



Middle East Paper Company (MEPCO)

A SAUDI JOINT STOCK COMPANY

BOARD OF DIRECTORS' REPORT FOR FINANCIAL YEAR 2023

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Chairman of the Board Message

Dear Shareholders of the Company

May God bless you all.

May the peace, mercy and blessings of God be upon you.

As Chairman of Middle East Paper Company (MEPCO), on behalf of the Board members, I am pleased to present to you the Board of Directors' Report that details the Company's main business activities, financial results, and achievements obtained during 2023.

I would like to acknowledge the regulatory developments that have shaped our operational environment. I am pleased to affirm that this report fully complies with Corporate Governance Regulations, underscoring our unwavering dedication to transparency, accountability, and responsible corporate practices.

We will reflect on the key achievements and performance milestones that have marked our journey through 2023. Our collective efforts and consistent pursuit of excellence have culminated in significant accomplishments in multiple areas, encompassing operational successes and strategic advancements.

Amid a competitive landscape, we reached our growth objectives, a feat made possible by the steadfast support and contributions from our Stakeholders.

In 2023, the Public Investment Fund has acquired a 23.08% stake in MEPCO, the leading manufacturer specialized in producing and recycling paper-based products in the Middle East and North Africa. This strategic investment enables MEPCO to expand its production, raise its operational efficiency, and support environmental sustainability through planned expansion projects such as the Paper Mill (PM5) and the Tissue Mill (TM6). The investment will also provide the Company with opportunities to acquire a set of assets and shares of existing establishments operating in the field of manufacturing and supply of corrugated boxes to achieve forward integration acquisition. Embracing the principles of the circular economy, MEPCO leads the way in waste management and recycling initiatives, which demonstrates its commitment to achieving the sustainability targets of the Kingdom of Saudi Arabia. The investment will further contribute to achieving MEPCO's expansion strategy.

Looking ahead, the Company is working on developing its capabilities to keep up with market growth, expand its business, and diversify its products to fulfill the local and global demand.

We value the determined efforts of the Board, its Committees and Executive Management to promote good governance practices. We are committed to develop and enhance our approaches to improve controls, risk management, and social responsibility, while also preserving the environment and intensifying our social engagement, aligning with the Kingdom's Vision 2030.

Finally, I would like to express my gratitude to your unwavering support and trust in our organization. Our shared dedication has led to significant achievements, and I am confident that our strategic vision, combined with robust governance, will propel us towards even greater successes in the future.

I. Board of Directors

- The Board of Directors is elected by the General Assembly. It is delegated to direct, run, and operate MEPCO. The Board is well aware of its legal responsibilities whereby it is responsible to the Shareholders for the operation of the Company's affairs in a manner that secures the Shareholders' interests. Moreover, the regulations of both the corporate governance and the Board provide detailed provisions on the formation of the Board, its Committees, competencies, responsibilities, meetings, member privileges and duties, along with emphasizing the active participation in the business of the Board via decision-making processes. Additionally, those regulations strictly govern conflicts of interests between the Board members and the Company. Further, they embed honesty, trustworthiness, and due diligence into the code of conduct of our business. MEPCO's Articles of Association specify the number of Board members, their remuneration and powers, in addition to their appointment and termination of membership, taking into account the size and nature of MEPCO's business and the expertise required for membership.
- MEPCO's Board of Directors is composed of 8 members, of whom 5 are independent members. They were elected by the Company's General Assembly in November 2022 for a 3-year term as at 14th November 2022.

Key roles and responsibilities of the Board include, but are not limited to, the following:

- Develop plans, policies, strategies, and major objectives for the Company. To oversee and periodically review such items and their implementation, ensuring the availability of the required human and financial resources and establishing, as well as broadly supervising, systems and internal audit controls.
- In accordance with regulatory requirements and best practices, review and update the rules of corporate governance and verify the Company's compliance therewith.
- Oversee the Company's financial management and cash flows, as well as its financial and credit relationship with others.
- Prepare interim and annual financial statements of the Company, along with the proposed mechanism for dividends and approve the same for presentation.
- Draft and approve the Board report before release.
- Devise policies and procedures that govern the Company's compliance with the rules and regulations, and its commitment to disclosing material information to Shareholders, creditors and other Stakeholders. Ensure the Executive Management acts accordingly.
- Ensure the accuracy and integrity of data and information that is required to be disclosed by relative policies and regulations.

- Create effective communication channels allowing Shareholders to access various Company activities and material developments constantly and periodically.

a) Composition and classification of the Board at the end of 2023

Name	Position	Membership
Mr. Musaab Sulaiman Al Muhaidib	Chairman	Non-Executive
Eng. Abdullah Abdulrahman Almoammar*	Vice-Chairman	Non-Executive
Mr. Emad Abdulkader Al Muhaidib**	Member	Non-Executive
Mr. Waleed Abdulrahman AlMonie	Member	Independent
Mr. Rakan Mohammed Abunayyan	Member	Independent
Mr. Rob Jan Renders [^]	Member	Non-Executive
Mr. Victor Sanz Martinez	Member	Independent
Ms. Hawazen Nazih Nassief	Member	Independent
Mr. Walid Ibrahim Shukri***	Member	Independent
Mr. Farid Habib***	Member	Non-Executive

* Membership terminated on 11th December 2023

** Membership terminated on 28th December 2023

*** Membership started on 28th December 2023

[^] The member was nominated by one of the principal Shareholders (Public Investment Fund “PIF”), based on the terms of the Subscription Agreement signed between the Fund and MEPCO on 31st July 2023. The membership of the aforementioned member was changed to Non-Executive, starting from the date of the Assembly’s approval of investor entry in its meeting held on 28th December 2023.

b) Board Meetings and Attendance Record

Name	Board Meetings held during 2023						Attendance
	12th March	1st May	11th April	25th July	6th September	13th December	
Mr. Musaab Sulaiman Al Muhaidib	Present	Present	Present	Present	Present	Present	6
Eng. Abdullah Abdulrahman Almoammar*	Present	Present	Present	Present	Present	-	5
Mr. Emad Abdulkader Al Muhaidib**	Present	Present	Present	Present	Present	-	5

Mr. Waleed Abdulrahman AlMonic	Present	Present	Present	Present	Present	Present	6
Mr. Rakan Mohammed Abunayyan	Present	Present	Present	Present	Present	Present	6
Mr. Rob Jan Renders	Present	Present	Present	Present	Present	Present	6
Mr. Victor Sanz Martinez	Present	Present	Present	Present	Present	Present	6
Ms. Hawazen Nazih Nassief	Present	Present	Present	Present	Present	Present	6

* Membership terminated on 11th December 2023

** Membership terminated on 28th December 2023

- The Annual General Assembly for the fiscal year 2023 was held on 22nd June 2023. The Board held 3 further meetings as shown herein.

c) Academic qualifications and work experience of the Board and Committee members as well as senior Executives.

Name	Position	Qualifications	Experience, Current/Previous Positions
Board Members			
Mr. Musaab Sulaiman Al Muhaidib	Chairman of the Board	Bachelor's degree in Business Management, Miami University Master's degree in Business Management, Liverpool University	Mr. Musaab is extensively experienced in Strategies and Business Visibility Improvement. Lead strategic design, business development, market positioning, management of networks, performance management, financial management, and brand development. Musaab transformed business results in key areas and ensured significant increases in market share, growth, and profitability. Entrepreneur and investor with in-depth experience building and supporting businesses to achieve strategic objectives and thrive in a fast-paced environment. Musaab is part of many boards of influential organizations. He is currently the Chairman Masdar Group, Ebda Entertainment, Seedra Ventures and Goldman Sachs Saudi. He is on the board of Al Muhaidib Group, Shaker Group, Riyadh Chamber, Tasnee, JLL Saudi and Sabbar Company, And other companies with diversified field of industries. In his previous experience with Masdar Group, he served as CEO and was responsible for financial planning & growth, and P&L.
Eng. Abdullah Abdulrahman Almoammar	Vice-Chairman of the Board Chairman of the Strategy Committee	Bachelor of Industrial Engineering, King Saud University MA in Business Administration, King Fahd University	A founder of MEPCO, Eng. Almoammar has extensive experience in the Company's business. He has more than 25 years of experience in the industry and with a demonstrated history of working in the paper, Starch & Glucose, waste management. Formerly, he was the Managing Director of MEPCO and a Board member of the Saudi Printing and Packaging Company. He assumed the positions of Deputy Director and General Manager of the Saudi Paper Manufacturers Company.
Mr. Emad Abdulkader Al Muhaidib	Board member	Bachelor of Commerce Honorary Doctorate degree	A founder of MEPCO, Mr. Emad is also the Vice-Chairman of the Board of Al Muhaidib Group for Multi-Investments. He has gained vast experience in the fields of corporate business, commerce, business administration, investment, and business management. He served as a member of MEPCO's and several other companies' boards and chambers of commerce. Emad is also involved in social and non-profit

<p>Mr. Victor Sanz Martinez</p>	<p>Board member</p>	<p>Bachelor in Business Management, Zaragoza University Master of Arts in Business Management, ESADE University</p>	<p>Mr. Martinez is a Senior Director with 30 years of extensive experience in the industry of paper and millboard, strategy and sustainability. An Independent Board member for mergers and acquisitions. His work focuses on the strategic action plan of industry and energy. He led internationalization of production in 4 countries, worked on mergers and acquisitions for more than 20 companies and laid the groundwork for 15 industrial firms. He led several strategic plans that recorded promising results and heavy revenues before interest, tax, depreciation, and amortization, as well as considerable sales growth, digitalization, and diversification of services and sources of income.</p>
<p>Mr. Waleed Abdulrahman AlMonie</p>	<p>Board member</p>	<p>Bachelor of computer information systems, Fraser Valley University Master's degree in IT Management, Macquarie University</p>	<p>Mr. AlMonie is an expert in the strategy and project management domains. He has worked extensively on organizational transformation projects in key large scale entities including strategies' formulation and execution in multiple areas such as information technology, optimizing business models, and HR.</p>
<p>Mr. Rob Jan Renders</p>	<p>Board member Head of the Remuneration and Nominations Committee</p>	<p>Master's in Mechanical Engineering, University of Technology Eindhoven</p>	<p>Mr. Renders is a business consultant. He was a board member of Duropack GmbH from 2012 until the end of May 2015, as well as CEO of Duropack from May 2013 until May 2015. From 2006 to 2010, he served as Chairman of OTOR Société Anonyme, a leading packaging provider in France. Between 1989 and 2006, he held various positions at Svenska Cellulosa Aktiebolaget (SCA), a leading global producer of hygiene products and packaging solutions, including Mill Manager at SCA Packaging De Hoop, Managing Director of SCA Packaging De Hoop, President of SCA Packaging Containerboard, President of SCA Packaging Europe, and Senior Vice President Special Project Global Packaging for SCA Group. He has various consulting positions at several leading private equity firms (Carlyle, Blackstone, One Equity Partners Europe, 3i Netherlands) and is also the Chairman of the Supervisory Board of Walki Group Oy based in Espoo (Finland), a company specializing in sustainable packaging and engineered material solutions. He is an Independent Director of the Board and a member of the Human Resources and Compensation Committee and Audit and Risk Committee in Sappi Limited South Africa, a multi-national diversified wood fiber group.</p>
<p>Mr. Rakan Mohammed Abunayyan</p>	<p>Board member</p>	<p>Bachelor's Degree in Business administration, Suffolk University</p>	<p>Mr. Abunayyan is a Chief Executive officer at Afaq Express, a fully integrated logistics company focusing on first mile services. He is Chairman of Afaq Foods, a restaurant operator with four brands and an investment professional with previous roles at Vision Invest in the asset management department as well as Abunayyan Holding as an investment analyst and Abraaj Group as a private equity analyst. He was previously a Board member in advanced piping solutions, largest glass reinforced pipes manufacture in the eastern region.</p>

<p>Ms. Hawazen Nazih Nassief</p>	<p>Board member</p>	<p>Bachelor of International Relations, Boston University Master of Law and Diplomacy, Tufts University</p>	<p>Ms. Nassief is the acting head of Sustainability and Stewardship at the Public Investment Fund of Saudi Arabia. She has spent the majority of her career focusing on environmental, social and governance (ESG), sustainability and corporate responsibility, working in several multinational companies in the US, Saudi Arabia, and the UAE. She currently serves on the Board of Directors of Tanmiah Food Company (TFC), where she chairs the ESG Committee and is a member of the Nomination and Remuneration Committee (NRC). Ms. Nassief is also a member of the NRC of Bupa Arabia.</p>
<p>Mr. Walid Ibrahim Shukri</p>	<p>Board member</p>	<p>Bachelor's degree in Finance, King Fahd University of Petroleum and Minerals</p>	<p>Mr. Walid is a former Senior Partner at PwC Saudi Arabia. He is a current Board and Committee Member across a range of organizations, includes Saudi Electricity Company, General Authority for Military Industries (GAMI), Saudi Agricultural and Livestock Investment Company (SALIC), Diriyah Gate Development Authority, stc, and Tatweer Education Holding Company.</p>
<p>Mr. Farid Habib</p>	<p>Board member</p>	<p>Bachelor of Finance, American University of Beirut Bachelor of Economics, French School of Athens</p>	<p>Mr. Habib works as a Director in Industrials and Mining Sector at the Public Investment Fund, where he played a pivotal role in establishing the Fund's presence in the mining industry. Prior to joining PIF, he headed M&A for Europe, North America, and Middle East at Huhtamaki, a Finnish packaging company based in London. Mr. Habib also worked as M&A Manager at ArcelorMittal, a multinational steel and mining company. He was a Vice President in the Oil and Gas team at Barclays Capital in London.</p>
<p>Executive Management</p>			
<p>Eng. Sami Ali Yousef Al Safran</p>	<p>Group President</p>	<p>Bachelor of Science in Chemical Engineering, King Fahd University of Petroleum and Minerals</p>	<p>Eng. Al Safran has been the Group President of MEPCO from 2004 to date. Prior to this, he was the Project Manager at the Saudi Paper Industry Company from 2000 to 2004. His experience includes a role as the Technical Director at the Arab Paper Manufacturing Company (WARAQ) from 1997 to 2000, and he has served as a Technical Advisor for NALCO in Saudi Arabia.</p>
<p>Mr. Amr Masry</p>	<p>CFO</p>	<p>Bachelor of Science degree in Business Administration, Notre Dame University-Louaize (NDU), Lebanon Executive MBA from London Business School</p>	<p>Mr. Masry is the Chief Financial Officer at MEPCO. Prior to his current role at MEPCO, he served as the Chief Finance Officer of a leading attraction and park operator in Riyadh, Saudi Arabia for 2 years, operating major attraction assets in the Kingdom. Prior to KSA, he served as the Director of finance of a leading attraction and theme park operator in Abu Dhabi, United Arab Emirates for 3 years. Before that, Mr. Masry was the Chief Financial Officer for a prominent holding conglomerate in Abu Dhabi, UAE, where he managed a diverse asset portfolio, exceeding a billion dirhams, across manufacturing, medical equipment, and materials, construction, and trading sectors for eight years. Prior to this, He worked as an auditor with one of the Big Four assurance firms in Khobar, Saudi Arabia, and Abu Dhabi, UAE.</p>

d) Companies where any Director is currently a Board member, Director or Manager:

Name of Director	Mr. Musaab Sulaiman Al Muhaidib	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
Hasan Ghazi Shaker Company	Inside KSA	Listed joint stock company
National Industrialization Company	Inside KSA	Listed joint stock company
Hoshan Co., Ltd.	Inside KSA	Closed joint stock company
Al Riyadh Chamber	Inside KSA	Government
Goldman Sachs Saudi Arabia	Inside KSA	Closed joint stock company
Masdar Group	Inside KSA	Closed joint stock company
Al Muhaidib Group	Inside KSA	Closed joint stock company
Sidra Investment Company	Inside KSA	Closed joint stock company
Ebda Creative Entertainment Company	Inside KSA	Closed joint stock company
Endeavor Saudi Arabia	Inside KSA	Closed joint stock company
Saudi Trades and Handicrafts Company	Inside KSA	Closed joint stock company
Daily Mealz Company	Inside KSA	Closed joint stock company
Sabbar Company	Inside KSA	Closed joint stock company
Family Business Council Gulf	Inside KSA	Non-profit
JLL Saudi	Inside KSA	Closed joint stock company

Name of Board Member	Mr. Emad Abdulkader Al Muhaidib	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
Abdulkadir Al Muhaidib and Sons	Inside KSA	Closed joint stock company
Al Muhaidib Holding	Inside KSA	Limited liability
Ajyal Holding	Inside KSA	Limited liability
Arabian Maize Company	Inside KSA	Limited liability
United Feed Manufacturing Company	Inside KSA	Limited liability
United Feed	Inside KSA	Limited liability

Name of Board Member	Mr. Victor Sanz Martiniz	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
GOTOR	Outside KSA	Unlisted
GRUPO MYA SL	Outside KSA	Limited liability

Name of Board Member	Eng. Abdullah Abdulrahman Almoammar	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
Arabian Maize Company	Inside KSA	Limited liability
Al Saraya Investment Holding	Inside KSA	Limited liability

Name of Board Member	Ms. Hawazen Nazih Hasan Nassief	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
Tanmiah Food Company	Inside KSA	Listed joint stock company

Name of Board Member	Mr. Rob Jan Rinyers	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
Sappi Plc	Outside KSA	Limited liability
Walki Oy	Outside KSA	Unlisted

Name of Board Member	Mr. Rakan Mohammed Abunayyan	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
Advanced Piping Solutions	Inside KSA	Unlisted joint stock company
Horizon Food for food trade	Inside KSA	Unlisted
Afaq Express for Storage	Inside KSA	Unlisted

Name of Board Member	Mr. Waleed Abdulrahman AlMonie	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
Saudi Reinsurance Company	Inside KSA	Listed joint stock company

Name of Board Member	Mr. Walid Ibrahim Shukri	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed / Unlisted Joint-Stock - Limited Liability
Saudi Electricity Company	Inside KSA	Listed joint-stock Company
The Saudi Agricultural and Livestock Investment Company (SALIC)	Inside KSA	Closed joint stock company
stc	Inside KSA	Listed joint stock company

Name of Board Member	Mr. Farid Habib	
Companies where any Director is currently a Board member, Director or Manager	Inside KSA Outside KSA	Legal Entity: Listed/Unlisted Joint Stock/Limited Liability
Arabian Geophysical & Surveying Co.	Inside KSA	Limited liability

e) Communication with Shareholders and investors

Observing the Board's commitment to providing complete, clear, and precise information as well as updates in a timely manner to enable Shareholders to exercise their obligations fully, the Company has intensified its effort to reach out to Shareholders via digital means alongside investment conferences, and gatherings of local and global investment leading figures. The Investor Relations department hosted a number of meetings inside the head office of MEPCO in Tahlia, Jeddah. Investor relations programs focused on providing immediate and accurate information to all local and global investors to keep them updated of all changes and developments related to the Company's investments and financial results. The Company continued to hold video conferences with investors after each announcement of its annual and quarterly results, which provided a greater opportunity for investors and financial analysts to access all interim and annual financial and operational developments. Furthermore, the Investor Relations department submits, by hand during conferences and gatherings or via the designated emails, a periodic report to the Board on its various activities with full data on Shareholders' and investors' opinions and inquiries.

f) How the Board evaluates its performance and the performance of its committees and members

In order to improve overall governance practices of the Board and the Company, the Board of Directors evaluates the performance of the Board and the committees once every Board session, through the Nominations and Remuneration Committee, which in turn recommends to the Board either that the evaluation be carried out through the committee or through an external evaluator.

