



Saudi Paper Manufacturing Company
Board of Directors' Report
Fiscal Year 2023



الشركة الرائدة في مجال
تصنيع الورق على مستوى الخليج

Messrs.'. Shareholders of the Saudi Paper Manufacturing Company

On my own behalf and on behalf of my fellow Board Directors of the Saudi Paper Manufacturing Company, I am pleased to present the Board of Directors' Report for fiscal year 2023. It includes information for activities and business related to the past year, financial statements, significant strategic achievements realized as well as, board of directors' and its different committees' statements and other complementary information aimed to meet the company's shareholders and stakeholders' needs. This report is also to meet the regulatory requirements in accordance with the Companies Law and its executive regulations, the Financial Market Law, and the Corporate Governance Regulations issued by the Capital Market Authority Council, and in line with the company's strategy for disclosure and transparency.

In the fiscal year 2023, the Saudi Paper Manufacturing Company has been feasible to achieve unprecedented achievements since its establishment and it also witnessed an improvement in the overall performance of its business, which is clearly evident in the net profit rates achieved, which amounted to: (Saudi Riyals 72.94 million), by an increase of (55.55%) over the year 2022 and revenues reached (S.R 811.08 million) by an increase of (17.23%) over the year 2022, as well as the production capacity reached by the company's factories, strategic expansions, market health, and digital transformation, all this comes supported by Kingdom's Vision2030 and National Strategy for Industry, and support, development and attention given to the industrial sector by the wise leadership.

Chairman

Eng. Abdullah Abdulrahman al Kharashi

Board of Directors composition and Directorship classification:

The company's board of directors consists of seven Directors in accordance with the company's bylaws. The directors of the board were elected for the current session, which began on 04/27/2021 to form a Board of Directors consisting of seven directors (as shown in table below). No change in directorship classification made during the year. The table below shows the composition of Board and Directors classification for year 2023.

	Board Directors	Position in Board	Directorship Classification
1	Abdullah bin Abdulrahman Al-Kharashi	Chairman	Independent
2	Bashar bin Abdulaziz Aba Al-Khail	Vice-Chairman	Independent
3	Abdulmajeed bin Abdulaziz Al-Abd Al-Wahhab	Director	Independent
4	Dr. Hani bin Muhammad Al-Zaid	Director	Independent
5	Abdulrahman bin Raed Al-Mishaal	Director	Non-executive
6	Abdulaziz bin Raed Al-Mishaal	Director and chairman assistant	Executive
7	Wael bin Abdulrahman Al-Bassam	Director	Independent

Board of Directors meetings, dates, and Directors' attendance register:

During the fiscal year 2023, the company's Board of Directors held six meetings. The Board issued a number of passing decisions in the periods between the dates of its meetings during the year, in accordance with the needs and requirements of the company, especially the decisions to approve the initial 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 register of the Board's meetings and the attendance of its directors during the year:

#	Name	1 st meeting 18/03/2023	2 nd meeting 20/06/2023	3 rd meeting 31/07/2023	4 th meeting 18/10/2023	5 th meeting 01/11/2023	6 th meeting 25/11/2023
1	Abdullah Al-Kharashi	✓	✓	✓	✓	✓	✓
2	Bashar Aba Al-Khail	✓	✓	✓	✓	✓	✓
3	Dr. Hani Al-Zaid	✓	✓	✓	✓	✓	✓
4	Wael Al-Bassam	✓	✓	✓	✓	✓	✓
5	Abdulmajeed Al-Abd Al-Wahhab	✓	✓	✓	✓	✓	✓
6	Abdulrahman Al-Mishaal	✓	✓	✓	✓	✓	✓
7	Abdulaziz Al-Mishaal	✓	✓	✓	✓	✓	✓



Abdullah bin Abdulrahman Al Kharashi
**Board' director, Member of the Nominations and
Remuneration Committee and Member of the Executive
Committee**



Wael bin Abdulrahman Al-Bassam
**Board's Director, Chairman of the Nominations and
Rewards Committee**



Bashar bin Abdulaziz Aba Al Khail
Board's Director and Chairman of the Audit Committee



Dr. Hani bin Mohammed Al Zaid
Board's Director



الشركة السعودية لصناعة الورق
SAUDI PAPER MANUFACTURING CO.

Board of Directors' Report for 2023

Saudi Joint Stock Co.
C.R 2050028141
Capital SR. 337,000,000 Fully Paid

شركة مساهمة سعودية
س.ت: 2050028141
رأس المال 337.000.000 مدفوع بالكامل



Abdul Majeed bin Abdulaziz Al Abdulwahab
Board's Director and Member of the Audit Committee



Abdulrahman bin Raed Al-Mishaal
Board's Director and Chairman of the Executive Committee



Abdulaziz bin Raed Al-Mishaal
Board's Director, Member of the Executive Committee and Assistant to the CEO

Information for Board's Directors, committee members, and executive management:
Board of Directors:

	Name	Current positions	Previous Position	Qualifications	Experiences
1	Abdullah bin Abdulrahman Al-Kharashi (independent)	Chairman of the Board of Directors of the Saudi Paper Manufacturing Company He currently holds the position of General Manager of the Riyadh Velvet Factory and a Board's Director	-	He holds a bachelor's degree in industrial engineering from King Saud University He holds a Master's degree in Engineering Management from the University of Los Angeles, USA	15 years of experience in the administrative, industrial and investment fields
2	Bashar bin Abdulaziz Aba Al-Khail (independent)	Founder and Chairman of the Board's Director of Yasmina Company Board's Director and Chairman of the Nominations Committee of the National Medical Care Company Board's Director and Chairman of the Audit Committee of the Saudi Paper Manufacturing Company Board's Director of the Food Development department	Head of Strategy and Acting CEO of Al-Saqr Cooperative Insurance Company, Insurance supervisor and inspection director for the insurance sector at the Central Bank Bank supervisor	Master of Business Administration from Cass Business School Bachelor's degree in Financial Management, King Saud University	Experience in the field of strategy, finance, governance and compliance, in addition to oversight of financial institutions and international relations
3	Dr. Hani bin Muhammad Al-Zaid (Independent)	Transformation consultant Vice Chairman of the Board of Directors of the Scientific Society for Cybersecurity	Advisor in the Ministry of Environment, Water and Agriculture Advisor 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). Board's Director of the Saudi Computer Society and Chairman of the Consulting Committee. Member of the Communications and Information Technology Committee of the Riyadh Chamber of Commerce and Industry.	PhD in Wireless Sensor Network Security from the Information Security Institute at Queensland Tech University 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	Board governance / leadership / building teams / developing performance measurement indicators / evaluating the current situation and re-engineering procedures / business automation / developing strategies
4	Wael bin Abdulrahman Al-Bassam (Independent)	Senior Advisor to His Excellency the Minister of Human Resources and Social Development	Human resources advisor in a number of companies	Master of Business Administration from University College of Bahrain	More than 26 years of experience in

					human resources
5	Abdulmajeed bin Abdulaziz Al Abdulwahab (Independent)	General Manager of Corporate Systems and Policy at Ahed Business Service Company	Legal advisor at Clyde & Co. Lawyers and Legal Consultants. Legal advisor to Omar Al-Rasheed & Partners Advocates and Legal Consultants	LLM in Corporate Law from Nottingham Trent University, UK. He holds a bachelor's degree in law from King Saud University.	He has more than 16 years of experience in the legal field and corporate policies.
6	Abdulrahman bin Raed Al-Mishaal (non-executive)	General Manager of Active Polymers Factory	Aljazira Capital (Financial Analyst) Alinma Investment (Financial Analyst)	He holds a Bachelor's degree in Business Administration from Chapman University in the United States.	He has 4 years of experience in the field of financial analysis.
7	Abdulaziz bin Raed Al-Mishaal (Executive)	Assistant CEO	Planning and development specialist	Alfaisal University, Bachelor's degree, specializing in Finance	Diverse experiences in planning and development

Audit Committee Members:

	Name	Current positions	Previous Position	Qualifications	Experiences
1	Bashar bin Abdulaziz Aba Al-Khail (Committee Chairman)	Founder and Chairman of the Board's Director of Yasmina Company Board's Director and Chairman of the Nominations Committee of the National Medical Care Company Board's Director and Chairman of the Audit Committee of the Saudi Paper Manufacturing Company Board's Director of the Food Development department	Head of Strategy and Acting CEO of Al-Saqr Cooperative Insurance Company, Insurance supervisor and inspection director for the insurance sector at the Central Bank Bank supervisor	Master of Business Administration from Cass Business School Bachelor's degree in Financial Management, King Saud University	Experience in the field of strategy, finance, governance and compliance, in addition to oversight of financial institutions and international relations
2	Dr.. Saleh Hamad Al-Shinaifi (from outside the Board)	Member of the Advisory Committee of the Capital Market Authority A Board 's Director and Chairman of the Audit Committee at the International Insurance Company Member of the Audit Committee of Seera Group Member of the Audit Committee of the Royal Commission for AlUla Governorate	Associate Professor of Accounting at King Saud University Advisor in charge of internal audit for the Court of His Highness the Crown Prince Founder on the Board of Directors of the Saudi Society of Internal Auditors Chairman of the Board of Directors of the Saudi Accounting Association and Board 's Director of the Saudi Organization for Certified Public Accountants	PhD in Business Administration Master's in Accounting Bachelor's degree in Accounting	30 years of experience in finance and accounting

