



# *Independent auditor's report to the shareholders of National Industrialization Company*

## *Report on the audit of the consolidated financial statements*

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### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Industrialization Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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### *Our audit approach*

#### **Overview**

Our key audit matter comprise the following:

- Valuation of investments in equity accounted associates and joint ventures and project under progress

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



## Independent auditor's report to the shareholders of National Industrialization Company

### Our audit approach (Continued)

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<b><i>Valuation of investments in equity accounted associates and joint ventures and projects under progress</i></b> <p>At 31 December 2022, the Group had investments in equity accounted associates and joint ventures amounting to Saudi Riyals 11,765 million and projects under progress amounting to SR 1,602 million.</p> <p>Management performs an assessment at each reporting period to consider whether there are any events or circumstances (impairment triggers) that indicate that the carrying amounts of these assets, or cash generating unit (CGUs) may not be recoverable. If any such indication exists, management estimates the recoverable amounts of the relevant assets, or the CGUs to record the related impairment charge.</p> <p>The determination of the recoverable amounts, being the higher of value-in-use and fair value less costs of disposal, requires management to identify and then estimate the recoverable amounts of the assets or the CGUs to which the assets belong. Recoverable amounts, in case of value-in-use, are based on management's view of key inputs such as future business growth in the forecasted period as well as the external market conditions, terminal growth rates and the most appropriate discount rates.</p> <p>Specific assets, or the CGUs to which the assets belong, where management identified the impairment indicators and where we focused our audit procedures included the following:</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"><li>- Assessed reasonableness of management's identification of impairment indicators, which includes evaluating the design and implementation of key controls over the impairment assessment processes comprising impairment indicators identification and the estimation of recoverable amounts of the assets, or the CGUs where impairment indicators have been identified.</li><li>- Assessed the methodology used by management to estimate the value-in-use along with the appropriateness of the input data used in the discounted cash flow models.</li><li>- Checked the mathematical accuracy of the discounted cash flow models used in the calculation of the value-in-use.</li><li>- In respect of one of the equity accounted associates - Tronox, we also tested reasonableness of the key assumptions used in the discounted cash flow model such as EBIDTA margins which have been estimated based on third parties' forecasts for the industry and consideration of historical results. Further, we engaged our internal valuation expert to assist us in the assessment of the methodology underlying the value-in-use calculations and reasonableness of discount rate and terminal growth rate assumed in the model.</li></ul>



## *Independent auditor's report to the shareholders of National Industrialization Company*

Key audit matter	How our audit addressed the Key audit matter
<ul style="list-style-type: none"><li>- In respect of one of the equity accounted associates - Tronox, the Group has determined that the recoverable amount was higher than the carrying value resulting in no impairment loss being recognized in the consolidated financial statements as at 31 December 2022.</li><li>- In respect of project under progress - Slagger plant, the Group intends to sell the plant once it is complete and meets certain operations criteria. The Group has determined that the recoverable amount of Slagger plant was lower than the carrying value resulting in an impairment loss of SR 222 million being recognized in the consolidated financial statements as at 31 December 2022.</li></ul>	<ul style="list-style-type: none"><li>- In respect of project under progress – Slagger plant, we also tested reasonableness of the key assumptions used in the discounted cash flow model such as expected timing and costs to achieve the sustainable operations of Slagger plant along with the expected cash flows and terms of the Option agreement.</li><li>- Performed sensitivity analyses over key assumptions used in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes.</li><li>- Considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.</li></ul>

We considered this to be a key audit matter given the judgment involved in identifying impairment triggers and the complexity inherent in estimating the recoverable amount.

Refer to Note 5.12 to the consolidated financial statements for the accounting policy relating to the impairment of these assets, Note 6 for the disclosure of significant accounting judgements, estimates and assumptions, Note 9 and Note 12.1.1 for the disclosures of matters related to impairment considerations of the respective assets, or the CGUs.

### *Other information*

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



## *Independent auditor's report to the shareholders of National Industrialization Company*

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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e., the Audit Committee, is responsible for overseeing the Group's financial reporting process.

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### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements are as a whole free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



## *Independent auditor's report to the shareholders of National Industrialization Company*

### *Auditor's responsibilities for the audit of the consolidated financial statements (Continued)*

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**PricewaterhouseCoopers**

A handwritten signature in blue ink, appearing to be 'Bader I. Benmohareb', written over the PricewaterhouseCoopers text.