Note that the last evaluation conducted for the Board of Directors and its committees was in the previous Board session in 2021 through an external consultant.

II. Board committees

In order to ensure the optimal performance of the Company's Management and to assist the Board in fulfilling its roles, the Board formed the Remuneration and Nomination Committee and the Strategy Committee. Furthermore, the General Assembly recommend the formation of the Audit Committee, which was approved on 16th June 2019.

The committees are composed by virtue of general rules set by the Board including the roles and responsibilities, term, competencies of each committee, along with Board oversight mechanisms. The committees shall with integrity inform the Board of their findings or decisions. In addition, the Board shall regularly monitor their work to ensure their commitment to their functions. Each committee shall be accountable to the Board for its actions, without prejudice to the Board's responsibility for those actions or the powers it delegates thereto. Moreover, the Company is committed to appointing a sufficient number of Non-Executives and Independent Board members to the committees to carry out assignments that may be a source of conflict of interest, such as ensuring the integrity of financial and non-financial reports, reviewing the transactions of related parties, nominating candidates for Board membership, appointing senior Executives, and determining remunerations. The Chairpersons, along with the committee members, shall act with integrity, honesty, loyalty and due diligence, as well as give due attention to the interests of the Company and the Shareholders, putting such interests before theirs.

a) Audit Committee

The General Assembly of the Company approved the formation of the Audit Committee, its charter, and the remuneration of its members for a new term as at 14th November 2022 for 3 calendar years.

The Committee consists of four members, most of whom are knowledgeable in finance and accounting. The Committee exercises control over the Company's business, verifies the integrity of reports and financial statements, internal controls, the Company's compliance with applicable laws and regulations and quality of risk management standards, and assists the Board to discharge its oversight responsibilities for the Company's business.

Below are the key functions of the Committee:

- Studying the Company's interim and annual financial statements before being submitted to the Board, providing its opinion and recommendations thereon to ensure their integrity, fairness, and transparency.
- Examination of any significant or irregular matters contained in the financial reports.
- Delicate examination of any issues raised by the Company's Financial Manager, their delegate, Compliance Officer, or the Auditor.
- Expressing technical opinion upon the request of the Board, as to whether or not the Board's report and the financial statements are fair, balanced, and intelligible.
- Review the Company's internal and financial control and risk management systems and internal audit reports; and follow up on the implementation of corrective measures for the notes contained therein.

- Advise the Board on appointing the Head of the Internal Audit unit or department and the Compliance Officer and propose their compensation.
- Review the results of the reports by the regulatory authorities and verify the Company's compliance with laws and regulations.
- Review contracts and proposed transactions with related parties and provide the Board with recommendations and proposals.

Committee Members and Attendance Record

Name	Membershi p	Position	Committee Meetings held during 2023							Attendanc e
			18th Januar y	15th Marc h	22nd Marc h	15th May	2nd Augus t	2nd Novembe r	23rd Novembe r	
Mr. Nader Mohamme d Saleh Ashoor	Independent	Chairma n	Present	Presen t	Presen t	Membership terminated on 2nd April 2023				3
Mr. Fahad Mohamme d Saleh Al Fawaz	Independent	Chairma n	Membership started on 3rd April 2023			Presen t	Presen t	Present	Present	4
Mr. Walid Ibrahim Shukri	Independent	Member	Present	Presen t	Presen t	Presen t	Presen t	Present	Present	7
Mr. Mohamed Abdelkari m Mazi	Independent	Member	Present	Presen t	Presen t	Presen t	-	Present	Present	6
Mr. Rakan Mohamme d Abunayya n	Independent	Member	Present	Presen t	Presen t	Presen t	Presen t	Present	Present	7

b) Nomination and Remuneration Committee

The Remuneration and Nomination Committee has been created to assist the Board to discharge its oversight roles, nominate Board members and senior Executives and ensure the integrity of the remunerations, benefits, incentives, and salaries strategy.

Its key functions include:

- Assist with developing remuneration policies for the members of the Board, its committees, and the Executive Management; clarify the relationship between remuneration and policies; and periodically review the remuneration policy and assess its effectiveness in achieving its objectives.
- Pursuant to the approved policy, make recommendations to the Board on the remuneration of its members and the members of its committees as well as the senior Executives.
- Nominate candidates for Board membership or re-nominate its members in accordance with the approved policies and standards; propose clear policies and criteria for Board membership and the Executive Management; and determine the time a member shall allocate to their roles in the Board.
- Create a job description of Board membership and Executive Management positions.

- Annually review qualifications and experience required for Board membership and Executive Management positions.
- Annually review the structures of the Board and Executive Management and make recommendations regarding possible changes.
- Conduct annual verification of the independence of independent members, and that no conflict of interest shall arise if any of them is a Board member in another company.
- Develop job descriptions for Executive members, Non-Executive members, Independent Members and Senior Executives.
- Lay out succession plans in the event that a Board member or Senior Executive position is declared vacant.
- The Committee was assigned Governance responsibilities by the Board on 12th March 2023.

Governance responsibilities:

- Oversee the effectiveness and the implementation of the Group Corporate Governance framework.
- Consider and approve the Group's Corporate Governance framework on an annual basis, or more frequently as required. This should include the governance mechanism for all areas of risk and compliance.
- Provide guidance to management level and relevant functions of MEPCO Group on enterprise-wide risk management.
- Provide advice, as appropriate, to the Board Nomination and Remuneration Committee (NRC) to enable it to consider adjustments to business, functions, and remuneration to reflect risk management.
- Review and approve the Group Management Committee charters (Tier 1 Committees).
- Oversee the development of the Company's governance policies and monitor the implementation of the policies by the Executive Management across the Company, including its subsidiaries.
- Review and recommend updates to the governance framework pursuant to laws, requirements, and best practices.
- Review the existing governance guidelines, be attentive to developments in governance in the local, regional, and global context, and present ideas and recommendations for adjustments in these guidelines to the Board for its consideration.
- Ensure that Governance department does not face any resource constraint and has access to the Committee through the department head to report any constraints or issues.

Committee Members and Attendance Record

Name	Membership	Position	Committee Meetings held during 2023							Attendance
			30th January	10th April	30th April	23rd July	5th September	19th October	12th December	
Mr. Rob Jan Renders	Non-Executive	Chairman	Present	Present	Present	Present	Present	Present	Present	7
Eng. Omar Mohamed Siraj Najjar	Independent	Member	Present	Present	Present	Present	Present	Present	Present	7
Ms. Nathalie Potvin	Independent	Member	Present	Present	Present	Present	Present	Present	Present	7

c) Executive and Strategic Committee (previously named the Strategic Committee, the Board decided to rename it as Strategic and Executive Committee on 13th December 2023)

The Committee was formed to assist the Board in carrying out its roles and responsibilities, monitoring the operational and administrative activities of the Company, as well as supervising the Company's Executive Management. The Committee makes recommendations and reviews the strategy-related studies as well as the Company objectives and investments. In general, it represents the Board in its meetings, providing the ability to respond quickly to pressing issues, in addition to assisting the Board in performing its supervisory tasks and implementing its recommendations efficiently and effectively.

Its key functions are as follows:

- Discuss and take urgent decisions to handle pressing issues.
- Follow up on preparation and implementation of, update and occasionally review the Company's long, medium- and short-term strategic plans.
- Meet with the heads of departments and other concerned personnel, as part of its function to monitor operational and financial performance of the Company and its departments.
- Nominate the Company's Senior Executives in coordination with the Remuneration and Nomination Committee.
- Follow up on the implementation of the Company's estimated budgets, analyze the causes of malfunctions, if any, and make recommendations thereon.
- Conduct regular review of actual capital expenditures and their compliance with the budgets approved by the Board.
- Advise on entering new investments and industrial projects, as well as the development of existing activities both vertically and horizontally.

Committee Members and Attendance Record

Name	Membership	Position	Committee Meetings held during 2023				Attendance
			3rd March	24th July	5th September	11th December	
Eng. Abdullah Abdulrahman Almoammr	Non-Executive	Chairman	Present	Present	Present	Membership terminated on 11th December 2023	3
Mr. Musaab Sulaiman Al Muhaidib	Non-Executive	Member	Present	Present	Present	Present	4
Mr. Rob Jan Renders*	Non-Executive	Member	Present	Present	Present	Present	4
Mr. Victor Sanz Martinez	Independent	Member	Present	Present	Present	Present	4

* The member was chosen as Chairman of the Committee at 11th December 2023.

d) Risk and Sustainability Committee (previously named the Risk and Social Responsibility Committee, the Board decided to rename it as Risk and Sustainability Committee on 12th March 2023)

On 24th April 2022, the Board approved the formation and charter of the Risk and Sustainability Committee. The Committee is composed of 3 members. The Committee is responsible for assisting the Board in fulfilling its corporate governance responsibilities by monitoring and reviewing the Company's governance, risk, compliance, environment and social management systems. The following shall be the principal responsibilities of the Committee:

Risk management:

- Set risk appetite under which the Management is expected to operate, and approve the Company's risk appetite statement and risk management strategy.
- Ensure the Company has an effective risk management framework incorporating management, operational, and financial controls.
- Assess, monitor and report to the Board on the risk culture in the Company, and the extent to which that culture supports the ability of the Company to operate consistently within its risk appetite; and identify any desirable changes to the risk culture and ensure the Company takes steps to address those changes.
- Promote a suitable risk culture with high standards of business ethics and corporate governance.
- Develop a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitor their implementation, and review and update them based on the Company's internal and external changing factors.
- Ensure the feasibility of the Company continuation and the successful continuity of its activities, and determine the risks that threaten its existence.
- Oversee the Company's risk management system and assess the effectiveness of the systems and mechanisms used to identify and monitor the risks that threaten the Company in order to determine deficiencies therein.
- Regularly reassess the Company's risk appetite and exposure (e.g. using stress tests).
- Prepare detailed reports on the risk exposure and the recommended measures to manage such risks, and present the same to the Board.

- ~~Oversee Senior Management’s implementation of the Risk Management Strategy.~~
- Challenge Senior Management’s proposals and decisions on all aspects of risk management arising from the Company’s activities.
- Review the performance, and set the objectives of, the Company’s risk management function, and ensure unrestricted access to the Board and the Committee.
- Provide recommendations to the Board on matters related to risk management, and advise the Board on the Company’s overall current and future risk management strategy.
- Ensure the availability of adequate resources and systems for risk management.
- Review the organizational structure for risk management and provide recommendations on the same before being approved by the Board.
- Liaise with other risk committees within the Group to form an institution-wide view of the Company’s current and future risk position relative to its risk appetite and capital strength.
- Verify the independence of the risk management employees from activities that may expose the Company to risk.
- Ensure risk management employees understand the risks threatening the Company; seek to raise awareness of the risk culture; and review any issues raised by the Audit Committee that may affect risks facing the Company.
- Business continuity plan for 2023 has been developed with an external consultant.

Environmental and social matters:

- Monitor and assess the Company’s consideration of environmental and social matters in setting the general strategy of the Company pursuant to environmental and social laws and regulations applicable to the Company.
- Consider the need for sustainable development and development of Stakeholder relationships across MEPCO’s activities, and assess the same from a compliance and risk governance perspective.
- Monitor, evaluate (if appropriate) and provide guidance on the Company’s policies, procedures, and practices with respect to environmental and social matters.
- Review and monitor the Company’s non-financial reporting pursuant to environmental and social laws and regulations applicable to the Company.
- Oversee the Company’s public disclosure on environmental and social matters and their consistency, including any sustainability reports.
- Review and monitor the Company’s initiatives to manage and mitigate its environmental impact.
- Monitor actions or initiatives taken to prevent, mitigate, and manage risks related to environmental and social matters that may have a materially adverse impact on the Company or are otherwise pertinent to its Stakeholders, and provide guidance hereon.
- Monitor and review, as appropriate, any significant investigation or audit by external auditors, regulators, or key environmental and social rating agencies on environmental and social matters.
- Monitor and review, as appropriate, the Company’s human capital initiatives, for example, diversity and inclusion initiatives, employee wellbeing or engagement initiatives.
- Monitor and review the Company’s social initiatives and commitments, as appropriate, including, among others, the Company’s initiatives related to education.
- Coordinate with other Board committees for specific overlapping cases.
- Review the internal and external audit reports where matters related to environment and social management issues have been identified and monitor implementation of management action plans.

Health and safety:

- Review, monitor and make recommendations to the board on the organizational health and safety risk management framework and policies to ensure the organization has clear set of commitments to manage health and safety matters effectively.
- Review and make recommendations for Board approval on strategies for achieving health and safety objectives.
- Review and recommend targets for Board approval for health and safety performance and assess performance against those targets.
- Monitor the organization's compliance with health and safety policies as well as relevant applicable law.
- Ensure the health and safety performance of the organization and the systems used to identify and manage health and safety risks are:
 - Fit-for-purpose.
 - Effectively implemented.
 - Regularly reviewed and continuously improved.
- Ensure the Board is properly and regularly informed and updated on matters related to health and safety risks, including:
 - Review of (internal and external) audits.
 - System reviews
 - Performance results.
 - Significant incidents and investigations.
 - The impact of organizational changes.
 - Standard data.
- Seek assurance that the organization is effectively structured to manage health and safety risks, including having competent employees, adequate communication procedures, and proper documentation.
- Review health and safety-related incidents and consider appropriate actions to minimize the risk of recurrence.
- Make recommendations to the Board regarding the availability of appropriate resources for operating the health and safety management systems and programs.
- Any other duties and responsibilities assigned to the Committee from time to time.

Cybersecurity:

- Gain an understanding of the Company's cybersecurity landscape, including assets, threats, vulnerabilities, and regulatory requirements.
- Supervise the development of clear and comprehensive cybersecurity policies in line with standards, regulations, and legislations.
- Identify, assess, and prioritize risks, considering their potential impact and likelihood.
- Supervise the implementation of security controls and measures to mitigate identified risks, including technical solutions, operations, and staff training.
- Continuously monitor security measures and assess their effectiveness.
- Review regular reports from management and Stakeholders.
- Develop and regularly update an incident response plan to ensure swift and effective actions in case of a cyber incident.

Committee Members and Attendance Record

Name	Membership	Position	Committee Meetings held during 2023					Attendance
			8th January	10th April	23rd July	30th August	12th December	
Mr. Walid Ibrahim Shukri	Independent	Chairman	Present	Present	Present	Present	Present	5
Ms. Hawazen Nazih Nassief	Independent	Member	Present	Present	Present	Present	Present	5
Mr. Waleed Abdulrahman AlMonie	Independent	Member	Present	Present	Present	Present	Present	5
Ms. Nathalie Potvin	Independent	Member	Present	Membership terminated on 7th March 2023				1

III. Description of the Interests of Members of the Board, the Executive Management, their Wives and Minors in the Company's Shares

S	Name	Beginning of 2023		End of 2023		Net Change during the year	Change Percentage
		Shares	Debt Instruments	Shares	Debt Instruments		
Board members, their wives and minors (if any)							
1	Mr. Emad Abdulkader Al Muhaidib*	1,333	-	1,333	-	-	-
2	Eng. Abdullah Abdulrahman Almoammar **	3,166,665	-	3,166,665	-	-	-
7	Mr. Musaab Sulaiman Al Muhaidib	1,333	-	1,333	-	-	-
Senior executives, their wives and minors (if any)							
1	Eng. Sami Ali Yousef Al Safran	332,702	-	332,702	-	-	-

* Ownership until 31st December 2023.

** Ownership until 31st December 2023.

Ownership of principal Shareholders with more than 5% of the Company's shares as at 31st December 2023.

S	Name	Balance at the beginning of the year	Balance at the end of the year	Change	Percentage
1	Abdulkadir Al Muhaidib and Sons	8,965,200	8,965,200	0%	+0%

IV. Remuneration and Compensation Policy

a) General criteria for remuneration

A policy of remuneration for the members of the Board and its Committee as well as Senior Executives was drafted by the Remuneration and Nomination Committee and approved by the General Assembly at its meeting on 5th December 2017. The policy is reviewed annually, pursuant to the provisions of the Companies Law and the Capital Market Authority Law, their implementing regulations, as well as the Company's Articles of Association. The following shall be observed in the policy:

- The policy shall be consistent with the Company's strategy and objectives, and with the size, nature, and level of risks of the Company.
- Remuneration shall be granted as incentives for the Board members and Executives to achieve long-term success and business development of the Company. For example, variable remunerations shall be linked to the long-term performance.
- Remuneration shall be proportionate with grade, roles and responsibilities, academic qualifications, work experience, skills, and performance.
- Practices of other companies shall be taken into consideration in determining remuneration, avoiding the unjustified rise in remuneration and compensations.
- The policy shall reasonably attract, retain, and motivate talents.
- The policy shall identify, in coordination with the Remuneration and Nomination Committee, remuneration to new appointments.
- The policy shall regulate granting or refund of remuneration if based on misinformation provided by a Board member or an Executive. This prevents abuse of office to obtain undeserved compensation.
- The policy shall regulate the granting of Company shares to the Board members and Executives and whether they are to be issued or bought by the Company.

The remuneration of Board and committee members shall be determined and granted pursuant to the policy approved by the General Assembly and in accordance with the following criteria:

- Subject to the provisions of the Company's Articles of Association, the remuneration of a Board member may not exceed the limits stipulated in the Companies Law and the regulations thereof. The members' remuneration and attendance bonuses shall be governed by the Committee's charters.
- The remuneration shall be proportionate with the member's engagement in the Board or its committees.
- The remuneration shall be far and proportionate with the member's competencies, roles, and responsibilities and the objectives set by the Board for the financial year.
- The remuneration shall be as recommended by the Remuneration and Nomination Committee.
- Apart from Independent members, the Board member's remuneration may be a percentage of the profits, provided that such may not exceed 10% and be granted pursuant to Companies Law and the regulations thereof as well as the Company's Articles of Association.