3	Khalid bin Abdulaziz Al-Hoshan (from outside the Board)	Director of internal audit in the health laboratory Member of the Audit Committee at Gulf General Company Member of the Auditing Standards Committee of the Saudi Organization for Certified Public Accountants Member of the Audit Committee at Arab Sea Company Member of the Audit Committee at Naseej International Company Member of the Audit Committee at the Arab Refineries Company Member of the Audit Committee of the Saudi Export Development Authority Board 's Director of the Gypsum Company Member of the Nominations Committee at 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 Insurance Member of the Audit Committee at Al Sharqiya Development Company	Master of Business Administration from Newcastle University Master of Applied Finance from Newcastle University Bachelor's degree in law from King Saud University	Almost 20 years of experience in internal audit
---	---	--	--	--	---

Members of the Remuneration and Nominations Committee:

	Name	Current positions	Previous Position	Qualifications	Experiences
1	Wael bin Abdulrahman Al-Bassam (Independent – Committee's Chairman)	Senior Advisor to His Excellency the Minister of Human Resources and Social Development	Human resources advisor in a number of companies	Master of Business Administration from University College of Bahrain	More than 26 years of experience in human resources
2	Abdullah bin Abdulrahman Al-Kharashi (independent)	Chairman of the Board of Directors of the Saudi Paper Manufacturing Company He currently holds the position of General Manager of the Riyadh Velvet Factory and a Board's Director	-	He holds a bachelor's degree in industrial engineering from King Saud University He holds a Master's degree in Engineering Management from the University of Los Angeles, USA	15 years of experience in the administrative, industrial and investment fields
3	Abdulmajeed bin Abdulaziz Al Abdulwahab (Independent)	General Manager of Corporate Systems and Policy at Ahed Business Service Company	Legal advisor at Clyde & Co. Lawyers and Legal Consultants. Legal advisor to Omar Al-Rasheed & Partners Advocates and Legal Consultants	LLM in Corporate Law from Nottingham Trent University, UK. He holds a bachelor's degree in law from King Saud University.	He has more than 16 years of experience in the legal field and corporate policies.

Executive Committee Members:

	Name	Current positions	Previous Position	Qualifications	Experiences
1	Abdulrahman bin Raed Al-Mishaal (non-executive)	General Manager of Active Polymers Factory	Aljazira Capital (Financial Analyst) Alinma Investment (Financial Analyst)	He holds a Bachelor's degree in Business Administration from Chapman University in the United States.	He has 4 years of experience in the field of financial analysis.
2	Abdullah bin Abdulrahman Al-Kharashi (independent)	Chairman of the Board of Directors of the Saudi Paper Manufacturing Company He currently holds the position of General Manager of the Riyadh Velvet Factory and a Board's Director	-	He holds a bachelor's degree in industrial engineering from King Saud University He holds a Master's degree in Engineering Management from the University of Los Angeles, USA	15 years of experience in the administrative, industrial and investment fields
3	Abdulaziz bin Raed Al-Mishaal (Executive)	Assistant CEO	Planning and development specialist	Alfaisal University, Bachelor's degree, specializing in Finance	Diverse experiences in planning and development

Executive Management:

	Name	Current positions	Previous Position	Qualifications	Experiences
1	Yousry Abdelhamid Al-Bishri	CEO	Long experience spanning more than 39 years in business sector and paper industry through his work in various leadership positions internationally and regionally and in the Kingdom of Saudi Arabia.	University degree from the University of Paris VI in France	39 years of experience in the paper industry business sector
2	Khaled Walid Abohana	CFO	Treasury Manager at the Paper Manufacturing Company Financial Director of the Commercial Sector, Mazen Al-Saeed Holding Financial Director of Al-Fozan Building Materials Company Audit Manager at Talal Abu-Ghazaleh Group	Bachelor's degree in Accounting from King Faisal University	29 years of experience in the financial sector and auditing
3	Abdulaziz bin Raed Al-Mishaal	Board's Directors & Assistant CEO	Planning and development specialist	Alfaisal University, Bachelor's degree, specializing in Finance	Diverse experiences in planning and development
4	Eng. Mohammed Abdel Ghaffar	Head of Operations	Maintenance Manager Operations Manager at Fine Company	Bachelor's degree in engineering	31 years of experience in the paper industry
5	Ihab Taha Al-Asqalani	Head of Sales and Marketing	Sales manager at Mediterranean Company Export Manager, Saudi Paper Manufacturing Company Head of Sales Department at Fine Company	Bachelor of Business Administration from 6th of October University Diploma in Sales and Marketing	18 years of sales experience in the sanitary paper industry

6	Nasser bin Mohammed Al-Otaibi	Chief of Security and Safety	Director of Security and Safety at Al Bawani Group Head of Security at Kingdom Holding Company	Master in Risk Management Bachelor's degree in military sciences	31 years of experience in security and safety
---	-------------------------------	------------------------------	---	---	---

Directorship of board' Directors in companies inside or outside the Kingdom:

In addition to the Directorship of the Board' Directors in the Company, the table below shows the directorship of Board' Directors in other inside and outside the Kingdom and their legal entity. None of the board Directors has a directorship in boards of directors of more than five other joint stock companies.

Director Name	Names of companies in which a board Director is a member of the current board of directors	Legal entity (listed joint stock / unlisted joint stock / limited liability /....)	Inside the Kingd om/ Outside the kingdo m	Names of companies in which the board Director is a Director of their previous boards of directors	Inside the Kingdo m/ Outside the kingdo m	Legal entity (listed joint stock / unlisted joint stock / limited liability /....)
Bashar Abalkhail	National Medical Care Company Nutritional development	Public Joint-Stock Company	Inside the Kingdo m	-	-	-
Abdulaziz Al-Mishaal	East Gas Company	Closed Joint-Stock Company	Inside the Kingdo m	-	-	-
Wael Al Bassam	Salama Cooperative Insurance Company	Public Joint-Stock Company	Inside the Kingdo m			

Procedures for shareholders' suggestions and comments regarding the company and its performance:

The company's bylaws and the company's governance rules give a shareholder the right to inquire, ask questions, and submit suggestions and comments during the company's general assemblies. Also, every company's shareholder may submit any suggestions or comments on the company and its performance via e-mail, through phone call, or direct communication with Investor Relations. the Board of Directors will be informed of any suggestions or comments, if any.

Means for evaluating the performance of the Board of Directors, its committees, and its directors:

From the point of view of application of best corporate governance practices and based on the regulations for evaluating Directors of the Board and its committees approved by the company, the Remuneration and Nominations Committee issued its recommendation to the Board of Directors to adopt a digital system to manage the work of the Board of Directors, as well as to evaluate the performance of the Board of Directors, its committees, and its members in a transparent manner with full transparency.

The company's Key committees:

Pursuant the rules of corporate governance, the company, in accordance with the Companies Law and Corporate Governance Regulations, approved the composition of the Audit Committee and its members, and the assembly approved all its members. As well as, the Board formed the Nominations and Remuneration Committee and the Executive Committee in its first meeting in the current session. The Board periodically studies the need to form other committees. The committees in essence were formed to assist the Board in performing its duties and responsibilities, conducting its work with better efficiency and effectiveness, and raising the level of supervision, control, and decision-making controls in the company. The committees inform the Board of their work' results and the Board follows up and supervises their work. The committees' terms of reference, tasks, and information about their members and meetings are summarized as follows:

Firstly: Audit committee:

The Audit Committee is responsible for monitoring the company's business and verifying the fairness and integrity of its reports, financial statements and internal control systems. The committee's tasks include studying the initial and annual financial statements, reviewing significant issues that may affect the preparation of financial reports, ensuring the application of approved accounting policies, studying those policies, and expressing an opinion and recommendation regarding therefor. its tasks also include studying and implementing internal control and risk management systems, supervising internal audit activities, studying its reports, following up on corrective measures for its observations, nominating auditors and verifying their independence, reviewing the auditor's plan and work, the auditor's report and his comments on the financial statements and the necessary procedures regarding them, verifying the company's compliance with the relevant laws and regulations, and ensuring the importance of having procedures for submitting complaints related to internal control procedures and preparing financial reports. The following table is showing the chairman and members of the committee, the number of its meetings, the dates of their holding, and the attendance of its members at each meeting during the year 2023:

	Members of the audit committee	Nature of membership	The number of Audit Committee meetings are (6).					
			1 st meeting 15/03/2023	2 nd meeting 21/05/2023	3 rd meeting 30/07/2023	4 th meeting 29/08/2023	5 th meeting 25/10/2023	6 th meeting 24/12/2023
1	Bashar Abalkhail	Chairman (independent)	✓	✓	✓	✓	✓	✓
2	Dr. Saleh Al-Shenaifi	Member (from outside the Board)	✓	✓	✓	✓	✓	✓
3	Khaled Al-Hoshan	Member (from outside the Board)	✓	✓	✓	✓	✓	✓

The annual audit results for effectiveness of internal control procedures and the opinion of the Audit Committee on the extend 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 internal control system, as 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 and operational risks and other risks inherent in the company's activities. The internal control system is also prepared on sound foundations, which ensures the availability of continuous evaluation for the internal control system and extent of its effectiveness. Accordingly, based

on the executive management's declarations and the external auditor's confirmations, the committee confirms that it did not discover any fundamental shortcomings in the internal control systems in the company's business. The committee also emphasizes the importance of continuing management efforts to develop and enhance the effectiveness and efficiency of internal control systems, and to update policies and procedures, subject to any internal control system may not provide absolute guarantees regarding the integrity effectiveness and efficiency of the design and application of internal control systems.