Bader I. Benmohareb  
License No. 471

28 February 2023

**Report of the Audit Committee to  
the General Assembly of the  
National Industrialization Company**

**TASNEE**

**For the Fiscal Year 2022**

تقرير لجنة المراجعة للجمعية العامة

لشركة التصنيع الوطنية

التصنيع

عن العام المالي ٢٠٢٢م

**Introduction**

**مقدمة**

This report presents the most notable activities carried out by the Audit Committee during year 2022, as per the mandated responsibilities in the charter of the Audit Committee of the National Industrialization Company, which was approved by the General Assembly on April 25<sup>th</sup>, 2019, and was prepared in accordance with the requirements of the Companies' Law and the Corporate Governance Regulations issued by the Capital Market Authority.

يتناول هذا التقرير أهم الأعمال التي قامت بها لجنة المراجعة خلال العام ٢٠٢٢م حسب المهام والمسؤوليات المناطة في لائحة عمل لجنة المراجعة لشركة التصنيع الوطنية المعتمدة من قبل الجمعية العامة بتاريخ ٢٥/٤/٢٠١٩م والتي تم إعدادها وفقاً لمتطلبات نظام الشركات ولائحة حوكمة الشركات الصادرة من هيئة السوق المالية.



### The most notable activities conducted by the committee during the year 2022.

أهم الأعمال والأنشطة التي قامت بها اللجنة خلال عام ٢٠٢٢.

In 2022, the Audit Committee of the National Industrialization Company held (5) meetings to discharge its responsibilities in accordance with the Charter approved by the General Assembly, while considering the current three-year term committee has started on July 6<sup>th</sup>, 2022, until July 5<sup>th</sup>, 2025:

عقدت لجنة المراجعة لشركة التصنيع الوطنية خلال العام ٢٠٢٢ م (٥) اجتماعات لتنفيذ المهام الموكلة اليها حسب اللائحة المعتمدة من الجمعية، علماً أنه تم تشكيل أعضاء لجنة المراجعة لدورة المجلس الممتدة لفترة ثلاث سنوات ميلادية من ٦ يوليو ٢٠٢٢ وحتى ٥ يوليو ٢٠٢٥ م:

اسم العضو	طبيعة العضوية	الأول بتاريخ	الثاني بتاريخ	الثالث بتاريخ	الرابع بتاريخ	الخامس بتاريخ
Name	Nature	1 <sup>st</sup> Meeting	2 <sup>nd</sup> Meeting	3 <sup>rd</sup> Meeting	4 <sup>th</sup> Meeting	5 <sup>th</sup> Meeting
أ. سامي بن عبدالعزيز الشنبر	رئيس اللجنة	✓	✓	✓	✓	✓
Sami Abdulaziz Al Sheniber	Chair					
أ. بدر بن علي الدخيل	عضو	✓	✓	✓	✓	✓
Badr Ali Al Dakhil	Member					
أ. مصعب بن سليمان المهيدب	عضو	✓	✓	✓	✓	✓
Musab Suleiman Al Muhaidib	Member					
أ. ماهر بن سعد العياضي	عضو	-	-	✓	✓	✓
Maher Saad Al Aiyadhi	Member					

\* His membership in the committee as an independent member began with the current term of the Board of Directors on July 6<sup>th</sup>, 2022.

\* بدأت عضويته في اللجنة كعضو مستقل بداية الدورة الحالية لمجلس الإدارة بتاريخ ٦/٧/٢٠٢٢ م.

