regionally.

(Operations) Raising Production Efficiency: Production efficiency in manufacturing was raised during the year 2022, by raising the efficiency of machines while developing paper quality in terms of improving specifications to match the competition in the Saudi market with the development and modernization of quality measurement systems, as well as continuing to work to reduce product costs by reviewing all Production processes and continue to work to reduce costs through the development of production and packaging machines.

Investing in the automation of many machines during the year 2022 in the Saudi Converting Company: the installation of the contracted Refil lines began in 2023 and the installation of the first line was completed in July 2022, and the rest of the equipment is currently arriving and is expected to be completed during the second quarter of 2023, as well During the fourth quarter of 2022, a contract was signed to supply new packaging equipment with the aim of meeting the increase in the production capacity of the Refil lines, as well as increasing the automation of the packaging machines, in order to achieve increased productivity and reduce operating costs to achieve higher productivity at lower costs.

Within the framework of improving the productivity of machines, the Saudi Paper Manufacturing Company, in cooperation with machine suppliers (Ricard Company - Tescotic Company) during the year 2022, carried out engineering studies to increase the current production capacity of machines and identify opportunities to raise their productivity, and it has started developing a plan to increase the production capacity of Machine 3 in cooperation with Ricard Company in preparation for working on it during the next year, and work has been done to increase the productivity of Machine No. 4 by raising the operating speed from 90% to 97% of the maximum speed of the machine during the last quarter From 2022.

Within the framework of improving energy efficiency: - Work has been done to rehabilitate energy-consuming equipment in coordination with the companies supplying those equipment, preparing the necessary studies for that, and approving the necessary amounts for that, and studies have been prepared to improve the efficiency of natural gas consumption in the burners on the fourth line and start it during the fourth quarter of 2022, which led to reducing natural gas consumption by 10%, and it is expected that the improvement in consumption will continue during the first quarter of 2023 to reach 20%.

A study was also conducted to restart the non-working asset (cogeneration unit) for electric power generation and thermal energy, which was suspended from 2012 with the aim of restarting it during 2023, which will contribute to increasing energy efficiency and reducing the cost of consumption for the company.

Quality Assurance: -

- Linking production lines to the SAP system, as part of the steps of the company's digital transformation project.
- Automate warehouse management systems with (RFID) technologies, as part of the company's digital transformation project.
- Update policies and complete the application of documented procedures to the SAP system.

- Forming an applied vision to activate the R&D Department, in support of circular economy programs.
- Launch sustainability projects, with the aim of reducing emissions and costs, and increasing the efficiency of waste management.

Supply Chain Management: -

- Keeping pace with the Kingdom's directions for sustainable development, by preparing the system to achieve the requirements of green supply chains.
- Updating the mechanisms for evaluating and developing local suppliers in order to increase the proportion of the local component.
- Expanding long-term partnerships with suppliers to enhance the company's competitiveness.

The Most Important Projects for Development in the Group for the Year 2023:

The company has achieved the desired goals of the development plans during 2022, and the timetable for 2023 is full of ambitious projects for the Saudi Paper Company and its subsidiaries, and these projects will contribute to developing and improving the company's infrastructure, developing the performance of machines, increasing their production capacity, improving the governance of policies and procedures, and achieving sustainability, and these projects are focused on the following:

Operations: (Saudi Paper Converting Company) has been contracted with the best international companies to supply production lines and packaging machines in order to increase production capacity and automate operations, to reduce dependence on manpower, which leads to reducing production costs.

In the year 2021, the company contracted with the Italian company Toscotec to supply and supervise the installation and start-up of the entire equipment of the machine with a production capacity of 30 thousand tons, as Toscotec technology aims to achieve maximum production efficiency and reduce consumption and operating costs at the highest levels of quality and adherence to environmental standards. The line is in 2022, and its installation will start in 2022, and it is expected to start operating in 2023.

In the year 2022, the company contracted with the Italian company "Toskotec" to supply a new machine (the fifth production line) to produce sanitary paper rolls with a production capacity of 60,000 tons annually. The contract includes manufacturing, supplying, installing and operating a production line for raw tissue paper rolls with a design production capacity of 60,000 tons. tons annually, and aims to increase the company's production capacity from 130,000 tons to 190,000 tons, as "Toskotec" provides the latest technologies and solutions for major paper producers all over the world. "Toskotec" technology aims to achieve maximum production efficiency and reduce consumption and operating costs and finished products of the highest quality and respect for the environment, and the company expected that production would start during the year 2024.

Quality Assurance: -

- Compliance with sustainability and Green Supply Chain requirements.
- Launching a project to convert the waste of industrial wastewater treatment operations into products, in order to achieve the objectives of the Circular Economy Initiative.
- Project of rehabilitating and developing the industrial sewage treatment plant and automating its procedures to reduce the cost of treatment and increase the carrying capacity of the plant.
- Automate archiving and document management activities within the digital transformation project.
- Obtain Energy Efficiency Systems Management Certificate (ISO-50001).

- Automate the activities of ISO systems, and implement internal calibration activities through the system.

Information Technology Department: Activate and apply the work of all departments and operations in the group according to an electronic system, to reach an activation rate that exceeds 70% of the system's capabilities to include (**human resources applications: application of artificial intelligence:** this will help in merging with the digital transformation in the fourth industrial revolution 4.0 industrial revolution. **Application of legal management: Cyber Security Application: Sales Applications**).

Supply Chain Management:

- Switching to electronic systems for storage areas in the main center.
- Re-automated contracts for the rental of small and medium cars to reduce costs.
- Increase the efficiency of control activities on the balances of raw materials and finished products.

Sales: Saudi Paper Converting Company will work according to the product development project with approximately 40 products by working on developing new products to meet customer requirements, changing some of the external forms of products and developing internal specifications to keep pace with local markets according to standards. Among the most important projects that will be developed according to the brands are as follows:

- The SPC PRO brand targets the institutions and government agencies sector by increasing the number of products to 27 products instead of 10 products launched in 2022.
- The brand (City) to be a product extracted from recycled materials (**eco-friendly**) by increasing the number of products to 12 products instead of 6 products launched in 2022.
- The brand (Meshwar) targets wholesale, retail and hypermarket markets to become 23 products instead of the 19 products that were launched in 2022.
- The brand (Accelens) to target high-quality products with international specifications and achieve competitiveness with the largest brands to become 5 products instead of 3 products launched in 2022.

Security and Safety Department:

Safety Management: Occupational safety, health and environmental protection for our employees, property and the surrounding community are the most important values that Saudi Paper Manufacturing Company adheres to. The Company is doing its utmost to carry out its work fully to ensure the health and safety of its employees, contractors and the community. in addition to protecting the environment by rationalizing waste disposal methods and air, water and soil contaminants, ensuring sustainability programs are implemented to reuse and recycle paper. Preventive actions at the company include monitoring the health of its employees and provide all requirements for their safety at work, including identifying them with the right ways to perform their work, and careful and continuous follow-up to their health depending on the nature and impact of the work. Accordingly, the Department of Safety has undertaken many achievements and projects that contribute to raising the level and culture of safety in the Group's companies as follows:

- **Fire and alarm systems:** Modern and international systems of extinguishing systems have been used and installed in companies and the use of high-tech quality of smart alarm systems in all companies.

