



الشركة السعودية لصناعة الورق
SAUDI PAPER MANUFACTURING CO.

Annual Report of the Audit Committee for the Fiscal Year 2023

Dear Shareholders of the Saudi Paper Manufacturing Company,

May the peace, mercy and blessings of Allah be upon you,

This report covers the work carried out by the Audit Committee for the fiscal year 2023 according to the tasks assigned to it and stipulated in the Audit Committee Regulations of the Saudi Paper Manufacturing Group, which were prepared in accordance with the requirements of the Companies Law issued by the Ministry of Commerce and the Corporate Governance Regulations issued by the Capital Market Authority.

First: Audit Committee Competencies and Meetings:

The Audit Committee is responsible for overseeing the company's business and verifying the integrity and fairness of reports, financial statements and internal control systems. The committee's tasks include studying the initial 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, expressing an opinion and making recommendations in this regard. Its tasks also include studying and applying internal control and risk management systems, supervising internal audit activities, studying its reports and following up on corrective actions for its observations, nominating auditors and verifying their independence, reviewing the auditor's plan and work, the auditor's report and observations on the financial statements and the necessary procedures in this regard, verifying the company's compliance with relevant laws and regulations, and ensuring the importance of having procedures for submitting complaints related to internal control procedures and preparing financial reports.

The committee held (6) meetings during the year 2023.

Second: Audit Committee Conflicts:

We would like to point out initially that there is no conflict during the period between the recommendations of the Audit Committee and the decisions of the Board of Directors.

Third: The Work of the Audit Committee:

The committee performs the tasks and responsibilities assigned 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 risk-based annual audit plan that aims to objectively evaluate the internal control system and internal controls, through the Internal Audit Department submitting periodic reports to the committee on the operational, administrative and financial audit processes that it carries out on an ongoing basis, which aim to reasonably verify the achievement of the company's objectives of protecting its assets, the accuracy and completeness of accounting records, and adherence to the regulations and policies adopted by management to achieve the company's objectives, and are continuously monitored by the committee.

The committee also focused on discussing and providing 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 following are the most prominent works and recommendations made by

the committee:

- Studying the quarterly financial statements for the first, second and third quarters of the company to ensure their compliance with the accounting principles generally accepted in the Kingdom and submitting a recommendation to the Board of Directors for approval.
- Studying the company's annual financial statements to ensure their compliance with the accounting principles generally accepted in the Kingdom and submitting a recommendation to the Board of Directors for approval.
- Reviewing the offers submitted by audit firms to audit and evaluate the financial statements and accounts of the company and recommending candidates at the General Assembly after verifying the independence of the offers submitted and the scope of work.
- Reviewing and approving the Internal Audit Charter based on the committee's regulations approved by the General Assembly.
- Recommending to the Board of Directors the appointment of an internal audit consultant and evaluating his annual performance.
- Recommending to the Board of Directors the appointment of an internal audit supervisor and evaluating his annual performance.
- Approving the appointment of an external consultant with expertise to enhance and support the performance of the tasks of the Internal Audit Department.
- Updating the Whistleblowing Policy, making the necessary amendments to it, and submitting a recommendation to the Board of Directors for approval.
- Preparing the Internal Audit Department policy.
- Reviewing and approving the Internal Audit plan extended for the next three years and its scope of work and the department's independence in performing its work and following up on the progress in implementing the approved plan and considering the most prominent observations and giving the necessary directives to address deficiencies.

The committee also conducts a periodic review of the reports prepared by the external auditor in accordance with the approved plan, and these reports include an assessment of the adequacy and effectiveness of internal control. In the fiscal year 2023, work was done to address the observations that emerged from internal audit work in order to strengthen the internal system, and all observations and necessary corrective plans were dealt with, and controls were put in place to prevent their recurrence in the future.



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

Control procedures and their effectiveness are of utmost importance 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 internal control system. The internal control system is based on the vision and assessment of the company's management to establish a control system commensurate with the relative importance of financial, operational and other risks inherent in the company's activities. The internal control system is also prepared on sound foundations, in a way that ensures the availability of a continuous evaluation of the internal control system and its effectiveness. Accordingly, and based on the statements of the executive management and the confirmations of the external auditor, the committee confirms that it has not been found to have a fundamental deficiency in the internal control systems in the company's business. The committee also stresses the importance of the administration's continued efforts to develop and enhance the effectiveness and efficiency of internal control systems, and update policies and procedures, considering that any internal control system may not provide absolute guarantees regarding the integrity, effectiveness and efficiency of the design and implementation of internal control systems.

Declarations of the Executive Management:

- a) That the account records have been properly prepared.
- b) The internal control system was properly prepared and effectively implemented.
- c) There is no significant doubt about the company's ability to continue its activity.

Please accept our sincere greetings and appreciation