



Board Charter

Saudi Basic Industries Corporation (SABIC)

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Article (1): Objective

The objective of this Charter is to regulate the Board of Directors' function through determining how it shall assume its duties and responsibilities. It also defines the roles within the Board's organizational structure and their respective duties and working procedures in accordance with the Companies Law, the Regulatory Rules and Procedure issued pursuant to the Companies Law relating to Listed Joint Stock Companies, the Corporate Governance Regulation issued by the Capital Market Authority (CMA), the Company's By-laws, and other relevant laws and regulations, as well as the corporate governance principles and best practices.

Article (2): Board Composition

- The Board is composed of nine (9) members who have the right expertise to manage the Company's business and serve for a period not exceeding three years renewable. The Board shall appoint, from among its members, a chairman and a vice chairman
- If the position of a Board member becomes vacant, the Board may appoint a temporary member to the vacant position without considering the order of votes gained by such member, provided that such a temporary appointment is presented at the first meeting of the Ordinary General Assembly. The new member shall complete the term of his/her predecessor. If the number of Board members falls to less than three (3), the Ordinary General Assembly is convened in sixty (60) days to elect the required number of members.
- The Board appoints a Secretary General, who meets the requirements specified in the Corporate Governance Regulations issued by the Capital Market Authority (CMA).

Article (3): Board Duties and Responsibilities

The Board assumes its duties and responsibilities in accordance with the applicable provisions provided for in the Companies Law, Corporate Governance Regulations, the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies, and the Company's By-Laws. The Board's responsibilities include the following:

A. General Policies and Procedures

The Board lays down, oversees and regularly reviews governance rules and policies for the Company that ensure the Company's compliance with the relevant laws and regulations and enhance its growth and sustainability. Such policies include:

- Establishing and regularly reviewing a policy and procedures for enterprise risk management.
 - Establishing a clear policy for dividend distribution that achieves the interests of shareholders and the Company.
 - Establishing a written policy that regulates conflicts of interest and deals with possible cases of conflicts of interest of Board members, executive management, and shareholders. This includes the misuse of Company assets and facilities, and mishandling resulting from transactions with third parties.
 - Establishing specific and clear policies, standards and procedures for Board membership, which shall take effect subject to its approval by the General Assembly.
 - Establishing a policy for disclosure that ensures the Company's compliance with requirements of disclosure of major events.
 - Establishing a corporate social responsibility policy.
 - Establishing a policy that regulates stakeholder's relations for the sake of protecting them and preserving their rights. Such policy shall particularly cover the following:
 - Procedures to be followed by stakeholders in the course of filing complaints and reporting infringing practices.
 - Mechanisms for compensating stakeholders in case that their rights, which are recognized by regulations and protected by contracts, are infringed.
 - Mechanisms for resolving complaints or disputes that may arise between the Company and stakeholders.
 - Suitable mechanisms for establishing good relations with customers and suppliers and maintaining the confidentiality of their information.
 - Rules of professional conduct for the Company's managers and employees, which are consistent with proper professional and ethical standards and regulate the relationship between them and stakeholders, provided that the Board of Directors sets up mechanisms to monitor the implementation of such rules and compliance therewith.
 - Determining the powers that can be delegated to the CEO and related decision-making procedures and duration of the delegation.
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- Ensuring set up of procedures for acquainting new Board members of the Company's business including a comprehensive orientation program for new Board members, and an ongoing development program for other Board members.
- Making recommendations to the General Assembly on the standards for verifying whether any Board member competes with the Company's business or competes in a branch of activity carried out by the Company.
- Verifying, through the Remuneration and Nomination Committee, whether a Board member competes with the Company's business or competes in a branch of activity carried out by the Company.
- Establishing appropriate mechanisms for annual evaluation of the performance of the Board, its members and committees, and the Executive Management.

B. Internal Control Systems

- Establishing, overseeing and annually reviewing the effectiveness of the internal control systems.
- Ensuring the integrity of financial and accounting systems, including financial reporting systems.
- Approving the Company's interim and annual financial statements.
- Defining the scope of the Internal Audit report in accordance with the relevant laws and regulations.