- **Entry process control:** High-quality systems and the latest technology have been installed for the mechanism of the entry process and surveillance with cameras.
- **Protection of storage yards:** Renewal and development of firefighting systems in all storage yards for companies in order to raise the level of safety and protect property from dangers.
- **Predictive Performance Indicators:** Creating predictive performance indicators to measure the performance of factories in terms of environment, health, safety and security and to address related risks if they occur.
- **Training and Evacuation:** Partnership staff, contractors in the field of environmental safety and health were trained for more than **336 training courses** with the successful implementation of evacuation training plans in the Saudi Paper Converting Company and the senior management of the Group.
- **Correction and Implementation:** Safety feedback has been corrected and applied for all companies by following up on the continuous safety management recommendations for all companies.
- **Certificates and Licenses:** All environmental certificates and government licenses for companies and warehouses have been obtained.

Security Management: The Security Department in the Saudi Paper Manufacturing Company pays great attention to security when practicing its business and permanently to reduce security risks and the resulting effects, and this is done in a way that leads to improving our performance in the areas of security to achieve the goals of commitment without any security incidents or damage to facilities, and the Security Department applies international standards in the implementation of business and also conducts field patrols to address any possibility of emergencies or disasters, as well as training security personnel to comply with The security instructions, with an emphasis on the application of its procedures to all without exception, and we are committed to the following:

- **Application of security instructions:** Security measures and instructions have been applied at all gates and at all departments and in the movement of equipment and machinery inside and through the gates of companies.
- **Camera surveillance:** Monitor all facilities and areas of companies continuously and efficiently through the use of high-quality surveillance cameras and make surveillance in one central room for all cameras.
- **Performance Improvement:** Improving the security performance of companies by sharing all available information in this field, and collaborating with our contractors and relevant regulatory authorities.
- **Security tours:** The protection and care of individuals and the protection of facilities from dangers were provided using a system of security tours every two hours with reports on tours and observations in them.
- **Development of corporate entrances:** Security rooms at the entry gates for all companies have been developed and modernized through the use of smart gates that operate with smart and international cards through the SAP system.

Legal Affairs Department: Continuing the management development process, it will have many projects in the year 2023, the most important of which are: - Supporting the management with competencies that allow it to reduce its dependence on legal services contracts and external consulting to reduce costs, amending the company's articles of association, in accordance with the new corporate law and its executive regulations, the financial market system and a governance regulation companies.

Description of the Main Activities of the Company and its Subsidiaries:

The main activities of the company consist of two main sectors, namely the industrial and trade sectors.

They are mainly represented in the production of tissue paper, towels (rolls) and paper pulp, sale, distribution, import and export of paper and its products, and the impact of this on the volume of the company's business and its contribution to its results according to the following:

Million Riyal(s)	Activity Revenue	Percentage
Manufacturing activity	629.4	91%
Trade activity	62.5	9%
Total	691.9	100%

Describe the main activities of the subsidiaries and their contribution to the results:

All subsidiaries work in integration with the company. In the field of conversion, conversion companies rely on raw healthy paper rolls/rolls produced in the parent company's factories. Also, paper collection and sorting companies supply the paper factory with the raw materials needed for production, in addition to trading in the rest of the types that the factory does not need. The Saudi Industrial Investment and Development Company represents the strategic arm that the company uses in its investments.

The table below shows the impact of these subsidiaries' main activities on the company's turnover of SAR 692 million and their contribution to the results as follows:

Million Riyal(s)	Activity Revenue	Percentage
Saudi Paper Recycling Company	26	4%
Saudi Paper Converting Company	297	43%
Saudi Company for Investment and Industrial Development	0	0%
Al Madar Company for Paper Trade - Morocco	0	0%
Al Madar Company for Paper Trade - Jordan	0	0%
Jordan Saudi Paper Converting Company - Jordan	0	0%
Al Madar Paper Company – Algeria	36	5%
Roots Plant Company for the manufacture of paper tissues (Roots) - Kuwait	40	6%
Moroccan Paper Manufacturing Company - Morocco	0	0%
Total Subsidiaries Revenues	399	58%
Saudi Paper Manufacturing Co.	293	42%
Consolidated gross income	692	100%

Risk Factors, Management and Control:

The company and its subsidiaries, like any economic entity, face a range of risks concentrated in operational risks, financing risks, risks related to the market and the industrial sector in which it mainly operates, in addition to the effects of macroeconomic factors and the risk of a decrease in the fair value of its assets and financial instruments, in addition to other risks that may not be known to the company, which results from the repercussions of financial and economic crises, fluctuations in political and social factors, and changes in applicable legislation, laws and regulations. The main risks in the company are concentrated as follows:

- The risks of affecting the revenues of the industrial sector activity in the tissue paper industry and related competition from companies inside the Kingdom and exporting companies from outside the Kingdom and the challenges faced by the company resulting from dumping, or due to the levels of abundance of raw materials needed by the company and fluctuations in its global prices.
- Foreign exchange rate risk against Saudi Riyal in relation to the Company's purchases and foreign investments.
- Cash liquidity risks.
- The risk of loan costs and interest rates on the riyal that affect the fluctuation of the value of financial instruments and the likelihood that the company's future profitability or fair value of financial income will affect its assets and liabilities.
- Risks related to the disruption of financial, administrative and operational technical systems, equipment, machinery and related production processes, in addition to fire risks and related to security and safety.
- Credit risks of customers and their inability to meet their obligations to the Company and its subsidiaries and negative impact on cash flows.
- The risks of legislation, laws and regulations related to the company's operations, activities and obligations.
- The risk of the company losing specialized manpower and workers in production processes for social and economic reasons.

The company confronts these risks, manages and monitors them through a strategy of avoiding high risks as much as possible, or minimizing their effects, or transferring them to other parties such as insurance companies, by following several procedures, and taking the necessary precautions to be able to conduct its business and operations as usual, in addition to continuous monitoring. The risks affecting the company's operations and its cash liquidity needs, raising trust with customers, and increasing consumer loyalty to the company's products.