- The remuneration shall be reasonably competitive to attract sufficiently qualified and experienced candidates for membership of the Board and its committees.
- The remunerations may vary driven by, inter alia, the experience, competencies, roles, and responsibilities as well as attendance of the member.
- The remuneration of Independent Board members shall not be a percentage of the Company's profits or be based directly or indirectly on the Company's profitability.
- Pursuant to the Companies Law and the Company's Articles of Association, and in addition to the remuneration for membership of the Board and the committees, a Board member may obtain a remuneration for the membership thereof in the Audit Committee formed by the General Assembly, or for any business, executive, technical, administrative, or advisory positions or works conducted under a professional license.
- In the event that the membership of a Board member is terminated by the General Assembly for missing 3 consecutive Board meetings without a legitimate excuse, the member shall not be entitled to any remuneration for the period starting from the date of the last meeting attended by the same and shall refund all remunerations received for such period.

The remunerations of Executive Management shall be determined and granted pursuant to the policy approved by the Company's General Assembly and in accordance with the following criteria:

- The remuneration shall be as recommended by the Remuneration and Nomination Committee.
- In addition to fixed compensations and remuneration stated in their contracts, Senior Executives may be granted remuneration based on the evaluation of their performance. Remunerations may be granted in the form of shares in compliance with the regulations of the Companies' Law.
- Key performance indicators at the Company level shall include a set of short- and long-term objectives, such as profitability, solvency, liquidity, and growth indicators. The performance management process shall ensure that all objectives are properly aligned at all levels in the Company down to the relevant business units and employees.
- The application of performance indicators used for granting remunerations to Senior Executives and employees shall be monitored. Appropriateness of such indicators to remuneration shall also be reviewed.
- Remuneration aims to provide a competitive environment conducive to attracting and retaining qualified personnel as well as maintaining the talents needed by the Company.

The remuneration and allowances for MEPCO Board members attending meetings of the Board and its committee in 2023; external committee members attending committee meetings; and the top 5 senior executives in the Company, including the Group Chief Financial Officer in 2023, are outlined in the following tables:

b) Remuneration of Board members

Name	Fixed Remuneration						Grand Total
	Designated Amount	Attendance Bonus	Total Committee Attendance Bonus	In-kind Advantages	Remuneration of Technical, Administrative and Advisory Works	Remunerations of the Board Chairman or the Managing Director or the Secretary, if a Board Member	
Mr. Waleed Abdulrahman AlMonie	300,000	30,000	25,000	-	-	-	355,000
Mr. Rakan Mohammed Abunayyan	300,000	30,000	35,000	-	-	-	365,000
Mr. Victor Sanz Martinez	300,000	30,000	20,000	-	-	-	350,000
Ms. Hawazen Nazih Nassief	300,000	30,000	25,000	-	-	-	355,000
Total remuneration of Independent members	1,200,000	120,000	105,000	-	-	-	1,425,000
Mr. Musaab Sulaiman Al Muhaidib	350,000	30,000	20,000	-	-	-	400,000
Mr. Emad Abdulkader Al Muhaidib*	300,000	25,000	0	-	-	-	325,000
Eng. Abdullah Abdulrahman Almoammar**	300,000	25,000	15,000	-	-	-	340,000
Mr. Rob Jan Renders	300,000	30,000	20,000	-	-	-	350,000
Total remuneration of Non-Executive members	1,250,000	110,000	55,000	-	-	-	1,415,000

* Membership of Board member ended on 28th December 2023.

** Membership of Board member ended on 11th December 2023.

It should be noted that the members received no considerations based on a percentage of the profits, periodic remuneration, short- or long-term incentive programs, granted shares, end-of-service gratuity, or expense allowances.

c) Remuneration of Board Committee members

Member's Name	Fixed Remuneration (Exclusive of attendance bonus)	Attendance Bonus	Total
Audit Committee			
Mr. Fahad Mohammed Al Fawaz*	112,500	20,000	132,500
Mr. Nader Mohammed Ashoor*	37,500	15,000	52,500
Mr. Walid Ibrahim Shukri	150,000	35,000	185,000
Mr. Mohamed Abdelkarim Mazi	128,571	30,000	158,571
Mr. Rakan Mohammed Abunayyan	150,000	35,000	185,000
Total	578,571	135,000	713,571
Nomination and Remuneration Committee			
Mr. Rob Jan Renders	175,000	35,000	210,000
Ms. Nathalie Potvin	150,000	35,000	185,000

Eng. Omar Mohamed Siraj Najjar	150,000	35,000	185,000
Total	475,000	105,000	580,000
Strategic and Executive Committee			
Eng. Abdullah Abdulrahman Almoammar**	93,750	15,000	108,750
Mr. Rob Jan Renders	106,250	20,000	126,250
Mr. Musaab Sulaiman Al Muhaidib	100,000	20,000	120,000
Mr. Victor Sanz Martinez	100,000	20,000	120,000
Total	400,000	75,000	475,000
Risk and Sustainability Committee			
Mr. Walid Ibrahim Shukri	150,000	25,000	400,000
Mr. Waleed Abdulrahman AlMonie	125,000	25,000	150,000
Ms. Hawazen Nazih Nassief	125,000	25,000	150,000
Ms. Nathalie Potvin***	23,265	25,000	48,265
Total	423,265	100,000	523,265

* Mr. Fahad Al Fawaz resigned from the Audit Committee on 2nd April 2023 and was appointed Chairman of the Committee as on 3rd April 2023.

** Membership of Board member ended on 11th December 2023.

*** Resigned from the Committee on 7th March 2023.

It should be noted the members received no considerations based on a percentage of the profits, periodic remuneration, short- or long-term incentive programs, granted shares, end-of-service gratuity, or expense allowances.

d) Remuneration of Senior Executives (SAR'000s)

The Chief Executive Officer and the Chief Financial Officer are among the 5 senior Executives who received the highest remuneration.	Fixed Remuneration				Variable Remuneration					End of Service Benefits	Total Remuneration of the Board	Grand Total
	Salaries	Allowances	In-kind Advantages	Total	Periodic Remuneration	Short-term Incentive Programs	Long-term Incentive Programs	Value of the Granted Shares	Total			
Chief Executive Officer (CEO)	2,520	1,010,004	340	3,870,004	-	-	-	-	-	294,167	-	294,167
Chief Financial Officer (CFO)	765	274,950	92,500	1,132,450	-	-	-	-	-	57,775	-	57,775
Chief Operating Officer (COO)	1,206,084	532,236	75	1,813,320	-	-	-	-	-	144,860	-	144,860

Commercial Sector Head	1,200	519,996	-	1,719,996	-	-	-	-	-	143,333	-	143,333
Strategy and Transformation Head	1,041	373,925	130	1,544,925	-	-	-	-	-	138,088	-	138,088
Total	6,732,084	2,711,111	637,500	10,080,695	-	-	-	-	-	778,223	-	778,223

V. Statement of any Penalty, Sanction, Precautionary Procedures, or Limitations Imposed on the Company during 2023

Type of Penalty	Reason for Penalty	The Disciplinary Authority	Remedy and Preventive Measures
There was no penalty, sanction, disciplinary measure or limitation imposed on the Company during 2023.			

VI. Annual Audit Results of Reviewing the System of Internal Controls

1) Supervising the conduct of internal control functions:

As part of the yearly plan of controlling the Company's activities, the Audit Committee periodically reviews reports submitted by the Internal Audit Department and the Governance, Compliance and Risk department. The Audit Committee seeks to:

- Ensure compliance with applicable laws and regulations.
- Ensure the system of internal controls is adequate and sufficient.
- Check the procedures of assessing and updating policies as well as other procedures related to administrative, financial, operational, and marketing activities in the Company and its subsidiaries.
- Verify the information in the Company's financial statements by reviewing and approving the interim and annual results.
- Assess the periodic reports by Internal Audit, including the main notes, and track the implementation of relevant recommendations to improve internal controls considering that the Management shall be responsible for the design and implementation of internal regulations to enhance the efficiency and effectiveness of the system of internal controls.
- Ensure the independence of the Internal Audit department and provide the department with resources and support required to efficiently carry out their roles and responsibilities.

To conduct its functions, the Internal Audit department adopted the following process:

- Channeled its efforts to the high-risk activities as well as some medium-risk activities with a view to optimizing the effectiveness and efficiency of the Company's operations.
- Monitored the Executive Management to ensure it takes the procedures necessary to handle notes and implemented recommendations stated in audit reports.
- Drives effective coordination between the Management and the external Auditor.

2) Scope of Internal Audit Department work:

The Internal Audit department adopted a systematic approach to implement its activities, ensuring its independence. The scope of the department includes:

- Planning audit operations on a risk-assessment approach, where its priorities are determined by assessing the threats of high- and medium-risk operations in that order.
- Periodically auditing activities of departments, operations of the Company and its subsidiaries (together referred to as the Company) in alignment with the approved annual internal audit plan.
- Notifying the departments of the results of reviewing and auditing their activities and ensuring remedial actions are taken to correct deficiencies detected during the audit process.
- Evaluating the corrective action plans submitted by the departments and follow up on their implementation periodically.

The reports and notes by Internal Audit during 2023 contributed to a better understanding of risks and deficiencies of the operations and departments of the Company and its subsidiaries. Decisions and corrective measures were taken to handle the same. Some of these measures are still under development as clarified in the Internal Audit reports. Below are the key notes mentioned in the Internal Audit report of 2023:

- The current matrix of authorities has not been updated for the purposes of setting forth the responsibilities and delineating obligations in light of the current work procedures and the applicable resource planning system.
- The resource planning system is not optimally utilized as some financial and operating reports are being prepared manually or not fully integrated in the system (e.g. inventory obsolescence report).
- Some key positions are not covered by the succession plan.
- No procedures are developed to implement the continuity or disaster schemes.
- Not all branches of subsidiaries have the required licenses.
- Lack of the Company's compliance system maturity.

VII. Audit Committee Opinion on the Effectiveness of the Internal Controls

After reviewing periodic Internal Audit reports, studying the attached notes, and tracking the corrective measures to enhance internal controls – and limited by the results of planned and additional auditing functions carried out by the Internal Audit department, in conjunction with written affirmations from Executive Management and the Chief Audit Executive regarding the adequacy and effectiveness of the Company's internal control and financial reporting systems, which encompass risk management procedures – and after deliberating with the external Auditor and the Executive Management on the interim and annual financial statements for 2023, the Audit Committee did not find any material deficiency in the internal controls. The Audit Committee recognizes the inherent limitations of any internal control system prevent its complete verification. However, areas for continuous improvement have been identified. Management, under the Board's direct oversight, remains responsible for designing and implementing the Company's internal controls.

The Audit Committee recommends that Management continue strengthening the system of internal controls by improving oversight environment, refining IT systems, applying an accredited framework in implementing and evaluating the system of internal controls, and maximizing the independence of control departments by providing required human resources. The Committee also advises more

effort is needed to implement the recommendations and notes, and promptly apply the corrective action plans undertaken by the Management.

VIII. Social Responsibility Activities

Social responsibility of the Middle East Paper Company forms the core of its values and business model. By means thereof, the Company contributes to achieving the social sustainable development goals while committing itself to ethics, accountability, and transparency to enhance its competitive edge in the markets. The Company integrates its model of running daily operations with its social responsibility, as well as translating its commitment to social responsibility to specific objectives stated in the Company's policies, procedures and future objectives.

In running its business, the Company adopts modern sustainable practices without prejudice to the well-being of future generations. It is also committed to preparing strategies that bring us closer to sustainability and enhance the value provided to our customers.

To ensure our efforts are consistent with value generation, MEPCO's initiatives of corporate and social responsibility focus on 2 cornerstones: education and environment, which represent the key pillars of 2023.

Education and empowerment

Driven by a strong desire to strengthen the skills and rekindle enthusiasm of the Saudi Youth, and as part of its social responsibility, the Company took the initiative in 2011 to establish a non-profit entity: the Higher Institute for Paper and Industrial Technologies in Jeddah. It constitutes one of the strategic partnerships where an agreement was signed between MEPCO and the Technical and Vocational Training Corporation. The institute seeks to qualify Saudi high school graduates to study and join the private sector the day they are admitted.

In 2023, the number of trainees at the institute reached 611 while graduates numbered 2,000, of which 280 graduates are working at MEPCO.

The institute's vision is to have qualified Saudi Youth specialized in all types of manufacturing, while its mission is to provide high-quality training by adopting state-of-the-art training equipment and hiring professional instructors. The institute added a number of diploma programs including electricity, mechanics, supplies, and an occupational Health and Safety Cadre program. The institute is committed to creating a suitable environment to provide high-quality training on the technologies that the private sector needs for the manufacturing industries.

The environment

Sustainability is at the heart of the Company strategy and constitutes the fundamentals of its operating model. In addition to innovation and constant improvement of sustainable practices, we step up our engagement with society and industry to increase environmental awareness. The Company's initiatives in 2023 included the following:

- The International Recycling Day for 2022. The Company used the day to spread awareness about the role of recycling in preserving our key resources, securing the future of our planet, and developing eco-friendly habits within workplaces influencing how people act and benefiting the society as whole.

- We launched the Annual Ramadan Campaign in 2023, which handed out 800 food baskets to the needy covering all neighborhoods of Al-Khumrah district.
- In line with our social responsibility commitment, MEPCO proudly completed a new park in Al Khumra. This beautiful and secure space aims to enhance residents' well-being and foster stronger social connections. Designed as a hub for social and recreational activities, the park is a place where families and individuals connect with nature and enjoy fun experiences.
- MEPCO joined forces with the National Mowan Center to champion its environmental and sustainability efforts, while fostering awareness of the critical need to protect the environment. By showcasing its facilities within Saudi Green, MEPCO aspires to inspire others to embrace eco-friendly practices and contribute to a more sustainable future.
- For World Environment Day 2023, WASCO partnered with Jeddah Municipality to raise awareness about the importance of source sorting, demonstrating their commitment to environmental concerns alongside the community.
- WASCO strengthened partnerships across sectors by signing a Memorandum of Understanding with Kadana Waste Management for the Hajj and Umrah season.
- To promote paper recycling and sustainable practices, WASCO sponsored and participated in the Paper Recycling Exhibition, raising awareness among the public and participating companies.
- WASCO provided 75 containers to promote source sorting by sponsoring the Beach Carnival Expo. The company also raised awareness about recycling and encouraged sustainable behavior among visitors and participants.
- Partnering with Al Baik Beach Cleanup, WASCO provided specialized vehicles for waste collection and sorting. They also measured the environmental impact of the waste, categorizing it by type and source.

IX. List of 2023 Shareholders' General Assemblies with attending Board members

Ordinary General Assembly Meeting on 04/12/1444H corresponding to 22nd June 2023.

The Ordinary General Assembly meeting was held virtually on 22nd June 2023, using the Tadawulaty system. The meeting results were published on Tadawul's website on 2nd July 2023.

Below are the voting results for the assembly agenda:

1. Approving the Auditor's report for the fiscal year ending 31st December 2022.

2. Approving the appointment of Ernst & Young, as recommended by the Audit Committee, as the Company's Auditor to review and audit financial statements for Q2, Q3, and Q4 of fiscal year 2023, as well as Q1 of fiscal year 2024, with fees to be determined.
3. Authorization for the Board of Directors to distribute interim dividends on a semi-annual or quarterly basis for fiscal year 2023.
4. Authorization for the Board of Directors to delegate the authority of the Ordinary General Assembly to authorize the license mentioned in Article 27(1) of the Companies Law for 1 year from the approval date or until the end of the current Board's term, whichever comes first. This delegation will comply with the listed shareholding companies' regulations within the Companies Law's executive regulations.
5. Approval of transactions with Arabian Maize Company (formerly Al Masirah International Industrial Investments Company): This involved the purchase of corn starch in 2022 for SAR 35,716,109 from a company where Messrs. Abdullah Abdulrahman Almoammar and Emad Abdulkader Al Muhaidib have a direct interest. The transactions were confirmed to be conducted without preferential terms.
6. Approval of transactions with United Mining Industries: This involved the purchase of gypsum board paper rolls in 2022 for SAR 26,514,609 from a company where Board member Mr. Emad Abdulkader Al Muhaidib has a direct interest. The transactions were confirmed to be conducted without preferential terms.
7. Approving the Board's recommendation to distribute SAR 33,333,334 (SAR 0.5 per share) in dividends to Shareholders for the fiscal year ending 31st December 2022. To be eligible, Shareholders must own shares on the record date, which is 2 trading days after the General Assembly meeting. The shares must be registered with Edaa (Securities Depository Center). Distribution will occur within 15 days of the record date.
8. Approving the Board's recommendation to appoint Mr. Rakan Mohammed Abunayyan (Independent Member) to the Audit Committee, replacing Mr. Saleh Abdulrahman Al-Fadl. Mr. Abunayyan's term will run from 2nd January 2023, until the committee's current term ends on 13th November 2025. This appointment aligns with the Audit Committee's regulations.
9. Approving the Board's recommendation to appoint Mr. Fahad Mohammed Saleh Mohammed Al-Fawaz (non-Board member) to the Audit Committee, effective 3rd April 2023, until the current committee's term ends on 13th November 2025. This appointment replaces Mr. Nader Mohammed Saleh Jameel Ashour, in accordance with the Audit Committee's regulations.

S	Name	Attendance Record for 2023
		1st Meeting on 22nd June
1	Mr. Musaab Sulaiman Al Muhaidib	Present
2	Mr. Emad Abdulkader Al Muhaidib	Present
3	Eng. Abdullah Abdulrahman Almoammar	-
4	Mr. Victor Sanz Martinez (on behalf of the Executive Committee)	Present
5	Mr. Rakan Mohammed Abunayyan	Present
6	Ms. Hawazen Nazih Nassief (on behalf of the Risk and Sustainability Committee)	Present
7	Mr. Rob Jan Renders (Chairman of the Remuneration and Nomination Committee)	Present
8	Mr. Waleed Abdulrahman AlMonic	-
9	Mr. Fahd Mohamed Saleh Al-Fawaz (Chairman of the Audit Committee)	Present

The Extraordinary General Assembly held on 15th Jumada II 1445H, corresponding to 28th December 2023, that included a vote to increase the Company's capital.