- The Audit Committee reviewed the company's quarterly and annual financial statements, where important matters were discussed with the Finance Function and the External Auditors, reviewing comparisons, verifying the reasons for variances, the adequacy of disclosures, the extent of application of accounting policies and standards, examining all relevant aspects, and obtaining the External Auditors' confirmation regarding the level of cooperation of Senior Management in terms of submitting all the required documents and addressing their inquiries, and after discussion and confirmation by the External Auditors that there are no material observations affecting the fairness of the financial statements, the Committee expressed its opinion and recommendations to the Board of Directors for approval.
- قامت لجنة المراجعة بدراسة القوائم المالية الربعية والسنوية للشركة حيث تم مناقشة المسائل الهامة مع الإدارة المالية والمراجعين الخارجيين واستعراض المقارنات والتحقق من أسباب التغيرات المؤثرة وكفاية عمليات الإفصاح ومدى تطبيق السياسات والمعايير المحاسبية وبحث كافة الجوانب ذات الصلة والحصول على افادة المراجعين الخارجيين بشأن تعاون الإدارة العليا من ناحية تقديم جميع المستندات المطلوبة والاجابة على استفساراتهم وبعد المناقشة وتأكيد المراجعين الخارجيين على عدم وجود ملاحظات جوهرية تؤثر على عدالة القوائم المالية، أبدت اللجنة رأيها وتوصياتها إلى مجلس الادارة بالموافقة عليها.
- Review the reports submitted by the External Auditor and convening with them regarding the audit plan to verify their independence and the effectiveness of the audit activities and addressing inquiries and ensuring there are no obstacles affecting the progress of their activities.
- دراسة ومناقشة التقارير المقدمة من المراجع الخارجي والاجتماع معه بخصوص خطة المراجعة من أجل التحقق من استقلاليته ومدى فعالية أعمال المراجعة والإجابة على استفساراته والتأكد من عدم وجود أي معوقات قد تؤثر على سير أعماله.
- Monitoring the Progress of implementation of the approved Internal Audit Plan for 2022, and discuss the periodic reports submitted by the Internal Audit Department on the results of their activities and follow up on the implementation of corrective measures.
- متابعة تنفيذ خطة المراجعة الداخلية للعام ٢٠٢٢م المعتمدة من قبل اللجنة ومناقشة التقارير الدورية المقدمة من الإدارة العامة للمراجعة الداخلية عن نتائج أعمالها ومتابعة تنفيذ الإجراءات التصحيحية.
- Review and approval of the Internal Audit strategy and plan for year 2023, which was prepared according to an assessment of the risks that the company's businesses and activities may be exposed to.
- مناقشة واعتماد إستراتيجية وخطة المراجعة الداخلية للعام ٢٠٢٣م والتي تم إعدادها حسب تقييم المخاطر التي قد تتعرض لها أعمال وأنشطة الشركة.



- Reviewing offers submitted by auditing firms to review and audit the company's quarterly and annual consolidated financial accounts for year 2022 and the first quarter of 2023 and evaluate them technically and commercially. The following candidates were reviewed and recommended to the Board of Directors to choose one of them, Ernst & Young (EY), Price Waterhouse Coopers (PWC), and Al Fozan & Partners (KPMG), and Dr. Mohammed Al Amri and Partners (BDO.)

**The results of the annual review of the effectiveness of internal control procedures and the committee's opinion on the adequacy of the company's internal control systems for the fiscal year ending on December 31<sup>st</sup>, 2022.**

The company maintains an independent Internal Audit Department, which is functionally affiliated to the Audit Committee, and fulfills its responsibilities in accordance with the approved Internal Audit Charter. The Internal Audit Department conducted its activities during the year in accordance with the risk-based Internal Audit Plan prepared based on the important risks, which was approved by the Audit Committee at the beginning of the year and helps achieving the company's objectives and protect its value. A number of Internal Audit Reviews were performed with the aim of determining the efficiency and effectiveness of the internal control system and procedures.

- مراجعة العروض المقدمة من مكاتب المراجعة لبحث ومراجعة حسابات الشركة الموحدة الربع سنوية والسنوية للعام ٢٠٢٢م والربع الأول للعام ٢٠٢٣م وتقييمها فنياً وتجاريًا والتوصية للمجلس بالموافقة والرفع للجمعية العامة على المرشحين التالية أسمائهم مكتب ارنست ويونغ (أي واي) ومكتب برايس ووتر هاوس كوبرز (بي دبليو سي) ومكتب الفوزان وشركاه (كي بي ام جي) ومكتب د. محمد العمري وشركاه (بي دي او) لاختيار أحدهم.

**نتائج المراجعة السنوية لفاعلية إجراءات الرقابة الداخلية ورأي اللجنة في مدى كفاية نظم الرقابة الداخلية في الشركة للعام المالي المنتهي في ٣١/١٢/٢٠٢٢م.**

لدى الشركة إدارة عامة للمراجعة الداخلية مستقلة تتبع فنيا مباشرة للجنة المراجعة وتقوم بتنفيذ مهام عملها وفقا لللائحة المراجعة الداخلية المعتمدة. حيث قامت الإدارة العامة للمراجعة الداخلية بتنفيذ جميع أعمالها خلال العام وفقاً لخطة المراجعة الداخلية المعدة على أساس أهم المخاطر والتي تم اعتمادها من قبل لجنة المراجعة في بداية العام، مع تركيزها على الأنشطة والعمليات ذات المخاطر العالية بما يساعد في تحقيق أهداف الشركة وحماية أصولها حيث تم تنفيذ عدد من عمليات المراجعة الداخلية بهدف تحديد مدى كفاءة وفاعلية نظام وإجراءات الرقابة الداخلية.