C. Strategic Direction and Main Objectives

- Setting and reviewing the main corporate objectives, strategic plans and overall key performance indicators, including overall oversight of their implementation.
- Approving the main annual business plans and budgets, and ensuring the availability of financial and human resources necessary to achieve the Company strategy and objectives.
- Setting optimal capital structure and financial objectives for the Company, and exercising general oversight over major capital expenditures and assets' ownership and disposal.

- Developing and regularly reviewing an executive's organizational structure that enhances the Company's ability to achieve its objectives.

Article (4): Board Authority

With consideration of matters reserved by the General Assembly, the Board has all the powers and authorities necessary for the Company's administration. The ultimate responsibility of the company shall remain with the Board even if it forms committees or authorizes other parties or individuals to perform some of its functions. In all cases, the Board may not issue a general or indefinite delegation.

Article 5: Delegation to CEO

The Board delegates some of its authorities to the CEO to manage the day-to-day operations of the Company, to oversee its employees, and to implement its policies and strategic plans. These authorities are specified in the Master Authority Schedule (MAS) approved by the Board.

Article 6: Board Working Procedure

A. Powers of the Chairman, Vice Chairman and Secretary General

- The Chairman exercises his/her powers provided for in the applicable laws and regulations, which include the following:
 - Leading the Board towards achieving its objectives and enhancing its effective performance.
 - Representing the Company before the judicial and other governmental authorities, and signing on behalf of the Company.
 - Informing the Ordinary General Assembly, once it convenes, of the competing businesses that a member of the Board is engaged in; after the Board verifies such member's engagement in a business that competes with the Company's businesses or competes in a branch of activity carried out by the Company.
 - Supervising the preparation of the agenda of Board meetings, and ensuring participation of Board members and the CEO in determining the topics and timings of the Board meetings.
 - Convening and presiding Board meetings, and specifying their times, dates, and venues in coordination with Board members.

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- Ensuring that topics presented to the Board are accompanied by sufficient information for decision-making.
 - Encouraging Board members to participate effectively through their study and discussion of agenda items and expressing their views in a manner that contributes to achievement of the Company's objectives.
 - Ensuring that sufficient time is available to discuss agenda items.
 - Ensuring easy access of members to the Board's database, which includes previous topics presented, minutes of meetings, and resolutions.
 - Ensuring that Board resolutions are based on a complete knowledge base.
 - Approving the draft of any circular resolution to be passed over to Board members, considering the text of paragraph (C) of this article.
 - Ensuring availability of channels for communication with shareholders and enabling them to communicate their views to the Board of Directors.
 - Ensuring compliance with the Board Charter.
 - Holding regular meetings with non-executive Board members without the presence of Company's executives.
 - Presenting remarks made by any Board member to the Board.
 - Supervising necessary arrangements for the evaluation of performance of the Board and its committees.
 - The Vice Chairman shall assume the powers of the Chairman in his/her absence. However, in the absence of the Chairman and Vice-Chairman, the Board members elect a Chairman from among themselves to preside the Board meeting.
 - The Secretary General assumes the duties provided for in the applicable laws and regulations, which include the following:
 - Developing an annual plan for Board meetings and submitting it to the Chairman.
 - Preparing the Board meeting schedule in coordination with the Board members and the CEO, and presenting the proposed agenda to the Chairman in preparation for approving it by the Board.
 - Communicating to Board members the timing of Board meetings and ensuring accessibility to the relevant information through the use of contemporary
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technological means that enhance the members' efficiency in preparing for the Board meeting.

- Attending Board meetings and taking minutes of the meeting according to the relevant regulations.
- Preparing and organizing the meeting's minutes, and maintaining the reports submitted to the Board; and making necessary arrangements to ensure members' access to those minutes, reports and related documents.
- Preparing the Board's resolutions and ensuring that they are properly communicated after the Board approves them.
- Overseeing and regularly updating the record and forms of disclosures of Board members in accordance with the relevant regulatory requirements.
- Reviewing the extent of compliance with the Board Charter and committee's charters, and reporting the review results to the Chairman.
- Providing advice to the Board, its committees, or members in matters referred to him/her in relation to Board Governance or other matters.
- Assuming any other advisory duties assigned thereto by the Board or one of its committees.
- Providing advice to the CEO on the matters presented to him.
- Maintaining all the minutes, documents, and reports required to be maintained under the relevant laws and regulations. This includes maintaining the Board of Directors report and the Audit Committee report at the Company's headquarters for a period of not less than ten years; or otherwise until the conclusion of any existing legal action, claim or investigatory proceedings, whichever occurs later.