The Extraordinary General Assembly meeting was held virtually on 15th Jumada II 1445H, corresponding to 28th December 2023, using the Tadawulaty system. The meeting results were published on Tadawul's website on 31st July 2023. Below are the voting results for the assembly agenda:

1. Approving the recommendation of the Board of Directors to increase the Company's capital by issuing 19,999,999 new ordinary shares with suspended rights as follows:
2. Increasing the Company's share capital from SAR 666,666,660, divided into 66,666,666 ordinary shares of equal value, to SAR 866,666,650, divided into 86,666,665 ordinary shares of equal value. This increase will be achieved by issuing 19,999,999,999 new ordinary shares (the "New Shares") with a par value of SAR 10 per share. These New Shares will be offered for subscription at a price of SAR 31.50 per share, representing 30% of the Company's current share capital and raising a total of SAR 629,999,968.50. The Public Investment Fund (PIF) will acquire all new shares, increasing its ownership of the Company to 23.08% after the capital increase.
3. Granting the Fund the right to subscribe for shares on the day of the meeting, with the preemptive rights of existing Shareholders temporarily suspended, in connection with a capital increase.
4. Amending Article Seven of the Company's Articles of Association regarding the capital structure.
5. Amending Article Eleven of the Articles of Association related to share subscription procedures.

6. Approving amendments to the Company’s Articles of Association to comply with the new Companies Law. This includes rearranging and renumbering the Articles as necessary to reflect the proposed changes.
7. Ratifying the Board of Directors’ decision to appoint Mr. Farid Habib as a Non-Executive Board member, effective on 15th Jumada II 1445H, corresponding to 28th December 2023, until the current Board term ends on 22nd Jumada I 1447H corresponding to 13th November 2025, succeeding Eng. Abdullah Abdulrahman Almoammar (Non-Executive), former Vice-Chairman.
8. Ratifying the Board of Directors’ decision to appoint Mr. Walid Ibrahim Shukri as an Independent Board Member, effective on 15th Jumada II 1445H, corresponding to 28th December 2023, until the current Board term ends on 22nd Jumada I 1447H corresponding to 13th November 2025, succeeding Mr. Emad Abdulkader Al Muhaidib (Non-Executive).

S	Name	Attendance Record
1	Mr. Musaab Sulaiman Al Muhaidib	Present
2	Mr. Victor Sanz Martinez	Present
3	Mr. Rakan Mohammed Abunayyan	Present
4	Ms. Hawazen Nazih Nassief	Present
5	Mr. Rob Jan Renders (Chairman of the Remuneration and Nomination Committee, and Head of the Executive Committee)	Present
6	Mr. Waleed Abdulrahman AlMonie	Present
7	Mr. Fahd Mohamed Saleh Al-Fawaz (Chairman of the Audit Committee)	Present
8	Mr. Walid Ibrahim Shukri (Head of Framework and Sustainability)	Present

X. About the Company and its Subsidiaries

Middle East Paper Company (MEPCO) is one of the largest producers of paperboard in the Middle East and Africa. It produces a wide range of paper products available to customers all over the world. MEPCO serves a diversity of industries in the packaging sector, including products for building and furniture at large scale.

MEPCO exports its products from the Kingdom of Saudi Arabia to GCC Member States, the Middle East, and Africa, in addition to South Asia, the Americas, and Europe.

The reflective integration cycle of the Company enhances its powerful performance and competitiveness in the market through Waste Collection and Recycling Co. Ltd. (WASCO). WASCO is a leading company in the field of waste management. It has launched a strategy towards the achievement of the Kingdom’s environmental ambitions under Vision 2030.

The core values of MEPCO are to provide high-quality products to its customers, contribute to preserving the environment and fulfil the needs of the market. Since its inception, the Company has placed great emphasis on preserving the environment by recycling paper into products of economic value. Our environmental interests cover the whole production process, from treating and reusing water besides using renewable chemical additives. We are working to the best of our ability to conserve our green world.

The Company is the official sponsor of the Higher Institute for Paper and Industrial Technologies (HIPIT) in Jeddah. It is a non-profit organization that improves and develops the knowledge and technical expertise of the Saudi employees in the sector of paper and industrial technologies. This would sharpen their skills, knowledge, and experience, essential for recruitment. HIPIT is working under the supervision of the Technical and Vocational Training Corporation, the Saudi Center for International Strategic Partnerships, and the Company's Board of Directors. The institute is one of MEPCO's initiatives towards its social responsibility, and a number of its graduates are working in the Company.

The Company is carrying out several activities towards social responsibility and environmental education and has won several related awards.

It has 3 paper production lines in the factory located in Jeddah with an annual capacity of 475,000 tons of brown paper rolls. It is one of the largest companies in the region in terms of production capacity and geographical distribution of sales.

The Company invests heavily in research and development to provide a wide range of innovative products to its loyal partners and clients.

The Company observes the highest international quality standards related to environmental sustainability and operational efficiency and is always working to develop its activities to meet the variables and needs of the markets.

The local content of the Company's final product represents more than 75%, as WASCO, its subsidiary, recycles the combined cardboard paper and turns it into a raw material used by paper converters.

The strategic location of MEPCO, near Jeddah Islamic Port, facilitates the export of its products to a wide range of worldwide markets.

The Company provides a variety of products to several industrial sectors, including:

▪ **Packaging Sector**

Cardboard paper: Used in producing cardboard boxes for packing foodstuff, electronics, and several other purposes.

Cardboard pipe paper: Used in a wide range of industries, including textile rolls, paper mills, etc.

▪ **Furniture Sector**

High impregnated Formica paper: Used on furniture surfaces, including offices, kitchen cabinets, and doors.

▪ **Building and Construction Sector**

Gypsum board paper: Used to manufacture gypsum board for walls and false ceilings.

a) Description of the key activities of the Company and its subsidiary:

- **The key activity of the Company is to manufacture and produce packaging and industrial paper.**
- **The main activity of its subsidiary is to collect, recycle, and trade in paper and waste.**
- **The main activity of MEPCO's subsidiary (Juthor) is the paper industry.**

Activity	Revenue from Activity	Percentage
Paper manufacture and production	760,078,570	88
Collection and recycle of paper and waste (trade)	16,996,811	2
Juthor Paper Manufacturing Co.	89,677,390	10

XI. Company Activities

1) Key developments

Saudi Arabia's Public Investment Fund (PIF) acquired a 23.08% stake in Middle East Paper Company (MEPCO) through a capital increase. This strategic investment aims to bolster MEPCO's operational efficiency, production capacity, and environmental sustainability efforts, particularly through the production of recyclable paper products. The move aligns with both PIF and Saudi Arabia's sustainability goals.

PIF's investment contributes to achieving MEPCO's expansion strategy, especially in the fields of packaging and specialized building products industries such as gypsum board, which will enhance local supply chains for various current and future projects.

It is worth mentioning that the completion of the investment transaction came after obtaining the required statutory approvals from the relevant authorities and the Extraordinary General Assembly held by the company on 28th December 2023.

2) Forecasts and way ahead

MEPCO aims to enlarge its operations to become more integrated in the field of paper industries. MEPCO's expansion plans encompass all aspects of growth, including the construction of a new 400,000 ton cardboard paper mill. This project will not only open new markets for export, but also boost overall sales. Additionally, MEPCO is expanding the sales and export operations of its subsidiary, Juthor Paper Manufacturing Co., and its existing paper mill. MEPCO has moved towards more digital transformation in support of the United Nations Sustainable Development Goals (UNSDG) and is consistent with the comprehensive transformation drive in alignment with Vision 2030.

XII. Key Events and Disclosures during Financial Year 2023

S	Event	2023
1	Announcing that eligible Shareholders received deposits in their accounts for fractional shares returned from the Company's capital increase.	2nd January
2	Resignation and appointment of a member of the Audit Committee.	4th January
3	Announcing the annual financial results for the year ending 31st December 2022.	21st March
4	Announcing and producing a paper about the resignation and appointment of an Audit Committee member.	4th April
5	Announcing the latest developments in the project to establish a factory for producing raw paper tissue rolls.	9th April
6	Signing of a non-binding Memorandum of Understanding (MOU) with the Public Investment Fund, where the PIF intends to subscribe for new shares to be issued by MEPCO (the proposed transaction).	7th May
7	Release of MEPCO preliminary financial results for the quarter ending 31st March 2023 (3 months).	21st May
8	Announcing cash dividend distribution to Shareholders for the fiscal year ending 31st December 2022.	23rd May
9	Announcing the latest developments in the project to establish a factory for producing raw paper tissue rolls (launching the pilot operation).	30th May
10	MEPCO invitation to Shareholders to attend the Company's inaugural Ordinary General Assembly meeting.	31st May
11	The Middle East Paper Manufacturing and Production Company announced a legal case filed against the Company.	19th June
12	Announcing the latest developments in the project to establish a factory for producing raw paper tissue rolls (launching the pilot operation).	22nd June
13	Sharing the first Ordinary General Assembly meeting results.	2nd July
14	Signing a subscription agreement with the Public Investment Fund.	1st August

15	Releasing preliminary financial results for the 6 months ending 30th June 2023.	8th August
16	Issuing a corrective announcement regarding the preliminary financial results for the 6 months ending 30th June 2023.	14th August
17	Filing an application with the Capital Market Authority to increase company capital by issuing shares with preemptive rights suspended.	3rd September
18	Filing a lawsuit against the Ministry of Environment, Water, and Agriculture (Makkah Region branch).	13th September
19	Providing an update on the lawsuit filed against the Company.	25th September
20	Corrected the date of the Board of Directors' decision to issue shares with suspension of preemptive rights.	28th September
21	Releasing preliminary financial results for the 9 months ending 30th September 2023.	8th November
22	Updating Shareholders on the application filed with the Capital Market Authority to increase Company capital by issuing shares with preemptive rights suspended.	5th December
23	Announcing the resignation and appointment of a Board member.	7th December
24	MEPCO invitation to Shareholders to attend the Company's inaugural Extraordinary General Assembly Meeting to discuss a capital increase.	7th December
25	Publishing a prospectus for a share issuance with preemptive rights suspended.	10th December
26	Announcing the subscription period for the new shares issued to raise capital without preemptive rights.	31st December
28	Announcing the outcome of the Extraordinary General Meeting held to approve a capital increase with preemptive rights suspended.	31st December

XIII. Resolutions of the Board during 2023

S	Paragraph	Resolution
1	Recommendation to the Audit Committee on the need to appoint an internal Auditor in the Company if not available – MEPCO has had an Internal Audit department since 2013.	Not applicable
2	Audit Committee recommendations that interfere with the decisions of the Board, or those submitted by the Committee on the appointment or dismissal of an Auditor, determining their fees and assessing their performance or the appointment of an internal Auditor, but rejected by the Board along with justifications for those recommendations and the reasons for rejection.	Not applicable
3	A description of any interest within the class of voting shares, which belongs to parties (other than the Board members, Senior Executives, and their relatives) who have informed MEPCO of those rights or any amendment thereto during the financial year.	Not applicable
4	A description of the classes and numbers of convertible debt instruments, contractual securities, subscription notes, or other similar rights issued or granted by the Company during the fiscal year with clarification of any compensation obtained by the Company accordingly.	Not applicable
5	A description of any transfer or subscription rights executed under convertible debt instruments, contractual securities, subscription notes, or other similar rights issued or granted by the Company.	Not applicable
6	A description of any redemption, purchase, cancellation by the Company of any redeemable debt instruments or value of the remaining securities with a distinction between the listed securities purchased by the Company and those purchased by its subsidiaries.	Not applicable
7	Statement of any arrangement or agreement whereby a Board member or a senior Executive waived their remuneration.	Not applicable
8	Statement of the remunerations received by the Board members in their capacity as members or Directors, as well as the remuneration they received against technical, administrative, or advisory works.	Not applicable
9	Statement of any arrangement or agreement whereby a Shareholder of the Company waived any rights to profits.	Not applicable
10	Details of stock and debt instruments issued by each subsidiary.	Not applicable
11	Statement of the value of any investments or reserves created for the benefit of the Company's employees during 2020.	Not applicable
12	Information about existing or past business activities of our Board members that compete with the Company or its subsidiaries outlining the names of Directors involved, the nature of the competing businesses, and relevant terms.	Not applicable

The Board further acknowledges the following:

12	A. Books of account have been properly maintained. B. The system of internal control is sound in design and has been effectively implemented. C. No significant doubts about the Company's ability to continue its activity.	
13	There is no conflict with accounting standards issued by Saudi Organization for Chartered and Professional Accountants – SOCPA.	
14	No recommendation on prematurely replacing the Auditor was made during 2023.	
15	As per the Auditor's report for the financial year 2023, no qualified opinion was made on the financial statements.	

16	The Auditor neither provided any counseling services to the Company nor received any fees in this regard.
17	The Auditor did not request the Board to summon the General Assembly during financial year 2023.
18	The Chairman of the Board did not receive any written request to hold an extraordinary meeting of 2 or more members during financial year 2023.
19	The Company emphasizes that no request was received from Shareholders with 5% or more of the capital to summon the General Assembly or add an item or more to its agenda during financial year 2023.
20	The Company emphasizes it has not put in place any procedures or restrictions that may limit the Shareholders' exercise of their rights, which are guaranteed under the laws and regulations.
21	The Company did not provide any cash loan of any kind to its Board members, nor did it guarantee any loans that any of them hold with third parties.
22	The Company does not own preferred shares or voting shares, whether by Shareholders or Board members or their affiliates. Furthermore, all the shares of the Company are ordinary shares of equal nominal value, equal in voting, and other rights as provided for by the law.

XIV. Risks Related to the Activities of the Company, its Subsidiaries and Operations

The Company's activities, financial position, future prospects, operation results, and cash flows may be adversely affected at a large scale by any of the following risks, or any other unidentified risks. The Company, as an industrial entity, is exposed to such risks in the course of its business. Accordingly, the Company takes all possible measures, sets policies, and provides adequate support and information to the Risk and Compliance department to mitigate the effects of such risks on its performance.

1) Risk management strategy

- Risk management strategy focuses on calculated risks. It is a systematic mechanism to identify and prioritize risks to apply strategies and action plans that minimize such risks. This mechanism aims to prevent potential risks while detecting actual problems early. It is an ongoing process where all business units including human resources are involved.
- Well-prepared risk management strategy enables Management, equipped with appropriate tools, to identify and analyze risks. Subsequently, a workable solution to eliminate such risk or reduce its effects would be developed.

The basic steps of a company's risk management strategy can be summarized in a 5-step process:

- **Environment assessment** – This is done by establishing mechanisms to investigate and deal with risks. Thus, a risk management approach will be identified. Setting goals would help the Management to identify potential risks that affect its performance.
- **Risk identification** – This is done by answering the following 2 questions: What will happen? How would it happen? Internal and external events affect the Company's ability to realize its goals. Moreover, the Management shall know the difference between risks and opportunities.
- **Risk analysis** – This analysis is done by considering the possibility of risks and how they impact the Company's goals, so that a clear mechanism is set to assess and manage such risks.

- **Risk assessment** – Management assesses potential risks and how to react thereto by avoiding, accepting, or reducing their impacts. The Management shall afterwards develop a set of activities to prioritize risks.

- **Risk discussion/management** – At this stage, possible strategic alternatives are identified to control the risk. The optimal strategic option is then selected. Accordingly, plans, with necessary resources, shall be developed to handle the risk while taking cost into account.

To reinforce the above 5-step process, the risk management exercises oversight and makes adjustments as required. The control activities may be carried out severally or jointly for each individual step.

2) Risk management courses of action

Having recognized and assessed, risks are managed through one of the following courses of action:

Transfer: It is a medium that helps the Company transfer risks to a third party, usually through contracts or financial preventive measures. Insurance is an example of transferring the risk through contracts.

Avoidance: Avoiding activities leading to a certain risk suggests that avoidance is the remedy for all risks. However, benefits and profits from the avoided activities would be lost.

Mitigation: It includes ways and actions to reduce losses resulting from risks.

Retention: Retention is the acknowledgment and acceptance of a risk as a given. Usually, this mechanism is accepted to manage small-size risks where the cost of risk insurance over time is greater than the total loss. Therefore, all risks that cannot be avoided or transferred shall be retained.

3) Types of risks to the Company and its subsidiaries

a) Risks related to the Company's operations

1. Risks related to the Company's inability to implement its strategy

The Company's ability to increase its revenue and improve its profitability depends on the extent of the effective implementation of its business plans and the successful achievement of its strategy, including but not limited to: accelerating strategic growth initiatives including the Paper Mill (PM5), the Tissue Mill (TM6), and the acquisition of a set of assets and shares of existing entities involved in the field of manufacturing and supplying corrugated boxes to achieve forward integration. The Company's ability to expand its business in the future depends on its ability to continue implementing and improving operational, financial, and administrative information systems in an efficient and timely manner, as well as on its ability to increase, train, motivate, and maintain its workforce. Any business expansion plans the Company intends to undertake in the future will be subject to the estimated costs and the timetable specified for their implementation. The use of net proceeds is subject to change based on any economic, social, or political change in addition

to any change in the Company's business plan. If the Company is not able to implement the business plan according to the schedule set for and the estimated costs of the projects – or in the event of not obtaining the necessary licenses, delay in obtaining the necessary licenses, or not achieving the desired profitability of these projects, which may be due to various reasons, including a change in the market situation at the time of implementation of these projects or if there is a defect in the feasibility study, and if the Company fails to implement any part of its strategy for any reason – this will negatively affect the competitive position of the Company. This, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2. Risk related to failure to meet the sales targets and inability to attract customers

If the Company fails to meet monthly or annual sales targets and is unable to attract local and international customers, it can directly impact revenue growth. Falling short of sales targets means fewer sales and potentially lower profits, hindering the overall financial performance of the Company. In addition, the inability to attract customers locally and internationally limits market reach and potential market share, thereby restricting revenue growth opportunities and limiting the Company's ability to expand and compete in the market. In the event the Company fails to meet its targets and is unable to attract customers, it will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

3. Risks related to reliance on key personnel

The Company presently relies on the capabilities and expertise of its Executives and key personnel. The Company's success also depends on attracting and retaining highly competent and experienced personnel to offset the risk of losing key personnel and thereby reducing the impact caused by key personnel leaving the Company. The Company might not in the future be able to attract or retain key personnel, which in turn will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

4. Risks related to reliance upon foreign labor

Labor procured and recruited from India represents 41% of the non-Saudi labor at the Company as at 30 June 2023; while labor recruited from Bangladesh for WASCO is 62% of the non-Saudi labor as at 30 June 2023. Therefore, the Company's business, financial position, and results of operations would be adversely affected if the Company or WASCO failed to retain Staff or qualified foreign labor, failed to find alternatives with the same level of expertise and skill, or changed its policies (such as wages or working hours) around recruitment from India, Bangladesh, or any other country the Company or WASCO relies on for recruiting skilled non-Saudi labor; or, if the Company failed to find alternatives with the same expertise and management skill, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

5. Risks related to the impact of increasing costs and operating expenses on the Company's business

The Company's operating expenses could increase as a result of a number of factors, including, but not limited to, the increase in the wholesale cost of products ordered from suppliers, labor costs, fuel and utility costs, repair and maintenance costs, insurance premiums, finance costs, and costs related to the increase of rents of real estate leased by the Company, among other things.