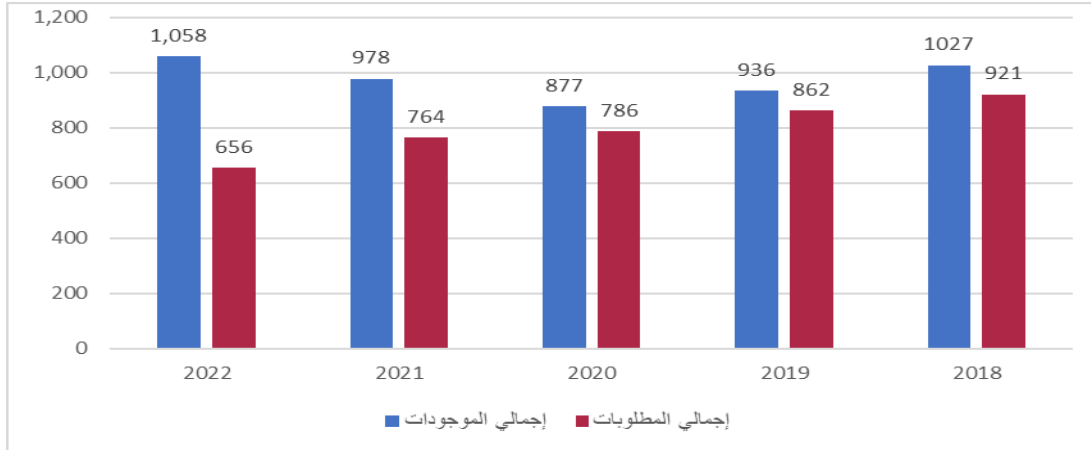
In managing risks, the company also works to develop internal systems and regulations, strengthen internal control systems, enhance employee loyalty to the company, and continue working to raise the level of efficiency, productivity, and internal control and control.

Comparison of assets and liabilities for five years:

Total assets reached SAR 1,058 million for the year 2022 AD, an increase of 8.2% over the year 2021 AD, and on the other hand, the total asset liabilities reached SAR 656 million for the year 2022, a decrease of 14.2% over the year 2021 AD.

In accordance with international standards

Statement	Million Riyal(s)	2022	2021	2020	2019	2018
Current assets		429	380	243	277	337
Non-current assets		629	598	634	658	690
Total Assets		1,058	978	877	936	1,027
Current Liabilities		364	403	395	476	484
Non-current liabilities		292	361	391	386	437
Total Liabilities		656	764	786	862	921



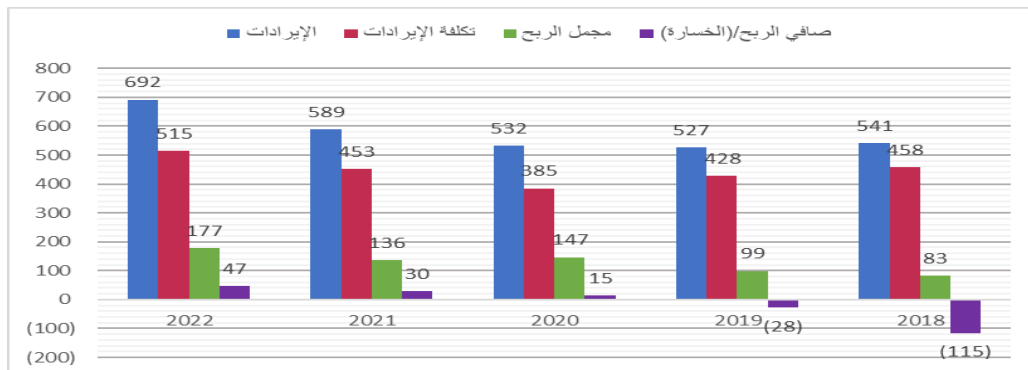
Comparison of five-year business results:

The company's revenues during the year 2022 amounted to 692 million riyals, an increase of 17.5% over the previous year, and the total profit increased to 177 million riyals, an increase of 30.1% over the previous year as a result of the noticeable increase in sales, through the increase in the market share of the company and the growth of demand for its products, which led to an improvement in the value and the gross profit ratio. The net profit of the company's shareholders during this year amounted to 46.9 million riyals, an increase of 54.9% over the previous year, which amounted to 30.3 million riyals. The increase in the bank interest rate had an impact on the significant increase in financing expenses in the current year, and this did not affect the company's fulfillment in paying loans, interest and other obligations on time, and reducing the balances of long and medium-term bank loans.

The table below shows a comparison of five-year business results:

In accordance with international standards

Statement	Million Riyal(s)	2022	2021	2020	2019	2018
Revenue		692	589	532	527	541
Revenue costs		(515)	(453)	(385)	(428)	(458)
Total Profit		177	136	147	99	83
Net Profit (Loss)		47	30	15	(28)	(115)



Differences in operational results from previous year results:

The company's revenues during the year 2022 amounted to 692 million riyals, an increase of 17.5% over the previous year, and the total profit increased to 177 million riyals, an increase of 30.1% over the previous year as a result of the noticeable increase in sales, through the increase in the market share of the company and the growth of demand for its products, which led to an improvement in the value and the gross profit ratio. Despite the high prices of pulp and raw materials and the shipping crisis in the global and local markets, the company was affected by the global supply chain crisis, which worsened during the middle of this year and affected the company's production and its impact on achieving better results. The company has made great efforts to provide the requirements and needs of the local market by building a stock of raw materials that covers its needs until mid-2023 AD and covers the expected start of the new production line No. 2 as announced in previous announcements, which will contribute to supporting the implementation of the company's plan to produce maximum energy. Possible without interruption and meet its goals of expansion and redeployment to support the distribution of finished products from paper rolls and ready-made products.

The company is working to continue to improve operational efficiency over the next year. The table below shows the differences in the company's operating results for the years 2021 and 2022:

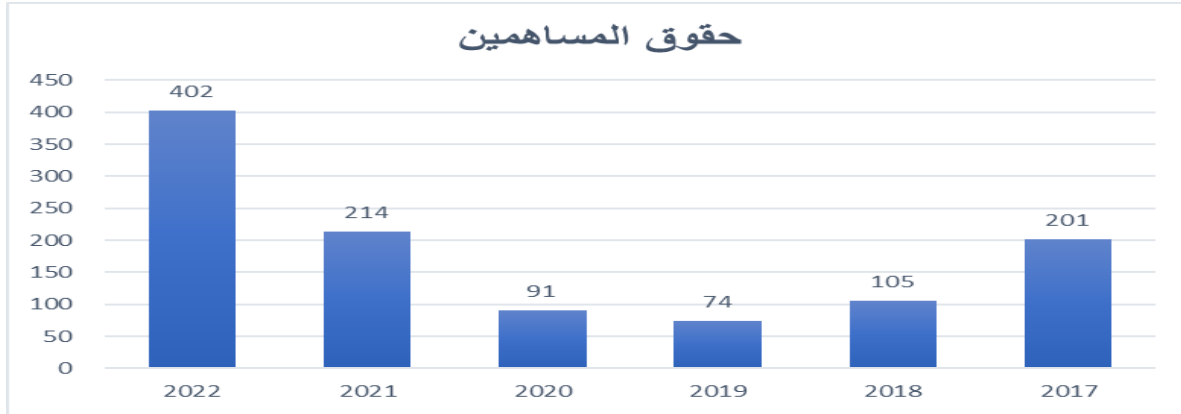
In accordance with international standards

Statement	Million Riyal(s)	2022	2021	Changes (+) or (-)	Percentage change
Revenue		692	589	103	18%
Cost of sales		(515)	(453)	(62)	14%
Total Profit		177	136	41	30%
Operating Income – Other		26	23	3	13%
Operating Expenses - Other		(126)	(103)	(23)	22%
Operating profit (loss)		76	56	20	35%

Shareholders' Rights:

The total shareholders' equity (after excluding minority rights) during the current period ending on December 31, 2022 AD amounted to 401.3 million riyals, compared to 212.6 million riyals for the year 2021, an increase of 89% resulting from achieving profits during the period and increasing the capital. The retained earnings as of December 31, 2022 amounted to 63.8 million Saudi riyals, constituting 19% of the capital.

