BOARD OF DIRECTORS REPORT 2018
STRATEGIC OVERVIEW AND BUSINESS MODEL
Headquartered in Riyadh, Saudi Arabia, SABIC employs more than 33,000 people and operates in around 50 countries. Its extensive network of regional offices and operational centers throughout the Americas, Europe, Middle East/Africa and Asia support global production and sale of a wide range of chemicals, commodity and high performance plastics, agri-nutrients and metals.
I would like to thank the SABIC management team and employees for delivering a strong 2018 performance that was rewarding for the shareholders despite multiple headwinds in the global business environment. This performance was only possible through a focused, competitive, and growing portfolio, which continues to create value for our customers globally through innovative and sustainable products, applications, and services.

By driving the SABIC Transformation Program to success, we will not only continue improving the prospects of our company, but also play a vital role as a key enabler of Saudi Vision 2030, helping it pursue its goals and meet its objectives.
SABIC HAS MAINTAINED ITS LEADERSHIP IN THE PETROCHEMICAL SECTOR THROUGH STRONG PERFORMANCE AND BY ADOPTING STRINGENT SAFETY PRINCIPLES, WHICH FORM THE FOUNDATION OF OUR BUSINESS. WE WILL ENHANCE OUR COMPETITIVENESS FOR PROFITABLE GROWTH BY LEVERAGING ADVANCED GLOBAL DIGITAL TRANSFORMATION TECHNOLOGIES AND DOUBLING OUR FOCUS ON OUR ASSETS IN EUROPE. WE WILL ALSO IMPROVE COST PERFORMANCE AND COST AND CAPITAL EXPENDITURE BY BUILDING NEW, HIGHLY INTEGRATED SITES AT A GLOBALLY COMPETITIVE COST.

In Saudi Arabia, we have entered the advanced stages of the crude-oil-to-chemicals (COTC) project in collaboration with Saudi Aramco, with project management and FEED contracts awarded. COTC will be an industry-disruptive platform that will significantly contribute to growth and value creation for both SABIC and Saudi Arabia. In the US, we are advancing our US Gulf Coast cracker investment with joint venture partner ExxonMobil. The cracker will increase our manufacturing footprint in the US, leveraging advantaged ethane and diversifying our feedstock exposure.

Going forward, multiple global economic challenges are emerging driven by slowing China growth, rising inflation, a strengthening US dollar, and increasing trade protectionism. The threats to the global economy, and to our prospects over the near future, are numerous. However, with ongoing transformation efforts, SABIC will continue to address the external and internal challenges and deliver increasingly more value to the shareholders. To this end, we are launching three top priority corporate programs, which will increase our competitiveness further and enable profitable growth:

- First, we will leverage advances in global digitalization technologies, to help us become more agile and competitive, as well as creating meaningful work for our employees and increasing their productivity. This program will aim to improve our commercial capabilities considerably in pricing, manufacturing, supply chain and innovation, particularly in petrochemicals.
- Second, we will increase focus on our European assets, enhancing our structural competitiveness through our Europe Repositioning Program, which aims to improve our financial and operational performance to the first quartile.
- Third, we will improve our cost and capital performance. Being one of the industry’s top five capital spenders, we see significant improvement in the realized return per dollar of spend. Further, top-quartile cost and capital spending capability will enhance the total returns when we will build new super-integrated mega sites at a competitive cost globally.

Apart from these programs, we stressed our commitment to the success of Saudi Vision 2030 through focused and value-added efforts, leveraging our global expertise in business management capabilities, innovation, and deep value chain experience.

This strong performance in 2018 would not have been possible without the dedicated efforts of more than 33,000 strong global and multi-cultural team. I am thankful for their contribution and quite sure that we will continue to deliver more shareholder value than expected.

Over the last three years, our portfolio actions have resulted in lean, focused businesses that can deliver profitable growth globally, and add significant value over the years ahead. We have created a focused, core petrochemical business that is positioned to leverage scale and integration to drive profitable growth globally. We have announced our plan to consolidate our equity holdings into the new SABIC Agri-Nutrient Investments Company, for operational and financial synergies, driving accelerated organic and inorganic growth. This year’s ownership in Clariant exemplifies our drive to create a global Specialties leader, with improved focus, coherence and scale. The Hadeed transformation program is designed to achieve top quartile sustainable RoCE performance through an accelerated and robust execution plan.

In January, we acquired a 24.99 percent equity stake in Swiss specialty chemicals group Clariant. We have since leveraged our position as largest strategic shareholder to restructure the board and management to better serve shareholders’ interests. We see great scope for synergies, and for the creation of a global leader in specialties that can deliver strong and sustainable growth, and create long-term value for shareholders.

I am thankful to our stakeholders, including shareholders, customers, employees, and communities, for their support and efforts enabling yet another year of strong performance.

In 2018, SABIC sustained its industry leadership with a net income for 2018 of SAR 21.5 billion as compared to SAR 18.4 billion for 2017, an increase of around 17 percent. We saw operating income for the year reach SAR 36.3 billion—a 25 percent increase over SAR 29 billion in 2017—with strong cash flow from operations of SAR 45 billion, a 16 percent increase over SAR 38.7 billion in 2017 which enabled strong dividends per share of SAR 4.40 up from SAR 4.20 in 2017. This performance was delivered with an uncompromising and strong focus and on safety, which forms the bedrock of our business.

In 2018, we advanced our journey on our Transformation Program—launched in 2015—which aims to enhance our competitiveness, increase portfolio focus, and accelerate growth. This program has enabled us to deliver very competitive total returns. For 2016-2018, SABIC delivered annual total return (with dividends reinvested) of around 20 percent outpacing S&P 500 (around 9 percent) and S&P Global 1200 Chemicals (0.2 percent). This is the testimony to our increasingly strong competitive position and portfolio resiliency.

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OUR STRATEGY

SABIC’s “2025 Strategy”, sets forth a roadmap for the company to realize its vision of becoming the preferred world leader in chemicals and a true global powerhouse in the industry by delivering “Chemistry that Matters™”. SABIC aims to deliver on this vision and by doing so grow profitably and transform simultaneously by focusing on four main pillars:

1. Embracing Market Dynamics and Enabling Customer Growth.
2. Increasing Operational Flexibility and Competitiveness.
3. Creating a Competitive Edge.
4. Targeting World Class Financial Performance.

Embracing Market Dynamics and Enabling Customer Growth: We are developing and growing strong relationships with our customers through our operations in 50 countries. We have established an extensive network of regional offices and operational centres throughout the Americas, Europe, the Middle East, Africa and Asia to support customer needs. We have a strong presence in all key demand centres globally and proximity to future growth markets as well. With our geographic positions and market-driven focus, we have positioned SABIC to enable customer growth by providing a differentiated offerings and the innovative solutions that our customers require to grow their businesses.

Increasing Operational Flexibility and Competitiveness: We operate 64 manufacturing sites in key geographies across the globe. We are focused on maintaining and improving operating standards and flexibility, as well as cost efficiency through reliability and ensuring continuous improvement to our assets globally. In addition, we continue our efforts to improve cost discipline through our “Leadership in Manufacturing Cost” which promotes the best-in-class performance at all manufacturing sites across Saudi Arabia. We seek to ensure lower bottom-line operating costs, resource and carbon efficiency and increased product yield and remain committed to having a competitive feedstock platform through exploring feedstock opportunities and accessing competitive feedstock to achieve sustainable growth.

Creating a Competitive Edge: Innovation is key to maintaining a competitive edge, achieve growth and drive success. Over 2,000 employees are engaged in research and development activities across 21 research centres operated around the world. These employees work closely with each business unit or operating function to improve existing, as well as developing new processes and products, often working closely with our customers to do so. We have over 80 licensed technologies globally and over 25 technologies. In addition, as part of our research effort, we collaborate with other companies, universities and international research centres. This usually involves a joint initiation, funding, supervision and completion of the research, followed by a sharing of intellectual property rights. We are currently working with over 90 partners across the globe and major partnerships are in place in the U.S., the Netherlands, China, Saudi Arabia and India.

Targeting World Class Financial Performance: Our combination of market leading position in multiple products, diversified global footprint, operational excellence and strong cost discipline enabled us to be one of the most profitable chemical company in the world, despite a challenging and volatile business environment. We are consistently one of the highest rated chemical companies in the world on a standalone basis. We evaluate the most optimum capital and financing structure to support our strategic plans and growth ambition. We strive to grow our revenue faster than global GDP and to achieve a leading EBITDA margin in our industry.

These four pillars are supported by three foundational elements:

1. Sustainability
2. Organization and Culture
3. Globalization

Sustainability at SABIC means going beyond simply profitable manufacturing projects, to include development of human resources, ensure capacity and capability awareness and development across the globe. We aim to equip our employees with the skills and capabilities that will better enable them achieving their goals, ambitions and ultimately realizing our vision.

As part of our sustainability efforts, we strive to ensure industry class standards and compliance with laws, regulations and internal company code of ethics. In addition to focusing on social responsibility, another key driver behind our commitment to sustainability, are the continuous efforts by our technological and technical teams globally to ensure technologies are adopted to address future needs.
OUR CORE VALUES

Our values serve as the foundation of our Organization and Culture. They govern our behavior and commit us to the highest ethical conduct. We integrated them in the fabric of our organization to be a reference point for our business practice and ensuring successful implementation of our strategy.

INSPIRE
We work together to create an action-oriented environment that develops solutions and results for our customers.

ENGAGE
We respect and value differences in our people and their business approaches, fostering a great working environment. Our unfailing commitment to the communities in which we operate helps us remain a positive influence throughout the company and the world.

CREATE
Our curiosity is never satisfied and we are always challenging conventional thinking and seek new ways to uncover opportunities in both product and process to find the next innovative solution.

DELIVER
We lead by developing extraordinary breakthroughs for our customers and our unwavering focus on flawless execution drives our success.
OUR BUSINESS MODEL

THE PREFERRED WORLD LEADER IN CHEMICALS.

VISION

STRATEGIC Pillars
- Embracing Market Dynamics and Enabling Customer Growth
- Increasing Operational Flexibility and Competitiveness
- Creating a Competitive Edge
- Targeting World Class Financial Performance

FOUNDATIONAL Elements
- Sustainability
- Organization and Culture
- Globalization

Business Portfolio
SABIC operates through three primary Strategic Business Units, which comprise:

- The Petrochemicals, Relating to Commodity and Performance Chemicals and Polymers
- The Specialties, Relating to Specialty Plastics
- The Agri-Nutrients, Relating to Fertilisers and Specialty Agri-Nutrients

Diversified Global Footprint

- Operations around 50 countries
- 64 manufacturing sites
- 21 research centers
- Over 100 countries of sales

OUR ROLE IN VISION 2030

STRATEGIC Importance to Saudi Arabia
The Government (through PIF) has held a 70% shareholding in SABIC since the company was listed in 1984. On 19 July 2018, Saudi state-owned Saudi Aramco confirmed that it was engaged in negotiations with the PIF regarding the potential acquisition by Saudi Aramco of a strategic interest in SABIC. In accordance with Saudi laws and regulations, SABIC is providing support to Saudi Aramco in connection with its ongoing due diligence review of SABIC and its business, but is not directly involved in the negotiations between Saudi Aramco and the PIF. Any such sale will not affect the Government’s ultimate beneficial ownership of SABIC.

SABIC also benefits from a supportive operational environment accorded to it by the Government, such as five members of SABIC’s board of directors (including the Chairman of the board of directors (the “Chairman”) and the Vice Chairman of the board of directors (the “Vice Chairman and CEO”)) being directly appointed by the Government (through resolution of the General Assembly Meeting).

SABIC’s operations also form a critical part of Saudi Arabia’s Vision 2030, which focuses on diversifying Saudi Arabia’s economy away from oil. Since its creation, SABIC has evolved to become a global industry leader and, while it continues to directly contribute to Saudi Arabia’s GDP and diversification of the economy, SABIC also plays a key role in promoting local businesses and supporting Vision 2030. SABIC is a significant contributor to Saudi Arabia’s domestic GDP, contributing approximately 12.8% to manufacturing sector GDP, 3.7% to private sector GDP and 1.7% to total GDP in 2018. SABIC also accounts for 34.5% of Saudi Arabia’s non-oil exports and is the largest publicly listed company in Saudi Stock Exchange (Tadawul). It represents around 18.7% of Tadawul market capitalization.

KEY FIGURES OF 2018 SABIC CONTRIBUTION IN SAUDI ARABIA ECONOMY

- 78.6 Billion SAR Exports to the World Markets
- 36 Billion SAR Purchases of Raw Materials i.e. Feedstock, Electricity and Water
- 14.2 Billion SAR Sales to Industrial Sector
- 10.9 Billion SAR Sales to Construction Sector
- 0.74 Billion SAR Sales to Agricultural Sector
Our role in vision 2030

SABIC commitment to Saudi Arabia’s Vision 2030 goes beyond economic contribution. SABIC helped to raise the level of competitiveness among domestic industries through knowledge transfers and investments in technology and innovation with aim to create a ripe environment for investment in downstream industries. SABIC’s main goal is to boost the Kingdom’s strategic position among industrialized nations throughout the world.

In line with the Vision 2030, SABIC develops and fosters partnerships in its manufacturing and research and development activities. SABIC established manufacturing partnerships with global companies such as ExxonMobil, TOTAL and Mitsubishi, as well as research and development partnerships with 11 local and 17 global universities, such as the University of Cambridge and National University of Singapore.

Local content and business development

In January 2017, SABIC established its Local Content and Business Development Unit (“LCBDU”) with an aim to achieve the local content aspirations set out in SABIC’s 2025 strategy and aligned with Saudi Arabia’s Vision 2030. LCBDU seeks to provide opportunities for investors, particularly young people and entrepreneurs, to develop their businesses in leading-edge sectors. Through the LCBDU, SABIC launched Nusaned in 2018 “an ambitious new initiative that aims to increase localization of industrial technologies, help create new jobs, increase exports, and turn national companies into global companies”.

LCBDU seeks to provide opportunities for investors, particularly young people and entrepreneurs, to develop their businesses in leading-edge sectors.

2018 achievements in pursuing local content aspirations set out in SABIC’s 2025 strategy

- Signed seven agreements with key governmental authorities responsible for the implementation of Vision 2030 with aim to support NUSAEND™ and leverage the strength of each governmental authority.
- NUSAEND™ attracted 312 investors and, as of December 2018, 161 investment opportunities have been approved and moved to the pre-feasibility stage, while 67 investors have already passed the pre-feasibility stage. In addition, 39 approved investment opportunities are at business case stage and 16 investment opportunities have graduated from NUSAEND™.
- Serving more than 50% of targeted clusters by national industrial strategy with Investment Portfolio Packages.
- MUHAHAL, is a workforce development program under NUSAEND™. The program is focused on creating new jobs, localizing current jobs and enhancing the capability of local employees for the private sector. It has been able to create 745 jobs for the local Saudi workforce including jobs for 20 females. It also improved the capabilities and skills of 1,159 personnel by facilitating 20,100 hours of training.
- Increased Local expenditure by SAR 450 million, 4% higher than the previous year, as well as it is higher than the target set for 2018 which is 3%.
- Preparing and qualifying 104 new local suppliers, with 35 suppliers starting to do business with SABIC.
- Increased SABIC sales in local market by 4% compared to 2017, to reach 2.93 million tons by end of 2018.
MARKET REVIEW

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2018 BUSINESS ENVIRONMENT

The global economy lost some momentum in the previous year, with real GDP growth declining from 3.3% in 2017 to about 3.2% in 2018.

The marginal slowdown in global economic growth reflected weakening domestic demand and international trade. The slowdown in global trade was further impacted by the trade tension between the U.S. and its main trading partners, particularly China. Global inflation rose moderately – from 2.7% in 2017 to around 2.9% in 2018. Both advanced economies and emerging markets saw somewhat softer economic growth and higher inflation in 2018 relative to 2017.

Financial market volatility increased significantly in the last quarter of 2018 as global investors found the ultra-loose monetary policies of major central banks, particularly the U.S. Fed, were nearing an end.

ADVANCED AND EMERGING ECONOMIES

Economic growth in advanced economies slowed from 2.3% in 2017 to around 2.2% in 2018. Among major advanced economies, the U.S. was the only country which recorded an increase in economic growth in 2018.

The economies of the Eurozone, and Japan experienced notable declines in economic growth after growing well above their potential growth rates in 2017. Economic growth deteriorated in the UK mainly due to Brexit uncertainties. Inflation also increased in advanced economies – from 1.7% in 2017 to about 2.0% in 2018. As a result, the U.S. Fed and the Bank of England raised interest rates, whereas the European Central bank (ECB) ended net asset purchases in December 2018. Nevertheless, interest rates in advanced economies remained quite low and accommodative relative to historical standards.

Similar to advanced economies, real GDP growth in emerging markets softened marginally – from 4.9% in 2017 to 4.8% in 2018. Inflation also increased from 3.7% to 3.9% in emerging markets. China, the largest emerging economy, continued its structural slowdown, which was intensified by its trade tension with the U.S. The slowdown in the Chinese economy spilled over to most major emerging economies of Asia-Pacific which have close trade ties with China. By contrast, India saw stronger economic growth in 2018 owing to robust private consumption. The Middle East economies also accelerated in 2018 on account of high oil prices in the first three quarters of 2018, as well as higher oil production. Russia and Brazil also recorded improved growth rates in 2018.

GDP GROWTH % (Y/Y)

* Source: IHS and SABIC
Saudi Arabia’s economy emerged from recession in 2018, with real GDP growth rising from -0.9% in 2017 to about 2.3% in 2018.

Global industrial production growth softened from 3.2% in 2017 to about 3.1% in 2018, primarily on the back of declining industrial production growth in emerging economies. Advanced economies recorded a slight increase in industrial production growth in 2018.

Petrochemicals dependent industry sectors witnessed diverse trends. Automotive industry growth in 2018 (2.5%) was lower than 2017 (4.5%). Most regions experienced declines except Latin America and Africa, which showed significant growth compared to 2017. Unlike Automotive, the Construction sector growth in 2018 was better than 2017 (3.4% vs 2.9%) driven by growth in U.S., Emerging Europe and Asia Pacific. Similar to Automotive, Textiles and Electronics both experienced slow growth in 2018 compared to 2017. Driven by growth in U.S., Asia Pacific, Africa and Emerging Europe, Health grew 3.2% compared to 2.8% in 2017.

The U.S. recorded robust, above-trend growth of around 2.9% in 2018, up from 2.2% in 2017. The strong performance of the U.S. economy was attributable to solid growth in business fixed investment and private and government consumption on the back of a large dose of fiscal stimulus – in the form of tax cuts and spending increases – introduced at the beginning of 2018 when the economy was already heating up. However, growth momentum slowed towards the end of the year as the effects of the fiscal stimulus wore off and the stock market experienced volatility in response to the last calendar-year rate hike by the U.S. Federal Reserve Bank to normalize its ultra-accommodative monetary policy.

China’s real GDP growth declined from 6.9% in 2017 to around 6.6% in 2018 due a range of factors, particularly the ongoing managed transformation of the economy from an export- and investment-led model to a private consumption-led model, policymakers’ efforts to reduce leverage in the economy through tighter financial supervision and regulation prior to the start of the high-intensity trade tension with the U.S., and the trade tension that impeded China’s exports.

After growing well above its potential rate in 2017, at 2.5%, due to easy financial conditions, a highly accommodative monetary policy of the European Central Bank, a depreciation of the euro and expansionary fiscal policies, the Eurozone reverted to a somewhat sustainable growth rate of around 1.9% in 2018. Economic growth in 2018 was also dragged down by weaker net trade, distortions to automotive sector output in the form of new regulations on emissions, and the “yellow vest” protests in France. The decline in economic growth was broad based, with growth falling from 2.5% in 2017 to 1.5% in 2018 in Germany, from 2.3% to 1.5% in France, from 1.6% to 0.9% in Italy, and from 3.0% to 2.5% in Spain.

Real GDP growth in 2018 was driven by strong growth in the oil sector and recovering nonoil activity. Oil production climbed higher during the second half of 2018 thanks to the Vienna Alliance’s decision in June 2018 to raise OPEC and non-OPEC production quotas amid higher oil prices at the time. Non-oil GDP also recovered and strengthened with high oil prices permitting a more expansionary fiscal policy that boosted fixed investment after two years of contraction. However, the oil-price plunge in the last quarter of 2018 exerted downward pressure on the Saudi economy.

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PETROCHEMICAL INDUSTRY TRENDS

Despite the slower growth in Asia rate 4.4% in 2018 vs. 6.0% in 2017, the global Petrochemical industry grew 4.4% which is higher than 2017 growth of 3.7%. Driven by exports, the U.S Petrochemical industry grew 6.5% in 2018 compared to 0.3% in 2017. Sharing same driver, the Middle East Petrochemical growth stabilized at 3.7% in 2018 compared to 1.9% in the previous year. With challenging operating environment as demand slowed with lengthening supply, Europe experienced very slow growth in 2018 of 0.6% compared to 1.6% last year.

Compared to 2017, Brent blend crude rose by approximately 30% to average around U.S. $71 per barrel. Asian Naphtha averaged around U.S. $614 per metric ton rising by almost 42% compared to 2017 but showed weaker growth than crude due to decline in China’s gasoline consumption and ample supply from Europe. The European Naphtha showed weaker price growth, averaging at U.S. $602 per ton as a result of lower gasoline consumption lowered blending demand.


UPSTREAM TRENDS

Compared to 2017, Brent blend crude rose by approximately 30% to average around U.S. $71 per barrel.
BUSINESS PERFORMANCE
SALES

SABIC sales revenue in 2018 was SAR 169,128 million, an increase of SAR 19,362 million or 13%, compared to SAR 149,766 million in 2017. This increase is mainly attributed to higher average selling price 7% and increase in sales volume 5%. Sales revenue for Petrochemicals and Specialties amounted to SAR 150,422 million, an increase of SAR 15,120 million or 11% compared to last year. Volume of Petrochemicals SBU increased by 3%. In addition to improvement in Agri-Nutrients and Hadeed sales volume in 2018.

SABIC income from operations for 2018 was SAR 36,263 million, an increase of SAR 7,265 million or 25%, compared to SAR 28,998 million in 2017. The increase was mainly attributable to improved margins by 10% and higher sales volume by 5%.

Cost of sales for 2018 were SAR 111,520 million, an increase of SAR 11,662 million or 12%, compared to SAR 99,858 million in 2017. This is principally a result of an increase in average feedstock costs of 24% and higher sales volume of 5%.