Product purchase costs will have a direct impact on the Company's profitability. Prolonged periods of product cost inflation may also have a negative impact on the Company's profit margins and earnings to the extent such product cost increases are not passed on to customers as they could resist such increase in prices. Furthermore, the Company's business model requires it to maintain an inventory of products, and changes in price levels during the turnover period would lead to unexpected shifts in demand for the Company's products or could require it to sell inventory at a loss. In addition, any further increase in Saudization requirements of the Company's workforce may lead to an increase in the Company's operational expenditure. The Company's operating expenses amounted to 108% of its total revenues for the 6-month period ended 30th June 2023, and 74% of the Company's total revenues for the financial year ended 31st December 2022, and 79% of the Company's total revenues for the financial year ended 31st December 2021G. Any increases in the Company's operating costs will also reduce its cash flow, profit margin and funds available to operate the Company's existing branches and for future expansion. In turn, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

6. Risks related to availability of raw materials

The Company relies on WASCO to provide a very large proportion of the raw materials (namely, OCC), which amounted to 49% of the Company's total supplies as at 30th June 2023. Therefore, any interruption or fluctuation in WASCO's operations could cause the Company to incur unexpected additional expenses to remedy a shortfall in supplies and this, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

7. Risks related to the Company's relationship with suppliers of waste paper

The Company contracts with a number of suppliers. As at 30th June 2023, WASCO provides 81% of the Company's total value of waste paper needs by collecting waste paper from several sources including landfills, cardboard manufacturers, supermarkets, and streets. The percentage of waste collected through WASCO's labor reached 22% of WASCO's total collection operations as at 30th June 2023. WASCO also collects waste paper directly by purchase from supermarkets under regular contracts with periods that differ from 1 supplier to another in which a price is determined in advance according to the prevailing market price per ton of paper. Some parties who have contracted with WASCO have the power to terminate contracts unilaterally, which, if this were to occur, could adversely affect the availability of raw materials. The

Company repurchases the raw materials for its operations from its current customers, purchasing scrap paper (which is paper wasted in the process of manufacturing cardboard boxes). As at 30th June 2023, the amount collected from these sources represents 9% of WASCO's total collection operations. If the Company were to fail to obtain sufficient quantities of recycled waste paper at a favorable rate, this would cause a reduction in the Company's production volume or could force the Company to purchase waste paper for paper manufacture at prevailing market rates that are higher than waste paper prices supplied by WASCO. If the Company did not increase the prices of its products to cover the increase in its production costs, the Company would have to cover this increase, which, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

8. Risks related to the Group's inability to develop or acquire new technologies or services

The Group's growth is dependent on its ability to continue developing or acquiring new technologies, services, and solutions, as well as adapting its business to meet the needs of its customers, among other factors. These factors include its ability to innovate and develop new technologies, adapt its services and solutions to meet the needs of the targeted customers, identify emerging technological and other trends related to the targeted customers, develop or acquire competitive and innovative technologies and services, especially in the digital sphere, and bring them to market quickly and cost-effectively. In particular, the Group's customers require a great degree of efficiency in all services provided to them, as well as digital capabilities to monitor and manage these services. If the Group is unable to meet the aspirations of its customers or provide excellent products, services, and solutions, or encounters significant delays in the development of new technologies and digital offerings, the Group may lose key customers or future offers and opportunities, which could have a material adverse effect on the Group's business and will, in turn, have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

9. Risks related to export of waste paper

Due to global demand for waste paper used in the manufacture of recycled paper, its export affects its availability on the local market, and, accordingly, increases waste paper demand on the part of paper manufacturers, which drives an increase in price on the local market and an increase in the costs borne by local paper manufacturers, including the Company. In addition, a shortage of waste paper owing to an increase in global demand or the presence of new competitors in the local market would force the Company to cover this shortage by importing waste paper from global markets, which, in turn, would increase the Company's production costs. If the Company did not raise its product prices to cover the increase in its production costs, the Company would have to bear this increase and this will have a negative

and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

10. Risks related to export of the Company's products

As at 30th June 2023, the Company's exports amounted to 42% of total sales volume, and its exports to Algeria, Egypt, Kuwait, and Jordan reached 16% of total sales volume as at 30th June 2023. It is worth noting the aforementioned countries are party to the Greater Arab Free Trade Area Agreement, and therefore, the Company's products in these countries are not subject to any local protection or any protection against import, nor are they subject to any protection against the export of raw materials or end products. Accordingly, any change in the laws of such countries or any other country to which the Company exports its products, or any change in the Kingdom's domestic law and regulations around the export of the Company's products would affect its ability to make its products available to its customers in these countries and would therefore raise the cost of its products and affect its net profit margins. This, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

11. Risks related to product quality

The Company quality tests all its products at the quality laboratory located at the factory headquarters. The laboratory selects regular samples from the production lines and conducts the tests necessary to ensure they meet production stage requirements. The laboratory selects end product samples and tests them to ensure they meet the Company's quality standards. It is well understood that the quality of a company's products is one of the most important factors in marketing. Product quality is dependent on the efficiency of the quality control system, which, in turn, is dependent on a number of factors including system design and quality control training programs that ensure employees comply with quality control policies and standards. If the Company were unable to maintain the standard and quality of its products, it would adversely affect its reputation in the market and the opinions of its customers. As such, customers might be reluctant to do business with the Company. This would undermine its competitive advantages in the recycled paper industry and would, in turn, adversely affect its business, operations, and financial position. If the Company were to lose any quality accreditations, this could affect demand for the Company's products, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

12. Risks associated with employee misconduct and errors

Misconduct of the employees or mistakes made that may result in a violation of any applicable laws, regulations, or instructions may lead to the imposition of penalties or financial obligations on the Company from the competent authorities or result in damage to the reputation of the Company. The Company does not warrant that misconduct or

errors will not occur by its employees, including – but not limited to – illegal activities, misuse of information, disclosure of confidential information, involvement in the dissemination of misleading information, or non-compliance with the Company’s internal controls. When cases of employee misconduct occur or mistakes are made, it will affect the reputation of the Company and may result in the imposition of penalties from the competent authorities, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

13. Risks associated with management decisions

The results of the Company’s business depend mainly on the ability of its management to take the right and appropriate decisions regarding the Company’s business and activities. In the event the decisions of the Company’s Management are found to be inaccurate with regard to its business, it will have a negative and material impact on the Company, the results of its operations, financial position, prospects, and share price.

14. Risks related to the Company’s related party transactions

In the normal course of its business, the Company deals with related parties. The entry into contracts and transactions with related parties is subject to the provisions of the relevant laws and regulations. As per Article 71 of the Companies Law and Article 64 (c) of the Implementing Regulation of the Companies Law for Listed Joint Stock Companies, any transactions in which any of the Company’s Board of Directors has a direct or indirect interest shall be submitted to the General Assembly for approval. It is prohibited for any Director who has an interest in these transactions to vote thereon, whether at the level of the Board of Directors or the Shareholders’ assemblies. Therefore, the Company may not be able to renew the contracts entered into with related parties at the end of their term, as the Board or the General Assembly of the Company may not approve such transactions. The Company may face the risk of objection to or nullification of those transactions. If the mentioned contracts are nullified or not renewed, the Company may not be able to conclude similar contracts or ones on the same terms. Additionally, any Board member who breaches the obligation to disclose their direct or indirect interest in the Company’s contracts and transactions will be subject to a fine not exceeding (SAR 5,000,000) and/or imprisonment for a term not exceeding 3 (three) years. In addition, in the event that future related party transactions are not entered into on an arm’s length basis, or if they are not approved by the Board of Directors or the General Assembly of the Company, or if they are not renewed, or if no similar contracts are concluded, or concluded under the same terms, it will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

15. Risks related to energy supplies

The Company is supplied with fuel oil at the prevailing prices (on the basis of the prevailing prices on the date of delivery of the products to the Company), pursuant to an agreement which sets forth several obligations, and the Company has fulfilled a number of these obligations, including maintaining a comprehensive insurance coverage for

general liability of not less than SAR 2,000,000 (two million Saudi Riyals) for physical injuries and property damage in every accident that occurs during the term of the agreement. This insurance may not include a condition or exception intended to specifically exclude insurance for damage to the property of the supplier and car accident liability insurance covers the Company's owned and non-owned and rented cars within the limits of an amount not less than SAR 2,000,000 (two million Saudi Riyals) per accident against physical injuries and property damage. However, if the Company fails to fulfill the remaining conditions, this contract will either not be renewed or will be terminated, which would disrupt the Company's business, either temporarily or permanently, and will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

The price currently set by the supplier is low compared to the price of fuel on the international market. The price of heavy fuel oil, which the supplier supplies to the Company, might increase and the Company might be unable to increase its product prices to cover the increase in the price of fuel. This would adversely and materially affect the Company's business, prospects, results of operations, cash flows, financial positions and share price. Any failure by the supplier, as the sole supplier of fuel to the Company, to supply the fuel needed by the Company for its manufacturing processes, either in part or entirely, and any failure by the Company to bridge the shortfall from alternative sources at prices competitive with those of the supplier will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

16. Risks related to the Company's factory's site

As at 30th June 2023, approximately 98% of the Company's operations are centered in its factory located in the Al Khumra District of Jeddah in a special industrial zone on a plot owned by the Company. However, the area of Al Khumra is close to populated areas, which may force all factories in the future to move to other industrial zones. If laws are changed preventing factories from remaining outside the industrial cities belonging to the Saudi Authority for Industrial Cities and Technology Zones (MODON), it will result in closure of the Company's factory and thus disrupt the Company's business until the factory is relocated to a new site. This would cause the Company to incur considerable capital expenses, which would adversely affect the Company's business continuity and financial position. The Company also maintains an environmental permit issued by the General Authority of Meteorology and Environment Protection. If the Company is unable to maintain or renew its environmental permit, or if the Company's factory is moved to an area that is far from currently proximate water sources (including the water treatment plant at Al Khumra) for any reason, including regulatory reasons, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

17. Risks related to reliance on key customers

As at 30th June 2023, the Company's business relies primarily on the sale of 45% of its products to 10 (ten) of its most important customers, 5 (five) of which represent 30% of total sales as at 30th June 2023. In other words, a decline in demand from the Company's key customers for the Company's products would cause its sales and profits to drop or fluctuate and its net profits to decrease. This would, in turn, have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

18. Risks related to reliance on spare parts suppliers

The Company relies on spare parts provided by third-party suppliers and manufacturing machine partners for its manufacturing plants. In the event that the Company's relationships with third-party suppliers or manufacturing machine partners cease to be provided, owing to the termination of an existing contract (whether as a result of breach of contract or otherwise) or failure to renew a contract once completed, the Company cannot guarantee these suppliers will be able to provide the spare parts for which they have been contracted. In addition, any restriction by any manufacturer upon which the Company relies – in addition to temporary and permanent discontinuation of their business (including but not limited to loss of license or permit, or technical or industrial malfunctions) or inability to provide the spare parts at acceptable prices or conditions of the Company – would have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

Furthermore, delivery by the Company's suppliers of faulty equipment could also negatively impact the Company's manufacturing plants, and the Company may be unable to successfully obtain compensation from its suppliers. In addition, if the Company's suppliers experience financial difficulties or find it difficult to obtain sufficient financing to fund their shipments or operations, they may not be able to provide the Company with the contracted supplies for the Company's manufacturing plants.

In the event that a third-party supplier or manufacturing machine partners is unable to continue supplying to the Company, the Company may not be able to find a suitably qualified replacement promptly, on similar terms or at all. In the event that the Company is able to replace these relationships, the Company cannot ensure such substitution can be accomplished in a timely manner or without significant costs, disruption to its operations, or ensure a partner may be replaced with a party providing the same quality of spare parts. The Company's failure to build strong relationships with third-party suppliers and manufacturing machine partners, or any disruptions or failures caused by these relationships, would have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

19. Risks related to expansion and implementation strategy

The Company's future performance relies on the effective implementation of its business plans and growth strategies, including manufacture of new products, expansion of the Company's products through building, equipping, and developing production lines with the Company's available competencies and with direct supervision over the installation

and implementation of these plans by international companies specializing in such projects. Any failure on the part of the Company to implement business plans and growth strategies or to build necessary production lines in the appropriate manner, or any withdrawal or negligence on the part of the companies responsible for supervision would adversely affect the Company's business operations and financial position.

The Company's ability to manage its future business expansion relies on its ability to efficiently and rapidly implement and improve operational, financial and administrative information systems. It also depends on its ability to increase, train, motivate, and manage its labor force. In addition, the Company's ability to expand its business is contingent on regulatory authority approval for increasing its authorized capacity.

There are no guarantees that the employees hired by the Company or that the systems, procedures, and controls approved by the Company will be sufficient to support future growth and expansion. Moreover, there are no guarantees that the Company will obtain the regulatory approvals necessary for increasing licensed capacity. Any failure on the part of the Company to manage its expansion plans would cause an increase in costs due to the hiring of competent and experienced new employees, and the hiring of new consultants, as well as new studies to arrive at alternative expansion plans and management mechanisms, which would decrease profitability. In addition, any business expansion plans that the Company intends to implement in the future will be subject to obtaining the relevant regulatory approvals, a cost estimate and a specific time schedule, and the Company might need additional financing to complete any expansion plans. If the Company is unable to carry out expansion plans according to the specified schedule, the desired economic benefit will not be realized during the delay. This, in turn, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

20. Risks related to operating and unexpected business interruptions

The Company's factory consists of several highly complex production lines and paper manufacturing equipment. If any defect, damage, or sudden disruption were to occur with these lines or equipment, this would adversely affect the Company's production throughout the defect, damage, or disruption period. This, accordingly, would adversely affect the Company's business, prospects, and results of operations throughout the production interruption period. The effect will be material if the disruption occurs on more than one production line at a time. The Group's business is currently centered at the factories that the Group owns and operates, and thus its business and results are entirely dependent on these factories and their ability to run continuously. If any issue were to arise that could adversely affect the Group's factories, whether for technical reasons (such as an electricity, energy, or water outage) or due to an incident or emergency affecting their continuity, whether temporarily or permanently, or due to a natural disaster (such as a flood), this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

21. Risks related to natural disasters

Any damage from natural disasters affecting the Group's factories, such as floods, earthquakes, storms, the spread of diseases, infection, region wide power failures, act of terrorism and other natural disasters may cause the Company to incur large and huge costs, and will also severely affect the ability of the Company to carry out its operations and thus reduce its operating results. In the event of the occurrence of these natural disasters resulting in damage to the facilities of the Group or the Company's factory, where 98% of its operations are concentrated, as at 30th June 2023, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

22. Risks related to the long cash conversion cycle

The Company sells its products at a final price inclusive of all costs and freight charges; however, the Company deals with several companies for the purpose of shipping the end products to its customers. The Company pays freight companies immediately with a grace period of 90 days. However, the Company's custom in dealing with these freight companies was to pay amounts owing within a period that exceeded the grace period. Any claim by any or all freight companies for amounts due – whether immediately or within the contractual grace period – would have an effect on the Company's working capital needs and would in turn adversely affect the Company's business.

In addition, a part of the raw material collection process is carried out on a daily basis by landfills and markets that supply WASCO and by WASCO workers who collect from public places. The price of these collected raw materials is paid in cash according to the kind of process, particularly with suppliers who have not entered into contracts with the Company, especially when the Company purchases raw materials in large quantities during periods when prices are low; this increases the Company's working capital needs. Also, the Company allows its local customers a grace period for payment ranging between 90 to 120 days, and it grants its international customers a payment period ranging between 60 to 90 days. An increase in the Company's inventory and a long payment period prolongs the cash collection cycle that averaged 92 days as at 30th June 2023, 139 days as at 31st December 2022, and 106 days as at 31st December 2021, which materially affects working capital. The long cash collection cycle has a major and material effect on the Company's ability to continue its business. Hence, any rise in the cash collection cycle could have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

23. Risks related to transportation

The Company does not have in place a transportation fleet to transport its products to the Company's customers. Instead, it relies on third-party transportation service providers to transport its products to its customers. Any disruption in these transportation services, whether due to a change in transportation laws and regulations or in the statutory requirements for transporting the Company's products, would temporarily affect the Company's ability to supply its products to its customers, which would adversely and materially affect its results, operations, prospects, and financial position.

The final price of the Company's products includes freight charges although the Company pays freight charges to carriers directly. However, if a problem occurs in the transportation process after the products have been sold, leading to increased transportation costs levied by alternative shippers, the Company will not be able to change the product price and add this cost to the product price. This will, in turn, have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

24. Risks related to compliance with Saudization

The Saudi Ministry of Human Resources and Social Development employs the Nitaqat program, which imposed varying Saudization percentages on entities by their economic activity(ies), i.e., ISIC4 licensed activities, and size. Saudization applies to all private entities in Saudi Arabia.

As of 14th November 2023, the Company achieved a Saudization percentage of 39.9%, and is therefore classified under the high green category, Juthor achieved a Saudization percentage of 43.4%, and classifying it in the platinum category, WASCO achieved a Saudization percentage of 12.0%, and classifying it in the medium green category, and Estidama achieved a Saudization percentage of 21.8%, and classifying it in the high green category.

There is no guarantee that the Company, WASCO, Juthor and/or Estidama will continue to maintain the required Saudization percentage within the limits prescribed, particularly as an entity must increase its Saudization percentage year on year to remain compliant. The Company, WASCO, Juthor and/or Estidama may be subject to penalties if it fails to comply with the decisions issued in this regard, including suspending the issuance of new work visas for foreign employees needed by the Company, WASCO, Juthor and/or Estidama, and/or ceasing sponsorship transfers for non-Saudi employees and/or excluding the Company, WASCO, Juthor and/or Estidama from applying for government tenders, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

25. Risks related to lawsuits

The Company, its subsidiaries, Directors, or officers may become involved in lawsuits and regulatory actions with parties including suppliers, employees, competitors, regulatory authorities, consumers or owners of lands leased to the Company or its subsidiaries for its operations. Any unfavorable outcome in such litigation and regulatory proceedings would have a material adverse effect on the Company's business, financial position, results of operations, or prospects.