B. Member's Responsibilities

- Complying with all regulatory requirements under the Companies Law and its Implementing Regulations, the Capital Market Law and its Implementing Regulations, and the Company's By-Laws in exercising his/her duties; and refraining from undertaking or participating in any business that would harm the interests of the Company.

- Being aware of the Board’s duties and responsibilities, and devoting sufficient time to exercise his/her role in achieving them.
- Carrying out his/her duties free from any external influence, whether from inside and outside the Company, and not prioritizing his/her personal interests over those of the Company.
- Notifying the Board of his/her intention to engage in any business that would compete with the Company’s businesses or competes in a branch of an activity carried out by the Company. Such notification shall include sufficient information on the (“Competing Business”), including without limitation: the nature of business activity and description of member’s participation in the Competing Business, including his/her percentage of ownership or the degree of participation in managing it; in addition to the markets in which the products of the Competing Business are or are planned to be traded.
- A Board Member desirous of engaging in any business that would compete the Company or competes in a branch of activity carried out by the Company shall be responsible for the validity and accuracy of the information provided in his/her notification to the Board in this respect. The Member must notify the Board if any change occurs in such information.
- A Board Member desirous of engaging in any business that would compete the Company or competes in a branch of activity carried out by the Company shall abstain from voting on the resolution to be issued in this respect at the Board meetings or General Assemblies.
- Abstaining from acceptance of gifts from anyone who has business dealings with the Company.
- Preparing for meetings and being keen to attend and not absent himself/herself except for valid reasons to be notified to the Board Chairman in advance, or for emergency circumstances acceptable to the Board.
- Participating effectively in the Board meetings through prior examination and discussion of agenda items.
- Seeking to promote his/her knowledge of the regulatory updates in the areas and subjects related to Board of Directors’ duties and responsibilities.

- Seeking to increase his/her knowledge of the recent developments related the Company's activities, business, and other relevant areas.
- Maintaining the confidentiality of the information and documents made available to him/her. He/ She may in no case, even if his/her membership is terminated, disclose them to any individual or entity unless he/she is so authorized by the Board, nor may he/she use any such information for his/her personal benefit or the benefit of his/her relatives or third parties. The company has the right to demand compensation in case of violation of the provisions of this article.
- Complying with the provisions of the Board Charter.
- Attending the meetings of the General Assembly unless he/she has an excuse accepted by the Board.

C. Board Meetings

- The Board meets at least twice every year at the Chairman's invitation. The Board Chairman also convenes a meeting if so requested by two Board members, the External Auditor, the Internal Auditor, or the CEO, or otherwise if the circumstances so require, provided the reasons necessitating the meeting are stated.
- The Board adopts the dates and agendas of meetings of a fiscal year prior to its commencement. The meeting's invitation is issued at least 10 days in advance of the meeting date and is accompanied by the agenda, documents and information necessary for discussing and deciding on the agenda items.
- In exceptional cases, meeting invitations may be issued at least five days in advance of the meeting date in accordance with the invitation procedures specified in this Charter.
- The Board holds its meetings at the Company headquarters; however, it may meet elsewhere where necessary. In exceptional cases, a virtual Board meeting may be held (via telepresence) by using one of the modern telecommunication means, which are approved by the Company and that enable members to participate in deliberations on agenda items and voting on resolutions.
- To be valid, a meeting's quorum is achieved by the presence of at least five members, whether in person or by proxy. The Board member may delegate another member to attend the meeting on his/her behalf.