Statement	Million Riyal(s)	31/12/2022	31/12/2021
Share capital		337.0	192.0
Legal Reserve		8.0	3.4
Foreign currency translation differences		(7.5)	(7.6)
Retained Earnings / (Accumulated Losses)		63.8	24.8
Equity of the Company's shareholders		401.3	212.6
Non-controlling stakes		1.0	1.0
Total Equity		402.3	213.6



Geographical analysis of the total revenues of the company and its subsidiaries:

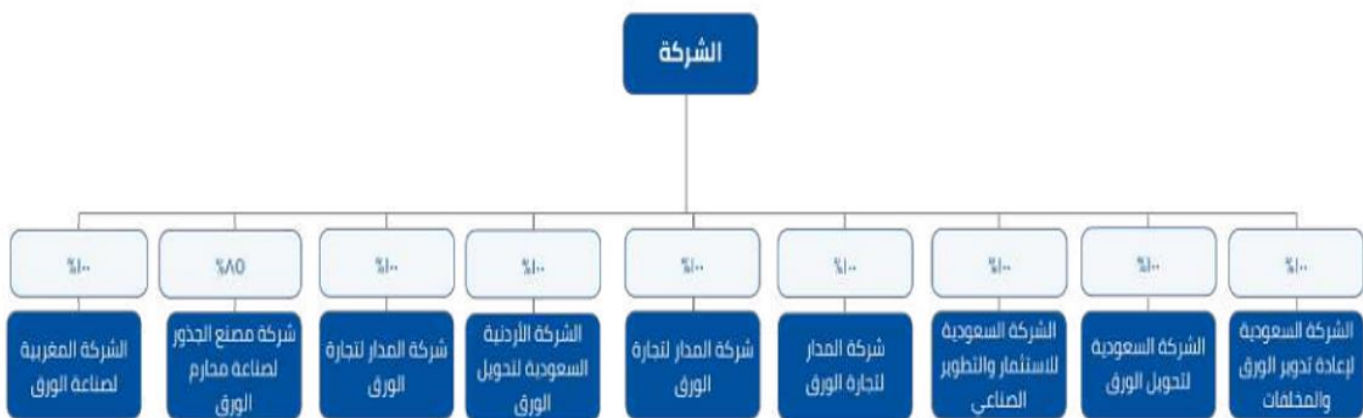
The Group operates in Saudi Arabia, the GCC, North Africa and certain other geographies. Some of the financial information as at December 31,2022 according to geographical distribution is summarized as follows:

Year	Million Riyal(s)	Geographical analysis of the company's total revenues			
		Total Revenue	Inside the Kingdom	GCC Countries	Other countries
2022	692	573	47	72	692

Year	Million Riyal(s)	Geographical analysis of total revenues of subsidiaries			
		Total Revenue	Inside the Kingdom	Gulf Cooperation Council (GCC)	Other Arab Countries
2021	589	478	49	62	589

Subsidiaries inside and outside the Kingdom:

The company carries out its activities and operations directly and through its subsidiaries inside and outside the Kingdom, and the table below shows the names of the subsidiaries in which the company owns 30% or more and their data:



Affiliate Name	Share capital	Percentage of ownership of the company in it	Main Activity	The country is the main place of its operations	State of Incorporation
Saudi Paper Converting Company (Limited liability company)	50,000,000	100%	Paper Conversion	Saudi Arabia	Saudi Arabia
Saudi Company for Recycling Paper and Waste (Limited liability company)	4,300,000	100%	Paper collection, sorting and trading	Saudi Arabia	Saudi Arabia
Saudi Company for Investment and Industrial Development (A limited liability company)	500,000	100%	To invest in diverse industries	Saudi Arabia	Saudi Arabia
Al Madar Paper Trading Company (Limited Liability Company)	450,000	100%	Paper collection, sorting and trading	Morocco	Morocco
Al Madar Paper Trading Company (Limited Liability Company)	530,000	100%	Paper collection, sorting and trading	Jordan	Jordan
Jordan Saudi Paper Converting Company (Limited Liability Company)	265,000	100%	Paper Conversion	Jordan	Jordan
Al Madar Paper Company (Limited Liability Company)	817,000	100%	Paper collection, sorting and trading	Algeria	Algeria
Roots Plant Company for the manufacture of paper tissues (limited liability company)	2,835,000	85%	Paper Conversion	Kuwait	Kuwait
Moroccan Company for Paper Manufacturing (Limited Liability Company)	437,000	100%	Paper Conversion	Morocco	Morocco

All companies work in integration with each other. In the field of conversion, conversion companies depend on the rolls of raw tissue paper produced in the company's factories. Also, the paper collection and sorting companies and their branch supply the paper factory with the raw materials needed for production, in addition to trading in the rest of the types that the factory does not need. Saudi Arabia is represented Industrial Investment and Development is the strategic arm that the company uses in investments.

Shares and Debt Instruments issued to Each Subsidiary:

The Company has not issued any debt instruments , nor have any of the Company's subsidiaries issued any shares or debt instruments.

Convertible debt instruments or any contractual securities or memorandums of subscription rights or similar rights:

There are no transferable debt instruments, any contractual securities, subscription rights notes or similar rights issued or granted by the company during the fiscal year, and there is no compensation obtained by the company for that.

Transfer or subscription rights for any convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the Company:

There are no transfer or subscription rights under transferable debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the Company.

Redemption, purchase or cancellation of any redeemable debt instruments by the Company:

The company has not issued any debt instruments and there is no refund, purchase or cancellation by the company of any recoverable debt instruments.

Loans on the company, term and total intention of the company and its subsidiaries:

Borrowing from banks includes, in addition to long-term loans, short-term loans and liabilities in exchange for refinancing letters of credit obtained from multiple commercial banks and incurring financial costs at prevailing market prices that depend on the interest rate between banks. Commensurate with the company's cash flows, as different grace periods were obtained in addition to payments commensurate with the future cash flows of the company for a period of up to seven years. In return for all these facilities, the company provided promissory notes only without any additional guarantees.