In addition, regardless of the outcome of any litigation or regulatory proceedings, these proceedings could result in substantial costs and may require that the Company devote substantial resources to defend against these claims, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

26. Risks related to adequacy of insurance

The Company maintains insurance coverage that includes several types of insurance, including directors' and officers' liability insurance, property all risks policy, goods in transit open policy, commercial general liability insurance policy, fidelity guarantee insurance policy, marine cargo open cover, money insurance policy, contractor's all risk policy, and motor commercial fleet insurance. Circumstances might arise that would require the Company to make a claim to the relevant insurance company to compensate the Company for any insured loss or damage. The value of the Company's claims might exceed the value of insurance held by the Company, the damage incurred might not be covered, or the claim submitted by the Company to the relevant insurance company might even be rejected. The Company does not guarantee any future claims filed against it will be covered entirely under the relevant insurance policies. The Company might not be able to obtain adequate insurance coverage because of high insurance premiums or unavailability. Any inability on the part of the Company to obtain adequate insurance coverage could undermine its ability to conduct its business, which would affect its activities. The Company, its business, or its facilities could suffer any number of accidents that are outside its control and that might affect the course of its business. Such accidents that could affect the Company or any of its facilities include, for example, fires and natural disasters. This is because the Company relies greatly on raw materials imported from WASCO which, in turn, is susceptible to fires. Such accidents, were they to occur, could cause the suspension of work at affected facilities for a period of time, which would affect the Company's revenues during the suspension and disruption period. They could also cause the Company to incur emergency capital expenses, repair costs, reconstruction, and restoration to repair and restore affected facilities to their previous condition. Therefore, such accidents could adversely affect the Company's business, operations, and financial results. The Company might be unable to renew these agreements on the same terms and conditions or it may renew them under conditions that differ from the current ones or that are not suitable for the Company. This may adversely affect the Company's business and production capacity, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

The Company maintains insurance coverage that includes business interruption. However, there are situations where either the value of the claim could exceed the value of the Company's coverage, a claim submitted by the Company to the relevant insurance company could be rejected, or the claim period and compensation could take a long time, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

27. Risks related to the material agreements

The Company and its subsidiaries have entered into a number of framework agreements to facilitate its business and practice its commercial activities. There is no guarantee the contracting parties are able to fulfill their contractual obligations, which include framework agency agreements with parties outside the Kingdom, under which the Company is the principal and the other party is the agent, whereby the principal authorizes the agent to act on its behalf in an agreed

upon, legal manner for the sale and promotion of the Company's products within a specific territory, and the agency is restricted.

The rights and obligations of the agent in the agreement include the following:

- The agent agrees to use its best endeavours to promote the sale of the products in the territory in accordance with the principal's instructions and shall protect the principal's interests.
- The agent shall not solicit orders from customers established outside the territory unless permitted to do so by the principal.
- Unless otherwise specifically agreed, the agent has no authority to enter into contracts on behalf of the principal or to bind him in any way towards third parties.
- When dealing with clients, the agent is bound by the agreed-upon terms and conditions.
- The agent is not entitled to receive payments on behalf of the Company without the prior written consent thereof.

The Company's obligations as principal in the agreement includes that the principal shall inform the agent without undue delay of its acceptance or rejection of the orders transmitted by the latter, the principal may accept or reject any individual order transmitted by the agent at its own discretion. The principal may not, however, unreasonably reject the orders transmitted by the agent. In particular, a repeated refusal of order contrary to good faith (e.g. if made for the only purpose of hindering the agent's activity) shall be considered as a breach of contract by the principal.

Moreover, the agent is obliged to exercise due care to keep the Company informed of: (i) the laws and regulations applicable in the territory, which the products must comply with (such as import regulations, labeling, technical specifications, safety requirements, etc.), and (ii) the laws and regulations related to their activities.

The agreements also include a non-competition clause applicable upon the agent without the written consent of the Company, a pledge against engaging sub-agents, and an undertaking to maintain confidentiality. However, nothing ensures that the Company or the contracting parties will not breach any of their obligations under the respective agreements. Any violation will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

28. Risks related to the existing Zakat matters

It is possible that the Group might not be able to finalize Zakat assessments in the future because it has not paid amounts owed to ZATCA, or because it has paid the required amounts but obtained only temporary, not final, certificates. This would cause ZATCA to impose additional Zakat payments which, in turn, would adversely affect the Group. In addition, if the Group fails to obtain the final Zakat assessment certificates, this will adversely affect its business, as it would limit its ability to collect the amounts it is owed, especially financing from financing institutions and amounts owed by clients who require that the Group obtain final zakat assessment certificates before they will provide facilities or pay amounts owed to the Group, as the case may be. Any such occurrences would have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

29. Risks related to reliance on financing and credit facilities

The Company has entered into 3 (three) facility agreements under which it obtained financing. The relevant facility agreements related to these financing arrangements include some commitments and impractical representations, warranties, covenants, and events of default the Company/Juthor is bound by, along with cases of breach that allow the financing parties to terminate the financing agreements. In the event of non-compliance with any provisions set out by relevant agreements, the relevant bank would have the right to take any steps to preserve its rights such as accelerating the payment of the amounts due and terminating the facilities. The Company or Juthor may not be able to obtain alternative sources of financing to repay such debts, which would have a material adverse effect on the Company's or Juthor's business, results of operations and financial position.

Additionally, the Company or Juthor may need additional funds to address the challenges it may face in the course of its business operation, implement its growth strategy, increase its market share across its current markets, expand into other markets, or expand its product offering. The liquidity generated from the Company's or Juthor's current operations and financial resources may not be sufficient to fund its growth strategy, and thus the Company or Juthor may seek to increase its capital, or may increase its indebtedness.

30. Risks related to aggressive time bar for obtaining force majeure relief

Under the framework agreement for the supply of corn material necessary for paper rolls manufacturing concluded between the Company and Arabian Maize Company for Industry dated 11th June 2020, each party must notify the other party of any force majeure event affecting its ability to perform its obligation under the agreement within 10 (ten) days of the occurrence of the force majeure event, in order to be eligible for relief from those obligations. Should the Company not be able to notify Arabian Maize Company for Industry of a force majeure event that has affected its ability to perform its obligations (including receiving the materials ordered from the Company pursuant to a purchase order and paying the value thereof) under the agreement, the Company will not be entitled to a force majeure relief, resulting in either party's ability to terminate the agreement if a force majeure event lasts for a period exceeding 20 (twenty) days, which would have a material adverse effect on the Company's business, results of operations, financial position, and prospects.

31. Risks related to liquidity

The Company's trading ratio (which is one of the financial ratios related to liquidity and measures the extent to which a company is able to pay its short-term obligations through its current assets, measured by dividing the total current assets by total current liabilities) amounted to 1.77 times as at 30th June 2023. It should be noted that the Company's operations require sufficient liquidity to finance its operating business and future capital expenditures. In the event that the Company is unable to maintain sufficient cash resources or secure financing in the future, the Company, its financial position, results of operations, and prospects will be negatively and materially affected. Liquidity risks include the failure of the Company to meet its obligations when they are due, to restructure its loans, or to meet its liquidity obligations

except at a high cost. The Company may not be able to obtain additional financing in the future if necessary, or may not be able to provide the sufficient guarantees required from financiers to obtain the necessary financing. There is no guarantee the Company will be able to maintain high liquidity rates in the future, and there is no guarantee the Company will be able to meet its obligations when due. In the event that the Company is unable to provide sufficient liquidity in the future to cover its operations and capital expenditures, either through its internal resources or by obtaining external financing, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

32. Risks related to the inability to renew, amend, or maintain existing material contracts

The Company has entered into a number of agreements with WASCO, Industrial Cities Development and Operating Company, Arabian Maize Company for Industry. It should be noted that the Company's agreement with the Industrial Cities Development and Operating Company regarding water supply for manufacturing specifies that if the Company fails to settle water supply invoices within 30 (thirty) days of receiving them, the Industrial Cities Development and Operating Company is entitled to suspend water supply services without prior notice. There is no guarantee these contracts or agreements are secured from cancellation or termination during this period. Also, there is no guarantee about the renewal of these contracts and agreements, and in the event of renewal, there is no guarantee they are renewed on terms similar to the current conditions. The inability of the Company to maintain its current contracts and agreements, or the inability to renew them on similar terms, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

33. Risks related to interest rates

The Company has in place several facilities at a variable interest rate. A rise in profit rates, whether constant or variable, (that is, profits taking SAIBOR (Saudi Arabia Interbank Offered Rate) as a basis for calculations), which is owed to institutions providing financing to the Company, will increase the cost of the financing needed by the Company for its business, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

34. Risks related to credit

Credit risks are the risks of financial loss due to any failure by the Company's customers to fulfill their obligations. The Company's credit risks are mainly related to receivables. As at 30th June 2023, the Company classified a total of SAR 29,474,204 as expected credit loss, which represents 11.2% of gross, total receivables and 3.1% of total sales; while the accounts receivable turnover rate averaged 90 days as at 30th June 2023, 92 days as at 31st December 2022, and 101 days as at 31st December 2021. A number of the Company's customers might suffer from poorer financial performance and the Company might not be able to analyze such parties' credit risks. Any decline in the general credit quality of the

Company's customers will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

35. Risks related to intellectual property

The trade name and trademark registered in the names of the Company, WASCO, and Juthor promote the Company's business and help to clearly set the Company apart in the market for customers and suppliers alike. The Company, WASCO, and Juthor registered their three trademarks – MEPCO, WASCO, and Juthor – as trademarks registered with the Saudi Authority for Intellectual Property (SAIP) dated 27/08/2022G under registration No.1443030562, 15/11/2022G under registration No. 1443030707, 04/08/2022G under registration No. 1443030729, respectively. The competitive position of the Company and WASCO depends on several factors including the ability to continue to use both trademarks in providing services in their sector and to protect their trademark rights against any illegal use. If the Company and WASCO fail to protect these trademarks for whatever reason, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

36. Risks related to laws, regulations, permits and licenses

The Company and its paper manufacturing and production business and WASCO's business in the field of waste collection and recycling are subject to supervision and control by several governmental authorities, including: the Ministry of Municipal and Rural Affairs and Housing (MOMRAH); the Chamber of Commerce; the Ministry of Commerce; the General Authority of Meteorology and Environment Protection; and the General Directorate of Civil Defense. These authorities constantly strive to apply laws and regulations, and revise them on a continuous basis. If any amendments are made to present laws and regulations, or if new laws and/or regulations are passed in connection with paper manufacturing and production or waste collection and recycling, the Company and/or WASCO would be obliged, for compliance purposes, to make changes to its operations or its product marketing and sales methods, or to make changes to its products or production lines so as to comply with the requirements imposed by such laws. The Company would, as a result, bear unexpected additional expenses, which would materially affect the Company's operations. Most of the current licenses of the Company and WASCO are subject to conditions under which such licenses may be suspended or revoked if the Company and/or WASCO fails to comply with the licensing requirements necessary to carry out their business and activities, if they do not obtain the licenses required to conduct their business, if they are unable to renew or amend a license, or obtain additional licenses as required in the future. This will prejudice the Company and/or WASCO's ability to carry out its activities in whole or in part, or subject the Company and/or WASCO to financial fines, penalties, or punishments from the competent government authorities.

37. Risks related to handwritten title deeds

The Company owns a number of varying surface area sites in the Al-Khumra region in Jeddah Governorate, on which its industrial facilities operate. These sites are still registered in the name of the Company as per hardcopy real estate title

deeds, which have not been updated to electronic deeds and registered through the Ministry of Justice's electronic title registration portal. Since these title deeds are still in hardcopy form, the Company will face problems when it decides to dispose of these title deeds by mortgage, sale or subdivision, because the Ministry of Justice, under its competence, has issued a number of circulars to notaries not to complete the sale, registration of mortgages or subdivision of any real estate deeds whose owners failed to update to digital form, which in turn will restrict the Company's ability to dispose of its real estate if it so desires. This will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

38. Risks related to mortgaged title deeds

The main risks faced by the Company as a result thereof will arise in the event that the Company is unable to fulfill its contractual obligations, which may cause the Company to lose ownership of real estate properties mortgaged to stakeholders, in the event that the Stakeholders decide to foreclose the property title deeds the Company has mortgaged to them, as applicable. This will have a material impact on the continuity of the Company's or Juthor's operations, as all the mortgaged title deeds are essential for the Company. This, in turn, will have a material and negative impact on the Company's business, results of operations, financial position, prospects, and share price.

39. Risks relating to information technology infrastructure, cyberattacks and data protection

The Company's success, business, and operations are dependent on the Company's information technology infrastructure and the technologies used in its processes. This infrastructure and processes may be impacted by natural disasters, electronic viruses, technical errors, human errors, cyberattacks, and other factors. A failure of the Company's infrastructure due to breaches of the Company's cyber defenses, negligence, intentional misconduct, or other reasons could seriously disrupt the Company's operations. This could result in the loss or misuse of data or sensitive information, injury to people, disruption to the business, harm to the environment or the Company's assets, legal or regulatory breaches, and legal liability. These could involve significant costs including fines, cost of remediation, or reputational consequences. Generally, any malfunction in the Company's information systems or an incident that exposes the Company to cyberattacks, which could harm its electronic infrastructure and result in the full or partial shutdown of the systems used by the Company, could interrupt the Company's business and operations. Any of the foregoing occurring will have a material adverse effect on the Company's business, operations, financial position, cash flows and future prospects.

The Company also stores and processes employees', suppliers' and customers' data, including data with respect to international suppliers and customers. Data protection laws apply to the Company in the vast majority of countries in which the Company does business. Such laws and requirements regarding personal data, data storage, and processing are becoming more stringent and are being enforced more rigorously, and the Company must be able to adapt dynamically to any legislative or enforcement changes and be capable of updating its internal programs if necessary, as a result of which

the Company may incur significant compliance costs in the future. The Company's failure to comply with any applicable data protection laws and regulations may also lead to governmental actions against the Company, including fines and penalties on the Company, employees', suppliers' or customers' claims requiring the Company to compensate them for damages, which, in turn, could result in significant costs and also harm the Company's reputation. Each of these events, if they were to occur, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

40. Risks associated with the Company's risk management strategy

The Company has not fully documented all work procedures that specify roles, responsibilities, duties, risks, controls, and systems used within the Company. Additionally, the Company does not currently utilize an enterprise resource planning (ERP) system to update budget estimates, monitor compliance with set objectives, and create regular variance reports. Monthly variance reports are manually prepared, which can be susceptible to human errors, are time-consuming, and costly. The Company lacks an updated and documented succession plan for key positions, including the identification of potential candidates. Well-prepared risk management strategy enables Management, equipped with appropriate tools, to identify and analyze risks. Subsequently, a workable solution to eliminate such risk or reduce its effects would be developed. Risk management strategy focuses on calculated risks. It is a systematic mechanism to identify and prioritize risks to apply strategies and action plans that minimize such risks. This mechanism aims to prevent potential risks while detecting actual problems early. It is an ongoing process where all business units including human resources are involved. It should be noted that the annual review results highlighted the lack of update in policies and procedures for some operations and departments within the Company, and the absence of disaster recovery plans. Additionally, the Company's compliance system lacks maturity, and the Company's internal control procedures are not being updated. Management failure to develop a succession plan, adopt best risk management practices, implement effective or adequate risk strategies (including as stated in the annual review results), or failure to update or modify them in a timely manner as necessary, will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

41. Risks associated with capital management

The Company's capital management aims to maintain its ability to sustain itself in the market, thereby providing returns to Shareholders and benefits to other Stakeholders, while preserving an optimal capital structure to reduce the cost of capital as well as safeguard and enhance it. The Company manages capital risks by monitoring its debt levels, liquid assets, and meeting future investment requirements and Shareholder expectations. However, the Company may not be able to meet its obligations on the due dates. Capital management risks can also result from the inability to quickly sell financial assets at or near their fair value. Any unexpected or sudden events requiring immediate liquidity will have a

negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

42. Risks related to delay in implementing future projects

Through a capital increase, the Company intends to finance 2 projects: the paper production factory (PM5) and the tissue production factory (TM6). Although the Company is working according to a specific schedule, there are several factors beyond its control that could lead to delays or temporary/permanent halts in the execution of these projects. These factors include, for example: obtaining necessary governmental approvals and licenses for the projects (including but not limited to gas allocation licenses, water supply and drainage licenses, building permits, environmental impact assessments, civil defense permits, occupation and operation permits, contractor compliance, agreements with other parties, availability of labor, and other factors that, if disrupted, could temporarily or permanently suspend work. As at the date of this prospectus, the Company is unable to obtain the necessary licenses and permits for future projects, as these can be obtained only after achieving certain stages in the projects. If any of the above materializes, it will impact the Company's ability to utilize the offering proceeds as outlined in this prospectus, affecting its ability to achieve the anticipated benefits from these projects as planned, which will negatively affect the Company's operations, financial position, and share price.

43. Risk for forward integrating in the field of manufacturing and supplying corrugated cardboard

The Company's inorganic growth strategy depends on forward integration into the corrugated market, ideally through acquisition of one or more corrugated box players to increase aggregate. Unexpected circumstance in the acquisition market such as a lack of interested third-party sellers within the target market could pose a threat to achieving an acquisition with financial benefits. Furthermore, any loss of local customers for the corrugated boxes, unexpected changes in market distribution, and difficulties to capture synergies could have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

b) Risks related to the market and the sector

1. Risks related to the economic performance of the Kingdom

The expected future performance of the Company depends on a number of factors related to the economic conditions in the Kingdom in general, including, but not limited to, factors of inflation, GDP growth, average per capita income, and so on. The Kingdom's full and partial economy mainly depends on oil and industries oil prices, which still control a large share of the gross domestic product. Therefore, any unfavorable fluctuations in oil prices will have a direct and fundamental impact on the plans and growth of the Saudi economy in general and on government spending rates. This, in turn, will have a negative impact on the financial performance of Company and the Company itself, owing to its work within the Saudi economy, as well as on the government spending rates.

The continuation of the growth of the Saudi economy depends on several other factors, in which the continuation of the population growth and the investments of the governmental and private sectors in the infrastructure and others. Therefore, any negative change in any of these factors will have a great influence on the economy and thus will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

2. Risks related to mergers and acquisitions within the paper products sector

The mergers and acquisitions that may occur in the paper products sector among the companies operating therein will affect the market data and focus the controlling parties. It is also possible these mergers and acquisitions affect the selling prices of the Company and the size of the customer base that the Company is associated and deals with, the Company's subsidiaries, or its affiliates, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

3. Risks related to environmental responsibility

The business of the Company and of WASCO involves some risks that could subject the Company to legal liability under the Environmental Law and its implementing regulations. The General Authority of Meteorology and Environment Protection requires the Company to preserve the environmental safety, including that of the air and water, and not to disturb the surrounding area. Any violation of these requirements would render the Company subject to penalties and fines of up to SAR 20,000,000, and liable for the costs of removing these violations, as such damages are not covered by insurance. Repeat violations within a year from the date of the previous penalty becoming final may lead to doubling the penalty or revocation of the licenses granted to the Company by the relevant authorities, which will have a negative and material impact on the business continuity of the Company, and materially affect the results of its operations, financial position, prospects, and share price.