General and administrative expenses for 2018 were SAR 10,945 million, an increase of SAR 375 million or 3.5%, compared to SAR 10,570 million in 2017. The increase is mainly due to the impact of the strategic workforce initiative implemented in 2018.

Selling and distribution expenses for 2018 were SAR 10,400 million, an increase of SAR 60 million or 1%, compared to SAR 10,340 million in 2017. The increase was principally driven by higher sales volume of 5% during the year.

INCOME FROM OPERATIONS

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Note:
- Financial numbers before 2016 are based on SOCPA.
- USD/SAR Rate: 3.75
SABIC net income for 2018 was SAR 21,521 million, an increase of SAR 3,091 million or 17%, compared to 2017. The increase is mainly attributed to improved margins by 10% and an increase in sales volumes by 5%. During 2018 SABIC implemented a strategic restructuring initiative with an overall impact on total cost of SAR 1,100 million.

Share of results of associates and joint ventures for 2018 was SAR1,050 million, a decrease of SAR 370 million or 26%, compared to 2017. This was principally the result of lower share from our joint venture SSTPC due to lower gross margins because of an increase in feedstock cost and the impact of the 2018 result of our investment in Clariant in the amount of (SAR 107 million).

Finance costs, net for 2018 were SAR1,223 million, an increase of SAR140 million or 13%, compared to 2017, mainly due to the recognition of one of the affiliates’ financial expenses related to their investment coming on stream as well as the financing expense in connection with the 24.99% investment in Clariant.

Zakat expenses for 2018 were SAR 2,600 million, same as 2017. The zakat expense is based on an estimated zakat base, which makes this a levy not based on income subject to zakat and therefore, not directly correlated to actual results during the period.

Income tax expenses for 2018 were SAR 1,198 million, a decrease of SAR 342 million or 22%, compared to 2017. This decrease was principally a result of decrease in income in the jurisdictions outside Saudi Arabia.
Our Financing Policy aims at ensuring sufficient liquidity levels at all times, while optimizing the returns to our shareholders. We use leverage prudently to fund our global growth ambitions. Our strong credit profile and corporate credit ratings (A+/ stable) reflects the strength of our financing strategy and its execution. We evaluate the most optimum capital and financing structure to support our strategic plans and growth ambition.

Our primary sources of liquidity are the cash flows generated from our operations and borrowings under committed bank facilities. The primary use of this liquidity is to fund our ongoing operations and our capital expenditure requirements, including investments in joint ventures and other minority owned investee companies as well as dividend distribution to our shareholders.

Equity attributable to equity holders of the parent for 2018 reached SAR 173,084 million, an increase of SAR 9,162 million or 6%, compared to 2017. The increase is mainly attributed to the net income generated during the year in the amount of SAR 21,521 million, less dividends paid in the amount of SAR 13,200 million.

Note:
- Equity attributable to equity holders of the parent.
- Financial numbers before 2016 are based on SOCPA.
- USD/SAR Rate: 3.75

Liabilities for 2018 reached SAR 98,274 million, a decrease of SAR 13,198 million or 12%, compared to 2017. The decrease was mainly attributed to the repayment of maturing debt in 2018.

Note:
- Financial numbers before 2016 are based on SOCPA.
- USD/SAR Rate: 3.75

During 2018, SABIC announced an issuance of $2 billion (SAR 7.5 billion) in international bonds through its wholly-owned subsidiary SABIC Capital II B.V. The purpose of the issuance was to refinance some of the outstanding financial obligations of SABIC and its subsidiaries. The bonds were issued in accordance with the Rule 144A/Reg S offering requirements under the U.S. Securities Act of 1933G, as amended. The stabilisation rules of the Financial Conduct Authority (FCA) and the International Capital Market Association (ICMA) also applied to the issuance. The bonds are listed on the Irish Stock Exchange (Euronext Dublin). Below are the details:

- Issuing type: The notes are Senior, U.S.$ denominated and unsecured by assets.
- Issuing Amount: U.S. $ 2,000,000,000.00
- Total number: 10,000
- Par Value: U.S. $ 200,000.00
- Return: 4.00% for Bonds maturity in 5 years and 4.50% for Bonds maturity in 10 years
- Maturity: 5 and 10 years
- Terms of Redemption: Redemption on maturity and early redemption following a change of control event

Below is an overview of the total debt portfolio as of 31 December 2018:

<table>
<thead>
<tr>
<th>Item</th>
<th>Original Loan Amount</th>
<th>Beginning Balance</th>
<th>Additions During The Year</th>
<th>Repayments During The Year</th>
<th>Non-Cash*</th>
<th>Ending Balance</th>
<th>Period of the Loan (Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term and Financial Lease</td>
<td>78,241,937</td>
<td>44,900,572</td>
<td>19,287,021</td>
<td>28,856,924</td>
<td>131,033</td>
<td>35,461,702</td>
<td>5-15</td>
</tr>
<tr>
<td>Short Term</td>
<td>1,065,000</td>
<td>1,065,000</td>
<td>302,589</td>
<td>200,000</td>
<td>-</td>
<td>1,167,589</td>
<td>1</td>
</tr>
<tr>
<td>Bonds</td>
<td>14,340,094</td>
<td>7,097,616</td>
<td>7,500,000</td>
<td>3,750,000</td>
<td>(213,666)</td>
<td>10,633,950</td>
<td>5-10</td>
</tr>
<tr>
<td>PIF Notes</td>
<td>10,000,000</td>
<td>5,000,000</td>
<td>0</td>
<td>5,000,000</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>103,647,031</td>
<td>58,063,188</td>
<td>27,089,610</td>
<td>37,806,924</td>
<td>(82,633)</td>
<td>47,263,241</td>
<td></td>
</tr>
</tbody>
</table>

*This is mainly due to FIN and Amortization effects.

The total debt portfolio as of 31 December 2018 can be broken down by lending party as follows:

<table>
<thead>
<tr>
<th>Lending Party</th>
<th>SAR '000</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks and Export Credit Agencies</td>
<td>30,307,008</td>
<td>64%</td>
</tr>
<tr>
<td>Bonds</td>
<td>10,633,950</td>
<td>22%</td>
</tr>
<tr>
<td>Public Investments Fund</td>
<td>1,595,425</td>
<td>3%</td>
</tr>
<tr>
<td>Industrial Development Fund</td>
<td>1,678,191</td>
<td>4%</td>
</tr>
<tr>
<td>Related parties</td>
<td>2,309,742</td>
<td>5%</td>
</tr>
<tr>
<td>Finance Leases</td>
<td>738,925</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>47,263,241</td>
<td>100%</td>
</tr>
</tbody>
</table>
Below is a statement of the value of any paid during 2018 and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zakat</td>
<td>5,219,140</td>
<td>4,986,336</td>
<td>5%</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>2,993,164</td>
<td>1,911,810</td>
<td>57%</td>
</tr>
<tr>
<td>Others</td>
<td>597,268</td>
<td>622,328</td>
<td>-4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,212,304</strong></td>
<td><strong>6,898,146</strong></td>
<td><strong>19%</strong></td>
</tr>
</tbody>
</table>

Reflecting the company’s commitment to its employees, below is a statement as to the value of any investments made or any reserves set up for the benefit of the employees of SABIC.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Service Benefits</td>
<td>12,825,267</td>
<td>15,536,260</td>
<td>-17%</td>
</tr>
<tr>
<td>Thrift Plan</td>
<td>801,650</td>
<td>780,095</td>
<td>3%</td>
</tr>
<tr>
<td>Early Retirement Programme</td>
<td>37,311</td>
<td>49,937</td>
<td>-25%</td>
</tr>
<tr>
<td>Others</td>
<td>1,335,797</td>
<td>1,267,844</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,000,025</strong></td>
<td><strong>17,635,036</strong></td>
<td><strong>-15%</strong></td>
</tr>
</tbody>
</table>

EQUITY AND LIABILITIES

CASH FLOWS

Net cash generated from operating activities for 2018 was SAR 44,730 million, an increase of SAR 6,053 million or 16%, compared to 2017. The increase was mainly attributed to improved margins by 10% and higher sales volume by 5% in 2018.

Net cash used in investing activities for 2018 was SAR 29,604 million, compared to cash from investments in 2017 in the amount of SAR 4,772 million. This is mainly attributed to the 24.99% investment in Clariant as well as higher capital expenditures and short term investments.

Net cash used in financing activities for 2018 was SAR 31,677 million, an increase of SAR 5,953 million or 23%, compared to 2017. The increase was mainly a result of higher average debt position during the 2018 and financial lease repayments.

Cash and cash equivalents for 2018 was SAR 41,423 million, a decrease of SAR 16,551 million or 29%, compared to 2017, mainly due to our investing and related financing activities in order to support our strategic plans and growth ambition.

Free cash flow for 2018 was SAR 30,613 million, an increase of SAR 2,980 million or 11%, compared to 2017.

Note:
- Details of affiliates, joint ventures and associated companies in the financial statements, where appropriate, are listed in the Appendix.
- Details of stocks and debt instruments issued by each affiliate are listed in the Appendix.
- Financial numbers before 2016 are based on SOCPA.
- USD/SAR Rate: 3.75
BUSINESS SEGMENT ANALYSIS

Petrochemicals 41
Specialties 44
Agri-Nutrients 46
Hadeed 48
BUSINESS SEGMENT ANALYSIS

We operate through three Strategic Business Units and Hadeed, a wholly-owned manufacturing business,

- Petrochemicals SBU- manufacturing and distribution and sale of commodity and performance chemicals and polymers;
- Specialties SBU- manufacturing and distribution and sale of specialty plastics;
- Agri-Nutrients SBU- manufacturing and distribution and sale of fertilizers and specialty agri-nutrients; and
- Hadeed- manufacturing, distribution and sale of long and flat metal products.

The Petrochemicals comprises three business groups: 1) Chemicals, 2) PE and 3) Performance Polymers and Industrial Solutions ("PP & IS"). Key product offerings are polyolefins, Polycarbonate, PVC and polyester, specialty polymers and polymer additives, synthetic rubbers, olefins, oxygenates and aromatics, chemical intermediates and industrial gases. We are the market leader in multiple Petrochemicals products and our objective in the Petrochemicals is to maintain and grow our leadership position.

Petrochemicals SBU- manufacturing and distribution and sale of commodity and performance chemicals and polymers;
Specialties SBU- manufacturing and distribution and sale of specialty plastics;
Agri-Nutrients SBU- manufacturing and distribution and sale of fertilizers and specialty agri-nutrients; and
Hadeed- manufacturing, distribution and sale of long and flat metal products.

The Petrochemicals is helping to find the right alternatives to replace traditional materials – wood, cotton, natural rubber or glass – and providing solutions that are used across a variety of industries, including, automotive, foam/lightweight and pipe segments clean energy, electrical and electronics, construction, medical devices, packaging, antifreeze, fuel additives, solvents and gasoline additives.

**FINANCIAL HIGHLIGHTS**

Revenue in 2018 was SAR 150.4 billion (including Specialty SBU), an increase of SAR 15.1 billion, 11%, compared to SAR 135.3 billion in 2017. The increase was attributed to overall average selling price and sales volume. Sales volume of Petrochemicals SBU increased by ~ 4% compared to 2017, contributed by Chemicals products, PE’s products and PP&IS products.

Income from operations was SAR 33.7 billion (including Specialty SBU), an increase of SAR 4 billion, 13%, compared to SAR 29.8 billion in 2017. The increase was also attributed to overall average selling price, higher sales volume and the cost optimization transformation initiatives in progress.

<table>
<thead>
<tr>
<th>Financial Metrics</th>
<th>2018</th>
<th>2017</th>
<th>% Change</th>
<th>2018</th>
<th>2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue (SAR billion)</td>
<td>150.4</td>
<td>135.3</td>
<td>11%</td>
<td>10.8</td>
<td>8.6</td>
<td>26%</td>
</tr>
<tr>
<td>Income from operations (SAR billion)</td>
<td>33.7</td>
<td>29.8</td>
<td>13%</td>
<td>0.3</td>
<td>-1.6</td>
<td>-119%</td>
</tr>
<tr>
<td>Assets (SAR billion)</td>
<td>284.7</td>
<td>286.1</td>
<td>-0.5%</td>
<td>319.7</td>
<td>321.6</td>
<td>-1%</td>
</tr>
</tbody>
</table>

**NON-FINANCIAL METRICS**

<table>
<thead>
<tr>
<th>Production Volume</th>
<th>Sales Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Million MT&quot;</td>
<td>&quot;Million MT&quot;</td>
</tr>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Chemicals</td>
<td>45.6</td>
</tr>
<tr>
<td>PE</td>
<td>8.2</td>
</tr>
<tr>
<td>PP &amp; IS</td>
<td>7.8</td>
</tr>
<tr>
<td>Total</td>
<td>61.6</td>
</tr>
</tbody>
</table>

Note:
Specialties SBU’s Non-Financials are separately disclosed in the Specialties SBU section.
OPERATING HIGHLIGHTS
With increasing awareness of the impact of plastics’ on the world’s environment, SABIC this year became the first company in the industry to commit to scaling up chemical recycling of mixed plastic waste to the original polymer – a key enabler in helping major converters and brand owners meet ambitious recycling targets.

A number of major projects were announced, including the startup of SAMAC – a joint venture with Mitsubishi Chemical, with annual capacity of 250,000t of methyl methacrylate (MMA) monomer and 40,000t of polymethyl methacrylate (PMMA) – and the start-up of polyacetal (POM) at the Ibn Sina plant. This facility is a 50:50 joint venture with CTE (a company jointly owned by subsidiaries of Celanese and Duke Energy), largely in response to Asian auto manufacturers’ need for ever-increasing quantities of this light, strong material, enabling significant weight savings over metals. SABIC also announced the launch of major new innovations in materials, such as PP514M12 – a new polypropylene resin product with widespread applications in personal hygiene and healthcare.

2018 saw the start-up of the new polypropylene (PP) extrusion facility in Geleen, The Netherlands. The new facility gives SABIC a leading position in the emerging next generation PP copolymers sector, with environmentally-friendly easy access to the markets of the EU.

Three dedicated new teams were set up, focusing on the key market sectors of thin wall packaging, caps & closures and personal hygiene. This was initiated with a view to accelerating the pace of innovation and deepening collaborations, working ever more closely with our customers to help them respond to rapidly changing market demands and achieve real diversification and product improvements that give them a competitive edge.

In another major partnership, SABIC supported P&G’s ‘Factory of the Future’ project, in cooperation with global polyethylene (PE) film/fiber manufacturer Yanjan, in both Egypt and the US, that saw SABIC PE approved for use in P&G diapers. The initiative, aiming to improve efficiency and cut the costs and environmental impact of long-distance deliveries, represented SABIC PE’s first inroads into the US market, as well as paving the way for sales to the EU.

This year saw the launch of a new gasphase mLLDPE product, offering a combination of high performance, high purity and good processability that delivers significant processing advantages over competitor m-C6 products. Another major product, Valox 315, was tested as a potential substitute for the PET currently used by US carpet manufacturer Mohawk, and proved to offer a 24 percent reduction in fiber breakouts, delivering improved colorability and tenacity, reduced scrap and downtime, and improved production speeds.

LOOKING AHEAD
2018 was also a year for extending and improving our relationships with customers and other third parties, with a series of technical seminars to spread understanding of the material, manufacturing and other benefits of products from Petrochemicals’ portfolio such as PP, ETF and packaging, in Saudi Arabia, Pakistan, Egypt and Ghana.

The circular economy is a key challenge for the plastics sector and for the Petrochemical industry as a whole. Our industry-leading initiative in chemical recycling of mixed plastic waste to the original polymer demonstrates our capabilities, commitment and readiness for the challenges that lie ahead in sustainability and protection for the environment.

We will also redouble our efforts both independently and in mutually-beneficial partnerships to expand our presence and achieve profitable growth in key markets around the world. And we will maintain our ongoing efforts to streamline our structure, optimize our operations, and continue to adapt SABIC’s capabilities to the challenges that lie ahead, while maintaining our focus on the health, wellbeing and above all safety of our people, and of all others whose lives our operations impact.
The Specialties is the ‘home of unique offerings’ and is focused on challenging technology endeavors that deliver fundamental progress to the way the world travels, communicates, works and lives.

It leverages global application technology centers and deep materials processing expertise, to provide specialties solutions to a wide range of industries. The Specialties includes polymer technologies, application development on a global scale, innovative process technologies, and environmentally responsible solutions. Our goal within the Specialties is to improve our position in the specialty industry through a combination of development of new products and technologies, organic expansion of the manufacturing basis for our existing products, and inorganic growth beyond our core business.

Our Specialties business is characterized by specialized products which tend to have higher profitability margins and to be independent from the petrochemicals cycle.

The Specialties key product offerings include thermoplastic resins, specialty compounds, film and sheet products, additives and intermediates, coatings, copolymer resins, application development and prototyping, fiber reinforced thermoplastic composites and additive manufacturing materials. These products are used in a variety of industries such as automotive, consumer and industrial, electronics, healthcare, mass transportation, water management, construction and alternative energy.

**SPECIALTIES**

Non-financial highlights:

Sales volume of Specialties SBU decreased by 4.8% compared to 2017, contributed mainly by major products due to demand softening in healthcare and automotive industries in the 2nd half of 2018, primarily in Pacific, as a result of trade tension between US and China.

Operating highlights:

Specialties remained true to its ‘Growing Unique’ strategy, which focuses on both organic and opportunistic inorganic growth to give our global customers the novel, one-of-a-kind solutions that meet their most challenging needs. Close collaboration with customers has been rewarded by the confidence they’ve placed in our ability to deliver the materials, expertise, insights and inspiration they rely on to propel their businesses forward.

On the organic growth side, SABIC announced capacity expansion initiatives for two of its most highly valued materials: NORIL™ and ULTEM™ resins. The recommissioning of NORIL production at our Bergen op Zoom plant will increase capacity 40% over a 2017 baseline when production begins in Q1 2020. To increase capacity for ULTEM resins, a new production facility in Singapore is expected to go online in the first half of 2021, increasing capacity by 50% over a 2018 baseline. This will make SABIC the only company with production in Asia, the Americas and Europe - a significant advantage for customers.

Non-financial metrics:

<table>
<thead>
<tr>
<th></th>
<th>Production Volume</th>
<th>Sales Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>“000 MT”</td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Specialties</td>
<td>172</td>
<td>182</td>
</tr>
</tbody>
</table>

Longevity is often the best proof of value, which makes the 70th anniversary of our LNP™ compounds especially meaningful. The portfolio has expanded over the decades to bring relevant, tailored characteristics such as lubrivity, conductivity, shielding, thermal management, flame resistance and aesthetics to enhance the performance of our customers’ applications. Building on this solid foundation of innovation, SABIC scientists and technologists continue to push the limits, solving new challenges on a regular basis. This year a new THERMOCOMP™ HMD polycarbonate series was launched, offering a unique combination of high modulus, strength and ductility to enable lighter, thinner and stronger components in the consumer electronics, healthcare and transportation sectors.

Looking ahead:

SABIC has a long and strong track record of growing businesses through joint ventures and co-investment in both listed and private companies. In 2019, SABIC announced the acquisition of a 24.99% stake of Swiss specialty chemicals company Clariant, as well as the signing of a Memorandum of Understanding to explore amalgamation of Specialties’ unique businesses with Clariant’s additives and high value masterbatch businesses. Final decisions are expected by mid-2019. If it goes ahead, the transaction will result in a new “High Performance Materials” business within Clariant: an outstanding global platform for further growth in specialty chemicals, promising excellent returns for SABIC stakeholders.

One thing that will never change is our focus on our customers. The Specialties business will continue to invest in the research and development of solutions that mean the most to our customers, resulting in highly specialized innovations that others find hard to emulate. Specialties is about value creation: helping our customers attain their highest ambitions, supporting their drive for competitive advantage. We do this with unique technologies and a similarly unique approach to collaboration - one that brings the full force of our global knowledge and problem solving abilities to bear, complementing our customers’ own expertise.
AGRI-NUTRIENTS

The Agri-Nutrients SBU of SABIC contributes to the National and Global agenda of food security, through enhanced crop efficiency and optimum water utilization and conservation methodologies.

It produces and markets a range of fertilizers, including Urea, Ammonia, Phosphate and Compound Fertilizers. Our strategy within the Agri-Nutrients SBU is to have a customer focus, which includes broadening its global asset footprints in base fertilizers, downstream integration and distribution and increasing our share of differentiating products to 20% of the total product portfolio. We strive to develop highly efficient products and provide agricultural solutions that suit different agricultural crops and the nature of targeted lands.

The Agri-Nutrients key product offerings include Prilled Urea, Granular Urea, Ammonia, Phosphate (Diammonium Phosphate (“DAP”), Monoammonium Phosphate (“MAP”) and dark DAP), Nitrogen-Phosphorus-Potassium fertilizer (“NPK”) and Technical Grade Urea (“TGU”). These

FINANCIAL HIGHLIGHTS

Revenue in 2018 was SAR 7.9 billion, an increase of SAR 2.3 billion, 34%, compared to SAR 5.9 billion in 2017. The increase was attributed to overall average selling price, mainly due to improvement in demand, and increase in sales volume of Agri-Nutrients. The increase in Sales Volume by 11% compared to 2017, contributed mainly by Urea and Phosphates.

Income from operations for 2018 was SAR 2.3 billion, an increase of SAR 1.5 billion, 189%, compared to SAR 0.8 billion in 2017. The increase was also attributed to overall average selling price, sales volume and the reliability improvement.

WE STRIVE TO DEVELOP HIGHLY EFFICIENT PRODUCTS AND PROVIDE AGRICULTURAL SOLUTIONS THAT SUIT DIFFERENT AGRICULTURAL CROPS AND THE NATURE OF TARGETED LANDS

OPERATING HIGHLIGHTS

2018 has been a year of reorganization for SABIC Agri-Nutrients, with the launch of the Takamol project, which will see the integration of Saudi Arabian Fertilizer Company (SAFCO) and Al Jubail Fertilizer Company (Al Bayroni), and the establishment of SABIC Agri-Nutrients Investments Company. These moves will bring together SABIC’s shares in its agri-nutrients interests, including Jubail Fertilizers (Al Bayroni), National Chemical Fertilizers (Bin Al Baytar), Gulf Petrochemical Industries Company (GPIC), Ma’aden Phosphate Company and Ma’aden Walad Al Shaml Phosphate Company.

This rationalization of the company’s agri-nutrients ventures aims to streamline administration, improve performance, reduce costs and capitalize on synergies, unifying and optimizing SABIC’s agri-nutrients resource to help meet the world’s ever increasing need for food with the greatest possible efficiency and effectiveness.