Audit Committee Recommendations:

We would like to point out at the outset that there was no conflict during the period between the recommendations of the Audit Committee and the decisions of the Board of Directors. The committee performs the tasks and responsibilities entrusted to it to help obtain the necessary assurances regarding the integrity and efficiency of the company's internal control systems, subject to the risk-based annual audit plan that aims to objectively evaluate the internal control and internal control system, through the internal audit department submitting periodic reports to the committee. Through the Internal Audit Department submitting periodic reports to the Committee on the operational, administrative and financial audits it carries out on an ongoing basis, which aim to verify with a reasonable degree of certainty the achievement of the company's objectives, which are the protection of its assets, the accuracy and completeness of accounting records, and adherence to the systems and policies adopted by the administration. To achieve the company's goals and is constantly monitored by the committee.

The committee also discussed and presented recommendations and decisions regarding developing and supporting the management and tasks of the audit committee in accordance with the best standards, principles and practices for audit committee's business. The following are the most prominent works and recommendations carried out by the committee:

- Studying the company's quarterly financial statements for the first, second and third quarters to ensure their approval and compliance with the accounting principles generally accepted in the Kingdom, and recommending them to the Board of Directors for approval.
- Studying the company's annual financial statements to ensure their conform and 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 offices to review and evaluate the financial statements and accounts of the company, and recommending candidates to the General Assembly after verifying the independence of the submitted offers and the scope of work.
- Studying and discuss the internal audit plan, the scope of its work, and the independence of management in performing its work.

The committee also periodically reviews the reports prepared by the external auditor in accordance with the approved plan. These reports include an evaluation of the adequacy and effectiveness of internal control. In the fiscal year 2023, Work is done to address the comments that emerged regarding the internal audit work with aim to strength the internal system. All necessary observations and corrective plans were dealt with, and controls were put in place to ensure that it does not reoccur in the future.

Secondly: Nominations and Remuneration Committee:

The Nominations and Remuneration Committee is responsible for tasks related to nominations to the Board of Directors and Executive Management, and recommending rewards for the Board, committees and Executive Management. The committee's tasks include proposing policies and standards for directorship in the Board of Directors and membership in Executive Management, reviewing the required needs for appropriate skills for directorship in the Board of Directors and membership in Executive Management, preparing a description of the required capabilities and qualifications, identifying areas of weakness and strength, reviewing the structure of the Board of Directors and Executive Management, and verifying the independence of independent members and any conflicts of interest in their directorship in the boards of directors of other companies, and preparing job descriptions and contract terms for executive managers. It is part of its duties, developing a policy for rewards and incentives for the Board' Directors its committees and executive management through performance-related standards, and periodic review of the reward 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 of its meetings, the dates of their holding, and the attendance of its members at each meeting during the year 2023:

	Members of the Nominations and Remuneration Committee	Nature of membership	The number of Nominations and Remuneration Committee meetings.	
			1 st meeting 26/06/2023	2 nd meeting 29/08/2023
1	Wael Al-Bassam	Chairman (independent)	✓	✓
2	Abdullah Al-Kharashi	Member (independent)	✓	✓
3	Abdulmajeed Al-Abd Al-Wahhab	Member (independent)	✓	✓

Thirdly: The 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 process. As part of its duties are reviewing strategic planning procedures and processes with executive management, verifying the efficiency of procedures to implement strategic plans, reviewing the distribution of the company's resources that achieve long-term goals in accordance with strategic plans, periodically reviewing the operational goals of the company and its subsidiaries, reviewing annual and long-term goals and strategies and their associated performance indicators, studying 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, verifying capital expenditures and reviewing them with their approved budgets, in addition to studying strategic decisions related to opportunities before the company that aim to improve the quality of products and rationalize costs. The committee carried out its assigned roles to the fullest extent during the first two years of the current Council session and during the year 2023. The Board of Directors issued its decision to cancel the Executive Committee and end its work after adopting the company's strategy for the next three years.

	Members of the Executive Committee	Nature of membership	The number of Nominations and Remuneration Committee meetings.
1	Abdulrahman Al-Mishaal	Chairman (independent)	-
2	Abdulaziz Al-Mishaal	Member (independent)	-
3	Abdullah Al-Kharashi	Member (independent)	-

The interest of board Directors, senior executives and their relatives in the company's shares and subsidiaries:

The table below shows the interest of Board Directors in the company's shares during the fiscal year 2023. There is no interest for their relatives in the company's shares, nor is there any interest for them or their relatives 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 board Directors in the company's shares or debt instruments							
Srl.	Board Directors	Start of the year		end of the year		Net change	Change rate
		Number of Shares	Debt instruments	Number of Shares	Debt instruments		
1	Hani bin Mohammed Al Zaid	27,789		48,775		20,986	75.5%
2	Wael bin Abdulrahman Al-Bassam	40		40		0	0%
3	Abdulaziz bin Raed Al-Mishaal	67,000		117,598		63,677	75.5%
4	Khaled Walid Abohana	150		0		-150	0 %
5	Mohammed Abdelghaffar Darwish	2,016		3,888		1872	92.86%

Remuneration policy and how to determine the remuneration of board Directors and executive management in the company:

By the Extraordinary General Assembly held on 04/02/2018, the remuneration policy for the Board of Directors, committees and executive management is approved and updated and amendments approved by the General Assembly held on 05/23/2019. The policy is within the company's governance framework, the regulations of the Board of Directors, and the regulations of the formed committees. The company complies with the relevant provisions of the Companies Law and its executive regulations and the Corporate Governance Regulations issued by the Capital Market Authority. The Nominations and Remuneration Committee is responsible for reviewing the rewards and related standards and recommending to the Board of Directors.

The following is an explanation of the remuneration policy for Board' Directors, committees and executive management and their rewards during the year 2023:

Firstly: Directors Remunerations

Pursuant to the company's bylaws and the remuneration policy for Board' Directors approved committees, the General Assembly of Shareholders has power to determine and approve the remuneration received by a director as follows:

1. The annual remuneration for members of the Board of Directors consists of a specified amount not exceeding SAR 150,000 (Saudi Riyal: one hundred and fifty thousand), provided that the entitlement of such remuneration should be proportional to the number of meetings attended by a board's Director during the year or an attendance allowance for sessions or a specified percentage of net profit. Pursuant to the companies' law, its executive regulation, and company's bylaws, It is admissible to combine two or more of such benefits.
2. A Board Director is entitled (SAR 3000) as an attendance allowance for each Board meeting.
3. The company shall book flight tickets for a board director which may not be paid in cash if not used.

4. The company shall charge the accommodation and transportation expenses for each board director attend in person a meeting held outside his city of residence, up to a maximum of S.R 1,500.00 for one meeting and one night, and may not be paid in cash if not used.
5. A board Director may obtain a remuneration in exchange for his membership in the audit committee formed by the General Assembly, or in exchange for any additional work or executive, technical, administrative or advisory positions - under a professional license - assigned to him in the company, in addition to the remuneration he may receive as a Board's Director and in the independent committees of the Board of Directors in accordance with the Companies Law and the Company's Bylaws.
6. The remuneration of a Board Director may be varied in amount to reflect the director experience his specializations, the tasks assigned to him, his independence, the number of sessions he attends, and other considerations.
7. The Remuneration of independent Board members shall not be a percentage of the profits that are realized by the Company, nor shall it be based directly or indirectly on the Company's profitability.
8. The Chairman, Deputy Chairman, and Managing Director may receive an additional remuneration in addition to their remuneration as a board director.
9. The Remuneration shall be paid pursuant to a decision by the General Assembly, according to the bylaws approved by the General Assembly, upon the recommendation of the Nominations and Remuneration Committee and the Board of Directors.
10. The Board of Directors must submit a recommendation to the company's General Assembly to approve the Board's remuneration linked to a certain percentage of net profits in accordance with the law.
11. Board Directors shall not vote on the agenda item relating to the Remuneration of Board members at the General Assembly's meeting.