- A Board member may attend the meeting through using the contemporary communication means that enable participation in the Board's meetings and deliberations as per the rules laid down by the Board in this respect to enable such member to participate in the meeting deliberations and discussions and voting on the Board's resolutions in real time.
- Board resolutions are made by a majority vote of the present members. When votes are equal, the meeting Chairman's vote shall be casting.
- The Board, without holding a meeting, may issue resolutions on urgent matters by passing them to members in a separate manner, unless a member requests (in writing) a Board meeting to deliberate the matter. To be valid, such a resolution shall be signed by the majority of members; and shall be presented to the Board at its first subsequent meeting.
- Board members are entitled to object to any Board resolution, provided that his/her objection is expressly stated in the meeting minutes with the reasons for such objection. Absence from a meeting at which a resolution is made is not a reason for exemption from liability for implementing such resolution unless it is proven that the member was unaware of the resolution or was unable to challenge after knowing of it.

D. Board Meetings Documentation

- The Board Secretary General prepares minutes of meeting which must include:
 - The venue, date, and start and end time of the meeting.
 - Names of present and absent members.
 - Board deliberations and resolutions together with indicating results of votes and reasons for the objections, if any.
 - Specifying the party to be responsible for implementing the resolution.
- The Board Secretary sends the draft minutes of meeting to Board members. Members must record their comments, if any, on the draft within a maximum period of five working days from the date of dispatch.
- After incorporating the Board members' comments into the draft minutes, and after the meeting's Chairman approval, the Board Secretary sends the amended draft to the Board members in preparation for approval it at the next Board meeting.

- The minutes of the meeting, accompanied by the meeting agenda and all related documents, are maintained in a special record signed by the Chairman and Secretary.

E. Board Actions Follow-up

- The Chairman, or his/her delegate, communicates resolutions issued by the Board to the responsible party within the Company for implementation.
- The Secretary General presents to the Board members an annual Board activities report.

F. Board Performance Evaluation

- The Board reviews its performance on a regular basis against such indicators as its effectiveness in carrying out its duties and responsibilities and achieving its objectives.

Article 7: Board Committees

A. Committees Formation

- The Board forms committees to support it in carrying out its responsibilities effectively, in accordance with the Company's needs, circumstances and the nature of its business.
 - The Board resolution defines each committee's duties and responsibilities, tenure, authorities, working procedures, and remunerations of its members; provided that the number of committee members is not less than three nor more than five.
 - Regarding the Audit Committee, the General Assembly issues, based on the Board proposal, a resolution to form the Audit Committee, and determines its duties and responsibilities, working procedures, and its members' remuneration and tenure.
 - The Board proposes to the General Assembly the rules for selecting the members of the Remuneration & Nomination Committee and their numeration and tenure as well as the committee's duties and responsibilities and working procedures.
 - The Board Chairman shall not be a member of the Audit Committee. However, by a resolution of the Board, he/she may be a member of other Board committees, provided that he/she shall not become a Chairman of any of the committees stated in the Corporate Governance Regulations issued by the Capital Market Authority (CMA).
 - Each committee shall have a Secretary General appointed by the Board, which shall determine his/her remuneration and allowances.
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B. Committees Actions Follow-up

- Each of the Board committee shall study the matters those falling within its respective competencies, or those referred thereto by the Board; and shall submit its recommendations to the Board for issuing resolutions in their respect.
- The committee Chairman will submit the committee's recommendations and conclusions to the Board at the first Board meeting following the committee's meeting.
- Each committee is accountable to the Board in performing its duties and responsibilities.
- Each committee shall regularly review its performance against such indicators as its effectiveness in performing its prescribed duties.
- Committees may use the services of independent advisers, specialists, or other parties, they deem suitable, to study the topics that fall within the scope of their duties and responsibilities, subject to the Board approval. Such use of services shall be recorded in the committee minutes of meeting, together with mentioning the name of the adviser and his/her relationship with the Company or Executive Management.

C. Committees Meetings

- A member of the Board or the Executive Management, who is not a member of a committee, is not entitled to attend that committee meetings unless upon the committee invitation in order to take his/her opinion or advice.
- For the sake of the validity of the committee meeting, the majority of the committee members must be present. Committee resolutions are made by a majority vote of the present members. When votes are equal, the Chairman's vote shall be casting.
- The committee holds its meeting at the Company headquarters; however, it may meet elsewhere should the circumstances so require subject to approval of the Board.