The Technology Department kept up its support for the 2025 strategy with the development of a number of new agri-nutrients, some the first of their kind in the world. Field experiments have clearly demonstrated their effectiveness, and superiority to existing alternatives, and three are scheduled for launch during 2019.

A number of projects maintained our ongoing program to increase reliability, efficiency and production. Completion of the SAFCO IV Ammonia Plant project increased production capacity by around 100,000 MTA without increasing fixed costs, and made it the largest ammonia plant in the world. The SAFCO III Ammonia Plant is expected to go live around 100,000 MTA without increasing fixed costs, and made it the largest ammonia plant in the world. The SAFCO IV Ammonia Plant project increased production capacity by almost 100,000 MTA.

A number of events saw SABIC meet to share its learning and expertise with others in the field, including a three-day Innovation Workshop seminar featuring lectures and discussions on the future of agricultural research and technology, attended by experts from the Ministry of Environment, Water and Agriculture, and King Saud University.

SABIC’s Sustainable Agriculture Research and Development Center (Etidamah) continued its collaboration with the Ministry of Environment, Water and Agriculture, launching numerous research projects focused on increasing production, efficient water use, and improved food quality.

Estidamah also organized two Farmers’ Open Days in partnership with the Ministry, attended by academics, investors and more than 80 farmers, and with the Ministry and the Arab Fertilizer Union in agricultural convoys in Al Baha, Taif and Jizan, and field awareness and education days in Wadi Al Dawaser, Qassim.

We also launched SABIC Field Schools in Madinah District (Madinah, Khyber, Ula), in cooperation with the Dates Cooperative Society. We joined with Sudan’s Ministry of Agriculture and Forestry in organizing two pilot field days and Africa’s first agricultural convoy. We also joined with the Ministry of Agriculture in Egypt, where a convoy was organized in Siva Oasis and an agricultural field day in Al Ain in the United Arab Emirates, in cooperation with the Farmers Services Center and Abu Dhabi National Oil Company.

In support of our drive for new markets, 75,000 MT of Saudi DAP were sold in Iraq for the first time, and three containers of SABIC specialty compounds were delivered and tested in Sudan, with promising results, resulting in orders to be fulfilled during 2019.

Several joint shipments were exported in 2018, with urea and DAP or MAP transported in a single vessel, for optimized efficiency, reduced costs, and enhanced customer service.

LOOKING AHEAD

As world populations continue to grow, the demands on SABIC’s agri-nutrient capabilities are only going to increase. We are focusing particular attention on targeting potential customers in Africa, North America and Latin America – areas we view as offering particularly good prospects – both through growth initiatives and cooperative ventures with existing strong regional players, thus contributing to SABIC ambitious 2025 global growth agenda.

We will continue streamlining and rationalizing our productive capabilities for greater efficiency, developing new formulations that better meet the varied needs of farmers and the characteristics of their land. We will also work more closely with our wide constituency of stakeholders, from governments to academics, commercial partners to farmers, to help the world produce ever more, ever better, ever more varied foods, to meet its growing needs.
Hadeed is one of the largest fully integrated steel producers in the Gulf region and manufactures a range of long and flat products to meet its customer needs.

Our objective within Hadeed is to sustain profitability and maintain our position among the best in class steel manufacturer-supplier locally and regionally. Hadeed key product offerings include Long Products, which typically consist of Rebar and Rods, while Flat Products consist of various types of Rolled Coils which are produced based on order requirements. These products are used in various industries such as constructions. Almost all of Hadeed’s sales are in Saudi Arabia.

**FINANCIAL HIGHLIGHTS**

Revenue in 2018 was SAR 10.8 billion, an increase of SAR 2.2 billion, 26%, compared to SAR 8.6 billion in 2017. This was attributed to overall average selling price increase, following improvement in demand including export, and increase in sales volume. Sales volume of Hadeed increased by 13% compared to 2017, contributed mainly by Flat and Long Products.

Income from operations for 2018 was SAR 0.3 billion, an increase of SAR 1.9 billion, 119% compared to SAR (1.6 billion) in 2017. The increase was attributed to improved average selling prices, increase in sales volume and overall decrease in production cost per ton.

**OPERATING HIGHLIGHTS**

A number of core metrics testify to a strong year for Metals: total Long Product and Flat Product sales up 10% and 40% respectively year on year; Long Product and Flat Product market share up 6% and 12% respectively; total exports up 110% and EBITDA from innovation 38% above target. Yet these results, compounded by stronger prices and demand driven by relatively vigorous national and global economies, have to be viewed within the context of a challenging long-term outlook for a regional industry facing threats from overcapacity, fragile profitability and maintain our position among the best in class steel manufacturer-supplier locally and regionally. Hadeed key product offerings include Long Products, which typically consist of Rebar and Rods, while Flat Products consist of various types of Rolled Coils which are produced based on order requirements. These products are used in various industries such as constructions. Almost all of Hadeed’s sales are in Saudi Arabia.

**HIGHLIGHTS OF THE YEAR INCLUDED:**

- Good progress in a number of programs such as utilization of alternative grade iron ore and selling of bag house dust – turning ‘waste’ into value – and flare reduction at Plant Module-C.
- Optimization of iron ore pellet primary coating, and warm charging of billets for rolling, helping save energy and boost productivity.
- A Hadeed quality campaign and SABIC Steel promotional campaign, with workshops and advertising and related branding activities to promote and communicate quality.
- The launch of a value-based sales & operations planning process, combining SCM, Sales, Finance and Manufacturing in a shift of focus from capacity to value, to aid profitability-driven decision making.
- The launch of Hadeed’s EHSS transformation plan, designed to transform and drive sustainable improvement in our EHSS performance. Based on three years’ assessment and analysis, the initiative saw Hadeed achieve its second best ever SHER (Safety, Health and Environment) rating of 0.35.
- Meanwhile Long Products’ local market share was up 6% year on year, and export sales more than doubled, with new markets entered in MENA and the Far East, and Flat Products’ share of local markets rose 7%, to 62%, while prices strengthened to the highest seen since 2012.

**LOOKING AHEAD**

The future promises to be challenging, with concerns about the global economy compounding regional issues of over production and increasing competition from low cost overseas producers. We are committed to continuing to bear down on costs, increase efficiencies and productivity, and develop ever-greater agility, flexibility and responsiveness. We will continue to work closely with our customers to adapt our products more closely to their needs, supporting our differentiation strategy with new production lines, new products, new grades and sizes. And, we will work ever harder to build on the progress we have made in penetrating overseas markets, developing new distribution channels, and sustaining premium prices thanks to superior products and customer service.
CORPORATE PERFORMANCE

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CORPORATE SOCIAL RESPONSIBILITY 74
HUMAN CAPITAL

At SABIC, we know that to become the preferred world leader in chemicals we need to attract, develop, and retain the right talent - that our success as a company depends entirely on our people.

SABIC Human Resources is committed to supporting and maintaining a fulfilling work environment that engages individuals, enables continuous learning and develops tomorrow’s leaders. Such an environment, aided by excellent career opportunities and rewards for performance, sustains and builds our capabilities to meet the challenges that lie ahead.

ROOTED IN DIALOGUE

We believe successful companies have fulfilled employees. That companies achieve their greatest success by ensuring alignment between employee and corporate interests and ambitions. Every individual has unique motivations and capabilities. Understanding and supporting them is the start of putting them to work for the benefit of the organization.

This year saw the launch of our new Employee Value Proposition: an invitation to a dialogue. We want to encourage our people to lead the discussion, drive the debate, and help us develop new ways for an infinite variety of preferences and capabilities to be coordinated, focused, and brought to bear on meeting SABIC’s needs and objectives.

January saw our annual Global Town Hall, with our CEO linked by interactive live streaming from Riyadh to our sites throughout the Middle East, Europe, the Americas and Asia/Pacific. Discussions included SABIC progress over recent years, the economic and environmental challenges we face, and the implications for our people.

SABIC Leadership Way - a set of mindsets and behaviors aligned with our values - kicked off last year by defining four leadership priorities: Talent Champion, Collaboration Partner, Innovation Pioneer, and Excellence Driver. With support from our global ambassador network, the program covered over 50 sites worldwide, with more than 600 leaders immersed through interactive sessions and experiential learning.

Through such programs we look to optimize employees’ – and the company’s - ability to effectively develop and implement specific, targeted business strategies, developing candidates from individual contributor to enterprise leader through a three-stage process: Skills-focused Leadership Development, Focused Leadership Development, and Comprehensive Leadership Development.

With additional support from dedicated government programs, our leadership initiatives are generating a steady and continual flow of highly qualified graduates, fully equipped with the skills to become the leaders of tomorrow.

CONTINUOUS LEARNING

Since 2012, SABIC Academy has been our global center of learning and growth. It sustains our culture of continuous learning by providing exceptional training to accelerate employees’ career development and build the skills we need for the future. Collaborative relationships with leading global educational and technical institutions are key.

The Academy offers competency-based learning across 12 career lines, both on-site and via e-learning, with over 5,000 online courses accessible to every one of our 33,000 employees around the world, including programs leading to recognized certification in disciplines like Sales, Marketing, Finance, Manufacturing and Supply Chain.

DEVELOPING LEADERSHIP

Our leadership development process looks to identify leadership potential anywhere in the organization, and develop it to the fullest possible extent.

Our annual Summer Innovation Program in Riyadh, Jubail and Yanbu reinforced our strategy of promoting innovation and stimulating creative thinking, with a variety of courses covering everything from the design of educational products to smart houses, mobile applications and renewable energy.

Since the 2016 launch of its Government Leadership program, SABIC Academy has delivered high impact training to enhance the capabilities of over 300 government officials, drawing on lessons learned through SABIC’s own strategic, management and leadership programs to transfer skills, helping optimize and align private and government capabilities. SAUDI HR Think Tank, created following a Memorandum of Understanding agreed with the Ministry of Civil Service during 2017’s SABIC HR forum, will further boost the transformation of the country’s public bodies in support of Vision 2030.

Our annual Summer Innovation Program in Riyadh, Jubail and Yanbu reinforced our strategy of promoting innovation and stimulating creative thinking, with a variety of courses covering everything from the design of educational products to smart houses, mobile applications and renewable energy.

SABIC WILL CONTINUE TO SUPPORT THE DEVELOPMENT AND SPREAD OF BEST PRACTICE IN HR
SABIC CONTINUES TRANSFORMATION

In light of the HR team’s continuous efforts to achieve SABIC’s transformation under its 2025 strategy, we have been developing our entire organization to enhance business integration, meet global market requirements, and ensure the highest value from our partners. This transformation process has also been accompanied by the implementation of a sustained cultural transformation program to enhance the competitive culture, and continuous development on the local and global levels to maintain SABIC’s growth and sustainability.

HR played an active role in ensuring a smooth and streamlined transformation towards establishing a Specialties stand-alone organization. The HR function also contributed to the integration of some SABIC affiliates and restructuring of sectors.

To ensure flexibility and achieve the desired objectives and aspirations, the HR organizational structure has been redesigned to be more focused and flexible to meet the demands of a changing global market. The new HR organizational structure reinforces efficiency and integration of business globally and locally. It drives the company’s initiatives to develop its competencies based on three core pillars: HR strategic business partners, operations and a specialized expertise. It also increases the HR focus on strategic business and objectives, which further supports SABIC’s business.

Moreover, HR continued to develop the company’s strategic workforce planning capacity and optimize the regulatory processes of this strategic initiative. During 2018, the workforce strategic planning model was developed in line with the company’s aspirations, development plans and long-term transformation strategies. The initiative also ensures the sustainability and diversity of SABIC’s competencies.

HOUSING PROJECTS

- Saudi employees’ housing project at Al Matrafiya in Jubail Industrial City. SABIC executed the Contracts in December 2016 and implementation was awarded to Azmeel Contracting and Building Company for the construction of 1048 housing units, Al-Rashid Company for Trading and Contracting to build 921 housing units and the Beijing Building and Engineering Group to construct 532 housing units. This residential project is the largest in SABIC’s history, occupying an area of 4.4 square kilometers, comprising (2701) housing units, designed according to the latest structural specifications and features, alongside condominiums, several facilities, including one large mosque and ten other mosques with 22 housing units for Imams and Muezzins. This is in addition to a large public park, a group of parks and other facilities. This mega project is expected to be completed by 2020.

- SABIC and its affiliates Beach Camps will build 11 New Beach Camps with an area of 10,000 square meter for each camp located at Al-Batenah Island north of Jubail Industrial City. Camps expected to be completed in 2019.

- Saudi employees’ housing project at Al Jaar in Yanbu Industrial City. SABIC executed the Contracts in January 2018 and implementation was awarded to Al-Khonaini International Company for 550 housing units. This residential project is occupying an area of 42.5 hectares and expected to be completed by 2021.
SUPPLY CHAIN

Every year, SABIC Global Supply Chain (GSC) delivers our products to almost 20,000 destinations in over 140 countries, with more than 13,000 stock keeping units flowing through around 200 distribution centres, involving around 500 Logistics Service Providers (LSP) around the world.

2018’s performance once again saw the sustained and focused efforts of recent years reflected in SABIC’s top five ranking for excellence among chemicals industry companies, in Gartner’s 2018 Top 25 supply-chain benchmarking.

STRATEGIC GOVERNANCE
The GSC this year introduced an Excellence Framework (GSCEF), governing, integrating and optimizing its solid, liquid and bulk supply chains to enhance reliability, agility, resilience and efficiency.

The framework consists of nine elements covering all aspects of the supply chain, from strategic governance to operational excellence, to both guide operational execution and stimulate innovation on every level.

PLANNING CAPABILITY
Value chain planning and network optimization enables the GSC to adapt continually to a complex and constantly changing environment, optimizing the value chain to steadily improve cost efficiency, service delivery and ultimately profitability.

One example of our ongoing commitment to excellence was this year’s introduction of a highly advanced modelling and optimization application at one of our Yanbu affiliates. This joint initiative involving the affiliate and GSC value chain planning in the Middle East and Africa, supported by our Europe region, helps maximize integrated margins by optimizing multiple factors including feed usages, production rates, cracker-operating conditions, product allocations and throughput rates.

Value based sales and operational planning also enabled GSC to optimize ethylene allocation, by identifying and capturing value improvement opportunities arising from synergies between ethylene and its derivatives.

Simulation tools introduced in Asia Liquids for forecasting vessels twelve months ahead offer customers greater visibility and enhance the effectiveness and efficiency of the nomination cycle, enabling a 48 hour reduction in order processing times.

As part of its customer fulfillment program, GSC Excellence undertook a global redesign of its ETP and Specialties demand planning process, introducing optimized leveraging of statistical forecasting and management by exception demand planning, leading to a 10% improvement in demand planning accuracy and enhanced customer service.

PROCESS AND SYSTEMS
GSC Excellence and Process Improvement groups this year facilitated numerous process mapping exercises and system go-lives across planning, order execution and procurement. In the U.S., for example, over 150 process mapping exercises saw numerous cross-function processes streamlined and standardized. Activating Global Available to Promise (GATP) allocation in our ERP system to optimize inventory utilization across affiliates also helped enhance our delivery capability.

The GSC this year established a dedicated unit focusing on data integrity throughout our supply chain source systems, to aid consistent data management, effective reporting and informed decision-making.

OUR CUSTOMER SERVICE AND EXECUTION DEPARTMENTS AIM TO CONTINUALLY IMPROVE THE RELIABILITY AND FLEXIBILITY OF OUR SERVICE

Our customer service and execution departments aim to continually improve the reliability and flexibility of our service by developing an ever richer and more accurate understanding of customer expectations, and an ever more sophisticated organisation of our capabilities to meet them. This year saw the first roll out of our new service level differentiation process across all regions, whereby customers will receive service appropriate to their category, with full roll out scheduled for 2019.

In MEAF, a booklet developed by our Solids Supply Chain and translated into five languages helped familiarise customers with our e-commerce portal, increasing usage from 67% in 2017 to 80%. U.S. e-commerce sales were also up 15% year on year.

In Asia, our Solids Supply Chain launched a new business model in China to enable sales of imported material in local currency, helping us improve value and service for customers. Asia further enhanced their customer focus by introducing customer visit and lead-time communication packages.
SYNERGIES AND SAVINGS
The GSC is enabling growth in existing and emerging markets, setting up new logistics-service-provider agreements, and undertaking a number of feasibility studies.

Our Liquid Supply Chain continued the load and route optimization of NCC Fajr, the world’s largest chemical tanker, which alone now delivers around 30% of China’s glycol.

Strategic alliances with liquid shipping providers and coordination of vessels helped our liquid marine shipping contain costs and ease the impact of rising bunker fuel prices.

Agri-Nutrients customers in Asia saw lead-times from KSA halved by using the Singapore container hub for urea deliveries. This is the first time a dedicated polymer facility has been used for other SABIC materials, exemplifying GSC’s commitment to driving synergy across products and regions.

Sharing warehouse facilities between liquids and solids products in China brought an 80% reduction in lead-times.

SUSTAINABILITY PERFORMANCE
The GSC tested its business continuity through a number of successful business interruption simulations in MEAF and APAC regions, and enhanced its business continuity procedures globally, further embedding them in the new GSCEF.

Better staff training enabled a 40% cut in order re-work at our Asia Solids Supply Chain.

In Europe, the GSC supported the KARMA project to recycle plastic into feedstock and circular polymers, while new rail contracts increased rail tank cars per locomotive, cutting emissions by over 20%.

Serving local customers via the e-commerce portal enabled automation of contracts, bills of loading, shipping and invoicing for our Solids and Bulk Supply Chains, drastically reducing paperwork and our carbon footprint—in Asia, for example, by 4,200 kg CO₂ equivalent.

Singapore Customs awarded SABIC Asia Pacific the Secure Trade Partnership Plus (STP+) in recognition of its commitment to safeguarding supply chain integrity and security, which will help assure the fast and efficient flow of SABIC materials through customs.

In the U.S., SABIC received the CSX Safety Award in recognition of zero railcar shipment reportable incidents during 2018.

LOOKING AHEAD
The GSC will continue enabling growth for SABIC Business Units while delivering enhanced and differentiated service to our customers. Through digital integration and collaboration, the GSC will proactively exploit disruptive technologies, respond swiftly and effectively to supply chain network challenges, and seize on emerging opportunities.

The GSC will maintain its commitment to ongoing improvement by capitalizing on the full benefits of digitalization, developing ever more effective process governance, and continually optimizing our organizational design.

BETTER STAFF TRAINING ENABLED A 40% CUT IN ORDER RE-WORK AT OUR ASIA SOLIDS SUPPLY CHAIN
INTEGRATED ECOSYSTEM
A FULLY GOVERNED AND STRUCTURING HAS LED TO DEPARTMENTAL RE-

Developed an affiliate board assessment process
Established Guidelines for Developing Joint Ventures Agreements, based on leading best practices for new ventures
Developed Key Focus Areas and Joint Ventures Annual Review to boost SABIC strategic objectives across AJs and better align its venture investments
Developed a globally recognized best practices on-boarding program and comprehensive training for board directors, with an Affiliate Board Director Handbook to help new directors fulfill their roles and responsibilities
Introduced an affiliate board assessment process to assure boards’ effectiveness

JOINT VENTURES
SABIC’s Joint Ventures Affairs (JVA) function, established in mid-2015 to safeguard SABIC’s integrated corporate interests with partners in existing and new joint ventures both in Saudi Arabia and globally, this year:

– Developed a comprehensive JV Governance Framework for controlled and non-controlled entities to provide best practices guidance for SABIC AJs
– Established Guidelines for Developing Joint Ventures Agreements, based on leading best practices for new ventures
– Developed Key Focus Areas and Joint Ventures Annual Review to boost SABIC strategic objectives across AJs and better align its venture investments
– Developed a globally recognized best practices on-boarding program and comprehensive training for board directors, with an Affiliate Board Director Handbook to help new directors fulfill their roles and responsibilities
– Introduced an affiliate board assessment process to assure boards’ effectiveness

INNOVATION
CORPORATE R&D
During 2018, SABIC Corporate R&D continued to enhance its R&D portfolio, execute its projects, deliver on its process technology and technology licensing efforts, and expand its technology venturing initiatives.
The portfolio consists of 42 active projects focusing on strategic business driven platforms. In addition, the Corporate R&D patent portfolio reached 865 granted and pending patents protecting recent inventions in alternative feedstock, novel technologies, and materials.
Multiple milestones have been achieved across SABIC Corporate R&D projects including the following:

– A disposable, self-powered and cost effective thin film remote switch enabled by SABIC proprietary (XPC) copolymer with robust IP (20+ patent filings) transferred to SABIC Specialties
– Successful development of prolonged release (> 20 times improvements vs incumbent in a model system) encapsulation technology - both composition and process - based on biodegradable polymers.
– Development of SABIC proprietary new C6C HDPE composition incorporating additives, enabling cap weight reduction from 3.2g to 2g.
– Pioneering of a novel technology to non-reactively coat area with certified biodegradable plastic materials to serve as control release fertilizer, offering 44 percent more nitrogen and nominal 70 days longevity, rivaling performance of the current market leader.
– An integrated process offering 15 percent of solar to hydrogen efficiency consisting of a static prototype combining an ultra-high concentrated multi-junction solar cell with a 'power matching' electrolyzer. The hydrogen and oxygen can be produced separately in a membrane-less reactor (a technology developed separately), enabling SABIC to develop processes for CO2 reduction and the production of more environmentally-friendly chemicals.
– Investigation of differentiated materials for the development of new catalysts to broaden polyolefin applications, employing state-of-the-art high throughput experimentation to assess multiple new catalysts and olefins in pursuit of SABIC’s circular economy commitments.
– Numerous other process technology and technology licensing initiatives.

TECHNOLOGY

SABIC Corporate R&D has been working to incorporate its own process technology into numerous global growth projects, including polypropylene, polyethylene, and SABIC-owned and operated chemicals. Final licensing agreements are under discussion.
Extensive efforts have also been invested in identifying and acquiring world-class process technologies in areas including chemicals, polymers, agri-nutrients, specialties and metals, to drive growth and enhance our competitive advantage globally. The technologies are applied in both developing new projects and creating strategic partnerships.
SABIC continued implementing innovative technology solutions to maximize asset productivity, enhance efficiency and reduce energy intensity, by focusing on process fundamentals, and applying advanced tools and unit operation expertise. Around 20 projects have been completed in support of affiliates.
The company’s technology venturing portfolio in Europe, North America, China and Saudi Arabia has significantly expanded this year. Over eight investments and developments in areas of strategic importance to core businesses brought the global portfolio to over 20 companies. Technology venturing enhanced support for investee companies through global business incubation. Technology validation and implementation helped assess the capability of the proposed technology, and its uses in SABIC and Saudi Arabia.
MANUFACTURING

SUPPLY & RELIABILITY

Manufacturing’s excellent performance reflects the effort invested in continuous improvement initiatives in plant reliability and feedstock supply, conducted jointly by Manufacturing and affiliates. These include the recent completion of several hardware limitation projects: the SAFCO IV reliability improvement project, the Petrokemya propane recycling process at SHARQ and butadiene debottlenecking project, and the project for strategic feed maximization for ethane and liquid feed at Yanbu Olefins I and II.