The following table shows the remuneration and compensation of board directors in exchange for their directorship in the board and committees for the year 2023 (subject to the approval of the General Assembly):

Description	Fixed remuneration							Variable remuneration					
	A certain amount (annual remuneration)	Allowance for attending board meetings	Remuneration and allowance for attending committee sessions (Not counting the Remuneration and allowance for attending committee)		In-kind advantages	Remuneration for technical, administrative and consulting	Remuneration of the Chairman, Managing	% of profits (x)	Periodic Remuneration	Short-term motivational plans	Long term motivational plans	Shares granted (value to be entered)	Expense allowance
			reward	instead the audience									
Firstly: Independent members:													
1	Abdullah Al-Kharashi	150,000	18,000	120,000	6,000	0	0	0	0	0	0	0	0
2	Bashar Abalkhail	150,000	18,000	0	0	0	0	0	0	0	0	0	0
3	Hani Al Zaid	150,000	18,000	0	0	0	0	0	0	0	0	0	0
4	Hani Al Zaid	150,000	18,000	120,000	6,000	0	0	0	0	0	0	0	0
5	Abdulmajeed Al-Abdulwahhab	150,000	18,000	120,000	6,000	0	0	0	0	0	0	0	0
Secondly: Non-executive members:													
1	Abdulrahman Al-Mishaal	150,000	18,000	0	0	0	0	0	0	0	0	0	0
Thirdly: Executive members:													
1	Abdulaziz Al-Mishaal	150,000	18,000	0	0	0	0	0	107,000	0	0	0	0

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

The work regulations for the committees approved by the General Assembly or the Board of Directors included the remuneration received by the committee members, which were set at an amount of SAR 120,000 for each committee member in proportion to his attendance at the number of meetings. An attendance allowance for each meeting is of SAR 3,000, and the company bears 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 2023:

In Saudi Riyals	Fixed remuneration (except session attendance allowance)	Attendance allowance	Total
Members of the audit committee			
Saleh Al-Shenaifi	120,000	18,000	138,000

Khaled Al-Hoshan	120,000	18,000	138,000
Bashar Abalkhail	120,000	18,000	138,000
Total			414,000
Members of the Nominations and Remuneration Committee			
Abdullah Al-Kharashi	120,000	6,000	126,000
Abdul Majeed Al-Abd Al-Wahhab	120,000	6,000	126,000
Wael Al-Bassam	120,000	6,000	126,000
Total			378,000
Executive Committee Members*			
Abdul Rahman Al-Mishaal*	0	0	0
Abdulaziz Al-Mishaal**	0	0	0
Abdullah Al-Kharashi***	0	0	0
Total			0

* The Board of Directors' decision to cancel the Executive Committee issued on 11/25/2023, and no meetings were held during the year.

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

***According to the remuneration policy, a member is only entitled to one remuneration for his membership in one committee.

Thirdly: Remuneration of senior executives:

Based on the recommendation of the Nominations and Remuneration Committee, The Board of Directors, shall determine the contract terms including remuneration for both the CEO and the company's senior executives, within criteria to reviewed periodically related to annual fixed remuneration and variable remuneration based on a financial and non-financial evaluation of performance, and standards for long-term incentives to link the directors interests with the company's shareholders interests taking into account the basic trends in the labor market. The table below shows the remuneration and compensation of senior executives for the year 2023:

	Five senior executives who received the highest remuneration including the CEO and CFO*	Fixed Remuneration				Variable Remuneration					Other			
		Salaries	Allowances	In-kind benefits	Total	Periodic Remuneration	Profits	Short-term motivational plans	Short-term motivational plans	Shares granted (value to be entered)	Total	End service benefits	Total remuneration for the board, if any	Grand total
#	Fiscal year 2023	5,038,852	2,772,304	24,000	7,835,156	1,625,000					1,625,000	1,298,836	168,000	1,466,836

*The company has committed to disclosing the remuneration of senior executives in general, in accordance with the regulatory requirements contained in Paragraph (b) of Article (90) of the Corporate Governance Regulations.

The relation between the Remuneration granted and the applicable Remuneration policy:

No material deviation between the remuneration granted to board members, committee members, and senior executives from the relevant remuneration policies applicable during the year 2023.

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 its human resources strategy to study the establishment of special programs and funds for the benefit of the company's employees.

Arrangement or agreement of a board director, or an executive to assign of any remuneration:

No arrangements or agreement under which any a board director or any of the executives assigned of any remuneration.

Arrangements or agreement for a shareholder to assign any rights to profits:

No arrangements or agreement under which any of the company's shareholders assign of any rights to profits.

Penalty, fine, precautionary measure, or precautionary restriction on the company:

No penalty, precautionary measure, or precautionary restriction imposed on the company by the Authority or any supervisory, regulatory, or judicial body during the year.

Business and contracts in which any board director, senior executives, or any person related to them has interests:

No business or contracts in which the company is a party or in which any board Director, its senior executives, or any person related to any of them has an interest, other than those mentioned in the "Transactions with Related Parties" section.

Appointing the company's auditor:

The Ordinary General Assembly, held on 22/05/2023, decided to appoint Messrs. Al-Bassam & Partners Company, certified public accountants, as the company's auditor for the financial statements until the first quarter of the fiscal year 2024. The Board of Directors did not recommend to change thereto before the period end for which it appointed. The Board of Directors will present to the General Assembly at its meeting during the year 2024 its recommendation to appoint an auditor (for the second and third quarters and for the audited annual financial statements for the year 2024) based on the recommendation of the Audit Committee.

The company's approved accounting standards:

There are a number of other new standards, explanations and amendments to the standards effective from January 1, 2023, but they do not have a material impact on the Group's consolidated financial statements:

Modifications to the standards	Description	Effective for annual periods beginning on or after	Summary of modifications
IFRS No. 9 (Amendments to IFRS No. 4)	Extension of the temporary exemption from application of	January 1, 2023	The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instrument, so that entities

	IFRS No. (9) (Amendments to IFRS No. (4))		shall be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
IFRS No. 17	Insurance contracts and amendments thereto	January 1, 2023	This is a new, comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. When effective, IFRS 17 (together with its subsequent amendments) will replace IFRS 4 Insurance Contracts issued in 2005.
IAS No. (1) and IFRS Practice Statement No. (2)	Disclosing accounting policies	January 1, 2023	This amendment deals with helping entities determine the accounting policies that must be disclosed in their financial statements.
IAS No. 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments to the definition of accounting estimates help entities distinguish between accounting policies and accounting estimates.
IAS No. 12	Deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023	These amendments require companies to recognize deferred tax on transactions that, upon initial recognition, result in equal amounts of taxable and deductible temporary differences.
IAS No. 12	International tax reform (Pillar II model rules)	January 1, 2023	These amendments give companies a temporary exemption from deferred tax accounting arising from the Organization for Economic Co-operation and Development (OECD) international tax reform. The amendments also introduce specific disclosure requirements for affected companies.

The Group has not applied the following issued new and amended IFRSs, which are not yet effective.

Modifications to the standards	Description	Effective for annual periods beginning on or after	Summary of modifications
IAS No. 1	Classifying liabilities into current or non-current	January 1, 2024	The amendments clarify that the right to defer settlement of a liability must exist after the reporting period and that this classification is not affected by the possibility of the entity exercising its right to deferment, this is only if the derivative embedded in a convertible obligation is itself an equity instrument, and the terms of the obligation will not affect its classification.
IFRS No. 16	Leases for sale and leaseback	January 1, 2024	These amendments incorporate the requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all of the lease payments are variable lease payments not based on an index or rate are more likely to be affected.

IAS No. 7 and IFRS No. 7	Supplier financing arrangements	January 1, 2024	These amendments require the addition of disclosure requirements to enhance the transparency of supplier financing arrangements, and "signposts" within existing disclosure requirements, which require entities to provide qualitative and quantitative information about supplier financing arrangements.
IAS 21	Difficulty of Conversion	January 1, 2025	The amendments contain guidelines for determining when a currency is convertible and how to determine the exchange rate when it is not.

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

The external auditor's reservations on the annual financial statements:

The external auditor has no reservations on the audited quarterly and annual financial statements

The company's social contribution:

The company believes in the importance of its social responsibility and social work initiatives. The company's strategic plan, which approved in 2023, included many programs and targets in the field of preserving the environment and enhancing the company's societal contribution. The year 2023 also witnessed the signing of several agreements and memorandums of understanding with Saudi universities to spread the culture of waste recycling and environmental preservation.

Treasury stocks:

On 11/27/2023, the company announced that it has completed its purchase of the required quantity, which amounted to (105,262) shares of its shares allocated as treasury shares, based on the approval of the extraordinary general assembly held on 01/29/2023, corresponding to 07/07/1444 H.