Internal Audit discussed the observations and shared them with the relevant departments in the company to develop the necessary corrective action plans. It followed up on the implementation as per the agreed target. Internal Audit periodically updated the status for review by the Audit Committee, indicating substantial residual challenges and risks that can arise.

The Audit Committee has reviewed the internal control and audit procedures within the limits of the planned activities that had been evaluated by the Internal Audit Department and after discussion with the company's management and the External Auditor on the quarterly and annual business results, the Audit Committee can provide reasonable assurance about the effectiveness of the internal control systems in the company. Nothing has transpired that should be disclosed or believed to be a fundamental weakness or defect in the internal control systems, policies and procedures of the company, bearing in mind that this does not serve as an absolute assurance of the effectiveness of controls as no system of control provide such assurance a complete degree of reliability. Finally, there are no recommendations from the Audit Committee that conflict with the decisions of the Board of Directors during year 2022.

وتم مناقشة وإرسال نتائجها إلى الإدارات والقطاعات ذات العلاقة في الشركة من أجل دراسة ومعالجة الملاحظات والتوصيات ووضع الإجراءات التصحيحية اللازمة ومتابعة تنفيذها وإقفالها وفق التواريخ المتفق عليها مع الإدارات ذات العلاقة والرفع إلى لجنة المراجعة بشكل دوري بتقارير محدثة توضح ما تم إنجازه مع التحديات والمخاطر التي قد تنشأ من عدم إقفال تلك الملاحظات والتوصيات.

اطلعت لجنة المراجعة على إجراءات الضبط والتدقيق الداخلي في حدود المهام والأعمال المخططة والمحدودة التي تم اختبارها من قبل إدارة المراجعة الداخلية وبعد المناقشة مع الشركة ومراجع الحسابات الخارجي على نتائج الأعمال الربع سنوية والسنوية. فإن لجنة المراجعة يمكنها إعطاء تأكيد معقول عن فعالية أنظمة الرقابة الداخلية في الشركة ولم يتبين لها وجود ما ينبغي الإشارة إليه أو يُعتقد معه وجود ضعف أو خلل جوهري في أنظمة وسياسات وإجراءات الرقابة الداخلية في الشركة علماً بأنه لا يمكن إعطاء تأكيد على فاعلية أية نظام للضبط والرقابة الداخلية بدرجة تامة من الموثوقية ولا توجد توصيات من لجنة المراجعة تتعارض مع قرارات مجلس الإدارة خلال عام ٢٠٢٢ م.

**Please accept our sincere greetings and appreciation.**

Committee Chairman

Sami Abdulaziz Al Sheniber

وتقبلوا خالص التحية والتقدير،

رئيس اللجنة

سامي بن عبدالعزيز الشنبر



Date: 05\03\2023

To the Shareholders of National Industrialization Company (TASNEE)

**Subject: The Board of Directors Recommendation regarding External Auditor's Appointment for Fiscal Year 2023.**

After Greetings,

We would like to inform the shareholders of the Board of Directors' approval of the Audit Committee's recommendation regarding the appointment of an external auditor, as the below auditing firms were invited to submit their offers to audit the company's accounts and consolidated financial statements for the second, third quarter, and annual fiscal year 2023 and the first quarter of the year 2024. The offers were received and evaluated technically and commercially in accordance with the procedures followed, with closer attention to the reputation and independence of the firm, quality and reliability, the number of work teams, years of experience, clarity of the methodology used, and familiarity with the nature of the company's business in previous periods and fees. As a result, the Committee approved the selection of one of the following candidates according to the highest rating:

Auditor Firm	Total Fees (in Saudi Riyals)	Rating Percentage
PricewaterhouseCoopers (PWC)	842.800	96%
Dr. Mohamed Al-Amri & Co (BDO)	821.250	90%

Accordingly, the Board of Directors approved recommending all the above audit firms to be presented to the General Assembly for appointing the External Auditor and determining their fees.