The provisions of the Saudi Industrial Development Fund loan agreements require the company to maintain some financial levels, set restrictions on dividend distributions, and limit annual capital expenses and rents. That the loan be fulfilled and repaid in the second quarter of 2023.

Schedule of Long-Term Loans and Facilities:

The numbers are in thousand riyals							
Sr.	Name of the donor of the loan	Principal amount	Loan Term	Balance at the beginning of the year	Additions during the year	Paid during the year	Year-end balance
(1)	Alinma Bank	240,430	2018 - 2026	179,276	-	(17,000)	162,276
(2)	National Commercial Bank	65,000	2016 - 2023	10,982	-	(9,900)	1,082
(3)	Al Rajhi Bank	76,000	2019 - 2024	51,000	-	(18,000)	33,000
(4)	Riyad Bank	158,000	2018 - 2026	128,211	-	(18,000)	110,211
(5)	Industrial Bank of Kuwait	7,000	2020 - 2027	5,998	-	(1,109)	4889
(6)	The Saudi Investment Bank	41,000	2018 - 2025	30,867	-	(6,600)	24,267
(7)	Industrial Development Fund	38,000	Until - 2023	15,000	-	(9,500)	5,500
Total				421,334	0	(80,109)	341,225

Financing fees payable, deferred financial fees	1,043	17,625	(17,370)	1,298
Total Long-Term Loans and Facilities	422,377	17,625	(97,479)	342,522

Schedule of long- and medium-term loans and facilities:

The numbers are in thousand riyals							
Sr.	Name of the donor of the loan	Principal amount	Loan Term	Balance at the beginning of the year	Additions during the year	Paid during the year	Year-end balance
(1)	Alinma Bank	128,361	year	80,937	203,934	(189,696)	95,174
(2)	National Commercial Bank	19,900	year	19,900	61,500	(69,800)	11,600
(4)	Riyad Bank	50,000	year	44,336	66,869	(93,831)	17,374
(6)	Saudi British Bank	35,000	year	21,059	48,796	(46,666)	23,188
Total				166,231	381,099	(399,993)	147,337
Note paybles				1,832	6,404	(6,665)	1,571
Total Short-Term Loans				168,063	387,503	(406,659)	148,908
Total long and short term loans				590,440	405,128	(504,138)	491,430

Total Loan Classification:

The numbers are in thousand riyals		
Banking Obligations	Year 2021	Year 2022
Long Term Loans	422,377	342,522
Short Term Loans	168,063	148,908
Total	590,440	491,430

Statutory payments made and due:

Assessment position: Based on the requirements of Circular No. 36025/9/1437 issued by the Zakat, Tax and Customs Authority in 2016, the group submitted a consolidated zakat declaration on the basis of the audited consolidated financial statements, which collect the results of the parent company and its wholly-owned local and non-local subsidiaries for the fiscal year ending in December 31, 2021.

For the assessments received relating to the years 2015 to 2018 amounting to SAR 26.9 million, the Company has paid SAR 1 million and filed an objection for the remaining amount of SAR 25.9. In 2021, the Zakat, Tax and Customs Authority rejected the objection, and the company objected against these assessments before the Committee for the Resolution of Tax Disputes and Violations. During 2022, the objection was rejected by the

Committee for the Resolution of Tax Disputes and Violations. However, the company re-appealed against the decision and appealed to the Appeal Committee for Tax Violations and Disputes.

The table below shows the value of the company's statutory payments during the year 2022:

Million Riyal(s)	31/12/2022		Brief description of it	Statement of reasons
	Paid	Due until the end of the annual financial period and has not been paid		
Statement				
Zakat	2,845,986	15,143,728	Zakat according to the system of the General Authority of Zakat and Tax	-
Tax	75,033	110,492	Tax withholding for external payments according to the system of the General Authority of Zakat and Tax.	-
Value Added Tax (VAT)	55,768,255	3,254,457	Value Added Tax (VAT)	
General Organization for Social Insurance	4,663,495	453,622	Insurances paid according to the system	-
Visa and passport costs and labor office fees	2,229,853	187,988	Paid to the Passport Department and the Labor Office for the company's employees according to the system	-

Transactions with Related Parties:

Transactions with related parties focused on the transaction with the East Gas Company Ltd., which is an associate company. During the year, the company purchases the quantities of gas it needs based on prices determined by the competent government agency. This company is the only main source for the Second Industrial City in Dammam, on which it relies. The company to supply it with gas, and Mr. Abdul Aziz bin Raed Al-Mashaal represents the company in the board of directors of the East Gas Company Limited.

The table below shows the value of transactions made with related parties during the year 2022:

Related Party	Type of relationship with the company	Stakeholder	Transaction Type	Duration	Value of transactions during the year

East Gas Company	Associate Company	Mr. Abdul Aziz bin Raed Al-Mishaal	Gas purchases during the year	Twelve months	SAR 6.6M
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The company's share of the profits of the East Gas Company amounted to SAR 3.2 million for the profitability of its shares in the said company, which represents 26% of its capital.

The company's policy in the distribution of dividends:

Any proposed dividends from BOD require the approval of the general assembly of shareholders, and according to the company's articles of association, the distribution of the company's annual net profits after deducting all general expenses and other costs is as follows:

- (10%) of the net profits shall be set aside to form the company's statutory reserve. The Ordinary General Assembly may decide to stop this set aside when the aforementioned reserve reaches 30% of the paid-up capital.
- Those percentages of the profits determined for these shares shall be distributed to the holder of preferred shares. Preferred shares mean the shares issued by the company and give their owners the right to obtain a percentage greater than the owners of ordinary shares of the net profits of the company after setting aside the statutory reserve. Those shares do not give their owners the right to vote in the General Assembly. Net profits to form other reserves.
- The remainder shall be distributed after that, if any, as an initial payment to the shareholders equivalent to 5% of the paid-up capital.
- After the aforementioned, a rate not exceeding ten percent (10%) of the remainder shall be allocated as the remuneration of the Board of Directors, taking into account the provisions stipulated in Article Twenty-One of this Bylaw (Remuneration of Board Members) and Article Seventy-Six of the Companies Law.
- The remainder is then distributed among the shareholders as an additional share of the profits.

The company may, after fulfilling the controls set by the competent authority, distribute interim dividends to its shareholders semi-annually or quarterly after fulfilling the statutory requirements and controls in this regard.

The shareholder shall be entitled to his share in the profits in accordance with the resolution of the General Assembly issued in this regard, and the resolution shall indicate the date of maturity and the date of distribution, and the eligibility of dividends shall be for the owners of shares registered in the shareholders' records.

Interest in the class of shares eligible to vote:

During the fiscal year 2022, the company was not notified of any rights in the interest of the class of shares with the right to vote belonging to persons (other than members of BOD, senior executives and their relatives), according to Article (68) of the offering rules and continuing obligations related to the ownership of large shares of the company's shares, noting that There are shares for major shareholders of the company.