ASSET LIFE INITIATIVES

SABIC is aiming to leverage the latest technologies and technical solutions to achieve best-quartile performance for Asset Life in the global chemicals industry. To this end, SABIC has implemented an Asset Life Cycle management initiative comprising several programs relating to Asset integrity and Reliability maturity assessment and Asset Life Cycle assessment.

The Asset Life Cycle management initiative provides a framework to help all SABIC affiliates and sites minimize operational risk and optimize asset integrity and reliability throughout the cycle, from acquisition through operation and maintenance to retirement.

Manufacturing has also launched the Asset Life Assessment program: a risk/costs based process delivering credible assets life plans, with an evergreen 5-10 years CAPEX outlook ensuring optimum mitigation of asset remaining life. Currently in deployment, first cycle for all affiliates/ cycles is scheduled for completion by 2021.

ENERGY & SUSTAINABILITY

SABIC has initiated a variety of measures and programs to undertake assessments, build capabilities and implement optimization tools, in support of its commitment to continuous improvement in sustainability.

Sustainability assessments at new and existing plants enable the identification of improvement ideas offering potential benefits. Such assessments were undertaken at six manufacturing sites and all Mega projects during 2018, identifying a number of “quick wins”, swiftly implemented, as well as many additional opportunities.

A program to build site energy optimizers to save natural capital at all major sites was launched, bringing fresh insights and enhanced operating strategies to improve energy systems and performance. These have been rolled out at three sites, with others scheduled for implementation.

A Certified Energy Expert training program – a comprehensive interactive course focusing on energy management, sustainability and efficiency priorities - saw 84 engineers from SABIC affiliates qualified by the end of 2018.

A global front liners training program was launched this year to help embed a culture of continuous improvement in sustainability into all our day to day operations.

BENCHMARKING

In support of its sustainability top-quartile ambitions, SABIC works with world-class benchmarking companies to undertake benchmarking programs for its key businesses and technologies, with the findings used by SABIC and its affiliates to identify strengths and opportunities, to meet critical sustainability goals, and to improve profitability.

SYNERGY

SABIC manufacturing continued its efforts to integrate and enhance synergies across sites. Completion of the Petrokemya benzene off gas to Araazi synergy means increased methanol production. A number of other synergies such as Sharq Mix C4 to Petrokemya, Ar-Razi oxygen vent recovery and Kemya Pygas to Saudi Kayan are set for commissioning during 2019, with further initiatives under investigation.

LEVERAGING KNOWLEDGE AND EXPERTISE

SABIC Manufacturing launched an initiative to optimize global utilization of expertise through the integration of technical support, networking and knowledge management in one seamless platform. RAS (Regional Asset Support) leverages the combined resource to deliver technical support via networks and to improve innovative capabilities, capitalize on accumulated knowledge, deliver competitive advantage, and ultimately enhance SABIC’s capabilities and credentials as a learning organization. This has already seen 280 technical issues resolved across four regions. The annual Global Technical Exchange meeting drew over 2000 participants from the manufacturing community to share learnings, expertise and insights.

OPERATIONS MANAGEMENT

March this year saw the launch of an integrated Operations Management System (OMS), reinforcing the SHEMS (Safety, Health, and Environmental Management) system which has served us well for a decade.

The new system is built around a robust set of guiding principles supported by an organizational structure designed to enable strong leadership and a universal culture and set of behaviors, with comprehensive competencies enabling a set of unified standards and core processes. This will ultimately build a strong culture with a unified vision and clear intent.

The OMS will establish a consistent, SABIC-wide system which has served us well for a decade.

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SABIC’s capabilities and credentials as a learning organization. This has already seen 280 technical issues resolved across four regions. The annual Global Technical Exchange meeting drew over 2000 participants from the manufacturing community to share learnings, expertise and insights.

SUSTAINABILITY ASSESSMENTS AT NEW AND EXISTING PLANTS ENABLE THE IDENTIFICATION OF IMPROVEMENT IDEAS OFFERING POTENTIAL BENEFITS
SAFETY, SECURITY, HEALTH, ENVIRONMENTAL MANAGEMENT STANDARDS (SHEMS)

SHEMS, our Safety, Security, Health and Environmental Management Standards, aim to establish a world-class EHSS risk and performance framework, help identify improvement targets, and feed into the management system OMS-SHEMS, to drive sustainable EHSS performance, deliver EHSS leadership training, and achieve SABIC 2025. SHEM consists of three workstreams: EHS assessment, SHEM optimization, and Leadership Academy.

LEADERSHIP ACADEMY

- Gap analysis on existing SHEM training led to the development of a new training matrix and modules to empower a new multi-level optimized training system to embed a new culture and defined sets of skills from shop floor to management.
- SHEM training modules were developed encompassing class, e-learning, web-based, train-the-trainer, reading materials and other media, alignment workshops undertaken to ensure consistent best practice; and a roadmap devised to provide a timeframe for organization-wide matrix and curriculum rollout.

EHS ASSESSMENT

- Following an EHS cultural survey to pinpoint focus areas, EHS assessments from nine sites were conducted jointly with DuPont and 25 members from SABIC corporate and affiliates, with reports and a new SABIC risk profiling tool and assessment protocol circulated to guide improvement initiatives.
- Qualification criteria for SHEM roles were defined, guidelines developed, a timeline/priority roadmap created and a new SHEM template adopted, providing an enhanced framework to guide improvement initiatives company-wide.

RESPONSIBLE CARE®

Responsible Care® is the chemical manufacturing industry’s environmental, health, safety and security performance initiative. SABIC this year updated its certification to the RC14001:2015 standard, with third party audit verification. No major non-conformances have been identified over the past five years for SABIC’s multi-site certificates.

HEALTH, SAFETY AND ENVIRONMENT

SABIC continues to focus on improving proactive emission monitoring, enabling timely and effective action to mitigate emission challenges before they materialize. We continue to work on minimizing our emissions to air, water, waste and soil/groundwater, with surveys at all our global manufacturing facilities and application of the best available technology. SABIC’s Sustainability Council has signed up to Operation Clean Sweep® worldwide: a global commitment to prevent plastic pellet loss from all operations. Such programs will be maintained through 2019, along with similar programs addressing personal safety, industrial hygiene and environmental performance.

KEY PERFORMANCE INDICATORS

Since 2005, our EHSS incident rate has improved by 87 percent and our total incidents by 65 percent. No fatalities occurred in 2018.

A new set of EHSS KPIs for reporting by affiliates was introduced, replacing the Leading & Lagging KPI set used since 2014. These new KPIs, developed with the help of SABIC EHSS experts from the functions, aim to:
- Maintain our shift in focus towards leading indicators and risk factors
- Highlight strategically important areas across all EHSS Disciplines
- Address risk discovery knowledge gaps exposed by the SHEMS+ WS1 project

Global EHSS will facilitate adoption and implementation of the new KPIs via an EHSS KPI Workshop in each of our global regions, with EHSS Global Assurance developing a new standard reporting template for use company-wide.
PROCESS RISK MANAGEMENT
Risk is inherent in an industry such as ours. Numerous programs are in operation to ensure maintenance of the highest levels of process risk management throughout the organization.

PROCESS SAFETY COMPETENCY DEVELOPMENT PROGRAM FOR ENGINEERS
Last year, SABIC EHSS formally launched a unique and comprehensive internal Process Safety Competency Development Program for Engineers at Jubail in partnership with Texas A&M University’s Mary Kay O’Connor Process Safety Center. The objective of the program is to develop, improve, and strengthen the process-safety competency of SABIC engineers through a structured, intensive training and qualification program.

The program’s competency training modules are structured on three levels, each building on the one before: developing, proficient, and advanced. The first level develops knowledge and conceptual understanding of process safety theory and principles; the second brings more in-depth knowledge of industrial hazards, and equips trainees to independently perform fundamental and routine process-safety related tasks at affiliates; finally, advanced level enables independent development of creative solutions to complex problems, bringing recognition as process-safety management experts.

As of this year, 69 SABIC process safety and process engineers have completed or are enrolled in the developing level of the program.

Several new training programs for engineers were developed and piloted in 2018, including Introduction to Functional Safety, Alarm Management Essentials, Explosion Protection & Hazardous Area Classification and Introduction to Machinery Safety. Further programs will be developed and piloted during the coming years, such as Layer of Protection Analysis and Explosion Risk Assessment & Protection at the Workplace. A number of further programs were instituted or maintained, including:

- PHA Leader Qualification Program - the corporate level Process Hazard Analysis (PHA) Leaders Qualification program, covering everything from basic HAZOP (hazard and operability study) to advanced risk analysis techniques such as event tree and fault tree, this year saw 110 process safety professionals at developing and 41 at proficient level courses, with the program to continue in 2019 and beyond, progressing to advanced level.
- EHSS Risk Assessment for Leadership - 12 sessions saw 228 leaders worldwide undergo an EHSS Risk Assessment training course designed to improve risk discovery and assessment, and mitigating actions to ensure safe operations.
- Non-PHA Risk Assessment for Practitioners and Engineers - 2018 saw five sessions conducted globally, training 102 attendees in applying the EHSS Risk Matrix and undertaking risk assessments for non-Process Hazard Analysis (PHA).

- Fire Prevention & Emergency Management Training – two sessions during 2018 saw 36 participants undertake National Fire Protection Association (NFPA) training sessions conducted in collaboration with Jubail Industrial College.

- Risk Discovery & Management - SABIC manufacturing sites addressed the challenges of rapid growth, aging assets and a new millennium workforce with initiatives designed to aid risk gap assessment. Pilots have led to the global adoption of Layer of Protection Analysis (LOPA) to help meet defined SABIC target risk levels.

- Facility Siting Study – facility siting has been a priority issue since the 2005 BP Texas City refinery explosion. SABIC has worked with a risk consulting firm using specialized modelling tools to conduct facility siting assessments focusing on blast, fire/radiation, and toxic risks. In 2018, 21 studies were initiated, and action plans are being developed to ensure that all employees are in safe buildings.

- Process Safety Metrics - SABIC has decided to adapt its process safety metrics to the four tiered leading and lagging indicators in line with API 754 recommended practice, enabling standardization on best standards and easy, efficient and accurate international comparisons.

EMERGENCY RESPONSE AND CRISIS MANAGEMENT
SABIC’s emergency and crisis management program is designed to ensure effective emergency response and crisis management at the local, regional and global level. This year saw the process revised and fully integrated with SABIC’s global business.

The revision included evaluation, identification and prioritization of global crisis management risks, with a number of crisis management exercises addressing issues identified to ensure preparedness, including one dedicated to cyber security. Assurance and continuous improvement were also incorporated, and implemented at all levels of the crisis management organization.

In support of the strategy, global unified crisis management leadership training was delivered across the regions. Finally, a SABIC Crisis Management App has been launched.

Pre-incentive plans (PIPs) are to be developed, based on minimum high consequence scenarios identified in the Process Hazards Analysis (PHA) study. This will help sites to mitigate risks while attending any emergency, enabling them to define required resources and test their emergency response readiness. Three piloting sites prepared PIPs this year, with plans in hand to bring full implementation across SABIC sites globally by 2022.

SABIC EHSS has conducted fire and safety systems assessments according to HCIS, SHM and NFPA requirements to help ensure that effective emergency response systems operate at all SABIC buildings in Saudi Arabia.

SECURITY RISK MANAGEMENT
As part of SABIC’s security strategy, global security policies and programs have been developed and updated covering physical security, personnel security, information security and cyber security management.

In 2018, the security risk management process was further embedded with the development and implementation of a standardized assessment methodology and tools to identify, assess and mitigate security risks to personnel, assets and operations. One example is proactive management of personnel and travel security risks for all employees worldwide, with a particular emphasis on new and emerging markets.

The global Security Center of Excellence worked closely with the IT and Process Automation departments in defining, aligning and introducing cyber security requirements for manufacturing systems, including several new initiatives focusing on dynamic threat environments.

To ensure consistent expertise across security departments worldwide, a security competency program for SABIC security professionals has been developed. A special competency program for guards at our facilities in Saudi Arabia has been developed and is currently being implemented.

SABIC’s EMERGENCY AND CRISIS MANAGEMENT PROGRAM IS DESIGNED TO ENSURE EFFECTIVE EMERGENCY RESPONSE AND CRISIS MANAGEMENT
PRODUCT STEWARDSHIP

Product safety continues to be central to corporate EHSS and sustainability programs. At SABIC we seek to continually evolve and improve our product stewardship culture and processes to reduce product health, safety and environmental risks within the company, for our customers, and for the communities in which we operate around the world.

2018 improvement initiatives included:

- A product stewardship competency program and training curriculum to promote understanding and enhance product risk management
- Implementation of a PST incidents metric across all functions to better understand risk areas, their root causes, and common cause solutions
- Establishment of a new product stewardship Center of Excellence (CoE) for manufacturing assets in the Middle East, with plans to expand to other regions
- Formalization by SABIC product stewardship of the global process for product and chemicals regulatory monitoring, improving assessment, record keeping and communication
- Updating of the product stewardship elements of the EHSS management system to improve readability, focus and efficiency
- Expansion of the Responsible Care Value Chain program to several high priority products for EU and AP customers
- Completion of the final 45 EU REACH registrations, enabling continued import and sale of key products in the region
- Completion by the product stewardship team of an additional 10 risk characterizations of SABIC’s top 50 high priority chemicals (30 total thus far) in support of our sustainability commitments
- Implementation of a new process for assessing EHSS risk for new product and process development, with around 70 percent of projects screened and assigned this year, with further investigation to follow where warranted
- Work with local government agencies resulting from SABIC’s product stewardship leadership in GPCA (Gulf Petrochemicals and Chemicals Association), which contributed to have an agreement to GHS implementation and a revision to the RC Product Safety Code.

CAMPAIGNS

2018 saw the launch of a global EHSS campaign ‘I Am Accountable for EHSS’, which aims to raise the sense of accountability for EHSS, helping reduce injuries due to individuals’ behavior. The campaign started in May 2018 with workshops in Jubail and Yanbu, particularly highlighting themes including procedure compliance, risk discovery & mitigation, and safe work practice. The campaign is scheduled for rollout to other regions, and will be expanded to include a focus on specific regional EHSS accountability themes.

THE GLOBAL EHSS CAMPAIGN ‘I AM ACCOUNTABLE FOR EHSS’, AIMS TO RAISE THE SENSE OF ACCOUNTABILITY FOR EHSS

AT A GLANCE

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<td>EHSS risk assessment workshops were completed, involving around 300 people</td>
<td>technology projects were screened by EHSS experts</td>
<td>Security risk assessments and five security standards audits were completed</td>
<td>Global EHSS town halls were held</td>
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<td>Incident workshops led to 12 key learning opportunities</td>
<td>Corporate and third party EHSS audits were conducted</td>
<td>Courses were developed to the EHSS curriculum</td>
<td>Global and regional EHSS meetings took place</td>
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<td>Dozens of competency programs involving hundreds of participants were rolled out, covering environment, process safety, security, health and safety and industrial hygiene</td>
<td>REACH dossiers were submitted</td>
<td>Due diligence was completed for 17 corporate programs and transactions</td>
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SUSTAINABILITY

Sustainability is at the heart of our strategy. It guides our allocation of resources to address global trends, the processes and programs we build to support change management, the ways we reach out to connect with stakeholders and the communities within which we live and work, and our ongoing efforts to inspire and enable positive behavioral change among our people.

Our operations both depend on and impact multiple capitals – economic, natural, social and human. Our sustainability program takes a science-based approach that focuses on the most material business priorities and helps the company analyze global trends, identify, calculate and mitigate risks, spot and effectively capitalize on opportunities, and continually enhance our business resilience.

SUSTAINABILITY INITIATIVES
In 2018, we undertook a refreshed materiality assessment, with input from both internal and external stakeholders, to help us identify priorities and focus in on six core issues. Considered and proactive engagement with external priorities that have emerged over recent years, such as the UN’s Sustainable Development Goals and Saudi’s Vision 2030, helped ensure that our company priorities are aligned with those of our stakeholders.

One major initiative began with the signing of a Memorandum of Understanding with Plastic Energy – a UK-based provider of chemical plastics recycling for the supply of feedstock to our European operations. SABIC and Plastic Energy plan to build a plant in The Netherlands to turn low-quality, mixed plastic waste, otherwise destined for incineration or landfill, into a valuable feedstock. This project exemplifies our commitment to recycle more and more waste plastics back to the original polymer.

Working closely with SABIC’s Technology and Innovation and Business and Development functions, Global EHSS launched a centralized process to coordinate our EHSS and product stewardship reviews across research and development projects. Over 300 projects were screened, looking for opportunities to reduce hazards, enhance process efficiencies, recover materials, increase product utility, and reduce environmental emissions.

ENERGY AND EFFICIENCY
Sustainability projects are key to helping us address many of the challenges that lie ahead: ensuring capital availability to build for the future; developing our ability to recognize business risks early and respond effectively, to enhance our business resilience; being alert to upcoming global challenges and swift and decisive in developing new products and services to seize on them, and turn them into opportunities.

Our initiatives this year included identifying and implementing innovative technologies, to enhance our efficiency and maximize asset productivity. In line with our Renewable Energy Strategy, we increased our procurement of solar and hydro-electric power for our operations, made progress towards our 2025 energy and resource efficiency goals, and continued to explore and exploit alternative feedstocks.

Filtration and cooling systems process improvements emerging from our Portfolio Sustainability Assessment pilots led to enhanced throughput, with energy and fuel consumption optimized, and emissions reduced. Early results indicate throughput increases of around 10-15%, with commensurate improvements in energy and fuel consumption. Such results help keep up momentum in our progress toward achieving our 2025 targets.

INVESTING IN OUR PEOPLE
We this year continued to focus on improving our talent selection and retention, and developing key competencies. With the support of our global ambassador network, the SABIC leadership awareness initiative saw over 600 leaders from more than 50 sites engage with courses built around interactive sessions and experiential learning. A regional rollout approach has helped us make significant progress in enhancing our talent processes and assessment tools.

Our new Employee Value Proposition was launched this year, to help us communicate better internally, and ensure that all employees are made fully aware of the opportunities available to them. We know everyone has unique motivations and ambitions; we believe ensuring open, honest and upfront dialogue can help achieve the best possible fit between those motivations and ambitions and the needs of the company.

WORKING IN PARTNERSHIPS
Sustainability provides a catalyst for engagement, collaboration and communication that benefits our business, our employees and our external stakeholders. In 2018, we were pleased to join the ‘Ending Plastic Waste’ initiative that brings public and private sectors together to address the global dilemma of plastic waste. Our collective actions will drive a portfolio of projects to attack plastic waste, from prevention to clean-up, from innovation to improved education and communication. At this year’s ‘Energy in KSA’ event, we represented the Saudi private sector during the Voluntary National Review of Saudi Arabia’s sustainability efforts. We also joined other world leaders from both the public and private sectors at the United Nations Framework Convention on Climate Change, to highlight initiatives taken by the Kingdom of Saudi Arabia to promote sustainable business and practices, and discuss ways to continue and step up the fight against plastic pollution.

SUSTAINABILITY PROVIDES A CATALYST FOR ENGAGEMENT, COLLABORATION AND COMMUNICATION THAT BENEFITS OUR BUSINESS, OUR EMPLOYEES AND OUR EXTERNAL STAKEHOLDERS
WE WILL BUILD ON OUR SUSTAINABILITY REPORTING’S RECOGNITION BY THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT

LOOKING FORWARD
In 2019, SABIC will support our business results through continued progress toward our 2025 energy and resource efficiency goals, exploration of alternative feedstocks, and the establishment and development of strategic collaborations with others to help drive change and accelerate sustainable growth.

We will build on our sustainability reporting’s recognition by the World Business Council for Sustainable Development, and continue to find new and better ways to articulate and communicate our sustainability journey. As public awareness of and concern about the issues of plastic waste and climate change continue to increase, we will use our Climate Change Risk Assessments and scenario analyses to better understand the sustainability risks and opportunities we face, to innovate, to reduce, to mitigate. We look forward to rolling out these and many other initiatives, building on the impressive progress achieved over recent years and redoubling our efforts for the future.

ENVIRONMENTAL AND SUSTAINABILITY PROJECTS IN SAUDI ARABIA

- Saudi European Petrochemical Company (Ibn Zahr) Sustainability project, to improve and maintain the methyl ethyl butyl ether (MTBE) plants. The engineering, procurement, and construction contract completed in Q2-2018 and business production started on Q4-2018.

- Saudi Petrochemical Company (SADAF) project to convert the diaphragm cell lines, which contains the banned asbestos material, to membrane cells technology to eliminate environmental problems and problems related to industrial health. The preliminary engineering design study was completed in October 2018.

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- Yanbu National Petrochemicals Company (Yanpet) Efficiency Improvement project in Yanbu Industrial City to improve the energy utilization intensity for reduce Energy Intensity of YANPET EG2 plant. The project is under development and expected to be completed in Q2-2019.

- National Methanol Company (Ibn Sina) Sustainability project in Jubail Industrial City to reduce the energy intensity for Methanol plant based on Saudi Energy Efficiency Center (SEEC) requirement. The technology selected and preliminary engineering study is under development.
CORPORATE SOCIAL RESPONSIBILITY

SABIC believes that doing well and doing good go hand in hand. On our interconnected planet, where reputations can be made, broken, and broadcast around the world at the click of a mouse, no organization can afford to ignore its obligations to its people, its other stakeholders and the communities within which it works.

SABIC has a proud record of engagement with social issues, from education to health to the environment. We have the resources and the presence to make a real difference, and we acknowledge and embrace the responsibilities that go with that capability.

Our global CSR strategy, RAISE (Reputation, Audience, Innovation, Strategy, Endurance) provides the framework within which our organization and our people strive to bring enduring and sustainable change. Initiatives often begin with individuals or small groups, gain local or regional endorsement, then benefit from Corporate support as necessary.

With financial and logistical resource from the centre supporting voluntary proactivity on the ground, 2018 has for SABIC been another year of making the world a better place.

DONATION AND INVESTMENT

SABIC community giving this year totalled U.S.$36.5 million. From modest donations to one-off local projects to major ongoing commitments, such giving can bring life-changing benefits to people and good causes all around the world.