General shareholders' assemblies:

During the fiscal year 2023, the company held two meetings in which a number of matters were approved, the results of which were announced at the time on the Saudi Stock Exchange (Tadawul) website. The table below shows the dates and attendance of Board' directors at the general assemblies held during 2023:

#	Date	Assembly type	Attendees
1	29/01/2023	Extraordinary	Abdullah bin Abdulrahman Al-Kharashi (Chairman) Bashar bin Abdulaziz Abaalkhail (Vice Chairman) Abdulrahman bin Raed Al-Mishaal Abdulaziz bin Raed Al-Mishaal Wael bin Abdulrahman Al-Bassam Hani bin Mohammed Al-Zaid Abdulmajeed bin Abdulaziz Al-Abulwahhab
2	22/05/2023	Ordinary	Abdullah bin Abdulrahman Al-Kharashi (Chairman) Bashar bin Abdulaziz Abaalkhail (Vice Chairman) Abdulrahman bin Raed Al-Mishaal Abdulaziz bin Raed Al-Mishaal Wael bin Abdulrahman Al-Bassam

			Hani bin Mohammed Al-Zaid Abdulmajeed bin Abdulaziz Al-Abulwahhab
--	--	--	--

Overview of the company:

The Saudi Paper Manufacturing Company is a Saudi joint stock company listed on the Saudi Stock Exchange since: 06/14/2006 under Code No. 2300 within the basic materials sector.

The company was founded in 1989, and was listed on the Saudi Stock Exchange on 06/14/2006. Having its principal address at Dammam - the second industrial zone. The company passed through various stages of development. Its business expanded during the years since its founding, and its industrial capabilities developed by adding complementary activities to its main activity by establishing its subsidiary companies. The Saudi Paper Manufacturing Company is a leading company specialized in manufacturing of sanitary paper, its activity focused on producing a high quality of sanitary paper to meet the need of mainly local markets and for export outside the Kingdom. As part of its social responsibility towards society, the company pays attention to environmental factors by reducing its dependence on raw materials, especially pulp extracted from cutting down forest trees. The company's capital amounts to 337,000,000 SAR, and the number of its issued shares amounted to 33,700,000 shares with a nominal value of 10 SAR per share, fully paid, as at the end of the fiscal year 2023. In the same year, the company's Board of Directors issued a recommendation to the General Assembly of Shareholders to increase the capital by granting free shares, bringing the company's capital to SAR 370,700,000 and the number of its issued shares to reach 37,070,000 shares if approved by the General Assembly.

Company vision, mission, objectives, values and culture:

Our Vision:

To be one of the fastest growing major companies, to always work on two parallel lines to grow our shareholders' profits on a hand and develop technical solutions in relation to our strict standards for preserving the environment on other hand, and to be the leading company in the field of paper tissue manufacturing in the Middle East, and to cover the needs of customers of all segments and categories.

Our Mission

To grow the company's proceeds and achieve balanced profits for shareholders by increasing production efficiency and sales growth.

Our Objectives

To provide a Saudi products world-class quality and competitive prices suit different lifestyles, address diverse consumer needs, preserve the environment, and achieve added value to society and the group through the production of recycled products to meet the needs of our customers.

Company' Values

We believe firmly there are five basic values guiding our constant ambition towards excellence, define our goals and push us forward to achieve them, which are:

Quality: We make no doubt the quality means the quality of everything, starting with the quality of raw materials, then the quality of machinery and equipment, then the quality of operation and the quality of the human element, ending with the quality of the final products.

Individuals: We believe the necessity to provide high-quality products at competitive prices. We must pay special attention to our employees because they are the competitive advantage that we possess and on which we are betting in all of our ambitious goals.

Teamwork: We believe that that in order to achieve the ambitious goals, we must work as a single team. Everyone works according to a harmonious and effective system, and everyone plays his role and contributes to achieving the goals.

Community: We are certain that we work according to an integrated and interactive system with the community, as it is the beginning of our work and the recipient of our products, so we always place social responsibility in all our goals.

Integrity: We are convinced that integrity is the basic element for realizing achievements and ambitions, so we establish the values of integrity and transparency among everyone in all our transactions, operations, agreements, and commitments.

Company culture:

The company is keen to consolidate its organizational culture to which all employees are committed to performing their duties to the fullest extent:

Developing self-monitoring: The company is keen to develop the employee's self-monitoring. The successful, committed employee is the one who watches God Almighty before the official watches him, and he is the one who takes into account the public interest before the personal interest, so, Self-monitoring is the value preventing betrayal and helps maintain honesty.

Establishing precise regulation: Weakness or lack of clarity in the system may lead to improper ethical practices, so the group is keen to develop regulation, policies, and procedures scientifically, and in a way determining responsibility for implementation.

A good role model: The director and company officials are role models for the rest of the employees in adhering to and adhering to the group's work ethics. She is committed to looking at the manager adhering to work ethics, and they are also committed to following his example.

Responsibility and Accountability: All company' employees are equal before the regulation, and any violation of the group's regulations by any employee, regardless of his job position, will be subject to the procedure stipulated in the list of penalties and violations approved by the group, and he must be held accountable to ensure that the regulation is implemented.

According to the vision, mission, values and culture of the group and careful strategic analysis of its situation, the company has prescribed ten basic strategic objectives in its strategy approved by the Board of Directors for the next three years, determining all future operational objectives precisely defined. The company's strategic objectives are as follows:

- 1- To maintain leadership in all areas and activities of the group.
- 2- To own the largest share in the paper industry market.

- 3- To reach top as the largest integrated paper manufacturing company in the region.
- 4- To enable our products in the field of paper industry to reach global markets.
- 5- To establish strategic partnerships with suppliers to ensure provision of raw materials needed by the group's activities in a timely manner, with high quality and at best prices, and to pay attention to effective communication with suppliers to ensure obtaining best payment terms, while ensuring their compliance with the approved quality standards for each item.
- 6- To realize customer satisfaction by providing a diverse and homogeneous range of products of the highest quality and at a competitive price suits various market requirements, realizing satisfaction for all categories of consumers and suits various purchasing segments.
- 7- To apply international standards in all areas and activities of the group, to realize maximum rates of efficiency and effectiveness, and so that the group can continue to compete locally and globally, with a commitment to applying its permanent slogan (the triangle of protection) (quality - price - diversity) and thus breaking the well-known economic rule (quality has a direct relationship with price).
- 8- To apply all the modern standards required to implement digital transformation processes.
- 9- To implement comprehensive quality systems and occupational security, safety and health standards, while developing systems ensuring sustainability.
- 10- To invest in the human element in a manner commensurate with capital investments, to focus on the Saudi elements and to unite everyone to support them and work to integrate them with the elements of distinguished experience, in addition to focusing on continuous and diverse training programs to develop the performance of the work team, and to use the latest technological means in the field of manufacturing and group management in order to achieve the highest performance rates.

Description for the main activity types of the company and its subsidiaries:

The company's main activities consist of two main sectors: the industry and trade sectors, which are mainly represented in production of all types of tissue paper, paper rolls and pulp, and sale, distribution, import and export of paper and its products and their impact on the volume of the company's business and its contribution to its results as the following:

Million S.R	Activity revenues	Percentage
Manufacturing activity	780.3	96%
Commerce activity	30.8	4%
Total	811.1	100%

Description of subsidiaries' main activities and their contribution to results:

All subsidiaries work in integration with the company. In the field of manufacturing industry, manufacturing companies rely on rolls of raw sanitary paper produced in the parent company's factories. Paper assembly and sorting companies also supply the paper factory with the raw materials needed for production, in addition to trading in other types which the factory does not need. The Saudi Investment and Industrial Development Company represents the strategic arm used by the company in its investments.

The table below shows the impact of such main activities of subsidiaries on the company's business volume, which amounts to total revenues of Saudi Riyals: 811.1 million, and their contribution to the results as follows:

Million S.R	Activity revenues	Percentage
Saudi Paper Recycling Company	31	4%
Saudi Paper Manufacturing Company	342	42%
Saudi Investment and Industrial Development Company	0	0%
Al Madar Paper Trading Company - Morocco	0	0%
Al-Madar Paper Trading Company - Jordan	0	0%
Jordanian Saudi Paper Manufacturing Company - Jordan	0	0%
Al-Madar Paper Company - Algeria	22	5%
Roots Factory Company for Manufacturing Paper Tissues (Roots) - Kuwait	45	6%
Moroccan Paper Industry Company - Morocco	0	0%
Total revenues of subsidiaries	440	54%
Saudi Paper Manufacturing Company	371	46%
Consolidated total revenues	811	100%

Achievements in 2023:

The company has realized tangible progress at all levels, which evident in the increase in the group's net profit. As in 2020, realized net profit amounting to S.R 15,100,183, in 2021 the net profit is doubled amounting S.R 30,275,860 while in 2022 the net profit increased at a rate of about 150% i.e., realized an amount of S.R 46,894,939 and by continued success in 2023, realized net profit amounting S.R 72,935,736 at a rate of 55.55 % over the last year. The company has also achieved successes at several fields, the most notable of which are the following:

Sales: The company achieved sales this year amounting to 811.08 million Riyals. The reason for the increase in sales during this year compared to the previous year by 17.2% is due to the noticeable increase in sales of paper rolls after the operation of the new production line in April 2023, which contributed to increasing the sales capacity by 31% to meet the needs of the local and regional market. At the level of manufacturing products, sales have increased significantly in implementation of the company's strategy to increase its market share, which is estimated at 40.6% by the end of the year 2023, develop its products, enter new markets, and have a greater geographical spread. The volume of export sales at the end of 2023 reached 13% of total sales.