4. Risks related to import and export

The change of existing legal or regulatory requirements in countries or regional trading blocs (such as the Gulf Cooperation Council Customs Union) where the Company and its subsidiaries operate or the imposition of new requirements in relation to import and export including anti-dumping duties and customs tariffs, will affect the competitive position of the products manufactured by the Company and/or its subsidiaries or may prevent the sale of these products in some related countries, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

5. Risks related to change in products supply and demand

The markets of many of the products of the Company and its subsidiaries may witness cyclicity in the supply and demand within the paper products industry, some of which may contain a contraction of supply, which would cause an increase in prices and profit margins, and some periods that witness a recovery in production capacity, which would

result in an oversupply and a decrease in prices and profit margins. Accordingly, the future growth of demand for the products of the Company and its subsidiaries may not be sufficient to mitigate the impact of a surplus in production capacity, especially since these conditions may last for a longer period or may be exacerbated more as a result of expected or unexpected additions in production capacity or due to any other events. As a result, the production levels of the Company and its subsidiaries, product sales, and profit margins may be significantly affected, which, in turn, leads to a decrease in their financial performance levels in general, and will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

6. Risks related to sector concentration and specialization

The Company's business is limited to 2 paper industry sectors: containerboard manufacture and industrial paper manufacture. Growth in industrial and agricultural production, an increase in population, and individual spending are considered among the main factors positively or negatively affecting this industry, and thus any change in these factors will affect the Company's operations, prospects and general financial position. In addition, developments in paper packaging techniques and methods by manufacturers and evolving awareness of the importance of paper recycling are all major factors influencing the industry. Accordingly, any adverse change in these factors will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

7. Risks related to the regulatory environment

The Company's business is subject to the laws in force in the Kingdom, while bearing in mind that the regulatory environment in which the Company operates is subject to change. Regulatory changes resulting from political, economic, technological, and environmental factors could affect the Company's operations and limit the development of the Company or its business. If new laws or regulations impose new requirements that are difficult or costly to comply with – and if the Company or WASCO has to change its products or operations in order to comply with such laws – this could result in an increase in the cost of their products, which would have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

Additionally, the Company is subject to a range of applicable laws and regulations in Saudi Arabia, which in many cases are applied by governmental authorities in accordance with government policy or directives. Demand for products sold by the Company and its business may be materially and adversely affected by changes in laws, regulations, government policy, and administrative directives, or the interpretation thereof, including in particular those with application to the industrial and environmental sector in Saudi Arabia. There can be no assurance of favorable or unfavorable future changes in laws and regulations and/or governmental policy in Saudi Arabia including the promulgation of new laws,

changes in existing laws, or their interpretation or enforcement. The Company is unable to anticipate changes in the regulatory environment and therefore could be subject to fines and sanctions, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

8. Risks related to political and economic instability in emerging and developing countries

The Company operates and provides its services and products in the Kingdom, which is part of the Middle East and the Arabian Gulf region. It is worth noting that many emerging and developing countries to which the Company exports and from which it imports suffer from political and security instability at the present time. Therefore, there is no guarantees the political and security conditions in such countries will not have a negative and material impact on the business of the Company in the Kingdom, and therefore the occurrence of fundamental changes in the political, security or economic situation in such countries will negatively and materially affect the business of the Company, the results of its operations, financial position and prospects.

9. Risks related to fluctuation in the prices of raw materials

The Company's revenues and profits are contingent on the prevailing prices of goods and raw materials, especially waste paper (92% of which is obtained from WASCO as at 30th June 2023). The prices of such goods are dependent on local and international market prices, which are driven by supply and demand. Given that the factors affecting the prices of basic commodities are beyond the Company's control and are subject to changes in actual supply and demand as well as market and international economic fluctuations, any adverse change in such factors will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

Raw materials are purchased and then stored for a period ranging from 1 to 3 months before they are used in the manufacturing of the Company's various products. The Company stores this raw material to ensure that is always ready for production in the following period to avoid any disruptions in supply, as the Company's factory is in operation 24 hours a day. The Company faces a risk of a reduction in the value of the raw material inventory if it is purchased at high prices and stored. The cost of raw materials (namely, OCC) represented 39% of total Company sales costs as at 30th June 2023.

10. Risks related to the implementation of VAT

The Kingdom issued the Value Added Tax (VAT) Law, which came into effect on 1st January 2018. This law imposed 5% VAT on various products and services. Subsequently, the percentage increased to 15% on 1st July 2020G. The Company is committed to monthly VAT payments as stipulated under the law, and has consistently filed all its tax declarations since its registration (since 2018G until the date of this prospectus) within the specified deadlines. Additionally, all ZATCA tax obligations have been met within the prescribed timelines.

The Company must adapt to the changes resulting from the implementation of the Value Added Tax, including its collection and delivery, and the impact of the VAT Law on the Company's and its subsidiaries' operations. Any violation or incorrect application of the tax law by the management of the Company or its subsidiaries could expose them to fines or penalties, harming their reputation and potentially increasing operational costs and expenses, which could reduce the Company's and its subsidiaries' competitiveness and affect demand for their services, leading to a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price. Given that the VAT has been implemented relatively recently, the Company could make errors when implementing the regulatory requirements, which would lead to facing penalties imposed by ZATCA in accordance with the Value-Added Tax Law. Should that occur, it will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

11. Risks related to fluctuation in sale prices and net profit in previous years

The Company's future performance depends on its ability to acquire a market share, retain its market share, and increase it through production expansion and marketing. A decline in demand for the Company's products for any reason could adversely affect the Company's operations. The Company's future performance is contingent on its ability to sustain profitability through maintaining appropriate prices for its products and the ability to pass on any increase in production costs to its customers by raising product prices. This is beyond the Company's control as the final price the Company can obtain for its products depends on supply and demand in the local market.

Furthermore, in the first quarter of 2021, the Company recorded a decrease in net profits as a result of several factors, including market competition, an increase in the price of raw materials and manufacturing costs, and other factors. The Company does not currently have in place any hedging policies against price fluctuations. If the Company's net profit fluctuates again, this will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

12. Risks related to currency exchange rates

Exchange risks are the result of financial investments fluctuations due to changes in foreign exchange rates. Companies often encounter exchange risks when dealing with international counterparties, investing, purchasing machinery, equipment and materials, or when selling products in foreign markets.

The Company's transactions are carried out in local and foreign currencies. Subsequently, the Company is exposed to the currency exchange risk due to fluctuation in exchange rates of foreign currencies in relation to investments or other commitments in foreign currencies. In the event the Company collects any amounts from the sale of its products or foreign dealings in foreign currencies, it may encounter exchange risks and unexpected major fluctuations in exchange

rates, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

13. Risks related to the competitive environment

The Company operates in a highly competitive environment and faces the possibility of being flooded with low-cost products from external competitors, which could lead to a decline in the prices of its products. There is no guarantee the Company can continue to effectively compete with other companies in the market. In addition, the pricing policies of the Company's competitors affect its financial performance. Moreover, a rise in supply of products manufactured by the Company relative to the demand for them will exert downward pressure on their prices and will accordingly have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

The Company's competitiveness depends on how well it differentiates its products from others offered on the market. It does this by providing high-quality products for reasonable prices. If current or potential competitors provide products of higher quality or for more competitive prices than those provided by the Company, it cannot guarantee it will be able to keep pace and adapt quickly to developing industry trends or changing market requirements, which will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

14. Risk related to the Competition Law

The Competition Law promulgated by Royal Decree No. M/75, dated 29/06/1440H (corresponding to 06/03/2019G) and its Implementing Regulations issued by the General Authority for Competition pursuant to Resolution No. 337, dated 25/01/1441H (corresponding to 24/09/2019G) prohibit practices (including agreements or contracts made between entities, irrespective of whether they are written or oral, express or implied) with anti-competitive objectives or effects, including practices such as fixing prices of goods, service fees, or terms of purchase and sale. Should the GAC decide to lead an investigation into the Company, or otherwise conclude the Company is in breach of the applicable Competition Laws, it may impose on the Company a fine of up to 10% of the total annual sales value which is the subject of the violation or no more than SAR 10,000,000 (ten million Saudi Riyals) where it proves impossible to estimate such value. Moreover, GAC may, at its discretion, impose a fine of up to 3 times the revenues made as a result of the breach and order the (partial or full) suspension of the Company's activities temporarily or permanently in case of repeated breach. The occurrence of any of the above risks will have a negative and material impact on the business of the Company, the results of its operations, financial position, prospects, and share price.

c) Risks related to the New Shares

1. Risks related to distribution of dividends

The distribution of dividends is dependent on several factors, including the Company's ability to generate profit, its financial position, statutory reserve requirements, limits on available credit, general economic conditions, and other factors subject to the recommendation of the Board of Directors in the announcement of dividend distribution as it deems proper. The Company does not guarantee that the factors enabling it to distribute dividends – as it deems proper – among its Shareholders will be present at that time. Additionally, pursuant to the Bank AlJazira (BAJ) Facility Agreement, the Company undertakes not to withdraw any money or distribute any dividends to its Shareholders of that financial year in the event that the Company defaults in paying any loan instalment. This undertaking shall remain valid until the payment obligations are fulfilled and Bank AlJazira's written consent is then obtained with respect to dividend distributions.

Therefore, there is no guarantee that the Company will announce or distribute dividends at any time after completion of the capital increase, and there is no guarantee as to the dividend amount, if any, that the Company will announce or distribute in any particular financial year. Furthermore, there is no guarantee the Company Shareholders will receive dividends or will be entitled to dividends equal to those distributed by the Company in the past. Finally, the dividend distribution policy may be modified from time to time following the completion of the capital increase, which may affect the availability, method and timing of any dividends.

2. Risks related to liquidity and fluctuation in the price of shares

The targeted investor may be unable to resell the New Shares at or above the offer price. The market price of the Company's shares may, after the offering, be adversely affected by factors within or outside the Company's control, including, but not limited to, a change in the Company's operating results, market conditions, or government regulations. The targeted investor must recognize that the value of an equity investment (including the New Shares) may decline or rise, and the market price of equities may be volatile and subject to significant fluctuations due to changing market sentiment in terms of equities. From time to time, equity markets have experienced large fluctuations in prices and volume, which affected the market prices of securities but were not relevant to the Company's performance or the prospects of its activities. Furthermore, the Company's operating results and prospects may from time to time be less than those of market analysts and overall market conditions. Any of these events may lead to a decline in the market price of the shares.

D) Risks related to the change in the ownership of current shareholders and associated reduction of voting powers

1. Risks related to the change in the ownership of current shareholders and associated reduction of voting powers

Following the completion of the capital increase, the ability of the Shareholders in the Company to influence the decisions made may decrease due to the decrease in their voting rights, such as the election of the Board members and other important strategic decisions of the Company. In addition, their share of net profits will decrease as it will be divided over a larger number of shares, after completion of the capital increase.

2. Risks related to the influence of the targeted investor

Following the completion of the capital increase, the targeted investor will be able to influence all of the Company's business requiring Shareholders' approval, including decisions related to the appointment of Board members and committee members, or substantial decisions related to the Company's business, the distribution of dividends, or the adjustment of capital. It should be noted that as per the Subscription Agreement, the targeted investor will have the right to appoint 2 new members to the Company's Board of Directors and Executive Committee. The interests of the targeted investor may differ from the interests of other Shareholders in the Company; and given the ability to influence the Company's decisions that the targeted investor will have as a result of the capital increase, the targeted investor may prevent the Company from taking certain decisions or actions that may protect the interests of other shareholders in the Company.

3. **Risks related to decreasing earnings per share as a result of the capital increase:** The future earnings of the Company's share depend on several factors, including the profitability of the Company and its ability to maintain its good financial position, capital needs, and general economic conditions. In addition, the capital increase may lead to a decrease in earnings per share in the future, on the grounds that the Company's profits will be distributed to a larger number of shares as a result of the increase in its capital. In all cases, the earnings per share should not be relied upon as in the financial statements, and there is no guarantee the earnings per share will continue at these levels or will rise, as they are subject to change at any time and depend largely on the financial performance of the Company after the completion of the capital increase.

XV. Financial Information and Data

The consolidated financial statements of the Company shall be prepared in accordance with the International Financial Reporting Standards (IFRS) applicable in the Kingdom of Saudi Arabia in addition to other standards and circulars issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

The General Assembly appointed and agreed the fees of Ernst and Young (E&Y) to audit the Company's accounts as recommended by the Audit Committee. E&Y shall examine, review, and audit the interim financial statements of the 2nd and 3rd quarters as well as the annual ones for financial year 2023 and the first quarter of the fiscal year 2024.

a) Business results (SAR'000)

Description	2023	2022	2021	2020	2019
Sales	866,753	1,187,006	1,057,400	724,685	691,077
Costs of sales	781,757	684,220	663,297	581,436	549,368

Gross profit	84,996	502,786	394,102	143,249	141,710
Operating (loss)/ profit	(51,234)	304,294	242,318	43,592	31,860
Net (loss)/profit	(87,637)	270,730	220,710	20,176	6,128

b) Assets and liabilities (SAR'000)

Description	2023	2022	2021	2020	2019
Current assets	619,829	812,083	801,463	445,262	474,595
Non-current assets	1,311,105	1,134,431	1,068,655	1,132,097	1,102,216
Total assets	1,930,934	1,946,514	1,870,118	1,577,359	1,576,811
Current liabilities	447,105	282,887	405,907	406,231	420,460
Non-current liabilities	415,625	481,341	481,315	419,135	424,972
Total liabilities	862,730	764,228	887,222	825,366	845,433

c) Material changes in operating results (SAR'000)

Income Indicators	Statement	2023	2022	Change value	Change Percent age	Reasons for change
Sales		866,753	1,187,006	(320,253)	-27%	Decline in revenue of SR 320 M (27%) owing to lower sales prices. The reduction in sales prices of MEPCO is consistent to global decline in paper prices and packaging. However, the sales volume have been increased by 6% over last year mainly due to commencement of Juthor tissue mill operations and increase in MEPCO sales volume in 2023.
Cost of sales		(781,756)	(684,220)	97,536	14%	Increase in cost of sales is due to increase in sales volume along with the increase in energy costs, maintenance and employee costs relating to Juthor.

Gross Profit	84,996	502,786	(417,790)	-83%	Because of lower sales price and higher cost of sales, gross profit reduced by SR 418 M (83%) resulting in GP margin of 10% dropped from 42% last year.
Operating expenses	(144,992)	(195,656)	(50,664)	-26%	Operational expenses comprise of selling, general and administrative expenses along with the impairment of financial assets. The reduction in these expenses is mainly due to following: <ul style="list-style-type: none"> Decline in selling and distribution cost is mainly attributed to the decrease in shipping and transportation cost of goods by 29% as part of lower supply chain constraints globally. Decrease in general and administrative expenses by SAR 3.5 M mainly due to reversal of penalty of SR 5 M in 2023 that was recorded last year in one of the subsidiary. Reversal of impairment of financial assets of SR 6.7 M against SR (16) M impairment loss last year. This reversal is due to the improvement in customer collection days.
Other revenue/(expenses)	8,761	(2,836)	11,597	409%	Other income of SR 9 M against other expenses of SR (3) M last year comprises of SR 4 M for the administrative services provided by the Company to one of the related party, SR 2 M insurance claim reimbursement, SR 2.5 M on foreign currency exchange gain and SR 2.7 M other scrap sales.
Operating (loss)/ profit	(51,234)	304,294	(355,529)	-117%	The reduction in operating profit is due to reduction in gross profit as mentioned above.

d) Geographical analysis of the Company and its subsidiaries total revenue

The Company and its subsidiaries operate in KSA, GCC countries, North and East Africa countries, and some other geographical regions.

The geographical distribution is as follows: (SAR'000)

Description	Kingdom of Saudi Arabia	Gulf Cooperation Council	Other Countries	Total Revenue
Company	476,881	69,724	213,472	760,078
Subsidiaries	104,845	69	1,760	106,674
Total	581,726	69,793	215,232	866,752

e) Information related to loans of MEPCO and its subsidiaries

1. Medium-term loans and credit facilities (SAR'000)

Entity	The principal loan amount / facilitations	Duration of the loan / facilitations	Balance at the beginning of the year	Added during the year / scaled during the year	Amount paid during the year	Balance at the end of the year
Saudi Industrial Development Fund (SIDF)	409,500	5 years	114,000	45,000	(14,400)	144,600
SABB	218,365	5 years	218,365	-	(54,591)	163,774
Bank Al Jazira	183,778	5 years	183,779	-	(22,972)	160,806
Total	811,643		516,144	45,000	(91,964)	469,180
Financing fees due, deferred financial charges	-	-	(4,989)	570	-	(4,419)
Total	811,643		511,155	45,570	(91,964)	464,761

2. Short-term loans and facilitations (rotating) (SAR'000)

Entity	The principal loan amount/facilitations	Duration of the loan/facilitations	Balance at the beginning of the year	Added during the year/scaled during the year	Amount paid during the year	Balance at the end of the year
Bank Al-Bilad	30,000	1 year	-	30,000	-	30,000
Saudi National Bank	75,000	6 month	-	30,000	-	30,000
EXIM	100,000	6 months	-	40,000	-	40,000
Bank Al Jazira	485,000	6 months	20,625	-	(20,625)	-
Total	690,000		20,625	100,000	(20,625)	100,000
Other and notes payable	-		12,940	-	(3,031)	9,909
Total	690,000		33,565	100,000	(23,656)	109,909
Total medium and short-term loans	1,501,643		544,720	145,570	(115,620)	574,670

3. Classification of total loans according to international standards (SAR'000)

Classification	2023	2022
Short-term loans and facilities	109,909	33,565
Current portion of long-term loans	114,557	99,828
Long-term loans	350,204	411,327
Total	574,670	544,720

f) Subsidiaries

Company's Name	Capital	Activity	Country of Incorporation	Country of Activity	Ownership (%)
Waste Collection and Recycling Co. Ltd. (WASCO)	SAR 20 million	Used paper collection and trade	Saudi Arabia	Saudi Arabia and other countries	100%
Juthor Paper Manufacturing Co.	68 million	Tissue paper (Jumbo roll) manufacturing	Saudi Arabia	Saudi Arabia	100%
Estdama Environmental Services Company Limited	SAR 100,000	Water supplies, sewerage, waste management, and treatment	Saudi Arabia	Saudi Arabia	50%
Saudi- Jordanian Waste Collection and Recycling Company ("Saudi- Jordanian WASCO")	SAR 529,000	Recycle and collect carton waste, manufacture, import and export carton. Retail trade in paper and carton. Own movable and immovable funds to implement the company's objectives.	Jordan	Jordan	50%

The subsidiaries are fully integrated into the Parent Company's course of business. The paper collection and sorting companies, along with their branches, supply the paper factory with amounts of raw material required for the Company's business activities, besides creating profits by selling their surplus in the target markets.

g) Due statutory payments with a brief description

- **Zakat:** The Company is subject to the laws of the General Authority of Zakat and Tax in the Kingdom of Saudi Arabia. Zakat is registered on an accrual basis. Subsidiaries operating outside the Kingdom of Saudi Arabia are subject to their local tax laws.
- **Tax:** The Company and its subsidiary registered in the Value Added Tax system, which was introduced in January 2018.
- **Social insurance:** The Company is subject to the social insurance law. Social insurance fees are recorded on an accrual basis, and social insurance is paid monthly based on the dues for the previous month.
- **Passport and visa costs:** These are costs that the Company pay to obtain visas, recruitment fees, and commercial visits.
- **Labor office fees:** Represent the costs of obtaining work permits and changing professions.