SERVING THE COMMUNITY

In serving the communities in which we live and work, where the right intervention at the right time can turn good intentions into effective action, and deliver real, ongoing and wherever possible, self-sustaining change. Such initiatives highlight the efforts and commitment of our employees. It is they who give us their time – and we have a well-established tradition of encouraging our people to give eight hours a year to SABIC-sponsored or approved voluntary activities – and it is their energy and enthusiasm that often provides the catalyst to encourage others to get involved, get stuck in, and help make a difference.

In India this year, SABIC got together with Bangalore (south) Rotary Club and SVADES (Society for Rural Development in Petrochemical Areas) to combat the physical deterioration denying educational opportunity to many of the poorest members of the community. Floors were reapaved, walls replastered, windows fixed and renovated, and new toilet facilities and a pump and water purification system installed, transforming a dilapidated school into a sound, clean and efficient environment in which children can gain the education to equip them for future employment and fulfilled lives.

In the U.S., numerous SABIC sites got involved with United Way – an organization devoted to turning voluntary effort into life-changing programs that promote health, welfare and character-building in local communities. Donations and a fundraising campaign saw SABIC’s MTV site at Mount Vernon raise U.S.$215,282, while employees collaborated with over 300 community leaders on local improvement projects.

WE LOOK FOR INITIATIVES WHERE THE RIGHT INTERVENTION AT THE RIGHT TIME CAN TURN GOOD INTENTIONS INTO EFFECTIVE ACTION

EDUCATION

Education has always been a prime focus for SABIC, both in its own right and for the benefits it offers individuals and society as a whole. We are particularly committed to science and technical education, in providing the practical skills that boost employment prospects and enable economic and social progress, but we are no less supportive of the so-called softer skills such as communications, networking and teamwork – increasingly important in today’s fluid and fast-changing society. This year’s initiatives included the following:

- Collaboration for employability – SABIC this year signed an agreement with INJAZ Saudi, part of US-based JA Worldwide, an organization dedicated to youth education, to collaborate on educational and innovation programs supporting over 90,000 students at 1000 institutions throughout Saudi Arabia. The programs cover areas such as personal life planning, environmental awareness and leadership, and aim to help prepare students for productive and fulfilling employment.

- Supporting tomorrow’s chemists – SABIC in Spain maintained a nine year commitment to educational events at the University of Cartagena in Spain, which aim to promote chemistry and nurture students’ interest in science. Basic experiments for younger visitors, workshops for secondary level students and talks focusing on girls and young women in particular were among events helping encourage the scientists of the future.

- Dar El Sondos – SABIC Africa organized a social day and provided in-kind assistance including medicines and other basic supplies for Dar El Sondos in Cairo, Egypt - an institution which provides accommodation, care and education tailored to the special needs of around 300 disabled children – children who would traditionally be marginalized within or even excluded from schools.

- Supporting the community – SABIC in Spain this year had a number of other educational initiatives, worked on collaborations with local schools, and also supported the entity’s global RAISE (Reputation, Audience, Innovation, Strategy, Endurance) goal of supporting voluntary efforts around the world.
ENVIRONMENTAL PROTECTION
SABIC Korea employees and their families this year gathered at Noeul Park in Seoul on 24 March to plant over 100 White Pink Salix trees, enhancing the local environment and helping address climate change. In another Korean project, SABIC Chungju volunteers organized the annual Han River clean-up. The clean-up, supported by employees every year since 2014, helps maintain a river which runs through Seoul and other major cities, and provides tap water for over 20 million Koreans. In the Americas, employees from seven sites, from Coburg in Canada to Houston, Texas to Tampico in Mexico joined others from their local communities to mark World Clean Up Day on 15 September, removing trash and cleaning up their environments.

HEALTH AND WELLNESS
The efforts of Health and Wellbeing volunteers at SABIC’s plant in Teesside, UK, were recognized at the Better Health at Work Awards in March with two awards. Health and Wellbeing Leader Teresa Hodgson accepted the awards on behalf of her colleagues, saying ‘The Health and Wellbeing Steering Group and our Health Advocates who are all volunteers are the backbone of SABIC’s achievements. Our ongoing improvements to Health and Well-being are due to the time, efforts and passion for this topic that are displayed on an ongoing basis.’

WATER AND SUSTAINABLE AGRICULTURE
In January 2018, SABIC Lebanon, in partnership with Rotary Lebanon, took part in a major initiative to install drinking water and filtration systems to help meet the needs of Lebanese schoolchildren. The project saw the installation of filters, tubes, tanks and pressure faucets, giving 20 schools access to clean and safe water supplies, in an initiative marked by an inauguration event at two of the supported schools.

CORPORATE SOCIAL RESPONSIBILITY PROJECTS:
- Project for construction of a specialized hospital for mental health and addiction treatment in Riyadh area as part of SABIC’s social responsibility projects to serve the community at a total cost of SAR 300,000,000 (three hundred million Saudi riyals) to be a typical centre for mental health and addiction treatment. The engineering design study is completed and currently the project is in bidding stage. The initial capacity of the hospital is 150 beds and 25 clinics on a total area of 62.5 thousand square meters.
- Ghazi Al-Gosaibi Mosque project design was completed with vision through which the spiritual aspects were considered with the modern touches that match the appearance of the place. The mosque was designed in the form of a white shell on the Bay of Mirduma in Jubail Industrial City. The project was awarded for construction and expected to be completed by 2021.
BUSINESS OUTLOOK AND RISK FACTORS
FUTURE PLANS AND INVESTMENT

In 2018, SABIC continued to accelerate its efforts to achieve its Strategy 2025, focusing particularly on growth, the business portfolio, and innovation.

DRIVING GROWTH

Both organic and inorganic, SABIC is working to build an asset footprint in the U.S. to capitalize on shale gas opportunities, to build its presence in Asia and Europe, and to leverage its strength in Saudi Arabia for growth and Vision 2030. It plans to leverage and reinforce its local infrastructure and capabilities in support of its growth ambitions in China, currently including a global research centre, three engineering plastics factories, eleven sales offices and over 1,500 employees. In 2018, Top Employer Institute of China awarded SABIC Top Employer of the year.

Elsewhere in Asia, SABIC continued to expand the presence of its Specialties business. In Singapore, for example, where the government has provided approvals and tax incentives for a planned olefin plant - a critical enabler of SABIC Specialties strategy in Asia.

SABIC Europe’s strategy also includes the considered identification and exploitation of specific growth opportunities. In Europe, SABIC has a well-established footprint, with 12 manufacturing locations in seven countries supported by sales offices in 11 countries and four innovation centres.

IMPROVING BUSINESS PORTFOLIO:

SABIC continued diversification into Specialties and the reorganization of Saudi Arabian affiliates for operational effectiveness and efficiency and to better support our growth ambitions.

In a challenging competitive environment, SABIC Europe engages in ongoing business improvement efforts, working closely with major OEMs and specifiers to better exploit technology and drive innovation, in compliance with stringent regulation and sustainability targets. The company is taking a leading role in addressing the challenges of climate change and adopting certified renewable polymers, and has numerous projects in hand to develop its capabilities in relation to recyclable plastics and the circular economy.

In 2018, SABIC acquired a 24.99 percent stake in Clariant. A Memorandum of Understanding (MOU) was signed relating to the potential combination of the two companies’ Specialties businesses. If it goes ahead, the transaction will result in a new ‘High Performance Materials’ business within Clariant; an outstanding global platform for further growth in specialty chemicals, promising excellent returns for SABIC stakeholders.

In Saudi Arabia, SABIC has established a new company - SABIC Agri-nutrient Investments - to consolidate its currently fragmented agri-nutrient assets, enhancing the business’s effectiveness and efficiency, and equipping it to better exploit future growth opportunities.

LEVERAGING INNOVATION

The key enabler of growth, differentiation and Strategy 2025. R&D this year focused on progressing long-term projects to address market and product opportunities, and exploiting process technology and technology licensing advantages by leveraging our internal resources and capabilities and through joint efforts with external partners and technology venturing.

Also in early 2018, in pursuit of its strategy to reduce the company’s exposure to the price and supply risks inherent in reliance on sole EG catalyst suppliers, SABIC acquired BASF’s METRE catalyst technology for the dehydrogenation of isobutene.

INVESTMENT

SABIC continued to develop and expand businesses under its ambitious vision. This includes many expansion and development projects, as well as signing a number of strategic agreements. The following is a summary of the key projects and agreements:

- National Industrial Gases Company (Gas) project in Yanbu to build a new nitrogen generation unit (NGU) with additional capacity of 50,000 km³/h. The NGU is aligned with the company’s strategy to prevent any sudden disruption of nitrogen gas supplies to customers, as it is the sole supplier of nitrogen in the industrial city of Yanbu. The engineering, procurement and construction contract was awarded to eTech Construction and Engineering Co. Ltd in June 2016. The project was mechanically completed in March 2018 and business operation started in Q4 2018.

- National Industrial Gases Company (Gas) project in Yanbu Industrial City to increase the production capacity of the ethylene glycol plant with a capacity of not less than 80,000 tons per year. The contract was awarded to eTEC E&C Limited for the engineering, procurement and construction of the project. Project was mechanically completed in Q4 2018 and the plant started commercial operations in Q1 2019.

- Saudi Arabian Fertilizer Company (SAFCO) project in Jubail Industrial City to improve the performance and reliability of the ammonia unit at SAFCO III plant and optimize the production of natural gas allocated. This will increase production by 20%. Completion of the project and commercial operations are expected to be in 1st half 2019.

- Al Jubail Petrochemical Company (Kemya) project in Jubail Industrial City to produce monoethylene glycol (Phase II) with an annual production capacity of 700,000 tons, diethylene glycol with an annual capacity of 97,000 tons and plex triethylene glycol with an annual capacity of 5.7 thousand tons. Engineering, procurement and construction contract was awarded in December 2018. The project is expected to be completed by the end of Q4 2020.

- Yanbu National Petrochemical Company (Yansab) project in Yanbu Industrial City to produce monoethylene glycol (Phase III) with an annual production capacity of 101,000 tons, diethylene glycol with an annual capacity of 97,000 tons and plex triethylene glycol with an annual capacity of 5.7 thousand tons. Engineering, procurement and construction contract was awarded in December 2018. The project is expected to be completed by the end of Q4 2020.
SABIC and Evonik Industries, specialty chemicals company based in Germany, signed three agreements related to hydrogen and sodium cyanide technologies in September 2018. These agreements mark a major milestone for SABIC to secure one of the critical hydrogen cyanide and sodium cyanide technologies required to set up world-class manufacturing sites for both products in Saudi Arabia.

SABIC and MARAFIQ signed an MOU to study an opportunity to build power and steam cogeneration plants in Jubail Industrial City to optimize natural gas consumption and improving power generation efficiency.

SABIC extends its joint venture with the Japan Saudi Arabia Methanol Company Inc. Extension of the partnership with the Japan Saudi Arabia Methanol Company Inc. in Saudi Methanol Company (Arrazi) for 20 years with 25% ownership. Building a new mega Methanol plant or revamping the current plants is under evaluation.

Crude Oil to Chemicals Project, A memorandum of understanding was signed between SABIC and Saudi Aramco in November 2017, relating to a proposed oil to chemicals (“COTC”) project. This project is designed to overcome gas feedstock limitations in Saudi Arabia, enabling the production of refined products and chemicals directly from crude oil through the optimised integration of refinery and petrochemicals production in a single facility. The two partners signed a project management and front-end engineering design contract for the proposed facility by Wood Group and KBR, respectively, both global providers of project management and professional and engineering services in the petrochemicals industry. The COTC complex is expected to process 400,000 barrels per day of crude oil, which would produce approximately 9 million tonnes of chemicals and 10 million tonnes of base oils annually.

SABIC Agri-nutrient Investments, SABIC has established a new company - SABIC Agri-nutrient Investments - to consolidate its currently fragmented agri-nutrient assets, enhancing the business’s effectiveness and efficiency, and equipping it to better exploit future growth opportunities. This encompasses SABIC’s 50 percent shares of Jubail Fertilizer Company (Al-Baytani) and National Chemical Fertilizer Company (Ibn Al-Baytar), 33.33 percent of Gulf Petrochemical Industrial Company (GPIC), 30 percent of Egyptian Fertilizers Company (EPC), and 15 percent of Ma’aden Wa’ad Al-Shamal Phosphates Company (MVISPC). SABIC has also signed a non-binding Memorandum of Understanding (MoU) with its Saudi Arabian Fertilizer Company (SAFFCO) subsidiary to facilitate the integration of the newly formed company, subject to regulatory and shareholder approval.

We continue to implement a series of new projects at our global sites. This includes signing of a number of strategic agreements to enhance our competitiveness in line with our 2025 strategy, especially in the diversification of feedstock sources from traditional sources. Among these projects and agreements are:

- U.S. Petrochemicals joint venture. Joint venture agreement with an affiliate of ExxonMobil relating to a potential petrochemicals manufacturing site on the U.S. Gulf Coast. This project would assist our goal of diversifying our feedstock sources and establish a petrochemical manufacturing presence in North America for a wide range of products to expand our market presence in the region across different products. This project would also assist in the geographical diversification of our presence in global markets. The project envisages the joint venture between us and the ExxonMobil affiliate to construct a petrochemicals manufacturing facility along the U.S. Gulf Coast, to produce ethylene and its derivatives such as ethylene glycol and polyethylene, with estimated capacity of more than 1,000 mmt and 700 mmt, respectively.

- A joint venture agreement with South Louisiana Methanol Company in the U.S. near the Gulf Coast in Louisiana. This agreement confirms SABIC’s efforts to benefit from diverse sources of feedstock. The project will help SABIC grow around the world, supporting its strategy to expand and develop successful investments. The agreement includes a project study with South Louisiana Methanol to build a methanol plant in Louisiana alongside the Mississippi River, with estimated annual capacity more than 1.8 MM tons/year. The project study reflects SABIC’s approach to evaluating investment opportunities that contribute to achieving its objectives and strategic plans. The two parties continue to work on completing the required procedures and studies before reaching a decision on the establishment of the project in the state of Louisiana - an important part of the procedure for any investment decision. It is customary in SABIC to follow the relevant rules and regulations if a decision is taken to proceed with the establishment of the project.

• Arabian Petrochemical Company (Petrochemyax) project in Jubail Industrial City to increase the production capacity of the first Olefins plant for ethylene to 180% of the original capacity, which was established in 1981. The project completed preliminary engineering designs study in September 2018 and expected for Engineering, Procurement and Construction award in 2019.

• Eastern Petrochemical Company (Sharq) project in Jubail Industrial City to increase propene utilization by 25%, which will increase ethylene and propylene production. The project is under preliminary engineering design study.

• SABIC SK Nexlene Company (SSNC) project in Jubail Industrial City, one of SABIC’s strategic projects aimed to increase polyethylene production. It’s an extension of the partnership between SABIC and SK Company. It is the second of its kind after SSNC plant in South Korea, with an annual production capacity of 300,000 tons of polyethylene. Nexlene is necessary for the food and non-food packaging industries, electrical cable manufacturing and chemical products reinforcement of polymers. The project completed Preliminary engineering designs study by October 2018 and is under company evaluation.

• The SABIC Research Center project at Jubail Industrial City to build five new pilot plants with the same technology and capacity as existing in STC Riyadh and install a new pilot plant to enhance the research and technology development capabilities of SABIC. The engineering, procurement and construction contract was awarded to WISON Corporation on Q4-2018 and expected to be completed by 2021.

• Saudi Petrochemical Company (SADAF) project to improve and upfith Methyl Tertiary-Butyl Ether (MTBE) plant 30% of the original capacity. The preliminary engineering design study started and expected to be completed in Q2-2019.

- SABIC has signed a technology license agreement in Istanbul on February 2018. This allows SABIC to manufacture high quality carbon fibers in Saudi Arabia to expand its solutions portfolio and customer base in specialized industries. Manufacturing the material in Saudi Arabia, will help attract foreign investments and support downstream industries in line with Saudi Vision 2030 and SABIC’s 2025 strategy.
UK Project, Teesside, SABIC has built a gas cracking plant at its existing production facilities in Teesside, UK. The new plant will provide the valuable feedstock of ethane to the existing plant, thereby improving the overall plant’s economic viability. The project consists of two phases: first, development of the new cracking plant, including logistics and creation of a new ethane reservoir and a second phase which adds additional ethane production capacity. The plan targeted completion of the first ethane cracking process by the end of 2016. This phase was successfully accomplished. The project was designed to produce nearly 250,000 tonnes per year, but with improved design and operation, the production capacity was increased to more than 300,000 tonnes. A new reservoir dedicated to receiving ethane from gas tankers and all logistic facilities for unloading were also constructed. The second phase focuses on the development of the plant to reach an annual production capacity of 600,000 tonnes. This phase is still under design and subject to cost calculation. Based on the results, SABIC will make a decision whether to proceed with the implementation of the second phase.

Memorandum of Understanding with Clarient. During 2018, SABIC acquired a 24.99 percent stake in Swiss-based specialty chemical company Clarient. A Memorandum of Understanding (MOU) was signed relating to the potential details of the new set up, which is planned to help businesses. Discussions are proceeding on the implementation of the second phase. The first phase is expected to go online in the first half of 2021. ULTEM™ resins are currently produced in two locations, Mt. Vernon, Indiana, and Cartagena, Spain. The planned operations in Singapore will localize supply for customers in Asia, reducing lead times, especially for shorter qualification cycle applications. When fully operational, the Singapore facility is expected to increase capacity by 50% over a 2018 baseline.

Mixed Plastic Waste Recycling Project, SABIC is planning to build a demonstration plant in Geleen facility to transform waste plastic into feedstock for its crackers as part of SABIC’s strategy to further advance its circular economy model for the business of “Certified Circular Polymer”. The plant will target the chemical recycling of low quality, contaminated mixed plastic waste streams into a feedstock suitable for the company’s crackers in Europe. The feedstock, known as pyrolysis oil, is created by converting the plastic waste that would otherwise be incinerated for energy recovery or ends up in landfills. The feedstock will then be refined and upgraded at the new demonstration plant.

Polyphenylene Ether (PPE), PPE is the base resin for SABIC’s line of NORYL™ resins and oligomers. Our plant in Bergen op Zoom facility is going to be an important feedstock suitable for the company’s crackers in Europe. The feedstock, known as pyrolysis oil, is created by converting the plastic waste that would otherwise be incinerated for energy recovery or ends up in landfills. The feedstock will then be refined and upgraded at the new demonstration plant.

Polycarbonate (PC) Project, Polycarbonate is an important plastic product essential for the production of automotive components in addition to electrical and electronic devices, a variety of consumer products, and many other industrial components. SABIC is thus boosting its footprint in China and registering a strong presence and double growth in the expanse market of China, registering a strong presence and growing exponentially in Asian markets to serve many customers in various industries. The plant will have an annual production capacity of 260 thousand metric tons, and is expected to be operational by 2020.

ULTEM™ Resins Project, in response to customer needs, SABIC has announced a project in Asia designed to increase global capacity for its high-performance engineering thermoplastic materials, ULTEM™ resins. To increase capacity for ULTEM™ resins, a polyetherimide material, SABIC plans to expand its existing footprint in Singapore. The planned new production facility in Singapore is expected to go online in the first half of 2021. ULTEM™ resins are currently produced in two locations, Mt. Vernon, Indiana, and Cartagena, Spain. The planned operations in Singapore will localize supply for customers in Asia, reducing lead times, especially for shorter qualification cycle applications. When fully operational, the Singapore facility is expected to increase capacity by 50% over a 2018 baseline.

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Our Risk Management Policy is to proactively identify and understand risks facing the company, evaluate the size of their impact on our performance, and take preventive measures to control them. At the same time, we are leveraging opportunities in pursuit of achieving our strategic goals. The policy covers all our operations worldwide.

The responsibility of implementing risk management policy rests with the Chief Executive Officer (CEO), while the responsibility for monitoring the implementation of this policy is with the Board of Directors, supported by Risk and Sustainability Committee. We established an integrated governance system to effectively identify, understand and manage the risks facing the company. It starts with our employees and our business, and ends with our employees and our business. The Risk and Sustainability Committee monitors these risks and, if necessary, recommends to the Board of Directors on the efficiency of measures taken to limit the impact of these risks. In addition, it recommends that the same measures be continued or take additional measures to control these risks.

Principally, we are exposed to strategic risk, which are the risks that affect our ability to achieve our strategic objectives, operational risk, which are the risks that result from the nature of our operations, and financial risk, which are the risks that affect our profitability. In addition, we are exposed to several risk factors. Below is detailed description of the main risk factors.

SABIC COMPANIES MUST COMPLY WITH ALL EHSS RELATED LAWS AND REGULATIONS WHICH ARE APPLICABLE TO THEIR OPERATIONS

MAIN RISKS RELATING TO OUR BUSINESS

WE NEED TO MAINTAIN HIGH CAPACITY UTILISATION RATES IN MANUFACTURING FACILITIES IN ORDER TO MAINTAIN PROFIT MARGINS

Earnings in the petrochemicals business are closely tied to global demand, industry inventory levels and plant capacity utilization. As higher production rates enable it to allocate fixed costs across larger production volumes and consequently impact profit margins, maximizing production rates is key to the profitability of SABIC’s petrochemicals operations. SABIC’s ability to maintain profitability depends, to a significant degree, on its ability to maintain high capacity utilization rates in its petrochemical manufacturing facilities, which is the level of output each facility achieves in relation to its capacity. Excess industry capacity, especially at times when demand is weak, may cause SABIC companies and other industry participants to lower production rates, which would reduce SABIC’s margins, income and cash flow.

SABIC’s manufacturing facilities are subject to a number of operational risks, including reduced utilization rates due to planned activities such as maintenance or shutdowns; unplanned outages which may, for example, be due to equipment or human failure; availability of skilled resources; lower than expected recovery rates; the performance of SABIC’s contractors; strikes and civil unrest; corrosive problems impacting the plant and pipelines; health and safety incidents caused by third-party contractors; and exposure to natural hazards, such as extreme weather events. Any such incident could be expected to adversely affect SABIC’s business, results of operations or financial condition.

The failure by the portfolio SABIC companies to maintain high capacity utilization rates could have a material and adverse effect on SABIC’s business, results of operations or financial condition. We are exposed to various risks relating to our operations or financial condition.

WE ARE EXPOSED TO RISKS RELATING TO EHSS LIABILITIES

SABIC Companies must comply with all EHSS related laws and regulations which are applicable to their operations. These laws and regulations set various standards regulating certain aspects of EHSS quality, provide for civil and criminal penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be applicable in environmentally-sensitive areas of operation.