Article 8: Board Members Training

- The Chairman, or his/her replacement, oversees the orientation program for new members with the assistance of the Secretary General, provided that the program includes the following:
 - Company's business activities.
 - Company's strategy and future objectives.
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- Company's organizational structure and the roles of each department.
 - Financial and operational aspects of the Company business.
 - Board members' obligations, duties, responsibilities, and rights.
 - Functions of the Board committees and their competencies.
 - Conducting visits to any of the company's plants and an affiliate.
- The Board, upon the recommendation of the Remuneration and Nomination Committee, defines the ongoing development program for its members. The program will be based on the annual review of the required skills and abilities, identified weaknesses and strengths of the Board, proposed remedies taking into consideration the changes in the external market environment, contemporary issues and economic developments, in line with the Company's interest.
 - The Secretary General coordinates with the Human Resources Department on the approved training programs for Board members.

Article 9: Board's Conflicts of Interest

- Members must avoid situations that lead to conflicts of interest with the company. A conflict of interest means that there is a direct or indirect interest to a member in any topic listed on in the Board agenda, where such an interest would (or is believed to) influence the independence of the Board member's opinion, which is presumed to reflect his/her professional views.
- If a member has a conflict of interest in a matter on the Board agenda, he/she must disclose such conflict before starting the discussion of that matter, provided the same is recorded in the minutes of meeting. In such a case, that member must not attend the discussion of the matter, participate in discussing thereof, nor vote thereon.
- A Board Member shall not be engaged in any business that competes with the Company's businesses or competes in a branch of activity carried out by the Company unless he/she obtains pertinent authorization from the Ordinary General Assembly according to the criteria set forth by the competent authority in this respect.
- A Board member may not have a direct or an indirect interest in the businesses and contracts to be carried out or concluded for the Company's account without obtaining

authorization from the Ordinary General Assembly according to the criteria set forth by the competent authority in that respect.

- If a Board member fails to disclose his/her interest in the contracts carried out for the Company's account, the Company, or any interested party, may claim before the judicial authority termination of the contract with a compensation or obliging the member to pay any profit or benefit he/she realized through such interest.
- If a Board member fails to disclose his/her engagement in any business that would compete with the Company or competes in a branch of business activity carried out by the Company, the Company may claim before the judicial authority proper compensation.
- Board members must not – directly or indirectly – make use of or exploit any of the Company's assets, information, or the investment opportunities that are under consideration by the company – even if it has decided not to proceed with such an opportunity. A member may not exploit such opportunity even after expiry of his/her membership term – regardless of how his/her membership terminates.
- If it is proven that a member has exploited an investment opportunity, the Company or any interested party, may claim before the judicial authority revocation of any business, profit, or advantage resulting from such investment opportunity. The Company may also claim a proper compensation.

Article 10: Board Members Remunerations

- Board members are entitled to an annual remuneration in accordance with the Remuneration Policy for Board Members, Board Committees Members and Senior Executives approved by the General Assembly.
 - The Board determines the remuneration and allowances received by the Board Secretary.
 - In the event of a resolution by the General Assembly to terminate the membership of a Board member due to his/her absence from three consecutive meetings within one year, such member shall not be entitled to any remuneration or compensation for the period following the last meeting he/she attended; and he/she shall be required to return all the remunerations and compensations paid to him/her for that period.
 - The Company has the right to claim compensation for damage to its reputation, and recover the remunerations and any other costs incurred to enable that member to perform his/her duties and responsibilities, if the member committed an offence of dishonesty, breach of
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honor or forgery; or violation of regulations in Saudi Arabia or any other country; or when he fails to carry out his/her responsibilities and duties to the extent that results in damage to the Company's interest.

Article 11: Charter Review

This Charter is subject to regular review for enhancement and keeping updated in line with the relevant laws and regulations, and at the discretion of the Board.

Article 12: Entry into Force

This Charter is effective from the date of its approval by the Board of Directors.