(SAR'000)

Financial statements of 2023	Due	Paid	Justifications
Zakat	8,871,226	13,005,262	Zakat computed by the consultant as per the Zakat regulations
Tax	149,502	17,594,230	VAT on goods and external services by foreign suppliers
General Organization for Social Insurance	-	4,768,407	Due payments as per the social security records
Visa and Passport costs	-	4,940,472	Recruitment, commercial visits, visas, and their renewal
Labor Office fees	-	2,059,175	Employment fees and work permits
Total	9,020,728	42,367,546	

XVI. Details of the Treasury Bills held by the Company and the Uses thereof

No treasury shares for year 2023.

XVII. Number of requests for the Shareholder Register during 2023

MEPCO requested the shareholder register from the Securities Depository Center Company (Edaa) 14 (fourteen) times during 2023 for the following purposes:

- Statement of ownership of Board members, Senior Executives and principal Shareholders at the end of the year.
- Data on the movement of ownership ratios of companies and investment funds.
- Shareholders register for the purpose of the General Assembly.

S.	Date of Ownership File	Purpose for the Request
1	1st January 2023	Statement of ownership of Board members, Senior Executives and principal Shareholders at the end of the year.
2	29th January 2023	Data on the movement of ownership ratios of companies and investment funds.
3	8th March 2023	Data on the movement of ownership ratios of companies and investment funds.
4	3rd April 2023	Data on the movement of ownership ratios of companies and investment funds.
5	1st June 2023	Data on the movement of ownership ratios of companies and investment funds.
6	22nd June 2023	Shareholders' register for the purpose of the General Assembly.
7	4th July 2023	Data on the movement of ownership ratios of companies and investment funds.
8	10th August 2023	Data on the movement of ownership ratios of companies and investment funds.
9	7th September 2023	Data on the movement of ownership ratios of companies and investment funds.
10	2nd October 2023	Data on the movement of ownership ratios of companies and investment funds.
11	26th November 2023	Data on the movement of ownership ratios of companies and investment funds.
12	24th December 2023	Data on the movement of ownership ratios of companies and investment funds.
13	28th December 2023	Shareholders' register for the purpose of the General Assembly.
14	31st December 2023	Statement of ownership of Board members, Senior Executives and principal Shareholders at the end of the year.

XVIII. Information about the contracts or deals that the Company signed with related parties

They are the same transactions that some members of the Board of Directors, the CEO or any related person have an indirect interest:

Contractual Nature	The other party in the contract	Conditions of Transaction or Contract	Beginning of Contract	Contract – Transaction Duration	Value of Transactions in Saudi Riyals during 2023	Member's name/ Senior Executive or any other relatives
Supply the maize starch necessary for paper rolls manufacturing	Arabian Maize Company for Industry	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2020	5-year framework agreement	25,126,617	Mr. Abdullah Abdulrahman Almoammar
Purchase the Company's products from gypsum board rolls	United Mining Company	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2010	Valid until termination by one of the parties whenever they desire.	5,411,936	Mr. Emad Abdulkader Al Muhaidib
Supply water to meet the Company's needs among the approved suppliers	Industrial Cities Development and Operating Company	Continuous transactions done in the context of the normal business within the prevalent commercial conditions and without any preferential conditions	2005	Valid till 2025	6,322,318	Mr. Emad Abdulkader Al Muhaidib

- The value of the above transactions is calculated after VAT deducted.

XIX. Cash dividends during 2023

The Ordinary General Assembly held on 06/22/2023 approved the Board of Directors' recommendation to distribute an amount of (33,333,334) riyals as dividends to shareholders for the financial year ending on 12/31/2022 at the rate of (0.5) riyals per share.

Dividend policy

1. Cash Dividends:

Dividends are paid to the Shareholders in accordance with the provisions of the Companies' Law, its regulations and the Company's Articles of Association. Net profits are distributed after deducting all general expenses and other costs particularly the following:

- 10% of the net profits shall be set aside to form a statutory reserve, and the Ordinary General Assembly may discontinue such deduction whenever the said reserve reaches 30% of the paid-up capital.

- The Ordinary General Assembly may decide, based on the Board's recommendation, to set aside a specific percentage of the net profits to form a consensual reserve towards certain purposes. Such reserve may only be used by a decision of an Extraordinary General Assembly.
- The Ordinary General Assembly may decide to form other reserves as may be essential to achieve the interests of the Company or to ensure fixed profits are distributed to the Shareholders. The aforementioned assembly may also deduct amounts from the net profits to establish social institutions for the employees of the Company or to support the existing ones.
- The remainder is then distributed as a first payment to Shareholders, equivalent to no less than 5% of the paid-up capital.
- Subject to the provisions of Article (21) of the Company's Articles of Association, and Article (76) of Saudi Companies' Law, a percentage of no more than 10% of the remainder shall be allocated to the remuneration of the Board if it is a certain percentage of the Company's profits, provided that the entitlement to this remuneration is proportional to the number of meetings attended by each member.
- Upon meeting the regulatory requirements, the Company may distribute semi-annual and quarterly dividends to Shareholders.

2. Distribution of bonus shares

- The Company may distribute the dividends in the form of bonus shares to the Shareholders to increase the capital by issuing bonus shares at the nominal value which is transferred from the retained earnings to the capital. To increase the capital, the approval of the Capital Market Authority (CMA) shall be obtained, followed by the approval of the Extraordinary General Assembly of the Company.
- As may be resolved by the General Assembly or by the Board on the interim dividends, the Shareholders receive their portion of net profits as cash dividends or bonus shares. The decision of the General Assembly or the Board shall specify the due date and date of distribution. The dividends are paid first to those registered on the Shareholders' register at the end of the specified maturity date.
- At its meeting dated 24th November 2022, the Extraordinary General Assembly approved the Board's recommendation to increase the Company's capital by issuing bonus shares to the Shareholders in an amount of 1 share for every 3 shares.

XX. Governance of the Company

a) MEPCO Corporate Governance

The Company has laid down its own corporate governance system, setting rules and standards to ensure compliance with the best governance practices that protect rights of the Shareholders, Stakeholders and related parties. The rules, policies, and procedures stated in the Company's corporate governance regulations are binding on all Board members, Executive Management, key managerial personnel, and all employees of the Company. This system may only be modified via a Board decision.

The corporate governance system aims to make the optimal and most profitable investment of the Company's capabilities and resources by creating a work ecosystem based on the principles of responsibility, control, and commitment that is founded on clarity and transparency. Such principles shall be observed in defining the Company's goals and strategic business plans, in describing the

rights and obligations of all its entities, and in managing its relationship with suppliers, creditors, consumers, and regulatory authorities. This ecosystem interacts and integrates with the local legislature so the Company may achieve its goals effectively and fairly.

MEPCO adopts the best standards of corporate governance and always adjusts its business models to be consistent with updated standards. This commitment constitutes a fundamental pillar for its long-term success. Therefore, the Company has developed its own governance rules, which align with the Company’s commitment to integrity and quality in all of its operations, activities, and products.

MEPCO governance focuses on the following objectives:

- Activate the role of Shareholders in the Company and facilitate exercising of their rights.
- Embed transparency, integrity, and fairness in the Company, its operations, transactions, and business environment, and enhance disclosure therein.
- Provide effective and balanced tools to deal with conflicts of interest.
- Define the roles and responsibilities of the Board and the Executive Management.
- Activate the role of the Board and the committees and develop their efficiency to enhance decision-making processes in the Company.
- Strengthen the controls and accountability of Company employees.
- Establish a general framework for dealing with Stakeholders and respect their rights.
- Improve the effectiveness of internal control and oversight and provide the required tools.
- Educate employees on the professional conduct and urge them to adopt responsible and good behavior when exercising their duties.

Key Principles of MEPCO Governance	
Responsibility	To ensure effective performance of functions using the best available capabilities.
Control and accountability	To control acts and conduct and hold accountable all decision-makers ensuring they can clarify and justify their actions.
Equality	Fair and indiscriminate treatment for all parties.
Transparency	Clear and accurate disclosure to ensure all Company operations and data are clear and available to all.
Ethics	Stick to the Code of Professional and Ethical Conduct and commit oneself to integrity, fairness, and professionalism with all parties.
A vision to record sustainable value	Long-term outlook for realizing sustainability, which ensures growth and promotes social well-being.

b) Articles of Association

The Articles of Association defines the identity of the Company and regulates its affairs, objectives, and management. It also governs its meetings and Shareholders’ equities. It controls and monitors the Company’s business, and its authority to borrow and grant shares, in addition to outlining its policy from its inception onwards.

Shareholders’ rights

Our corporate governance framework attaches tremendous value to Shareholders’ rights and urges them to participate effectively in the General Assembly Meetings. To that end, it educates them on voting rules, their right to fair and indiscriminate treatment, and

to information they need to fully exercise their statutory rights. They are entitled to a share of the profits, to a share of the Company's assets upon liquidation, to attend Shareholder assemblies, to take part in its deliberations, to vote on its decisions, to dispose of shares, to request access to the Company's books and documents, to monitor actions of the Board, to inquire and request information that neither harms the Company's interests nor violates the Capital Market Law and its implementing regulations. They are also entitled to file a liability claim against the Board members, and to appeal against decisions made by Shareholder assemblies. Moreover, the framework lays great emphasis on the rights of other Stakeholders along with other rights guaranteed and stressed by the Company's Articles of Association.

c) Internal controls

Based on the recommendation by the Audit Committee, the Board adopted a system of internal control to evaluate the policies and procedures related to risk management, apply corporate governance rules and regulations, and to comply with relevant laws and regulations. The Audit Committee further recommended the use of the COSO framework in the evaluation, implementation, and supervision of internal controls. The internal control and risk management processes are listed according to the COSO framework as follows:

- **Strategy:** The Company's ultimate goals accord with and support its mission.
- **Operations:** The effective and efficient use of resources to achieve the targeted goals
- **Reports:** The reliability of financial reports.
- **Compliance:** Compliance with all applicable laws and regulations.

The Executive Management implements internal control system and risk management, verifies the effectiveness and adequacy thereof, and applies best practices. Internal control systems in the Company and its subsidiaries are monitored and assessed by both Internal Audit department, and the department of Governance, Compliance and Risk Management respectively. These departments are independent and report periodically to the Audit Committee and the Board.

Throughout 2020, the Company kept supporting the internal controls by adopting COSO framework, which is to remain in place as to the execution and annual evaluation of internal control procedures.

The Company has strengthened its governance role by the following:

1) Internal Audit

It is an independent department that operates under the Audit Committee. It provides the Board and Executive Management with an objective and comprehensive view of all the Company's activities and ensures the effectiveness of internal controls in handling the risks identified by the risk management function to mitigate and minimize such risks. Its duties and responsibilities will be discussed in the results of annual control review.

2) Corporate Governance and Compliance

An independent department that works in cooperation with other departments and under the supervision of the Board and the Audit Committee. It performs the following functions:

- Monitors the application of the general framework of governance and ensures it is reviewed periodically to be in line with amendments to the Company's objectives or activities, regulatory requirements or best practices in the field of governance.
- Tracks the amendments issued by the regulatory and supervisory authorities on the laws or the regulations and instructions of joint-stock companies; and updates the Company's internal regulations accordingly.
- Ensures the Company abides by the instructions and regulations set forth by the regulatory and supervisory authorities and which are linked to the Company's activities.
- Responds to inquiries and correspondence received by the Company from the regulatory and supervisory authorities, participates in training activities they run, and builds up trust between such authorities and the Company.
- Monitors Company compliance with policies and internal controls to achieve compliance with local laws and regulations.
- Promotes awareness of corporate governance and compliance within the Company and trains the employees accordingly.
- Keeps the Executive Management informed of the risks arising from non-compliance that may lead to statutory penalties and actions, financial losses or damage to the Company's reputation caused by its failure to implement the regulations, instructions, rules, or ethical values that control the business environment where the Company operates.

- Responds to alleged violations of rules, regulations, policies, procedures, moral standards, and ethics by running an assessment and recommends an investigation.
- Conducts an annual review of all instructions included in the governance policy and procedure manuals applicable to the Company to ensure they conform to the regulatory requirements and update accordingly.
- Monitors the Company’s compliance with laws and regulations in its operations with other entities; the Company’s unit compliance with the Company’s corporate governance policies and internal regulations, and assists the Internal Audit department to fulfill its control role.

3) Risk Management

Operates under the Governance and Compliance department. Its key duties and functions are as follows:

- Ensures effective management of risks to which the Company is or may be exposed.
- Defines, develops, and monitors the application of guidelines and risk management procedures necessary to identify, measure, control, and monitor risks inherent in the Company’s activities.
- Reviews the risk register submitted by each manager regarding their department. The register shall then be submitted to the Chief Executive Officer and the Company’s Audit Committee. A regular report shall be prepared on the Company’s risk management framework and risk structure.
- Promotes awareness of risks and risk management within the Company and train the employees accordingly.
- Ensures all employees are fully aware of the risks in their work environment and their individual responsibilities.
- Coordinates with the Executive Management to ensure the effectiveness and efficiency of the Company’s risk management system.
- Submits reports to the Audit Committee and the Board, including recommendations to the Executive Management that support the effective risk management.

4) Legal Department

It is a specialized department that works with other departments to achieve objectives of the Company. It aims to ensure actions taken by other departments conform with the statutory rules. It also offers legal opinion, reviews the regulations, and audits contracts and agreements, as well as provides legal counsel on dealings referred to the department by other business units and departments. Its duties and functions include formulating decisions, letters and memos assigned thereto. It expresses the legal opinion on issues presented thereto and coordinates with the lawyers handling the Company’s lawsuits, in addition to spreading legal awareness and educating the Company’s employees through coordination with different departments.

XXI. Provisions of Corporate Governance Regulations: applied, not applied, and why.

The Company has implemented the obligatory provisions contained in the Corporate Governance Regulations of the Capital Market Authority as amended in 2023, with the exception of the following, which includes guiding provisions.

Number of the Article	Article Text	Reasons for Non-application
14 Paragraph (A)	When preparing the General Assembly’s agenda, the Board shall take into consideration the matters the Shareholders wish to list; Shareholders holding no less than (5%) of the Company’s shares are entitled to add one or more items to the agenda upon its preparation.	During 2023, the Company was not notified of any issues the Shareholders wish to include in the General Assembly Agenda.
39 Paragraph (2)	Developing the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programs and courses to develop their skills and knowledge in the fields related to the activities of the Company.	The Company applied only Paragraph 1 of this Article. Latest updates on the Company’s activities are conveyed to the Board in the meetings and through reports provided by the Management.

60	<p>By a Board decision, a Remuneration Committee shall be formed of 3 Non-Executive members, of whom at least 1 is an Independent member.</p> <p>Upon recommendation by the Board, the General Assembly shall issue the charter of the Remuneration Committee</p>	<p>Not applicable. The Company combined Remuneration Committee and Nomination Committee into a single committee.</p>
63	<p>The Remuneration Committee shall convene periodically at least annually and as needed.</p>	<p>Not applicable. The Company combined Remuneration Committee and Nomination Committee into a single committee.</p>
70	<p>The Board shall, by virtue of its own decision, form a Risk Management Committee. The Chairman and majority of its members shall be Non-Executive Board members. The members of that committee shall be adequately knowledgeable in risk management and finance.</p>	<p>In the 24th April 2022, the Board of Directors approved the formation and charter of the Risk and Sustainability Committee.</p>
72	<p>The Risk Management Committee shall convene periodically and at least semi-annually and as needed.</p>	<p>The Risk and Sustainability Committee shall convene periodically at least every 3 months, and as needed.</p>
85 Paragraph 3.1	<p>The Company shall establish programs for developing and encouraging the engagement and performance of its employees. The programs shall particularly include the following:</p> <p>Formation of committees or specialized workshops where employees can speak their minds and discuss key issues.</p> <p>Programs to award the Company employees shares therein or portion of the profits or retirement programs in addition to setting up an independent fund to financially support such programs and create social welfare entities for the employees.</p>	<p>Partially not applicable. The Company has established a program to grant some employees shares in the Company. The Company provides means of communication for its employees to offer opinions and submit suggestions and complaints. Besides, employee satisfaction surveys are conducted through independent external parties. Furthermore, training courses for employees inside and outside the Company are also available.</p>
88 Paragraph (1)	<p>Setting indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities.</p>	<p>Not applicable. It is a guiding paragraph, and it specifically requires a comparison with other similar companies, which is difficult to implement owing to scarce information.</p>
95	<p>In the event that the Board forms a Corporate Governance Committee, it shall assign thereto the competencies stipulated in Article (94) of these Regulations. Such committee shall oversee all issues relating to the implementation of governance and shall submit to the Board its reports and recommendations at least annually.</p>	<p>The Company has not formed a dedicated governance committee. However, the Nomination and Remuneration Committee was assigned governance responsibilities by the Board on March 12, 2023.</p>

Finally, the Board of Directors would like to extend its deepest gratitude to the Government of the Custodian of the Two Holy Mosques for its unqualified support to the private sector, through governmental initiatives. The Board is also grateful to all of the Company's clients, financial institutions, and suppliers. The Board expresses its sincere thanks and appreciation to the Shareholders of the Company, for their trust and unlimited support. I am confident such trust motivates us for more progress and profitability. We want to thank the Executive Management and employees of the Company for their relentless effort, and the Board looks forward to more achievements during 2023.

All wishes of Success for our Company.