SABIC cannot predict what EHSS legislation or regulations will be enacted in the future or how existing or future EHSS laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by SABIC for the installation and operation of systems and equipment for remedial measures. Any or all of the foregoing could have a material and adverse effect on SABIC’s business, results of operations or financial condition.

Accidents involving SABIC’s products could cause severe damage or injury to property, the environment and human health, which could adversely affect SABIC’s business, results of operations and financial condition as a business working with chemicals and hazardous substances, SABIC’s business is inherently subject to the risk of spills, discharges or other releases of hazardous substances into the environment. SABIC uses as feedstock and manufactures, stores and transports chemical products that are volatile, explosive and/or the release of which may have an adverse impact on the environment. Environmental risks associated with SABIC’s operations include:

- Formation of gaseous, liquid or solid substances
- Discharge of hazardous chemicals on land or in waterways.

Accidents involving these or other substances could result in fires, explosions, severe pollution or other catastrophic circumstances, which could cause severe damage or injury to persons, property or the environment as well as disruptions to SABIC’s business. Such events could result in equipment failures or shutdowns, civil lawsuits, criminal investigations and regulatory enforcement proceedings, all of which could lead to significant liabilities for SABIC. Any damage to persons, equipment or property or other disruption to SABIC’s ability to produce or distribute its products could result in a significant decrease in SABIC’s revenues and profits and significant additional cost to replace or repair the SABIC’s assets, and depending on the nature of the incident SABIC may not be fully insured, or not insured at all, if the operation of their business, results of operations and financial condition.
OUR INSURANCE POLICIES MAY NOT BE SUFFICIENT TO COVER ALL RISKS THAT WE FACE

The operations of SABIC companies are subject to hazards and risks inherent in, among other things, new and retrofitted chemical operations. Such hazards and risks include fires, explosions, pipeline ruptures and spills, storage tank leaks, chemical spills, discharges or releases of hazardous substances or gases and other environmental risks, mechanical failure of equipment at SABIC’s facilities, war, terrorism, sabotage and natural disasters. In addition, many of these operating and other risks may cause personal injury and loss of life, severe damage to or destruction of SABIC’s properties and the properties of others and environmental pollution which may result in the suspension of operations and the imposition of civil or criminal penalties.

SABIC maintains insurance coverage in amounts consistent with relevant industry practice, including to cover the risk of property damage, business interruption resulting from, among other things, fire or machinery breakdown, and third-party liability. However, there can be no assurance that such insurance coverage will be adequate to cover all losses that a SABIC company may incur in future periods, or that the liability imposed on such company will not exceed its total assets. SABIC could also be subject to the extent that a claim is made against SABIC which is not covered in whole or in part by insurance and for which third-party indemnification is not available. In addition, there can be no assurance that SABIC’s insurance coverage will continue to be available in the market or available at an acceptable cost. If SABIC’s companies suffer large uninsured losses or if any insured loss suffered by any such company significantly exceeds its insurance coverage, the business, results of operations or financial condition of such companies may be materially and adversely affected. This would in turn affect the ability of the portfolio companies within SABIC to pay dividends and make other distributions to SABIC and could have a material and adverse effect on SABIC’s business, results of operations or financial condition.

WE ARE EXPOSED TO RISKS IN CONNECTION WITH PROJECTS UNDER DEVELOPMENT

SABIC has a number of significant capital projects (such as investment in new production plants, expansion of existing plants and the upgrading of existing plants) under development or in the planning stages. Other additional capital projects may be undertaken during the term of the Report. Each of these projects entails a number of risks during construction such as the risk of investment cost over-run, the risk of delayed or incomplete start-up, the risk of any default by any appointed contractor or sub-contractor or their ability to comply with their contractual obligations, shortages or increases in the costs of equipment, breakdown or failure of equipment, processes or technology, difficulties in connecting any related upstream or downstream facility, timely availability of the required feedstock at the time of commencement of commercial operations, start-up or commissioning problems, problems with effective integration of operations, increased operating costs, exposure to unanticipated liabilities, changes in taxes or duties, difficulties in achieving projected efficiencies, synergies and cost savings, and changes in market conditions. Many of these risks materialise, the overall profitability of the relevant project would be materially adversely affected. If any new project fails to achieve the expected levels of performance or profitability, this could have a material and adverse effect on SABIC’s business, results of operations or financial condition.

OIL AND GAS PRICE FLUCTUATIONS AND A SUBSTANTIAL OR EXTENDED DECLINE IN CRACKING MARGINS WOULD NEGATIVELY IMPACT OUR FINANCIAL RESULTS

SABIC’s financial results are significantly impacted by the margin between the prices at which SABIC sells products and the prices at which SABIC purchases feedstock for use, particularly in petrochemicals business. However, the price of SABIC’s feedstock and the price of the product sold to customers depend on the type of product, the location of the production and the location of the customer.

SABIC’s results of operations can be significantly impacted by fluctuations in the prices of a number of commodities, primarily oil, its derivatives and gas. SABIC’s two main feedstocks in Saudi Arabia (methylene and ethane) are based on prices set by the Ministry of Energy, Industry and Mineral Resources in Saudi Arabia. The rest of SABIC’s feedstock are subject to various fluctuations in feedstock prices. SABIC’s petrochemical manufacturing operations outside Saudi Arabia generally use oil-derivatives (mainly naphtha) as feedstock and purchase such feedstock in the international markets at market prices. Many of SABIC’s sales relate to petrochemical products and sales prices for petrochemical products generally change in tandem with changes in oil prices, albeit sometimes with a time delay and with different dynamics in different regions.

Therefore, during times of increasing oil prices, as manufacturers are unable to shift all such increases to their customers, the cracker margin of SABIC’s operations outside Saudi Arabia decrease in both absolute and relative terms. As a result, the margins in the SABIC’s gas-based operations (mostly in Saudi Arabia) improve significantly in periods with higher oil prices (and higher petrochemical prices) and decline in periods of lower oil prices while the margins in SABIC’s operations (mostly outside Saudi Arabia and some of the operations in Saudi Arabia) increase profitability in periods of lower oil prices.

WE MAY EXPERIENCE DIFFICULTIES IN FULFILLING ITS FINANCIAL OBLIGATIONS OR FUNDING ITS PLANNED CAPITAL EXPENDITURE

Any disruption in the global credit markets, re-pricing of credit risk and any difficulties in the conditions of the financial market may impact SABIC’s ability to fund its businesses or projects at all or in a similar manner, and at a similar cost, to the funding raised in the past. If the repayment of any loans or other debt instruments in respect of financing taken by SABIC or its subsidiaries cannot be refinanced or extended at acceptable terms, or paid with the proceeds of other transactions, SABIC’s cash flows and financial results would be materially and adversely affected. If prevailing financing costs or other factors at the time of any such refinancing result in higher financing costs, such increased financing costs would adversely affect SABIC’s financial results.

In addition, SABIC is engaged in a number of significant projects which will require significant capital expenditure to complete. The ability of SABIC to obtain external financing and the cost of such financing depends on numerous factors, including the general economic and market conditions, international interest rates, credit availability from banks or other financiers, investor sentiment towards emerging markets, investor confidence in SABIC and the credit rating and financial condition of the relevant borrower. External funding may not be available to SABIC on acceptable terms or at all. If SABIC raises additional debt in the future, it may become subject to additional or more restrictive financial covenants and ratios or may be required to extend security over its assets for the benefit of lenders. Any such increased indebtedness may require a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest (to the extent payable) on SABIC’s indebtedness, thereby reducing the SABIC’s ability to use its cash flow to fund its operations and future business opportunities. Additionally, this may limit the SABIC’s ability to raise capital to fund any future capital expenditure or operations, expose SABIC to the risk of increased interest rates and/or increased costs to hedge interest rates and expose SABIC to refinancing risk, to the extent that SABIC is unable to repay its borrowings out of internally generated cash flow. If SABIC is not able to obtain adequate financing or other capital contributions to fund capital and investment expenditures in the future, this could require SABIC to alter, reduce the scope of, defer or cancel such projects which may, in turn, affect the profitability and competitiveness of SABIC’s operations.
WE ARE EXPOSED TO CUSTOMER CREDIT RISK
SABIC provides services and products to a variety of customers and is subject to the risk of non-payment for the services and products that it has supplied, primarily through trade receivables. These risks are heightened when conditions in the industries in which its customers operate, or general economic conditions, deteriorate. While SABIC has procedures in place to monitor credit risk on their receivables, there can be no assurance that such procedures will prevent the occurrence of credit losses that could have a material and adverse effect on SABIC’s business, results of operations or financial condition.

WE ARE EXPOSED TO INTEREST RATE RISK AND FOREIGN EXCHANGE RISK
SABIC is subject to interest rate risks in the ordinary course of business, primarily as a result of its long-term debt obligations with floating interest rates. Interest rate risks result from potential changes in prevailing market interest rates. These can cause a change in the present value of fixed-rate instruments and fluctuations in the interest payments for variable-rate instruments, which would positively or negatively affect earnings. Any future unhedged interest rate risk may result in an increase in SABIC’s interest expense and may have a material adverse effect on SABIC’s business, results of operation and financial condition.

Furthermore, SABIC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to fluctuations of other currencies against the Saudi Riyal. This exposure is primarily through account receivables, trade payables and certain non-SAR denominated bank accounts and borrowings. However, as long as the Saudi Riyal is pegged to the U.S. Dollar and SABIC’s business is primarily conducted in U.S. Dollars, SABIC does not have any significant exposure to U.S. dollars. As a result, the most significant foreign currency to which SABIC is exposed is the euro. SABIC is also exposed but to a lesser extent to the British pound, Japanese yen and Chinese yuan. SABIC’s policies require subsidiaries to conduct a regular review of currency exposures, while SABIC manages all derivative executions centrally. However, there can be no assurance that any hedges will adequately protect SABIC or that any future currency exchange rate fluctuations may not have an adverse effect on SABIC’s business, results of operations or financial condition.

WE ARE RELIANT ON THE PERFORMANCE OF, AND DIVIDEND DISTRIBUTIONS AND OTHER REVENUE FLOWS FROM, OUR SUBSIDIARIES, JOINT VENTURES AND AFFILIATES
SABIC conducts its operations principally through, and derives most of its revenues from, its subsidiaries, joint ventures and affiliates, and has limited revenue-generating operations of its own. Consequently, SABIC’s cash flows and ability to meet its cash requirements, including its obligations under the Report, depend upon the profitability and cash flows from its subsidiaries, joint ventures and affiliates, including their ability to make dividend distributions to SABIC, repay interest on intercompany loans extended to them by SABIC, and pay fees to SABIC for any inter-company services provided to them by SABIC (such as the sale of their products, providing sublicensing technology licenses, and providing catalyst supplies as well as providing certain administrative and other technical services).

In particular, SABIC conducts certain business operations through joint ventures which are not controlled by SABIC. SABIC may also enter into additional joint ventures in the future. Some of SABIC’s joint ventures with third parties are managed by such joint venture’s own board of directors who are mandated to make business financial and management decisions by taking into account the corporate interest of the relevant joint venture company. Such decisions may, therefore, not be solely in the interests of SABIC and may reflect the interests of the other joint venture partners, including in relation to dividend distributions. In addition, SABIC’s joint venture partners may breach their obligations to SABIC or the joint venture, have economic or business interests inconsistent with SABIC’s or the joint venture’s interests and/or take actions contrary to SABIC’s objectives or policies, any of which may result in disputes between SABIC and its joint venture partners.

Any decline in such subsidiaries, joint ventures or affiliates’ profitability could affect their ability to pay dividends, interest and/or make other payments to SABIC and, in turn, could have a material and adverse effect on SABIC’s results of operations and financial condition.

WE ARE SUBJECT TO GLOBAL ECONOMIC MARKET CONDITIONS
SABIC faces risks attendant to changes in the economic environment globally and in the main regions where it conducts its business. In particular, SABIC’s performance is particularly influenced by economic cycles affecting end-user industries, such as the construction and automotive industries, since the products manufactured by SABIC are used as intermediates in the manufacturing of the products utilized by such companies. In the last decade the global economy has continued to experience periods of slowdown, high volatility, reduced business activity, unemployment, decline in interest rates and erosion of consumer confidence, that have impacted downstream demand for chemical and plastic products in certain industry sectors and regions.

SABIC cannot predict adverse trends in the global economy and their effect on the market demand for SABIC’s products and its profitability. Any downturn in regional or worldwide economies, market crisis or prolonged periods of instability could have a material and adverse effect on SABIC’s business, results of operations or financial condition. In particular, a worsening economic climate can result in decreased industrial output and decreased consumer demand for products including automotive products, consumer goods, packaging, industrial goods, textiles and agricultural goods, all of which incorporate SABIC’s products globally or in some regions where SABIC conducts its business.

THE INDUSTRIES IN WHICH WE OPERATE ARE HIGHLY COMPETITIVE
The markets for most of SABIC’s products are highly competitive. SABIC is exposed to the competitive characteristics of several different geographic markets and industries. SABIC’s principal competitors vary from product to product and range from large global petrochemical companies to numerous smaller regional companies. Some of SABIC’s competitors are larger and more vertically integrated than SABIC (in terms of their upstream and/or downstream product and therefore may be able to manufacture products more economically than SABIC can.)
A key component of SABIC’s strategy is to introduce new products and applications that offer distinct value for customers. SABIC intends to continue to devote substantial resources to the development of new technologically advanced products and processes and to continue to devote a substantial amount of expenditure to the research and development functions of its business. However, there can be no assurance that the SABIC will be successful in developing new products or processes, or bringing them to market in a timely manner, that products or technologies developed by others will not render the SABIC’s product offerings obsolete or non-competitive, that the market will accept SABIC’s new products and innovations, or that competitors will not be able to produce similar products at a lower cost. As a result, the implementation of these strategies may be costly and ineffective.

SABIC’s financial condition and results of operations may be adversely affected if competitors develop or acquire intellectual property rights to technology, if SABIC’s innovation lags behind the rest of the industry or if SABIC fails to innovate and introduce successful new products. The cyclical nature of the petrochemicals industry may have a material and adverse impact on our business.

The petrochemicals industry is subject to the cycles of expansion and contraction in line with movements in the global economy, which create cycles of expansion and contraction in line with conditions in the petrochemical markets. Due to this cyclical activity, historically the international petrochemical markets have experienced alternating periods of limited supply and excess capacity, which have resulted in significant swings in the supply and demand of petrochemical products and volatility in the prices of feedstock as well as finished petrochemical products. Due to the cyclical activity, historically the international petrochemical markets have experienced alternating periods of limited supply (which has resulted in oversupply, lower prices and reduced margins). SABIC cannot predict with any measurable accuracy these economic trends and cycles or the duration and dates of such trends and cycles, which could significantly affect SABIC’s business, results of operations or financial condition.
WE ARE EXPOSED TO RISKS RESULTING FROM DISPUTES AND/OR LITIGATION

SABIC is subject to risks relating to legal and regulatory proceedings to which it or its subsidiaries, associates and joint ventures are currently a party or which could develop in the future. These may include, in particular, risks relating to product liability, competition and antitrust law, export control, data protection, patent law, procurement law, tax legislation and environmental protection in the countries where SABIC operates. SABIC’s involvement in litigation and regulatory proceedings may result in the imposition of fines or penalties or could adversely affect its reputation.

Furthermore, litigation and regulatory proceedings are unpredictable, and legal or regulatory proceedings in which SABIC is or becomes involved (or settlements thereof) could result in substantial penalties which may give rise to significant losses, costs and expenses. Such losses, costs and expenses may not be covered, or, if covered, by insurance benefits. Investigations of possible legal or regulatory violations may result in the imposition of civil or criminal penalties and/or other adverse financial consequences.

Any of the foregoing could have a material and adverse effect on SABIC’s business, results of operations or financial condition as well as on SABIC’s reputation.

WE ARE EXPOSED TO RISKS ASSOCIATED WITH THE USE OF INTELLECTUAL PROPERTY AND TECHNOLOGY LICENCES

SABIC depends upon a wide range of intellectual property to support its businesses and has obtained licences for certain technologies which are used in its manufacturing facilities. SABIC’s petrochemical operations in Saudi Arabia are primarily based on technology process licences from joint venture partners and other third parties. Any termination of a material technology licence or dispute related to its use could require the relevant SABIC entity to cease using the relevant technology and therefore possibly adversely affect such entity’s ability to produce the relevant products. SABIC’s inability to maintain any licence which is the subject of a sub-licence of technology to any subsidiary of SABIC could require the relevant subsidiary to cease using the technology and to license such rights from other third parties on less favourable commercial terms or obtain substitute technology of lower quality or performance standards at greater cost. Any of the foregoing could have a material and adverse effect on SABIC’s business and results of operations.

WE ARE EXPOSED TO RISKS ASSOCIATED WITH THE USE OF INFORMATION TECHNOLOGY

SABIC relies on a number of information technology (“IT”) systems in order to carry out its day-to-day operations. As a result of the increasing complexity of electronic information and communication technology, SABIC is exposed to various risks, ranging from the loss or theft of data, cyber-attacks, stoppages and interruptions to the business, to systems failure and technical obsolescence of IT systems.

Increased global information security threats and more sophisticated cyber-crimes pose a risk to the confidentiality, availability and integrity of data, operations and infrastructure of the IT systems, networks, facilities, products and services of SABIC. The non-availability, violation of confidentiality, or the manipulation of data in critical IT systems and applications can lead to the uncontrolled outflow of data and expertise and have a direct impact on the SABIC’s business operations.

While SABIC maintains back-up systems there are no assurances that these will work as efficiently or quickly as expected if at all. Should such threats overcome the information security measures implemented by SABIC, they could potentially lead to the compromise of confidential information, improper use of systems and networks, manipulation and destruction of data, production downtime and operational disruptions, which in turn could have a material and adverse effect on SABIC’s business, results of operations and financial condition.

WE ARE HIGHLY DEPENDENT ON OUR PERSONNEL AND MANAGEMENT TEAMS

SABIC’s future success depends in part on its continued ability to hire, integrate and retain highly skilled employees. Experienced and capable personnel in the industries in which SABIC operates remain in high demand and there is continuous competition for their talents. SABIC may not be able to successfully recruit, train or retain the necessary qualified personnel in the future. SABIC is dependent upon its executive officers and key personnel, and the success of its business is driven by the performance of such officers and key employees and the ability of SABIC to retain them. The unexpected loss of the services of SABIC’s executive officers or key personnel could have a material and adverse effect on SABIC’s business, results of operations or financial condition.

SABIC may need to offer competitive compensation and other benefits in order to attract and retain key personnel in the future. If SABIC cannot recruit new qualified personnel to support its growing business, this could have a material and adverse effect on SABIC’s business, results of operations or financial condition.

WE ARE EXPOSED TO RISKS ARISING FROM ITS PENSION OBLIGATIONS

SABIC has defined benefit pension plans in various countries (the largest of which are in the U.S. and the United Kingdom). In the U.S., certain SABIC companies also have post-retirement plans that provide certain medical benefits and life insurance for retirees and eligible dependents. The relevant SABIC Company has funding and other obligations with respect to such pension or benefit plans in accordance with the rules applicable to the respective pension or benefit plan. The accounting for these plans requires that management makes certain assumptions relating to the long-term rate of return on plan assets, discount rates used to measure future obligations and expenses, salary scale inflation rates, health care cost trend rates, mortality and other assumptions. The selection of assumptions is based on historical trends and known economic and market conditions at the time of valuation. However, these estimates are highly susceptible to change from period to period based on the performance of plan assets, actuarial valuations, market conditions and contracted benefit changes. Unfavourable changes of these estimates, as well as actual results substantially differing from the estimates, might result in a significant increase in SABIC’s obligations or future funding requirements. This in turn could have a material and adverse effect on SABIC’s results of operations and financial condition.
OUTLOOK FOR 2019

2019 BUSINESS ENVIRONMENT
The global economic growth is expected to continue slowing, from about 3.2% in 2018 to about 2.9% in 2019. Both advanced economies and emerging economies will experience a continuation of economic slowdown. At around 2.9%, global inflation will remain unchanged in 2019 as the US Fed hikes rates, albeit gradually, and the ECB maintains its recently changed policy of not making net asset purchases. The gradual withdrawal of monetary accommodation and the resulting tightening of financial conditions will keep financial-markets volatility elevated, which will hurt business sentiment and investment. International trade will likely remain a drag on growth in 2019, unless the U.S. and its major trading partners, especially China, make a deal to end the global trade tension. Despite the growth slowdown, the world is not expected to fall into a recession in 2019, given the presence of decent momentum in the global economy.

ADVANCED AND EMERGING ECONOMIES
Real GDP growth of advanced economies is projected to moderate from about 2.2% in 2018 to around 1.9% in 2019. Most major economies of the advanced world including the U.S., Eurozone and UK will likely experience a slowdown in economic growth, whereas growth is expected to stay low and stagnant in Japan. The gradual tightening of the monetary policy will reduce inflation in advanced economies from about 2.0% in 2018 to around 1.7% in 2019. The widespread slowdown in economic growth of advanced economies indicates that advanced economies are likely approaching supply constraints and the era of their above-trend economic growth is probably coming to an end.

While economic growth will stay robust in emerging markets, its pace will decline from around 4.8% in 2018 to about 4.4% in 2019, mainly due to weakening growth of advanced economies, the U.S. trade tension with China and somewhat soft oil and commodity prices. Inflation will also increase from about 3.9% in 2018 to about 4.4% in 2019. The pace of economic growth will continue moderating in China. Many major emerging economies of Asia-Pacific with close trade links with China will also experience lower economic growth in 2019. India’s real GDP growth will also fall marginally in 2019 on the back of softening rural demand. Economic growth in the Middle East will also decelerate, mainly due to relatively soft oil prices and lower oil production. Russia will also likely experience a fall in economic growth. Brazil, however, is expected to record a modest acceleration in growth.

WHILE ECONOMIC GROWTH WILL STAY ROBUST IN EMERGING MARKETS, ITS PACE WILL DECLINE

GDP GROWTH % (Y/Y)

-2 0 1 2 3 4 5 6 7

World
Saudi Arabia
U.S
China
E.U

2019

* Source: IHS and SABIC
The U.S. economy will be facing countervailing forces in 2019. On the one hand, tailwinds from fiscal stimulus, solid employment and income growth fuelling robust consumer spending, and somewhat lower oil prices will support growth. On the other hand, slowing global growth, a strong dollar, tightening of monetary policy by the U.S. Fed, weaker stock prices, the effects of the country’s trade tension with China, the partial government shutdown and approaching capacity constraints will exert downward pressure on growth, particularly on fixed investment growth. On balance, real GDP growth is expected to slow from around 2.9% in 2018 to a still above-trend rate of about 2.5% in 2019.