Remuneration Policy and how to determine the remuneration of the members of the Board and the executive management of the company:

BOD, committees and executive management remuneration policy was approved by the Extraordinary General Assembly on 02/04/2018, and it was revised and amendments approved in the General Assembly held on 05/23/2019. The company is committed to the provisions related to the corporate law and the regulatory controls and procedures issued in implementation of the corporate law for listed joint-stock companies and the corporate governance regulations issued by the Capital Market Authority. The Nominations and Remunerations Committee reviews the rewards and related criteria and makes recommendations to the Board of Directors.

The following is an explanation of the remuneration policy for Board members, committees and executive management and their remuneration during the year 2022:

First: Remuneration of the members of BOD:

In accordance with the Company's Articles of Association and the remuneration policy of the members of the Board and the approved committees, it falls under the authority of the General Assembly of Shareholders to determine and approve the remuneration received by the members of BOD as follows:

- 1- The annual remuneration of the members of BOD consists of a certain amount that does not exceed SAR 150,000 (one hundred and fifty thousand riyals), provided that the entitlement to such remuneration is proportional to the number of meetings attended by the member during the year, or an attendance allowance for the sessions, or a certain percentage of the net profits, and it is permissible to combine the two or more of these benefits in light of what is stipulated in the Companies Law, its implementing regulations, and the company's articles of association.
- 2- A member of the Council shall be entitled to an attendance allowance for each meeting of the Council, amounting to (SAR 3000).
- 3- The company books airline tickets for members of the council, and it cannot be replaced by money if it is not used.
- 4- The company bears the costs of accommodation and transportation for any member of the Council to attend in the first place any of the meetings of the Council held outside his city of residence, with a maximum of one thousand five hundred riyals (SAR 1500) for one meeting and one night, and it cannot be replaced by a financial consideration if it is not benefited from.
- 5- A member of BOD may obtain remuneration for his membership in the audit committee formed by the General Assembly, or for any additional business, executive, technical, administrative or advisory positions - under a professional license - assigned to him in the company, in addition

to the remuneration that he can obtain it in his capacity as a member of the Board of Directors and in the independent committees by the Board of Directors in accordance with the Companies Law and the Company's Articles of Association.

- 6- The remuneration of the members of BOD may vary in amount to reflect the extent of the member's experience, specializations, tasks entrusted to him, his independence, the number of sessions he attends and other considerations.
- 7- The remuneration of the independent members of BOD shall not be a percentage of the profits achieved by the company or be based directly or indirectly on the profitability of the company.
- 8- The Chairman of the Board, his deputy and the Managing Director may have additional remuneration in addition to their remuneration as a member of the Board.
- 9- Remunerations are disbursed based on the decision of the General Assembly according to the basic system approved by the General Assembly, upon the recommendation of the Nominations and Remunerations Committee and BOD.
- 10- BOD shall must submit a recommendation to the company's general assembly to approve the board's remuneration linked to a certain percentage of the net profits according to the system.
- 11- Members of BOD may not vote on the item of remuneration for members of BOD at the General Assembly meeting.

The following table shows the remuneration and compensation of the members of the Board for their membership in the Board and Committees for the year 2022 (subject to the approval of the General Assembly):

Statement	Fixed Rewards								Variable Rewards					
	Certain amount (annual bonus)	Allowance for attending meetings of the Council	Remuneration and allowance for attending committee meetings (without calculating remuneration and attendance allowance for the audit committee)		In-kind benefits	Reward for technical, administrative and consulting work	Remuneration of the Chairman of the Board, Managing Director or Secretary if he is a member	Percentage of profits (x)	Periodic bonuses	Short-term incentive plans	Long-term incentive plans	Awarded shares (value entered)	Expense allowance	
			Reward	Allowance of attendance										
First: Independent Members:														
1	Abdullah Al-Kharashi	150,000	18,000	120,000	15,000	0	0	0	0	0	0	0	0	4,727
2	Bashar Aba Al-Khail	125,000	15,000	0	0	0	0	0	0	0	0	0	0	4,755
3	Hani Al-Zaid	150,000	18,000	0	0	0	0	0	0	0	0	0	0	4,727
4	Wael Al-Bassam	150,000	18,000	120,000	9,000	0	0	0	0	0	0	0	0	2,296

5	Abdul Majeed Al-Abd Al-Wahhab	150,000	18,000	120,000	9,000	0	0	0	0	0	0	0	0	4,179
Second: Non-Executive Members:														
1	Abdul Rahman Al-Mishaal	150,000	18,000	120,000	6,000	0	0	0	0	0	0	0	0	5,472
Third: Executive Members:														
1	Abdulaziz Al-Mashaal	150,000	18,000	-	6,000	0	0	0	0	250,000	0	0	0	2,296

Second: Remuneration of committee members (subject to the approval of the General Assembly):

The work regulations of the committees approved by the General Assembly or BOD included the remuneration obtained by the members of the committees, which are specified in the amount of SAR 120 thousand for each committee member relative to his attendance at the number of meetings, and an attendance allowance for each meeting of SAR 3000, and the company bears the travel and transportation expenses to the city in which the meeting will be held.

The table below shows the remuneration and compensation of committee members for the year 2022:

In riyals	Fixed remuneration (excluding session attendance)	Allowance for attending sessions	Total
Audit Committee Members			
Saleh Al-Shunaifi	120,000	21,000	141,000
Khaled Al Hoshan	120,000	21,000	141,000
Bashar Aba Al-Khail	120,000	21,000	141,000
Total			423,000
Members of the Nomination and Remuneration Committee			
Abdullah Al-Kharashi	120,000	9,000	129,000
Abdul Majeed Al-Abd Al-Wahhab	120,000	9,000	129,000
Wael Al-Bassam	120,000	9,000	129,000
Total			387,000
Executive Committee Members			
Abdul Rahman Al-Mishaal	120,000	6,000	126,000
Abdulaziz Al-Mishaal**	-	6,000	6,000
Abdullah Al-Kharashi*	-	6,000	6,000
Total			138,000

*According to the company's policy, no remuneration is paid to the member for two committees.