Operations: In 2021, the company contracted with Toscotec an Italian company to supply and install a production line for raw paper tissue rolls with a design production capacity of 30,000 tons annually, as

Toscotec technology aims to achieve maximum production efficiency and reduce consumption and operating costs with the highest levels of quality and compliance with environmental standards. All installation work has been completed and the new production line has been effectively operated at full production capacity in April 2023. The company has completed contracting procedures with a specialized contracting company to implement construction and building the metal structure and the building of the fifth production line, and carry out the required civil works. The production capacity of the fifth production line shall be 60,000 tons annually. The company also later announced that it has signed a (non-binding) memorandum of understanding with TOSCOTEC to purchase the sixth production line with a production capacity of 60,000 tons of sanitary paper rolls, aiming to increase its production capacity of raw tissue paper rolls from 190,000 tons to 250,000 tons, all such in line with the national strategy for industry in the Kingdom of Saudi Arabia, and based on the company's strategic expansion strategy, and to meet the needs of local and global markets.

Quality and digital transformation:

In the year 2023, the Saudi Paper Manufacturing Company's factory realize an achievement, as it is selected among the top 10 advanced factories in a Kingdom-wide Siri evaluation within the Future Factories Program which is one of the programs of the Ministry of Industry and Mineral Resources. The company also continued to maintain the ISO certificates: (ISO 9001:2015) (ISO 45001:2018) (ISO 14001:2015).

Future plans and outlooks:

The company has realized the intended objectives of its development plans during the year 2023, as the schedule for the next three years is full of ambitious projects for the Saudi Paper Manufacturing Company and its subsidiaries. Such projects will contribute to developing and improving the company's infrastructure, developing the performance of the machines, improving the quality of the products, and increasing its production capacity to reach 122,000. tons in 2024, 158,000 tons in 2025, and 165,000 tons in 2026, improving the governance of policies and procedures and realizing sustainability. In order to achieve the main operational objectives for the next three years (with Allah willing), the company will work on several main pivots, the most important of which are the following: the production pivot, the customers and sales pivot, the pivot of partnerships and alliances, and the pivot of digital transformation.

The Company Representations:

- The account books well prepared
- The internal audit regulation prepared on sound foundations and implemented effectively.
- No doubt on the company's ability to continue its activity.

Risk factors, their management and control:

The company and its subsidiaries, like any economic entity, face a group of risks concentrated in operational risks, financing risks, and risks related to the market and industrial sector in which it mainly operates, in addition to the effects of macroeconomic factors, risks of decline in the fair value of its assets and financial instruments, in addition to other risks that may not be known to the company which emanated 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 in the following:

- Revenues being affected by the industrial sector activity risks in the sanitary paper industry and related thereof as a result of competition from companies inside the Kingdom and companies

exporting from outside the Kingdom and the challenges faced by the company from dumping, or due to levels of availability of raw materials needed by company fluctuations in its global prices.

- Foreign exchange rates risk against the Saudi riyal in relation to the company's purchases and foreign investments.
- Cash flow risk.
- Loan costs and interest rates risks on the Saudi Riyal that affect the fluctuation of the value of financial instruments and their potential impact on the company's profitability.
- Risks related to the failure of financial, administrative, and operational technical systems, equipment, machines, and anything related to production operations, in addition to fire risks and matters related to security and safety.
- Customer credit risks and their impact on cash flows.
- Legislation, laws and regulations risks related to the company's operations, activities and obligations.
- risk of the company losing specialized human resources and workers in production operations due to competition in the paper industry.

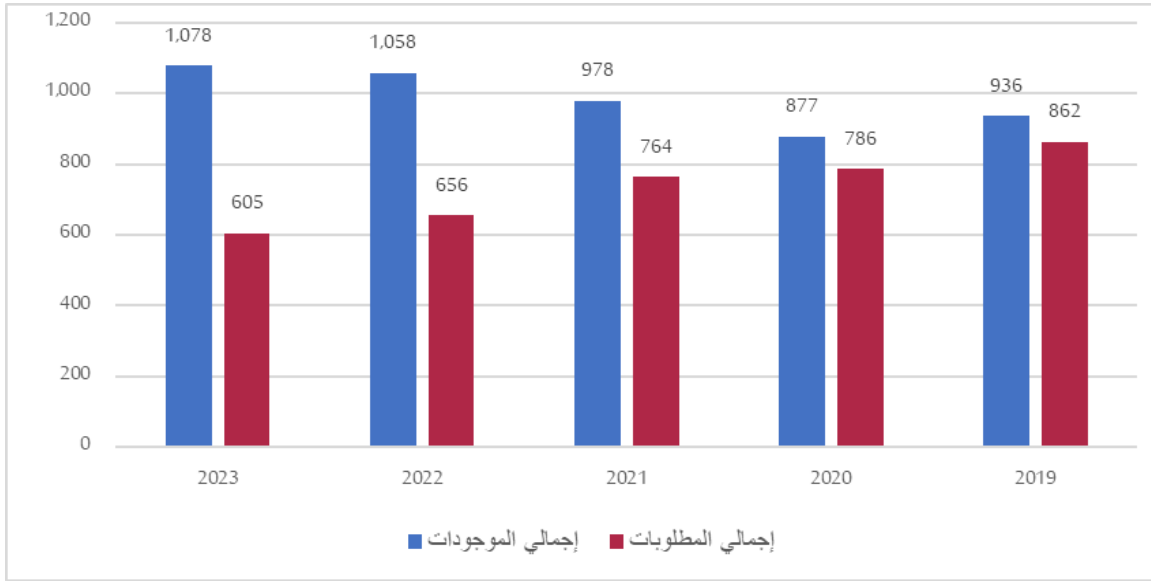
The company shall face manages and monitors these risks through a strategy to avoid high risks as much as possible or reduce its effects, or transfer it to other parties, such as insurance companies, by following several procedures and taking the necessary precautions to be able to conduct its business and operations as usual, in addition to continuous monitoring of the risks affecting the company's operations and its needs for cash liquidity, raising confidence with customers and increasing loyalty to the company's products. In its management to the risks the company s also working 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 work.

Comparing assets and liabilities for five years:

Total assets amounted to Saudi Riyals 1,078 million for the year 2023, an increase of 1.9% from the year 2022 in turn,, total liabilities amounted to Saudi Riyals 605 million for the year 2023, a decrease of 7.8% from the year 2022.

According to international standards

Description	Million S.R	2023	2022	2021	2020	2019
Current assets		450	429	380	243	277
Non-current assets		628	629	598	634	658
Total assets		1,078	1,058	978	877	936
Current liabilities		408	364	403	395	476
Non-current liabilities		197	292	361	391	386
Total liabilities		605	656	764	786	862



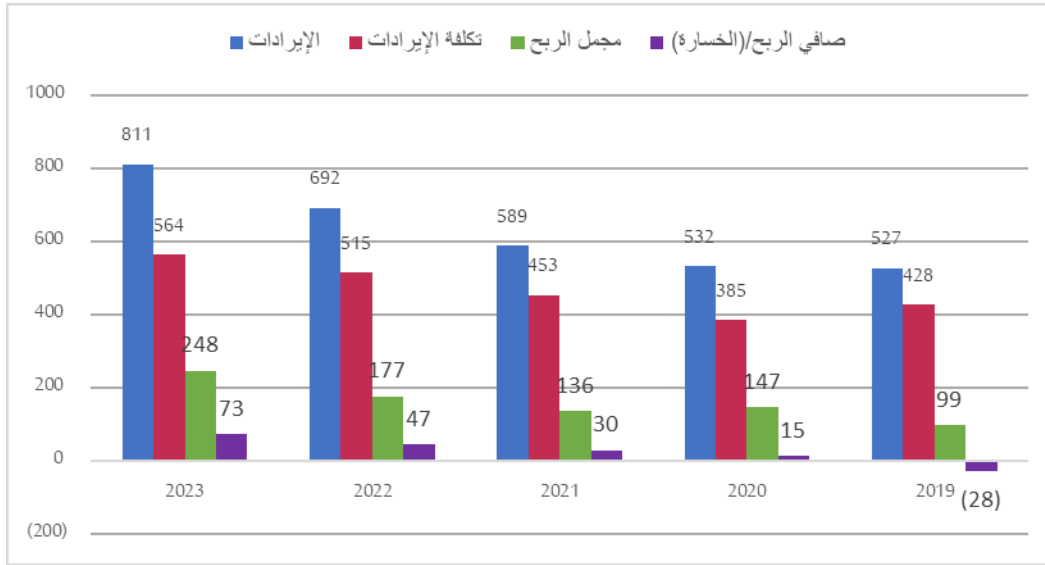
Comparing five-year business results:

The company has realized tangible progress at all levels, which clearly appeared in the company's revenues which positively affected the net profit at the group level, having the company suffered losses for several years ended 2019 in which the company realized net loss of S.R 27,883,310 and then the company, under its current management, made a major shift in its performance. The company came out of a series of successive losses to realize increasing profits as in 2020, realized net profit amounting to S.R 15,100,183, in 2021 the net profit is doubled amounting S.R 30,275,860 while in 2022 the net profit increased at a rate of about 150% i.e., realized an amount of S.R 46,894,939 and by continued success in 2023, realized net profit amounting S.R 72,935,736 at a rate of 55.55 % over the last year.