The Chinese government has been shifting its policy balance away from reducing leverage in the economy and toward growth support in the form of expansionary fiscal and monetary policies to limit the trade tension damage. This policy will likely continue in 2019. The government is also expected to allow moderate weakness of the Chinese renminbi in 2019 to accelerate exports growth. By contrast, the structural transformation, high levels of private-sector debt, financial market turbulences and the possible continuation of the trade tension with the U.S. will become a drag on growth, and will likely outweigh positive effects of the government’s stimulus efforts. As a result, real GDP growth will soften from about 6.6% in 2018 to around 6.3% in 2019.

Real GDP growth of the Eurozone expected to slow from about 1.9% in 2018 to around 1.4% in 2019 as a result of relatively less accommodative monetary policy of the ECB which ended net asset purchases in December 2018, less positive exports prospects, moderation of fixed investment growth, financial market volatility and political tensions particularly in France. All major countries of the Eurozone are expected to record a slowdown in economic growth in 2019. Real GDP growth will likely slow to: 1.4% in Germany, 1.2% in France, 0.4% in Italy and 1.8% in Spain.

INDUSTRY SEGMENTS TRENDS

The world’s industrial production growth will likely decline from around 3.1% in 2018 to about 2.6% in 2019, with both advanced economies and emerging markets experiencing a drop in industrial production growth in 2019.

The Petrochemical’s dependent industry sectors witnessed diverse trends. The automotive industry is expected to further experience decline in growth in 2019 (1.7%) compared to 2.5% in 2018 driven by slowdown in US, China and Europe. Unlike Automotive, the Construction sector is expected to stabilize at 3.4% in 2019. Driven by growth in Asia Pacific, Middle East and Africa. Textile is expected to grow by 3.8% in 2019 vs. 2.9% in 2018. Slowdown is expected to continue in both Healthcare and electronic.

GROWTH IN KEY INDUSTRY SEGMENTS % (YoY)

REFORMS TO DIVERSIFY AND TRANSFORM THE ECONOMY UNDER VISION 2030 WILL BOLSTER GROWTH AND BRING GREATER ECONOMIC STABILITY IN THE MEDIUM TO LONG RUN

The Saudi Arabian economic growth is expected to drop from about 2.3% in 2018 to around 1.5% in 2019, mainly due to the Vienna Alliance’s December 2018 decision to cut OPEC and non-OPEC production quotas in 2019 to stabilize oil prices, which will lower the country’s oil GDP. Nonoil activity will also remain modest in the face of relatively soft oil prices. On the positive side, fixed investment will pick up further as the government raises spending again under the 2019 budget and as implementation of capital projects improves. Reforms to diversify and transform the economy under Vision 2030 will also bolster growth and bring greater economic stability in the medium to long run.
PETROCHEMICAL INDUSTRY TRENDS

The global Petrochemical industry is expected to grow faster than 2018 averaging around 4.6% (4.4% previous Year). Despite growth in Petrochemical Industry, Ethylene chain is expected to be the most challenged chain as supply additions across the chain represent major headwind.

UPSTREAM TRENDS

Demand outlook is expected to be weaker than supply outlook driven by strong US production amid slower economy growth, resulting in oil to average around mid or late U.S. $60s per barrel. Naphtha price will decline in line with crude weakness amid expectation of soft demand as falling blending demand would outstrip growing cracking demand. Natural gas prices are expected to gradually slowdown as a result of continuous strong production amid stagnant demand. Tracking naphtha price, propane price will also show downward trend as the U.S. propane inventory level is expected to become sufficient to meet export demands, driven by strong production. Butane price is expected to soften following naphtha and propane prices, with the expectation that strong domestic and export demands will tighten inventory.

SABIC OUTLOOK FOR 2019

SABIC’s performance in 2019 is expected to be in line with the global petrochemical industry trends.

In 2019, SABIC will continue to focus on realizing further optimization through a targeted fixed cash cost reduction program, along with realizing benefits of manufacturing site integrations and workforce optimization that was completed in 2018. Repositioning of SABIC’s European business will also start in 2019 with an aim to improve margins in SABIC European business.
# CORPORATE GOVERNANCE

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SABIC GOVERNANCE FRAMEWORK – ENABLING SUSTAINABILITY

CORPORATE GOVERNANCE STRUCTURE

SABIC is committed to the highest standards of corporate governance and applies all applicable provisions of the Corporate Governance Regulations issued by the CMA (subject to certain permitted derogations) as well as international governance principles and best practices, where applicable. SABIC has developed a corporate governance framework which includes regulations and policies that promote transparency, accountability and competence.

SABIC’s management structure consists of a board of directors (the “Board”), four board committees and a team of executive officers (the “Executive Management”). The Board has the overall responsibility for establishing, overseeing and reviewing SABIC’s governance principles and policies in order to ensure that SABIC is in compliance with relevant regulations while, at the same time, enhancing the growth and sustainability of SABIC.

The Board has formed three committees to assist the Board with the performance of its functions, namely, the Nomination and Remuneration Committee, the Risk and Sustainability Committee and the Investment Committee. In addition to the Audit Committee which was formed by the general assembly. The performance of these committees is subject to periodic review according to several factors, including the need of the relevant committee to continue supporting the Board. The Executive Management is responsible for the day-to-day management of SABIC’s operations.

Lastly, Shareholders are among the most critical part of SABIC Governance Framework. The Board Charter requires that “the Board member must attend General Assembly Meetings”. By this mandate, the Board aims to meet with Shareholders and receive their suggestions and observations about the company and its performance.

On the other hand, the company’s Articles of Association ensure Shareholders participation in the deliberations and discussions at the General Assembly Meetings. In addition, in order to enhance communication with the Shareholders, the Board adopted Disclosure Policy and Procedures which included processes to ensure that the Shareholders have the right to inquire and request information and answer their queries in a manner that does not harm the interests of the company.
OWNERSHIP STRUCTURE

SABIC was established by the Government of Saudi Arabia as a 100% state-owned company. SABIC’s shares were listed on the Saudi Stock Exchange in 1984, at which time the Government divested 30% of its shareholding in SABIC. As at 31 December 2018, SABIC had issued and paid up share capital of SAR 30,000,000,000 consisting of 3,000,000,000 shares of SAR10 each. The following entities hold more than 5% of SABIC’s issued shares:

<table>
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<th>Name</th>
<th>No. of shares</th>
<th>Percentage of ownership</th>
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<tr>
<td>Public Investment Fund - wholly-owned by the Government</td>
<td>2,100,000,000</td>
<td>70%</td>
</tr>
<tr>
<td>General Organization for Social Insurance (GOSI) - wholly-owned by the Government</td>
<td>171,042,836</td>
<td>5.70%</td>
</tr>
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</table>

The remaining SABIC shares are owned by other investors, including certain institutions and private investors. Certain shares are also held by SABIC’s Board of Directors and Senior Executives. Other than the Government, SABIC is not aware of any shareholder that, directly or indirectly, owns or could exercise control over SABIC. In addition, SABIC had not been informed by persons (other than the Board, Senior Executives and their relatives) who owns SABIC shares, for their holdings, together with any change to such interests during the last fiscal year.

On 19 July 2018, Saudi state-owned Saudi Aramco confirmed that it was engaged in negotiations with the PIF regarding the potential acquisition by Saudi Aramco of a strategic interest in SABIC. In accordance with Saudi laws and regulations, SABIC is providing support to Saudi Aramco in connection with its ongoing due diligence review of SABIC, but is not directly involved in the negotiations between Saudi Aramco and PIF. Any such sale will not affect the Government’s ultimate beneficial ownership of SABIC. DESCRIPTION OF DIVIDEND POLICY

Dividend is subject to realized net income and free cash flow during the year and according to Article (41) of the Company Bylaw, which reads as follows:

1. Annually, the Corporation shall set aside ten percent (10%) of the net profits to form the statutory reserve. The Ordinary General Meeting may decide to stop this deduction whenever the said reserve amounts to thirty percent (30%) of the capital of the Corporation. If in any year, the reserve falls below thirty percent (30%) of the capital, the Corporation shall again set aside until the reserve amounts to thirty percent (30%) of the capital. The Ordinary General Meeting has the authority to decide other kinds of reserves.

2. After deducting the statutory reserve and any other reserve that may be decided by the Ordinary General Meeting, five percent (5%) of the paid-up capital shall be distributed from the annual net profits of the Corporation, to the shareholders as initial dividend.

3. With due regard to the provisions of the Companies Law, the required amount shall be allocated for the Board members’ remunerations approved by the Ordinary General Meeting in compliance with Article (15) of this Bylaws, provided that entitlement for such remuneration shall be proportional to the number of sessions attended by the member and the member’s jurisdictions and responsibilities. Thereafter, the balance shall then be distributed to the shareholders as an additional dividend or carried over to the next years.

DIVIDEND PER SHARE FOR THE LAST ELEVEN YEARS (SAR)

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>3.0</td>
</tr>
<tr>
<td>2009</td>
<td>3.5</td>
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<td>2010</td>
<td>4.0</td>
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<tr>
<td>2011</td>
<td>4.2</td>
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<tr>
<td>2012</td>
<td>4.4</td>
</tr>
<tr>
<td>2013</td>
<td>4.2</td>
</tr>
<tr>
<td>2014</td>
<td>4.4</td>
</tr>
<tr>
<td>2015</td>
<td>4.5</td>
</tr>
<tr>
<td>2016</td>
<td>5.0</td>
</tr>
<tr>
<td>2017</td>
<td>5.5</td>
</tr>
<tr>
<td>2018</td>
<td>5.5</td>
</tr>
</tbody>
</table>
ENGAGEMENT WITH CAPITAL MARKET

We recognize that effective engagement with Capital Market is vital in delivering our strategic objectives, achieving our growth ambitions and sustaining our global brand. We aim to have a world-class engagement with all participants of Capital Market. Our approach is to build sustainable relationships with all Capital Market participants to communicate the SABIC investment story, growth strategy and how SABIC will build value over time. We aim to implement our approach structurally and consistently while taking advantage of existing and potential opportunities and remaining committed to the welfare of our stakeholders and shareholders.

We increased our participation substantially, compared to last year. We engaged with more than 200 participants in the Capital Market, including institutional investors and sell side analysts, through numerous one-on-one meetings, deal and non-deal roadshows as well as conferences worldwide. In addition, we held a Banker Day at SABIC Academy, Riyadh, where global, multinational and local banks had the opportunity to learn more about our Strategy and our efforts in Sustainability.

For 2019, we are planning to increase or at least maintain our participation level with all Capital Market participants. In addition, we strive to improve our disclosure in various communication channels. Below is our Investor Relation Calendar for 2019.

<table>
<thead>
<tr>
<th>Q4’ 2018 Results</th>
<th>Q1’ 2019 Results</th>
<th>Q2’ 2019 Results</th>
<th>Q3’ 2019 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGM</td>
<td>Analyst Meeting</td>
<td>Analyst Meeting</td>
<td>Analyst Meeting</td>
</tr>
<tr>
<td>Middle East, US and Asia Conferences</td>
<td>Middle East, US and Asia Conferences</td>
<td>Middle East, US and Asia Conferences</td>
<td>Middle East, US and UK Conferences</td>
</tr>
<tr>
<td>Board of Director Report</td>
<td>AGM</td>
<td>AGM</td>
<td>AGM</td>
</tr>
<tr>
<td>JAN</td>
<td>MAR</td>
<td>APR</td>
<td>MAY</td>
</tr>
<tr>
<td>FEB</td>
<td>JUN</td>
<td>JUL</td>
<td>AUG</td>
</tr>
<tr>
<td>SEP</td>
<td>OCT</td>
<td>NOV</td>
<td>DEC</td>
</tr>
</tbody>
</table>

NUMBER OF THE COMPANY’S APPLICATIONS FOR THE REGISTER OF SHAREHOLDERS AND THE DATES AND RATIONAL OF SUCH APPLICATIONS

<table>
<thead>
<tr>
<th>No.</th>
<th>Application date</th>
<th>Application Rational</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>08/01/2018</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td>2</td>
<td>08/01/2018</td>
<td>Shareholder Analysis</td>
</tr>
<tr>
<td>3</td>
<td>10/04/2018</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td>4</td>
<td>17/04/2018</td>
<td>Dividend Entitlement</td>
</tr>
<tr>
<td>5</td>
<td>13/05/2018</td>
<td>Shareholder Analysis</td>
</tr>
<tr>
<td>6</td>
<td>20/08/2018</td>
<td>Shareholder Analysis</td>
</tr>
<tr>
<td>7</td>
<td>31/08/2018</td>
<td>Dividend Entitlement</td>
</tr>
<tr>
<td>8</td>
<td>10/09/2018</td>
<td>Shareholder Analysis</td>
</tr>
<tr>
<td>9</td>
<td>29/10/2018</td>
<td>Shareholder Analysis</td>
</tr>
<tr>
<td>10</td>
<td>31/10/2018</td>
<td>Shareholder Analysis</td>
</tr>
</tbody>
</table>
Our new structure is designed to boost the company’s performance and competitiveness, supporting our emergence as the world’s preferred supplier of chemicals and helping Saudi Arabia deliver its ambitious and pioneering Vision 2030.
The Board of Directors sets and reviews the overall policies and procedures of SABIC, including the main corporate objectives, strategic plans and overall key performance indicators of SABIC. The Board also approves SABIC’s annual business plans and budgets and ensures the availability of financial and human resources required to achieve these plans. In addition, the Board has overall responsibility for identifying the optimal capital structure for SABIC, major capital expenditures, as well as asset ownership and disposal decisions. The Board also oversees the implementation and monitoring of internal control systems.

SABIC is managed by a Board of nine members with the expertise required for managing the business. Five members nominated by the Public Investment Fund (“PIF”) shall represent the Government share and shall include both the Chairman and the Vice Chairman who shall also be the CEO. The Vice Chairman and CEO shall work on a full-time basis and shall act in lieu of the Chairman in case of his absence. The Board members shall be elected by an ordinary general meeting for a renewable term not exceeding three years. Moreover, the ordinary general meeting shall specify the remunerations and allowances of the members of the Board in compliance with the Companies Law and the rules and instructions issued by the competent authority; whether such remuneration consists of a specified salary, an attendance allowance for the meetings, or a percentage of profits. The remuneration may also consist of a combination of two or more of these benefits. The annual report of the Board shall include an illustration of the remunerations and allowances paid to the Board members.

During 2018, Mr. Adduabiz Habdan al Habdan resigned from the Board in April 2018 due to his retirement from General Organization for Social Insurance (GOSI). Mr. Nader Ibrahim Alwehibi was appointed in the vacant position by the General Assembly Meeting, as an Independent Board Member and a representative of Hassana Investment Company.

Mr. Al Habdan was the Assistant Governor for Insurance Affairs, General Organisation for Social Insurance. In addition, he has previously served as a board member of several joint stock companies. Including, Banque Saudi Fransi, Bank AlJazira, Allianz Saudi Fransi Cooperative Insurance, Makkah Medical Center and Saudi Telecom Company (STC). Currently, he is a board member of Saudi Arabian Fertilizer Company (SAFCO) and Saudi Fransi Capital as well as the chairman of SABIC Audit Committee. Mr. Al Habdan holds a Master’s Degree in Business Administration.

Board Evaluations
The Board of Directors has set forth procedures for evaluating the work of the Board and Committees periodically in both the Board Charter and all Committees Charters. In 2018, the Board established a comprehensive program to evaluate the work of the Board and contracted with one of the independent external agencies specialized in this area, called (COMPASS), for implementation. In addition, the company started implementing the program from the first quarter of 2018 through the use of applicable systems for program implementation.

THE BOARD COMPRIS THE FOLLOWING MEMBER

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Title</th>
<th>Expiry of Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dr. Abdulaziz Saleh Aljarbou</td>
<td>Chairman - Non-Executive Member</td>
<td>April 2019</td>
</tr>
<tr>
<td>2</td>
<td>Yousef Abdullah Al Benyan</td>
<td>Vice Chairman and CEO - Executive Member</td>
<td>April 2019</td>
</tr>
<tr>
<td>3</td>
<td>Dr. Fahad Abdullah Al Mubarak</td>
<td>Board Member - Non-Executive Member</td>
<td>April 2019</td>
</tr>
<tr>
<td>4</td>
<td>Roberto Gualdoni</td>
<td>Board Member - Non-Executive Member</td>
<td>April 2019</td>
</tr>
<tr>
<td>5</td>
<td>Calum Maclean</td>
<td>Board Member - Non-Executive Member</td>
<td>April 2019</td>
</tr>
<tr>
<td>6</td>
<td>Mohammed Talal Al Nahas</td>
<td>Board Member - Independent Member</td>
<td>April 2019</td>
</tr>
<tr>
<td>7</td>
<td>Dr. Khaled Hamza Nahas</td>
<td>Board Member - Independent Member</td>
<td>April 2019</td>
</tr>
<tr>
<td>8</td>
<td>Abdullah Mohammed Al Issa</td>
<td>Board Member - Independent Member</td>
<td>April 2019</td>
</tr>
<tr>
<td>9</td>
<td>Nader Ibrahim Alwehibi</td>
<td>Board Member - Independent Member</td>
<td>April 2019</td>
</tr>
</tbody>
</table>
Dr. Aljarbou holds a PhD in Chemical Engineering from the University of Colorado School of Mines, U.S.A., in 1976. He began his career as a Professor at King Fahd University of Petroleum and Minerals in 1976, soon after receiving his PhD. He served as Chairman of the Board of Directors of Kemya, 1989-2001, and a member of the Board of Directors of Saudi Arabian Mining Company (Ma’aden), 1997-2011; Malath Cooperative Insurance Company, 1997-2010; Chamber of Commerce and Industry, 1997-2000; and the Royal Commission for Jubail and Yanbu, 1991-2002.

He served as Chairman of the Board of Directors of Kemya, 1989-2001, and a member of the Board of Directors of Saudi Aramco, 1989-1995. Dr. Aljarbou was Managing Director and CEO of Amanaat Group, 1988-1996, and Chairman of the Board of Directors of Ibn Al-Baytar, 1985-1987. As Chairman, Dr. Aljarbou returned to Sabic after more than 40 years, having been with the company as General Manager, Projects Execution, from 1977 to 1987.

He began his career as a Professor at King Fahd University of Petroleum and Minerals in 1976, soon after receiving his PhD in Chemical Engineering from the University of Colorado School of Mines, U.S.A., in 1976.

Mr. Al-Benyan joined Sabic in 1987, just eleven years after the company’s formation. His first role was as a business development specialist before joining Corporate Communications. Mr. Al-Benyan relocated to Stamford, Connecticut as Operations Manager. In 1994, he became Commercial Manager for Sabic in the U.S. and Latin America, based in Houston, Texas. In 2002, he was promoted to General Manager of Sabic Asia, headquartered in Singapore. He made significant contributions to Sabic’s growth in Asia, especially in China.

Mr. Al-Benyan returned to Houston in the fall of 2005 as the General Manager of Sabic Americas. Then, in 2007, he took on the role of General Manager at Fiber Intermediates, before being named in February 2008 to head Corporate Human Resources. As Chairman of the “1 Sabic” global unification initiative, he reorganized the company’s business structure with a new, single, global organization and operating model, moving from a reactive, transactional entity to a proactive, strategic global organization.

In 2013, Mr. Al-Benyan was named to head Sabic’s Chemicals business, the company’s largest unit, to help Sabic achieve its goal of becoming the preferred global leader in chemicals by 2025. Prior to being named Vice Chairman and Chief Executive Officer, Mr. Al-Benyan also served as Executive Vice President, Corporate Finance and CFO.

Mr. Al-Benyan holds an Economics degree and a Master’s in Industrial Management, in addition to several specialized executive management course certifications. Specialized executive management course certification.

Mr. Al-Benyan holds an Economics degree and a Master’s in Industrial Management, in addition to several specialized executive management course certifications. Specialized executive management course certification.
CURRENT POSITION
- Dr. Al-Mubarak is a Board Member of SABIC. He is currently a Minister of State and member of the Council of Ministers, and the Secretary General of the G20 Saudi Secretariat.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- Dr. Al-Mubarak has previously served as the Governor of the Saudi Arabian Monetary Agency, the chairman of the board of the Saudi Stock Exchange (Tadawul) and a member of the Consultative Council. He was also a part of the Saudi negotiating team established to discuss participation in gas projects in Saudi Arabia with international oil companies.
- Dr. Al-Mubarak has also previously served as a member of the board of a number of companies, including Al Alamiya Insurance, Al Malaz Group, Arab-Palestinian Investment Company and Saudi Telecommunications Company. He was also the chairman of the board of Morgan Stanley Saudi Arabia and the general manager of Rana Investment Company.

EDUCATIONAL QUALIFICATIONS
- Dr. Al-Mubarak holds a Ph.D. in Business Administration from University of Houston, United States, a Master’s Degree in Financial Accounting and Taxation from University of Houston, United States, a Master of Business Administration from University of Houston, United States, a Master’s Degree in Industrial Engineering from Southern Methodist University, United States, and a Bachelor’s Degree in Civil Engineering from Southern Methodist University, United States.

CURRENT POSITION
- Mr. Gualdoni is a Board Member of SABIC. He is a member of the boards of American Aerogel Corp and the Carmeuse Group. He is also the chairman of the board of Cabb.

WORKING EXPERIENCE AND PREVIOUS POSITIONS:
- Mr. Gualdoni is a German industrialist with over 20 years’ experience in the plastics and petrochemical industry, and has previously served as CEO of Styrolution and as a member of the boards of a number of companies, including BIT AG, Zug/Switzerland, FIW Munich, Plastics Europe and Plastic Recovery Consulting Tecpol. He was also previously the chairman of the supervisory board of BASF GE Schwarzhaid.

EDUCATIONAL QUALIFICATIONS
- Mr. Gualdoni holds a Master of Business Administration from INSEAD in France, and a Bachelor’s Degree in Industrial Engineering from Universidad de Buenos Aires in Argentina.
MOHAMMED TALAL
AL-NAHAS
Board Member - Independent Member

CURRENT POSITION
- Mr. Al-Nahas is a Board Member of SABIC. He is the Governor of the Public Pension Agency. In addition, he is the chairman of the board of Al Raidah Investment Company and a member of the boards of International Company for Water and Power Projects, Riyad Bank and Saudi Telecommunications Company.

WORKING EXPERIENCE AND PREVIOUS POSITIONS:
- Mr. Al-Nahas has over 32 years of experience in banking, business development and administration. Previously, he held a number of key positions in regional banks, including general manager of various branches of Al Inma Bank and regional manager for the Central Region branches of SAMBA Financial Group.