** According to the policy of the Executive Committee, the executive member is not entitled to the annual bonus.

Third: Senior executive Remunerations:

BOD, based on the recommendation of the Nominations and Remunerations Committee, determines the terms of the contract, including the remunerations for each of the CEO and senior executives of the company within periodically reviewed standards related to annual fixed bonuses and variable bonuses based on financial and non-financial evaluation of performance, and criteria for long-term incentives to link the interests of

managers with the interests of the company's shareholders. Taking into account the main trends in the labor market, the table below shows the remuneration and compensation of senior executives for the year 2022:

Senior Executive Jobs	Fixed Remunerations				Variable Remunerations						Other		
	Salaries	Allowances	In-kind benefits	Total	Periodic bonuses	Earnings	Short-term incentive plans	Short-term incentive plans	Awarded shares (value entered)	Total	End of Service Benefits	Total remuneration for the board, if any	Total
# CEO Assistant Abdul Aziz Raed Al-Mishaal	400,000	252,827	-	652,827	256,000	-	-	-	-	256,000	33,082	168,000	201,082
1 CEO Yousry Abdul Hamid Al-Bishri	2,322,000	1,460,116	-	3,782,116	1,338,878	-	-	-	-	1,338,878	384,722	-	384,722
2 Chief Financial Officer Khaled Walid Abu Hana	527,644	237,188	24,000	788,832	135,284	-	-	-	-	135,284	373,570	-	373,570
3 Shared Services Manager Muhammad Mohsen Al-Harbi	460,800	230,980	-	691,780	50,000	-	-	-	-	50,000	66,164	-	66,164
4 Chief Operations Officer Muhammad Abdul Ghaffar Darwish	390,000	196,547	-	586,547	138,985	-	-	-	-	138,985	75,264	-	75,264
5 Chief of Security and Safety Nasser bin Mohammed Al-Otaibi	230,400	86,536	-	316,936	25,000	-	-	-	-	25,000	12,619	-	12,619

The Relationship between the Remunerations Awarded and the Applicable Remunerations Policy:

There is no material deviation between the remuneration granted to members of the Board, members of committees and senior executives from the remuneration policies in force during the year 2022.

Investments and reserves for the benefit of the company's employees:

The company has not yet established any programs, investments or reserves for the benefit of the company's employees, and it falls within the company's directions through the human resources strategy to study the establishment of special programs and funds for the benefit of the company's employees.

Arrangements or agreements for any of the members of BOD or any of the executives to waive any remuneration:

There are no arrangements or agreements whereby any of the directors or executive waives any remuneration.

Arrangement or Agreement for a Shareholder to Waive any Rights to Profits:

There are no arrangements or agreements under which any of the company's shareholders waived any rights to profits.

Businesses and Contracts in which any of the Members of BOD or Senior Executives or any Person related to them has Interests:

There are no business or contracts to which the company is a party and in which one of the members of BOD or its senior executives or any person related to any of them has an interest other than what was mentioned in the item of dealings with related parties above.

Company Declarations:

- The records of accounts have been properly prepared.
- The internal control system has been properly developed and effectively implemented.
- There is no significant doubt about the Company's ability to continue its activity.

Application of Corporate Governance Regulations:

The company works to apply the corporate governance regulations issued by the Capital Market Authority through a system of corporate governance principles within the framework of the company's governance rules approved by BOD in a manner that does not conflict with the mandatory provisions in the corporate governance regulations issued by the Capital Market Authority, and within the framework of the company's bylaws, rules and regulations, regulations and policies related to the work of BOD and the company's committees, as well as internal work regulations, policies and procedures .

The company works to monitor its application and verify its effectiveness by reviewing the mechanisms for applying governance rules, regulations, internal policies and procedures to meet the needs of the company with the aim of continuous development and improvement in order to reach best practices. With the nature of its business and its objectives in order to maximize the interests of its shareholders, protect their rights, preserve the rights of stakeholders and work to develop community partnership, the company has practically applied all the provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority, with the exception of the provisions listed below:

Article No.	Paragraph No.	Article / Paragraph Text	Reasons for non-application
39 (Guideline Article)	-	Training (training and qualification of board members and executive management)	The company will inform the board members and appointed managers of the company's business and activities, and the company will work to study plans for special programs, training and qualification of board members and executive management according to the needs of the company.
41 (Guideline Article)	H	Evaluation (BOD arranges for a competent third party evaluation of its performance every three years.	The company has an approved policy for evaluating the members of BOD. The Remuneration and Nominations Committee, among its tasks, is to review the structure of the Board and the executive management and the appropriate needs of skills, experience, capabilities, qualifications, weaknesses and strengths in the Board, and submit proposals to address them. It will study the need to evaluate an external party in accordance with the nature of the company's business and needs.

70 (Guidance Article)	-	Formation of the Risk Management Committee	The company did not see the need during the year to form a committee specialized in risks, as the risk tasks are entrusted to the audit committee as stated in the policy of the audit committee approved by the General Assembly in the year 2022, and the company will work within the continuous development and improvement of internal control systems by studying the need to form a committee specialized in risk management.
71 (Guidance Article)	-	Terms of reference of the Risk Management Committee	The company has developed a risk management policy commensurate with the nature and size of its activities and includes risk analysis, classification and methods of managing them through the executive management and submitting its reports. The company will study the formation of a risk management committee and its terms of reference according to Article.
72 (Guidance Article)	-	Risk Management Committee Meetings	For not forming a risk management committee.
78	A (Paragraph of guidance Article)	The internal audit unit or department shall prepare a written report on its work and submit it to BOD and the Audit Committee on at least a quarterly basis. This report shall include an evaluation of the internal control system in the company and the findings and recommendations of the unit or department, and a statement of the actions taken by each department regarding handling the results and recommendations of the previous review and any observations thereon, especially in the event of not being addressed in a timely manner and the reasons for that.	Periodic reports are submitted to the internal audit, and the period of submission of the report, its content, and the extent of its possibility will be studied according to the nature of the company's business and its needs.
87 (Guidance Article)	-	Social Responsibility	The company will study the development of a social responsibility policy in accordance with Article.
88 (Guidance Article)	-	Social Work Initiatives	The company did not undertake initiatives for social work in accordance with the article, and the company will work through setting a policy of social responsibility to study the programs and means of offering the company's initiatives in the field of social work and include them in the context of social responsibility
95 (Guidance Article)	-	Formation of the Corporate Governance Committee	The company did not see the need to form a governance committee during the year 2022, and the company will work to study the need for a committee specialized in corporate governance and its terms of reference.

Penalty, Fines, Precautionary Measure, or Precautionary Restriction on the Company:

There is no penalty, precautionary measure or precautionary restriction imposed on the company by the Authority or any supervisory, regulatory or judicial authority during the year 2022. **Except for the following violations :-**

Violation	Authority issuing the violation	Amount of the violation	Company action to ensure non-repetition
Miscellaneous Violations	Ministry of Human Resources	SAR 85,000	Higher monitoring mode to ensure no repetition
Delay in renewing residencies	Passport	SAR 10,000	Higher monitoring mode to ensure no repetition
Traffic Violations	Traffic Department	SAR 13,650	Higher monitoring mode to ensure no repetition
Other violations	Customs	SAR 500	Higher monitoring mode to ensure no repetition

Procedures regarding the shareholders' suggestions and observations regarding the company and its performance:

The company's bylaws and corporate governance rules guarantee the shareholder's right to inquire, ask questions, and submit suggestions and remarks during the company's general assemblies. Any of the company's shareholders can submit any suggestions or remarks about the company and its performance via e-mail, through telephone contact, or direct communication with management. Shareholder relations, and the Board of Directors is informed of any suggestions or observations, if any.