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

According to international standards

Description	Million S.R	2023	2022	2021	2020	2019
Revenues		811	692	589	532	527
Revenue costs		564	(515)	(453)	(385)	(428)
Gross profit		248	177	136	147	99
Net profit (loss)		73	47	30	15	(28)



Differences in operational results from the previous year's results:

The company's revenues during the year 2023 amounted to S.R 811.1 million by an 7.2% over the previous year. The total profit also increased to S.R 247.6 million, an increase of 40% over the previous year as a result of the noticeable increase in sales of paper rolls after the operation of the new production line in April 2023, which contributed increasing sales capacity by 31% to meet the needs of the local and regional market. For the manufacturing products level, the sales have increased significantly in executing to the company's strategy to increase its market share, develop its products, enter new markets, and have a greater geographical spread. The net profit for the company's shareholders during this year amounted to S.R 72.9 million, by an increase of 55.5% over the previous year, which amounted to a profit of S.R 46.9 million. The reason for the increase in the company's net profit during the current year compared to the previous year is the noticeable increase in sales as a result of achieving the highest capacity and production efficiency as well as optimal exploitation of human and financial resources, which reflected in reducing production costs. The company kept to build inventory at the best prices to achieve best profit margins and to meeting production plans without the risk of interruption, resulting in a significant improvement in overall profit by 40% compared to the previous year. The provision for trade receivables also decreased during this year compared to the previous year, as a result of collecting late debts from customers, which improved the company's liquid cash. This improvement is also offset by an increase in selling and marketing expenses amounting to S.R 14.3 million including shipping expenses to customers as a result of sales amount and an increase in financing expenses amounting to S.R 12.6 million due to increase in the cost of financing locally and globally during the current period which did not affect the company's commitment to repay loans on time and reduce Balances of long and medium-term bank loans. Also, an additional zakat allocation is taken during the current year in the amount of S.R 5.2 million, pertaining to previous years, after receiving an initial assessment from the Zakat Authority.

In addition, the company realized capital gains worth S.R 19 million in the same period of the previous year as a result of the sale a land owned by the company.

Description	According to international standards				
	S.R Million	2023	2022	Changes (+) or (-)	Change rate
Revenues		811	692	119	17%
Sales cost		(564)	(515)	(49)	9%
Gross profit		248	177	71	40%
Operating revenues – other		7	26	(19)	-74%
Other operating expenses		(132)	(126)	(6)	5%
Operating profit (loss).		122	76	46	60%

Shareholders' equity:

Total shareholders' equity (after excluding minority interests) during the current period ending on December 31, 2023 amounted to S.R 472.6 million, compared to S.R 401.3 million for the year 2022, by an increase of 17.8% resulting from realizing profits during the period, and retained earnings as of December 31, 2023 amounted to an amount of S.R 129.5 million, representing 27.4% of the capital.

Description	S.R Million	31/12/2023	31/12/2022
capital		337.0	337.0
Treasury shares		(3.9)	0.0
Statutory reserve		15.3	8.0
Differences in foreign currency translation		(5.3)	(7.5)
Retained earnings/(accumulated losses)		129.5	63.8
Company's shareholders Equity		472.6	401.3
Non-controlling interests		0.8	1.0
Total equity		473.4	402.3

Shareholders' equity



Geographic analysis of the company's and its subsidiaries' total revenues:

The group carries out its operations in the Kingdom of Saudi Arabia, the Gulf Cooperation Council countries, North Africa and some other geographical regions. Certain financial information as at December 31, 2023 has been summarized according to geographical distribution as follows:

Year	S.R Million	Geographical analysis of the company's total revenues			
		Total revenue	In-kingdom	GCC	other countries
2023	811	704	59	49	811

Year	S.R Million	Geographical analysis of the company's total revenues			
		Total revenue	In-kingdom	GCC	other countries
2022	692	573	47	72	692

Subsidiaries inside and outside the Kingdom:

The company practice its activities and operations directly and through its subsidiaries inside and outside the Kingdom. The table below shows the names and details of the subsidiaries in which the company owns 30% or more:

Subsidiary name	Capital	The company's ownership percentage	Main business line	Headquarter country	Country of incorporation
Saudi Paper Manufacturing Company (A limited liability company)	50,000,000	100%	Paper Manufacturing	KSA	KSA
Saudi Paper and Waste Recycling Company (A limited liability company)	4,300,000	100%	Collecting, sorting and trading in paper	KSA	KSA
Saudi Investment and Industrial Development Company (A limited liability company)	500,000	100%	To invest in various industries	KSA	KSA
Al Madar Paper Trading Company (A limited liability company)	450,000	100%	Collecting, sorting and trading in paper	Morocco	Morocco
Al Madar Paper Trading Company (A limited liability company)	530,000	100%	Collecting, sorting and trading in paper	Jordan	Jordan
Jordanian Saudi Paper Manufacturing Company (A limited liability company)	265,000	100%	Paper Manufacturing	Jordan	Jordan
Al Madar Paper Company (A limited liability company)	817,000	100%	Collecting, sorting and trading in paper	Algeria	Algeria
Roots Factory Company for the manufacture of paper tissues (A limited liability company)	2,835,000	85%	Paper Manufacturing	Kuwait	Kuwait
Moroccan Paper Industry Company (A limited liability company)	-	100%	Paper Manufacturing	Morocco	Morocco

All companies work in integration with each other. as such, in field of manufacturing, the manufacturing companies rely on rolls of raw sanitary paper produced in the company's factories. Paper collection and sorting companies and their branches also supply the paper factory with the raw materials needed for production, in addition to trading in the rest of the types for which the factory does not need. Saudi Investment and Industrial Development represents the strategic arm by which the company uses in investments.

Shares and debt instruments issued to each subsidiary:

The company did not issue any debt instruments, nor did any of the company's subsidiaries issue any shares or debt instruments.

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

No transferable debt instruments, any contractual securities, subscription rights memorandums, or similar rights issued or granted by the company during the fiscal year, and there is no compensation received by the company in return.

Rights to transfer or subscribe for any transferable debt instruments, contractual securities, subscription rights memoranda, or similar rights issued or granted by the company:

No transfer or subscription rights under transferable debt instruments, contractual securities, subscription rights memorandums, or similar rights issued or granted by the Company.

Redeeming, purchasing or canceling any redeemable debt instruments by the company:

No and debt instruments issued by the company, nor any redeeming, purchasing or cancelling done by the company to any redeemable debit instruments.

Loans against the company total indebtedness of the company and its subsidiaries:

Borrowing from banks, in addition to long-term loans, includes short-term loans and liabilities for refinancing a letter of credit obtained from multiple commercial banks and charging financial costs at prevailing market rates according to the interest rate between banks. The company has completed rescheduling the facilities granted by banks in proportion to the company's cash flows, as various grace periods were obtained in addition to payments commensurate with the company's future cash flows of up to seven (7) years. Against all these facilities, the company provided promissory notes only without any additional securities.

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

Figures in thousand S.R							
Srl.	Lender name	loan principal	Loan term	Balance at the beginning of the year	Additions during the year	Payments made during the year	Balance at the end of the year
(1)	Alinma Bank	240,430	2018 - 2026	162,276	-	-29,000	133,276
(2)	National Commercial Bank	65,000	2016 - 2023	1,082	-	-1,082	0
(3)	Al Rajhi Bank	76,000	2019 - 2024	33,000	-	-18,000	15,000



Board of Directors' Report for 2023

Saudi Joint Stock Co.
C.R 2050028141
Capital SR. 337,000,000 Fully Paid

شركة مساهمة سعودية
س.ت: 2050028141

رأس المال 337.000.000 مدفوع بالكامل

الشركة السعودية لصناعة الورق
SAUDI PAPER MANUFACTURING CO.