Sincerely,

Chairman of the Board of Directors

Eng. Mubarak bin Abdullah Al-Khafrah





Date: 24/07/1444 AH

Corresponding to: 15/02/2023 AD

To the Shareholders of National Industrialization Company (TASNEE)

After Greetings,

**Subject: Business and contracts that involve direct or indirect interest for the Board Members**

Based on the requirements of Article (71) of the Companies Law in the Kingdom of Saudi Arabia, which requires that a member of the Board of Directors inform the Board of his interest in the business and contracts that are made for the company's account. The Board of Directors would like to inform the General Assembly that it has been decided by the Board of Directors of National Industrialization Company ("the Company") that there is a direct interest to Eng. Mubarak bin Abdullah Al-Khafrah, Chairman of the Board and Dr. Talal bin Ali Al-Shair, Vice-Chairman of the Board, regarding the following:

1. The business and contracts that took place between the National Industrialization Petrochemicals Marketing Co. (TASNEE subsidiary company), a limited liability company, Commercial Registration No, (1010171953) and the Factory of Non-Woven Industrial Fabrics Company (a subsidiary of Al-Khafrah Holding Company), Commercial Registration No. 2055014696, in which the Chairman of the Board Eng. Mubarak Abdullah Al-Khafrah has a direct interest. The transactions include various purchase orders for polypropylene materials. The total purchase during the fiscal year ending on 31/12/2022 amounted to SAR 19.146.006 and there are no preferential conditions.
2. The business transactions and contracts that took place between the National Industrialization Petrochemicals Marketing Co. (TASNEE subsidiary Company), a limited liability company, Commercial Registration No, (1010171953) and the Converting Industries Company Ltd. (an affiliate of Al-Shair Trading, Industry and Contracting Company), Commercial Registration No. 4700015588, in which the Board Member Dr. Talal Ali Al-Shair has a direct interest. The transactions include various purchase orders for polyethylene materials. The total purchase during the fiscal year ending on 31/12/2022 amounted to SAR 21.890.736 and there are no preferential conditions.

We assure shareholders that the transactions described in this statement have been reviewed and approved by the CFO, the CEO and the Board of Directors of the company.

Accordingly, the Company's Board of Directors wishes to present these transactions to the shareholders in preparation for obtaining the approval of the General Assembly of the Company's shareholders in line with the provisions of Article (71) of the Companies Law.

Sincerely,

Chairman of the Board of Directors

Eng. Mubarak bin Abdullah Al-Khafrah





To the shareholders of  
National Industrialization Company  
(A Saudi Joint Stock Company)

***Limited assurance report on the Chairman of the Board of Directors' declaration to the shareholders of National Industrialization Company***

We have undertaken a limited assurance engagement in respect of the accompanying declaration of businesses and contracts with the related parties for the year ended 31 December 2022 of National Industrialization Company (the "Company") prepared by the management and approved by the Chairman of the Board of Directors of the Company to the standards mentioned below so as to comply with the requirements of Article (71) of the Regulations for Companies (the "Declaration").

***Subject matter***

The Subject Matter for our limited assurance engagement is the Declaration prepared by the management of the Company and approved by the Chairman of the Board of Directors as attached to this report and submitted to us.

***Criteria***

The applicable standards is the requirement of Article (71) of the Old Companies Regulations issued by the Ministry of Commerce (2015-1437H) (the "Old Companies Regulations") which states if that any member of the Board of the Directors ("the Board") has any interest, both directly or indirectly, in the businesses or contracts made for the account of the Company, these interests must be reported for approval by the Company's General Assembly, and the Board member shall notify the Board of such interest and excuse himself from the vote and the Board to approve such businesses or contracts. The Chairman of the Board has to notify the General Assembly of the businesses and contracts in which any member of the Board has a direct or indirect interest.

***Management's responsibility***

The management of the Company is responsible for the preparation of the Declaration in accordance with the standards and ensuring its completeness. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation of the Declaration that is free from material misstatement, whether due to fraud or error.

***Professional ethics and quality management***

We have complied with the independence requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) endorsed in the Kingdom of Saudi Arabia (the "Code"), that it is relevant to limited assurance engagement in the Kingdom of Saudi Arabia and we have fulfilled our other ethical responsibilities in accordance with the Code requirements.