Social Contribution of the Company:

The company believes in the importance of its social responsibility and social work initiatives.

Treasury Shares:

The company does not have any treasury shares until the end of the year. It should also be noted that on 18/12/2022 the company announced the recommendation of BOD to the General Assembly to purchase (1,000,000) shares, as the Board and the Executive Management consider that the share price is less than its market value. It will be presented to the General Assembly for approval on 29/01/2023.

Appointment of the Auditor of the Company:

The Ordinary General Assembly held on 09/06/2022 decided to appoint M/s. Al Bassam & Partners Company as auditor for the company's accounts until the first quarter of the FY 2023, and BOD did not recommend changing him before the end of the period for which he was appointed.

BOD will present to the General Assembly at a date during the year 2023 its recommendation to appoint an auditor (for the second, third and annual quarters of 2023) based on the recommendation of the Audit Committee.

Accounting Standards Adopted in the Company:

- A number of new standards, interpretations and other amendments to the standards are in effect from January 1, 2022, but have no material impact on the Group's consolidated financial statements.

Amendments to standards	Description	Effective for annual periods beginning on	Summary of modifications

		or after the date	
IAS No. (37)	Loss-carrying contracts - the costs of contract fulfillment	January 1, 2022	The amendments specify that the "cost of performing" a contract includes costs that are directly related to the contract. These amendments apply to contracts in which the company has not fulfilled all its obligations, starting from the first period in which the company applies that amendment.
IFRS No. (16), IFRS No. (9), IAS No. (41) And IFRS No. (1)	Annual Improvements to IFRS 2018-2020	January 1, 2022	IFRS 16: The amendment removes the clarification of reinstatement for payment of leasehold improvements. IFRS 9: The amendment clarifies that when applying the "10 percent" test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The modification must be applied prospectively to modifications and exchanges that occur on or after the date on which the entity first applies the modification. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude tax cash flows when measuring fair value. IFRS 1: The amendment provides an additional relief for a subsidiary to become applicable for the first time after the parent company with respect to cumulative translation difference accounting.
IAS No. (16)	Property, plant and equipment - proceeds prior to their intended use	January 1, 2022	The amendments prohibit the deduction from the cost of an item of property, plant and equipment any proceeds from the sale of items produced before that asset is available for use. In addition, the amendments also clarify the meaning of "testing whether an asset is working properly".
IFRS No. (3)	Financial reporting concepts framework	January 1, 2022	The amendment as a whole to IFRS 3 has been updated to refer to the 2018 conceptual framework instead of the 1989 framework.

- The Group did not apply the following new and amended IFRS, which are not yet in force.

Amendments to standards	Description	Effective for annual periods beginning on or after the date	Summary of modifications
IFRS No. (17)	Insurance Contracts	January 1, 2023	This new comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. Once it enters into force, IFRS No. (17) (Along with its subsequent amendments) will replace IFRS No. (4) "Insurance Contracts" that was issued in 2005.
IAS No. (1)	Classification of liabilities as current or non-current	January 1, 2023	The amendment clarified what is meant by the right to defer settlement, and that the right to deferral shall exist at the end of the financial reporting period, and that such classification is not affected by the possibility of the entity exercising its right to defer, and that only if it includes derivatives in a

			convertible obligation that is itself an equity instrument. The terms of commitment will not affect its classification.
IAS 1 and IFRS Statement of Practice No. 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities in determining the accounting policies that shall be disclosed in the financial statements.
IAS No. (8)	Amending the definition of accounting estimate	January 1, 2023	This amendment clarifies the definition of accounting estimates to help entities distinguish between accounting policies and accounting estimates.
IAS No. (12)	Income Taxes	January 1, 2023	This amendment clarifies the accounting for deferred tax on transactions such as lease contracts and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or contribution of assets between the investor and the partner or joint venture	Not Specified	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that a gain or loss results from a loss of control of a subsidiary.

Management expects that these new standards, interpretations and amendments will be applied to the group's financial statements when they become effective, and the application of these new standards, interpretations and amendments will not have a material impact on the group's consolidated financial statements in the year of initial application.

Reservations of the External Auditor on the annual Financial Statement:

Non

General Assemblies of Shareholders:

During the fiscal year 2022, the company held two (2) meetings in which a number of items were approved, the results of which were announced at the time on the Saudi Stock Exchange website (Tadawul). The table below shows the dates and attendance of the Board members for the general assemblies held during 2022:

#	Date	Assembly Type	Members present
1	09/06/2022	Extraordinary	Abdullah Abdul Rahman Al-Kharashi (Chairman) Bashar Abdulaziz Aba Al-Khail (Vice President) Abdul Rahman Raed Al-Mishaal Abdul Aziz Raed Al-Mishaal Wael Abdul Rahman Al-Bassam Hani Mohammed Al-Zaid Abdul Majid Abdul Aziz Al-Abd Al-Wahhab
2	17/10/2022	Extraordinary	Abdullah Abdul Rahman Al-Kharashi (Chairman) Bashar Abdulaziz Aba Al-Khail (Vice President) Abdul Rahman Raed Al-Mishaal Abdul Aziz Raed Al-Mishaal Wael Abdul Rahman Al-Bassam

			Hani Mohammed Al-Zaid Abdul Majid Abdul Aziz Al-Abd Al-Wahhab
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Shareholders Register:

Order No.	Order Date	Reasons for requesting
1	09/01/2022	Company Procedures
2	15/02/2022	
3	25/04/2022	
4	09/06/2022	General Assembly
5	16/08/2022	Company Procedures
6	13/10/2022	
7	17/10/2022	General Assembly

Thankful and Appreciation of BOD: -

The Chairman and members of BOD, the executive management and all employees of the company extend their deep thanks and appreciation to the **Custodian of the Two Holy Mosques King Salman Abdulaziz** – may God protect him – and to **His Royal Highness Prince Muhammad Salman Abdulaziz, Crown Prince and Prime Minister** – may God protect him. Thanks also go to the Ministry of Industry and Mineral Resources, the Ministry of Commerce, the Zakat, Tax and Customs Authority, the Capital Market Authority, the Export Development Authority, the Ministry of Finance, the Industrial Development Fund and all the various government agencies; The help and support we receive pushes us to progress and continue to support and preserve local investments.

We also extend our thanks and appreciation to all the company's shareholders, customers, suppliers and advisors for their efforts and cooperation, and the Board expresses its appreciation to all employees of the company and its subsidiaries, and all parties with which it has a relationship for the efforts they made and constructive cooperation with the company during the fiscal year 2022, and the Board looks forward to improving the company's performance during the year the future and the coming years in a way that achieves the aspirations of its shareholders, God willing.