(4)	Riyad Bank	158,000	2018 - 2026	110,211	-	-25,600	84,611
(5)	Industrial Bank of Kuwait	7,000	2020 - 2027	4889	-	-825	4064
(6)	The Saudi Investment Bank	41,000	2018 - 2025	24,267	-	-7,800	16,467
(7)	Industrial Development Fund	38,000	Until - 2023	5,500	-	-5,500	0
Total				341,225	0	-87,807	253,418
Accrued finance charges, deferred finance charges				1,043	0	197	1,298
Total long-term loans and facilities				342,523	0	-87,611	254,912

Table of Short-term loans and facilities:

Figures in thousand S.R							
Srl.	Lender name	Facility value	Loan term	Balance at the beginning of the year	Additions during the year	Payments made during the year	Balance at the end of the year
(1)	Alinma Bank	83,000	Year	95,174	138,745	-164,089	69,830
(2)	National Commercial Bank	800	Year	11,600	0	-10,800	800
(3)	Al Jazeera	75,000		0	25,000	0	25,000
(4)	Riyad Bank	7,600	Year	17,374	7,494	-17,374	7,494
(5)	The Saudi Investment Bank	30,000		0	27,094	0	27,094
(6)	Banque Saudi Fransi	50,000		0	0	0	0
(7)	British Saudi Bank	60,000	Year	23,188	82,207	-73,901	31,495
Total				147,337	280,540	-266,164	161,713
Notes payable				1,571	11,952	-10,978	2,544
Total short-term loans				148,908	387,503	-277,142	164,258
Total long- and short-term loans				491,430	292,492	-364,753	419,170

Total loan classification:

Figures in thousand S.R		
Bank obligations	2022	2023
long term loans	342,522	254,912
Short term loans	148,908	164,258
Total	491,430	419,170

Statutory payments paid and due:

The Saudi Paper Manufacturing Company announced that it has come up a settlement with the Zakat, Tax and Customs Authority regarding the zakat obligations for the period in question for the years 2015 to 2018. As Zakat, Tax and Customs Authority was requesting the payment of zakat dues in the amount of S.R 23,490,009.38. The company's management took all necessary procedures to object to the competent committees and obtained settlement by paying an amount of S.R 10,417,492. It is also recalled, the current company management has keen to amend and finalize the status of zakat obligations with the Zakat, Tax and Customs Authority for the period from 2006 until 2014. In addition, during the year ending December 31, 2023, the Company received an initial assessment from the Zakat, Tax and Customs Authority for the years 2019 and 2020 claiming an additional liability of S.R 1.5 million and S.R 3.9 million, respectively. The Company recorded a liability at the end of the year against this assessment of SR 5.2 million.

The table below shows the value of the company's regulatory payments during the year 2023:

S.R Million	31/12/2023		Brief description	Describe the reasons
	Paid	Due until the end of the annual financial period and not paid		
Description				
Zakat	8,268,124	15,221,689	Zakat according to the regulation of the General Authority of Zakat and Income	-
Tax	65,921	103,703	Withholding tax for external payments according to the regulation of the General Authority of Zakat and Income.	-
VAT	71,982,071	3,992,941	VAT	
GOSI	5,539,639	-54,592	Social insurance as per regulation	-
Costs for visas, passports, and Ministry of Human Resources fees	2,299,212	466,565	Paid to the Passport Department and the Labor Office for the company's employees according to the regulation	-

Transactions with related parties:

Transactions with related parties focused on the transaction with Al-Sharq Gas Company Limited, which is an associated company. During the year and according to its needs, the company purchases the quantities of gas it needs based on prices determined by the competent government authority. This company is considered the only main source for the Second Industrial City in Dammam, on which the company relies to supply gas. Mr. Abdulaziz bin Raed Al-Mishaal represents the company on the Board of Directors of the East Gas Company Limited.

The table below shows the value of transactions conducted with related parties during the year 2023:

Related party	Type of relationship with the company	Interested Director	Transaction type	Term	Transaction value during the year
East Gas Company	Director	Mr. Abdulaziz bin Raed Al-Mishaal	Gas purchases during the year	12 months	S.R 8,428,278

The company's share of the East Gas Company's profits amounted to S.R 5.2 million, based on the profitability of its shares in the aforementioned company, which represents 26% of its capital.

Register of shareholders:

Order No.	Order date	Order Reasons
1	29/01/2023	General Assembly
2	10/04/2023	Company procedures
3	22/05/2023	General Assembly
4	29/08/2023	Company procedures
5	31/10/2023	Company procedures
6	20/12/2023	Company procedures

The company's Dividends policy:

On 11/29/2023, the Board of Directors issued a decision to submit a recommendation to the General Assembly of Shareholders to distribute cash dividends for the third quarter of the fiscal year 2023 at S.R 0.5 per share. The distribution ratio to the nominal share value is 5%.

Any dividends proposed by the Board of Directors also require approval by the General Assembly of Shareholders. According to the company's bylaws, the distribution of the company's annual net profits after deducting all general expenses and other costs will be 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 statutory reserve reaches 30% of the paid-up capital.
- The holder of preferred shares shall be distributed those percentages of the profits determined for these shares. Preferred shares mean the shares issued by the company and granting their owners the right to obtain a greater percentage than the holders of ordinary shares of the company's net profits after setting aside the statutory reserve. These shares shall not give their holders the right to vote in the General Assembly, and the Ordinary General Assembly may, based on the proposal of the Board of Directors, set aside an equal percentage of the net profits to form other reserves.
- From the remainder, if any, a first payment equal 5% of the paid-up capital shall be distributed to the shareholders.
- After the above, a percentage not exceeding ten percent (10%) of the remainder shall be allocated as a remuneration for the Board of Directors, subject to the provisions stipulated in Article 21 of company's bylaws (Board Directors' Remuneration) and Article 71 of the Companies Law.
- The remainder shall be then distributed to shareholders as an additional share of profits.

The Company may distribute quarterly or semiannual dividends following satisfaction of liabilities of related competent authority. A shareholder will be entitled to their share of dividends in accordance with the resolution adopted by the General Assembly in this regard. The resolution must indicate the date of entitlement and the date of distribution.

Interest in a class of voting shares:

The company was not informed during the fiscal year 2023 of any rights in the interest of the class of shares with the right to vote belonging to persons (except Board Directors', senior executives and their relatives) in accordance with Article (85) 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 in the company.

Application of corporate governance regulations:

The company is committed to applying the corporate governance regulations issued by the Board of the Capital Market Authority through the corporate governance principles systems within a framework of the company's governance rules approved by the Board of Directors in a way does not conflict with the mandatory provisions in the corporate governance regulations, and within the framework of the company's bylaws and the relevant statutory rules and regulations, regulations and policies related to the work of the Board of Directors, the company's committees, internal work regulations, and policies and procedures.

The company also monitors its application and verifies its effectiveness by reviewing the mechanisms for implementing governance rules, regulations, policies and internal procedures to meet the company's needs with the aim of continuous development and improvement to achieve best practices. The company is also working on reviewing and updating the company's governance rules to comply with regulatory requirements and selecting best practices in corporate governance and social and environmental responsibility in a manner consistent with the nature of its business and objectives. The company has practically committed to implementing all the provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority Council, except for the provisions below:

Article No	Paragraph No	Text of article/paragraph	Reasons for non-application
39 (guidance article)	-	Training (training and qualifying board Directors and executive management)	The company is committed to informing the Board Directors and executives the company's business and activities progress.
41 (guidance article)	E	Evaluation (The Board of Directors shall make the necessary arrangements to obtain an evaluation of its performance from a competent third party every three years).	The company has an approved policy for evaluating the Board Directors, and the Nominations and Remuneration Committee, within its duties, reviews the structure of the Board and the executive management, the appropriate needs for skills, experience, capabilities and qualifications, and the weaknesses and strengths of the Board and presents proposals to address them.
70 (guidance article)	-	Forming a risk management committee	The company has not formed an independent committee for risk management. The tasks of the company's audit committee, according to its work regulations, include risk management. The company has also established an independent internal audit department linked to the audit committee.
71 (guidance article)	-	Terms of reference of the Risk Management Committee	The company has not formed an independent risk management committee.
72 (guidance article)	-	Risk Management Committee meetings	The company has not formed an independent risk management committee.
78	(Paragraph from guidance article)	The internal audit unit or department shall prepare a written report on its work and submits it to the Board of Directors and the Audit Committee at least quarterly. This report should include an evaluation of the company's internal control system and the results and recommendations of such unit or department, actions taken by each department regarding the treatment of the results and recommendations of the previous audit and any observations thereon, especially in the event of not being addressed in a timely manner and the reasons	The Internal Audit Department shall prepare written reports on its work periodically and submits them to the Audit Committee.
87 (guidance article)	-	Social Responsibility	The company does not have an approved social responsibility policy.
88 (guidance article)	-	Social work initiatives	The company has not undertaken social work initiatives in accordance with the article, and it will work, through developing a social responsibility policy, to study programs and means of launching initiatives in the field of social work.
95 (guidance article)	-	Formation of a corporate governance committee	The Company has not formed an independent corporate governance committee, and has established an internal governance department or unit.



الشركة الرائدة في مجال
تصنيع الورق على مستوى الخليج