The Company applies the International Standard on Quality Management (ISQM) 1, as endorsed in the Kingdom of Saudi Arabia, which requires the Company to design, implement and operate a system of quality management including documented policies and procedures regarding the compliance with the ethical requirements, professional standards, and applicable legal and regulatory requirements.

## ***Our responsibilities***

Our responsibility is to express a limited assurance conclusion on the Declaration based on the procedures we have performed and the evidence we have obtained. We conducted the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements other than Audits or Reviews of Historical Financial Information," endorsed in the Kingdom of Saudi Arabia. This Standard requires that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Company has not complied with the requirements of Article 71 of the Old Companies Regulations in preparation of the Declaration for the year ended 31 December 2022.

The procedures selected depend on our judgement, including the assessment of risks such as failure of the systems and controls, whether due to fraud or error. When performing risk assessment, we consider internal controls relevant to the Company's compliance with the requirements of Article (71) of the Old Companies Regulations in the preparation of the Declaration. Our procedures included examining, on a test basis, evidence supporting systems and controls in respect of the preparation of the Declaration in accordance with the requirements of Article (71) of the Old Companies Regulations.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

## ***Summary of work performed***

We have planned and performed the following procedures to obtain limited assurance over the Company's compliance with the requirements of Article (71) of the Old Companies Regulations in the preparation of the Declaration:

- Discussed with management the process for obtaining businesses and contracts concluded by any of the Board members with the Company, either directly or indirectly, and the Board's member shall notify the Board of such interest, both directly or indirectly, and excuse himself from the vote in the Board on the resolution issued in this regard in the meetings of the Board.
- Obtained the accompanying Declaration ("Appendix A") that includes the lists of all business and contracts entered into by any of the Board members, either directly or indirectly, with the Company during the year ended 31 December 2022.
- Reviewed the minutes of the Board meetings which indicate the concerned Board's member notified the Board on the businesses and contracts concluded by the Board's member during the year ended 31 December 2022; and that the Board member had already excused himself from voting on the resolution issued in this regard in the meetings of the Board.
- Reviewed the confirmations obtained from the concerned Board members on the business and contracts executed by the Board members, either directly or indirectly, with the Company during the year ended 31 December 2022, and obtained confirmations from the other Board members that they had no businesses nor contracts with the Company during the same year.
- Tested the consistency of the business included and disclosed in note (39) to the Company's audited consolidated financial statements for the year ended 31 December 2022, with the businesses and contracts included in the Declaration.

## ***Inherent limitations***

Our procedures regarding laws and controls relating to the preparation of the Declaration in accordance with the requirements of the Article (71) of the Old Companies law are subject to inherent limitations and, accordingly, errors or irregularities may occur and not be detected. Furthermore, such procedures may not be relied upon as evidence of the effectiveness of systems and controls against fraud and collusion, especially on the part of those holding positions of authority or trust.



A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under the International Assurance Engagement Standard 3000 (Revised), as endorsed in the Kingdom of Saudi Arabia. Consequently, the nature, timing and extent of the procedures outlined above for gathering sufficient appropriate evidence were deliberately limited relative to a reasonable assurance engagement, and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

Our procedures did not constitute either an audit nor a review made in accordance with International Standards on Auditing or International Standards on Review Engagements as endorsed in the Kingdom of Saudi Arabia, and, accordingly we do not express an audit or a review opinion in relation to the adequacy of systems and controls around the preparation of the Declaration.

This conclusion relates only to the Declaration for the year ended 31 December 2022, and should not be seen as providing assurance as to any future dates or periods, as changes to systems or controls may alter the validity of our conclusion.

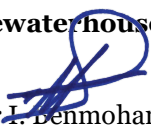
### ***Limited assurance conclusion***

Based on the work described in this report, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the applicable requirements of Article (71) of the Old Companies Regulations in the preparation of the Declaration of related parties transactions for the year ended 31 December 2022.

### ***Restriction of use***

This report, including our conclusion, has been prepared solely upon the request of the management of the Company, to assist the Company and its Chairman of the Board in fulfilling its reporting obligations to the General Assembly in accordance with Article (71) of the Old Companies Regulations. The report should not be used for any other purpose or to be distributed to or otherwise quoted or referred to, without our prior consent to any other parties other than the Ministry of Commerce, the Capital Market Authority and the shareholders of the Company.

**PricewaterhouseCoopers**



Bader J. Benmohareb  
Partner  
License No. 471

5 March 2023