EDUCATIONAL QUALIFICATIONS
- Mr. Al-Nahas holds a Bachelor’s Degree in Administration from King Saud University, Saudi Arabia, and is a graduate of the Executive Business Administration Programme at the University of Michigan, United States.

DR. KHALED HAMZA NAHAS
Board Member - Independent Member

CURRENT POSITION
- Dr. Nahas is a Board Member of SABIC. He is a businessman and a board member of Clariant.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- Dr. Nahas is a prominent businessman and has held a number of strategic positions in the past, including Deputy Chairman of the Industrial Committee in the Chamber of Commerce and Industry, Member of the Consultative Council and the Mayor of Makkah.
- Dr. Nahas has previously served as the chairman of the boards of National Company for Spring Mattresses and Sponges and Tabuk Hotels Company as well as a member of the boards of Military Industries Organization, National Commercial Bank, Riyad Bank, Saudi Hotels Company, Saudi Investment Bank and Saudi Telecommunications Company.

EDUCATIONAL QUALIFICATIONS
- Dr. Nahas holds a Ph.D. in Engineering of Economic Systems from Stanford University, United States.
CURRENT POSITION
- Mr. Al-Issa is a Board Member of SABIC. He is the chief executive officer of Asila Investment Company. In addition, he is the chairman of Dur Hospitality and Riyad Bank. He is also a member of the boards of Etihad Etisalat (Mobily), Saudi Arabian Mining Company (Ma’aden) and Clariant.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- Mr. Al-Issa is a prominent businessman and has previously served as a board member of several joint stock companies.

EDUCATIONAL QUALIFICATIONS
- Mr. Al-Issa holds a Master's Degree in Engineering Management from Southern Methodist University, United States, and a Bachelor's Degree in Engineering Management from Southern Methodist University, United States.

CURRENT BOARD MEMBERSHIP
- Riyad Bank
- Maaden
- Mobily
- Dur Hospitality
- Asila Investment Company
- Clariant

PREVIOUS BOARD MEMBERSHIP
- Arabian Cement
- National Medical Care
- Jadwa Investment
- National Shipping Company of Saudi Arabia
- National Chemical Transport NCCC

CURRENT POSITION
- Mr. Al-Wehibi is a Board Member of SABIC. He is the Assistant Governor for Insurance Affairs, General Organization for Social Insurance. In addition, He is associated with Riyad Bank as a member of the board of directors, member of the executive committee and member of the nominations and compensations committee. He is also a member of the board of directors of Jarir Marketing Company.

WORKING EXPERIENCE AND PREVIOUS POSITIONS:
- Mr. Al-Wehibi held several positions at the General Organization for Social Insurance, including General Manager of Planning and Development. He was earlier a member of the board of directors of the National Medical Care Company.

EDUCATIONAL QUALIFICATIONS:
- Mr. Al-Wehibi holds a Master's Degree in Social Protection Policy, University Maastricht, The Netherlands, and a Bachelor's Degree in Insurance, Indiana State University, United States.

CURRENT BOARD MEMBERSHIP
- Riyad Bank
- Maaden
- Mobily
- Dur Hospitality
- Asila Investment Company
- Clariant

PREVIOUS BOARD MEMBERSHIP
- Arabian Cement
- National Medical Care
- Jadwa Investment
- National Shipping Company of Saudi Arabia
- National Chemical Transport NCCC

CURRENT BOARD MEMBERSHIP
- Riyad Bank
- Jarir Marketing

PREVIOUS BOARD MEMBERSHIP
- National Medical Care
CALUM MACLEAN
Board Member - Non-Executive Member

CURRENT POSITION
- Mr. MacLean is a Board Member of SABIC. He is a member of the board and chief executive officer of Synthomer.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- Mr. MacLean has previously served as the chairman of the boards of Ineos Olefins (where he was also the chief executive officer), Petroineos (a PetroChina Group joint venture), Polymers Europe (where he was also the chief executive officer) and Styrolution (a BASF Group joint venture). He was also a member of the board of Ineos Group and has, at various times, served as the chief executive officer of EVC, Ineos ChiorVinyls and Ineos Phenol.

EDUCATIONAL QUALIFICATIONS
- Mr. MacLean holds a Bachelor’s Degree in Chemistry from Aberdeen University, United Kingdom.

CURRENT BOARD MEMBERSHIP
- Synthomer
- Clariant

PREVIOUS BOARD MEMBERSHIP
- Ineos Group
- Petroineos Raffining
- Styrolution
- Ineos Olefins and Polymers Europe
- Ineos Phenol
- Ineos ChiorVinyls
- EVC

BOARD MEETINGS
The Board meets at least twice every year at the Chairman’s invitation. The Chairman also convenes a meeting if requested by two members of the Board, the external auditor, the internal audit department, the CEO or otherwise if, in his discretion, the Chairman deems such meetings necessary. The quorum for Board meetings is five members, of whom at least three should be Government representatives and at least one should be an independent director. During the year ended 31 December 2018, the Board met five times.

Attendance record

<table>
<thead>
<tr>
<th>Member name</th>
<th>Title</th>
<th>1st meeting January 25, 2018</th>
<th>2nd meeting March 11, 2018</th>
<th>3rd meeting June 06, 2018</th>
<th>4th meeting September 25, 2018</th>
<th>5th meeting December 18, 2018</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Abdulaziz Ibn Saleh</td>
<td>Chairman</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>5</td>
</tr>
<tr>
<td>Ibn Mansour Aljarboo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yusef Abdullah Al-Benyan</td>
<td>Vice Chairman and CEO</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>5</td>
</tr>
<tr>
<td>Dr. Fahad Abdullah Al-Junair</td>
<td>Board Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>5</td>
</tr>
<tr>
<td>Roberto Gualdoni</td>
<td>Board Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>5</td>
</tr>
<tr>
<td>Calum MacLean</td>
<td>Board Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>5</td>
</tr>
<tr>
<td>Mohammed Talal Al-Nahas</td>
<td>Board Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>5</td>
</tr>
<tr>
<td>Dr. Khaled Hamza Al-Nahas</td>
<td>Board Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>5</td>
</tr>
<tr>
<td>Abdullah Ibn Mohammed Al-Issa</td>
<td>Board Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>5</td>
</tr>
<tr>
<td>Nader Ibrahim Al-Wehbi</td>
<td>Board Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
<td>3</td>
</tr>
<tr>
<td>Mr. Abdulaziz Habdan Alhabdan</td>
<td>Board Member</td>
<td>Attended</td>
<td>Attended</td>
<td>His membership in the Board of Directors ended on April 17, 2018</td>
<td>Attended</td>
<td>Attended</td>
<td>2</td>
</tr>
</tbody>
</table>

122 123
### BOARD OWNERSHIP

As at 31 December 2018, Board members, their spouses and their minor children had the following shareholding in SABIC and/or its subsidiaries:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Membership</th>
<th>1st meeting</th>
<th>17 April 2018</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Dr. Khaled bin Hamza Nahas</td>
<td>Member</td>
<td>Attended</td>
<td>15/2/2018</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Mr. Abdullah M Al-Issa</td>
<td>Member</td>
<td>Attended</td>
<td>04/3/2018</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Dr. Fahad Abdullah Ibn Al-Mubarak</td>
<td>Member</td>
<td>Attended</td>
<td>3rd meeting</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Mr. Abdulaziz Habdan Alhabdan</td>
<td>Member</td>
<td>Attended</td>
<td>7th meeting</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Mr. Roberto Gualdoni</td>
<td>Member</td>
<td>Attended</td>
<td>8th meeting</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Dr. Fahad bin Abdullah Al-Mubarak</td>
<td>Member</td>
<td>Attended</td>
<td>9th meeting</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Mr. Calum MacLean</td>
<td>Member</td>
<td>Attended</td>
<td>10th meeting</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Dr. Khaled bin Hamza Nahas</td>
<td>Member</td>
<td>Attended</td>
<td>11th meeting</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Mr. Mohammed ibn Talal Al-Nahas</td>
<td>Member</td>
<td>Attended</td>
<td>12th meeting</td>
<td></td>
</tr>
</tbody>
</table>

1. Joined membership in the Board of Directors on April 17, 2018
2. His membership in the Board of Directors ended on April 17, 2018

### BOARD PARTICIPATION IN THE GENERAL ASSEMBLY MEETING

The company held one General Assembly Meetings last year. It was on 17 April 2018. The Board Charter requires that “the Board member must attend General Assembly Meetings”. By this mandate, the Board aims to meet with Shareholders and General Assembly Meetings”. By this mandate, the Board aims to meet with Shareholders and ensure their attendance at meetings and their participation in the General Assembly Meetings.

<table>
<thead>
<tr>
<th>Date</th>
<th>No. of shares</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 April 2018</td>
<td>23,365</td>
<td></td>
</tr>
</tbody>
</table>

1. The following table lists Board members participation at the General Assembly Meeting.

### THE AUDIT COMMITTEE’s RESPONSIBILITIES INCLUDE

- Oversight of financial reporting, including: (i) reviewing the Group’s financial statements; (ii) providing technical opinion(s) as to the Board report and financial statements being in compliance with the regulatory requirements; (iii) examining unusual transactions in the financial statements; (iv) verifying accounting estimates; and (v) reviewing financial and accounting policies of the Group.
- Oversight of internal control systems, including: (i) reviewing internal and financial control and risk management systems and ensuring their effectiveness through regular reports prepared by the Internal Audit Department (or External Auditors) and following up on the implementation of recommended action; and (ii) reporting to the Board in respect of the adequacy of internal control systems.
- Oversight of internal audit, including: (i) supervising the Internal Audit Department and verifying its effectiveness in carrying out its roles and responsibilities; (ii) reviewing and approving the annual audit plan; (iii) reviewing reports prepared by the Internal Audit Department and following up on the implementation of recommended action; (iv) ensuring the independence of the Internal Audit Department; and (v) evaluating the performance of the head of the Internal Audit Department.
- Oversight of the external auditor, including: (i) recommending the appointment or dismissal of the external auditor and determining their fee after assessing their performance, independence, scope of work and terms of employment; (ii) verifying the independence of the external auditor; (iii) reviewing the external audit plan and verifying the compliance of this plan with applicable regulations; (iv) answering external auditor’s queries and providing requisite support for the performance of an external audit; and (v) reviewing reports prepared by the external auditor and following up on the implementation of recommended action.
- Oversight of compliance, including: (i) reviewing reports prepared by regulatory bodies in respect of compliance with applicable regulations and following up on the implementation of recommended action; (ii) ensuring SABIC’s compliance with relevant regulations, by-laws and policies; (iii) reviewing proposed related party transactions; (iv) establishing appropriate procedures for internal reporting of violations of internal control systems; and (v) establishing appropriate procedures for following up on any such reports of violation including ensuring independence of such procedures, and, where relevant, making recommendations to the Board in respect of the foregoing.
Mr. Khaled Dawood Al-Fadag is currently holding a Ph.D. in Applied Mechanical Engineering. He was a Director of Facilities Planning at Saudi Aramco and a CEO of Petron. Mr. Al-Fadag holds a Master’s Degree in Business Administration. He has previously served as a board member of several joint stock companies. Including, Banque Saudi Fransi, Bank AlJazira, Alfanar Saudi Fransi Cooperative Insurance, Makkah Medical Center and Saudi Telecom Company (STC). Currently, he is a board member of Saudi Arabian Fertilizer Company (SAFCO) and Saudi Fransi for Finance as well as the chairman of SABIC Audit Committee. Mr. Al-Habdan holds Master’s Degree in Business Administration. Mr. Abdul Rahman Ibrahim Al-Humaid is the Chairman of Bank Al Bilad. He was a University Professor. He was the Founder and Chairman of the National Advisory House. He was a member of the Board of Trustees of the International Financial Reporting Standards. In addition he is a member of several Audit Committees in a number of companies and banks. Mr. Al-Humaid holds a Ph.D. in Accounting. Mr. Khlaid Jawwad Al-Fadag is currently holding no position. He was a General Auditor of Saudi Aramco. He was a Director of Facilities Planning at Saudi Aramco and a CEO of Petron. Mr. Al-Fadag holds a Ph.D. in Applied Mechanical Engineering.

**Committee Meetings**

**REMUNERATION AND NOMINATION COMMITTEE**

According to its charter, the Remuneration and Nomination Committee shall comprise of three to five non-executive members of the Board, at least one of whom shall be an independent director. These members are appointed by the Board. The following table lists Committee members, their membership, and their participation in Committee meetings as well as the number and date of the meetings.

<table>
<thead>
<tr>
<th>Name</th>
<th>Membership</th>
<th>1st Meeting 11/12/2018</th>
<th>2nd Meeting 25/12/2018</th>
<th>3rd Meeting 17/1/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abdullah M. Al-Haesa</td>
<td>Chairman</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
</tr>
<tr>
<td>Mohammed Talal Al-Nahas</td>
<td>Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
</tr>
<tr>
<td>Roberto Gualdoni</td>
<td>Member</td>
<td>Attended</td>
<td>Attended</td>
<td>Attended</td>
</tr>
</tbody>
</table>

**THE REMUNERATION AND NOMINATION COMMITTEE’S RESPONSIBILITIES INCLUDE:**

- Oversight of remuneration, including: (i) developing remuneration policies for Board members, Board committee members and Executive Management members and recommending them to the Board for approval by the general assembly of SABIC’s shareholders; (ii) reviewing remuneration policies regularly to ensure consistency with changes in relevant legislation and regulations, SABIC’s strategic objectives and the skills and qualifications required, and recommending proposed changes to the Board; (iii) recommending to the Board the remuneration of Board members, Board committee members and Executive Management members in accordance with the policy approved by the general assembly of SABIC’s shareholders; (iv) preparing an annual report on remunerations granted to the Board members, Board committee members and Executive Management members; and (v) specifying and recommending types of incentives for employees; 

- Oversight of appointments of Board members, including: (i) developing a Board membership policy and recommending it to the Board for approval by the general assembly of SABIC’s shareholders; (ii) reviewing such policy regularly to ensure its consistency with the changes in the relevant legislation and regulations, SABIC’s strategic objectives, skills and qualifications required, and recommending proposed changes to the Board; (iii) conducting an annual review of the required skills for Board membership and preparing a description of the required capabilities and qualifications; (iv) recommending individuals for Board membership in accordance with the Board membership policy; (v) reviewing conflicts of interest for Board nominees, and making appropriate recommendations to the Board; (vi) reviewing the Board structure and recommending changes, if required or appropriate; (vii) establishing processes for addressing vacancies in the Board or Board committees; and (viii) recommending performance measures to evaluate the Board and the Board committees;

- Oversight of Board functioning, including: (i) ensuring independence of the independent directors; (ii) recommending re-nominations/dismissals of Board members and Board committee members; and (iii) overseeing the implementation of an orientation programme for new Board members; and

- Oversight of appointments of Executive Management members, including: (i) recommending to the Board appropriate policies and standards for the appointment of Executive Management members and identifying the required capabilities and skills; (ii) reviewing such policies and standards regularly to ensure their consistency with changes in SABIC’s strategic objectives, identifying the skills and qualifications required to achieve such objectives; (iii) preparing job descriptions for Executive Management appointments; and (iv) developing succession planning processes in the event of the vacancy of any member of the Executives Management and making the required recommendations.
RISK AND SUSTAINABILITY COMMITTEE
According to its charter, the Risk and Sustainability Committee shall comprise of three to five members of the Board. These members are appointed by the Board.

The following table lists Committee members, their membership, and their participation in Committee meetings as well as the number and date of the meetings.

<table>
<thead>
<tr>
<th>Name</th>
<th>Membership</th>
<th>Attendance record</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khaled bin Hamza Nahas</td>
<td>Chairman</td>
<td>Attended</td>
<td></td>
</tr>
<tr>
<td>Abdulaziz Habdan Al-Habdan</td>
<td>Member</td>
<td>Attended</td>
<td>-</td>
</tr>
<tr>
<td>Mohammad bin Talal Al-Nahas</td>
<td>Member</td>
<td>Attended</td>
<td>-</td>
</tr>
<tr>
<td>Calum Maclean</td>
<td>Member</td>
<td>Attended</td>
<td></td>
</tr>
<tr>
<td>Nader Ibrahim Al-Wahibi</td>
<td>Member</td>
<td>Attended</td>
<td>-</td>
</tr>
</tbody>
</table>

THE RISK AND SUSTAINABILITY COMMITTEE’S RESPONSIBILITIES INCLUDE:
- Risk management functions, including: (i) working with the Executive Management to develop a comprehensive risk management policy in accordance with SABIC’s business and activities and pursuant to SABIC’s objectives and strategy, and recommending such policy to the Board; (ii) reviewing the overall risk management policy periodically to ensure consistency with changes that may occur in the internal or external environment in which SABIC operates, the legislation governing its business or strategic objectives, or otherwise, and recommending proposed changes to the Board; (iii) recommending to the Board an acceptable level of risk to SABIC and how to maintain it, and monitoring that this level is not exceeded; (iv) verifying the business continuity and annually identifying risks facing SABIC; (v) overseeing the risk management systems and assessing their effectiveness and mechanisms of identifying, measuring and monitoring risks; (vi) re-evaluating the ability to take, or be exposed to, risks regularly (for example through stress testing); (vii) preparing a report to the Board containing detailed risk-exposure and proposed steps to manage these risks; (viii) providing recommendations to the Board on risk management issues; (ix) ensuring that risk management personnel understand the risks surrounding the company and working to increase awareness of the risk culture; and (x) reviewing any issues raised by the Audit Committee that may affect SABIC’s risk management; and
- Sustainability management functions, including: (i) working with the Executive Management to develop a comprehensive sustainability strategy and policies (such as EHSS) that are commensurate with the nature of SABIC’s activities and business; (ii) reviewing the sustainability strategy and policies periodically to ensure their consistency with the changes to the internal or external environment in which SABIC operates, the legislation regulating its business or strategic objectives, or otherwise, and recommending proposed changes to the Board; and (iii) supervising SABIC’s EHSS systems and ensuring they are in compliance with the relevant legislation and regulations and the availability of the necessary skills and expertise to manage these systems.

INVESTMENT COMMITTEE
According to its charter, the Investment Committee shall comprise of three to five members of the Board. These members are appointed by the Board.

The following table lists Committee members, their membership, and their participation in Committee meetings as well as the number and date of the meetings.

<table>
<thead>
<tr>
<th>Name</th>
<th>Membership</th>
<th>Attendance record</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abdulaziz Saleh Al-Jaroub</td>
<td>Chairman</td>
<td>Attended</td>
<td></td>
</tr>
<tr>
<td>Yousef Abdullah Al-Benyan</td>
<td>Member</td>
<td>Attended</td>
<td></td>
</tr>
<tr>
<td>Khaled bin Hamza Nahas</td>
<td>Member</td>
<td>Attended</td>
<td></td>
</tr>
<tr>
<td>Abdullah M. Al-Issa</td>
<td>Member</td>
<td>Attended</td>
<td></td>
</tr>
<tr>
<td>Fahad Abdullah Al-Mubarak</td>
<td>Member</td>
<td>Attended</td>
<td></td>
</tr>
</tbody>
</table>

THE INVESTMENT COMMITTEE’S RESPONSIBILITIES INCLUDE:
- Working with the Executive Management to develop an investment strategy and policy commensurate with the nature of SABIC’s business, activities and risks;
- Reviewing the investment strategy and policy regularly to ensure consistency with changes that may occur in the external environment in which SABIC operates, legislation regulating business, or strategic objectives or otherwise, and recommending proposed changes to the Board;
- Overseeing investment activities and establishing appropriate processes for measuring and assessing investment performance;
- Evaluating the investment opportunities proposed by the Executive Management (such as mergers or acquisitions of companies, businesses or assets; termination, sale, transfer of ownership, exit or disposition of an existing investment, and joint venture partnerships);
- Examining financing prospects for such investment opportunities;
- Ensuring that the proposed investment opportunities comply with relevant regulations and instructions;
- Prioritising investment proposals; and
- Reviewing the Executive Management’s progress reports in respect of approved investment opportunities.
Mr. Ernesto Occhiello has been Executive Vice President for Specialties since May 2015 and on 18 September 2018, it was announced that he had been appointed as the Chief Executive Officer of Clariant effective 16 October 2018.

On 26 September 2018, Mr. Alan Leung has been appointed as Acting Leader of the Specialities business, effective on 15 October 2018. He is reporting to our Vice-Chairman and CEO, Yousef Al-Benyan.

As the Acting Leader, Mr. Leung is overseeing all ongoing operational aspects of the Specialties business, while continuing in his role as Vice President of Value Creation and Marketing, Specialties.

Alan celebrated 35 years of service with SABIC, serving in a number of business development leadership roles, including vice-president of Asia Pacific & Global, Commercial Resins BU, before becoming Vice President of Value Creation & Marketing at Specialties.

On 26 September 2018, Mr. Alan Leung has been appointed as Acting Leader of the Specialties business, effective on 15 October 2018. He is reporting to our Vice-Chairman and CEO, Yousef Al-Benyan.

As the Acting Leader, Mr. Leung is overseeing all ongoing operational aspects of the Specialties business, while continuing in his role as Vice President of Value Creation and Marketing, Specialties.

Alan celebrated 35 years of service with SABIC, serving in a number of business development leadership roles, including vice-president of Asia Pacific & Global, Commercial Resins BU, before becoming Vice President of Value Creation & Marketing at Specialties.
ABDURALHMAN AL-FAGEEH
Executive Vice President for Petrochemicals

CURRENT POSITION
- Mr. Al-Fageeh has been Executive Vice President for Petrochemicals since May 2015. He is the chairman of the boards of National Methanol Company, Saudi Japanese Acrylonitrile Company, Saudi Arabian Methacrylate Company and SABIC SK Nexlene Company.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- Before assuming his present position, he was the Executive Vice President of the Polymers and Performance Chemicals Business Unit. He has held a number of senior positions at SABIC, including Vice President of the Polyethylene Business Unit, General Manager of Operations and Planning of the Basic Chemicals Business Unit, General Manager of the Oxygenates Business Unit, President of Yanase and Chairman of the Project Committee of Yanase.
- Previously, he was vice chairman of the board of Saudi European Petrochemical Company and a member of the boards of Petrokemya and Arrazi.

EDUCATIONAL QUALIFICATIONS
- Mr. Al-Fageeh holds a Bachelor’s of Science Chemical Engineering degree from the King Saud University, Riyadh, and an MBA from Bradford University, UK.

SAMIR AL-ABDRABBUH
Executive Vice President for Agri-Nutrients

CURRENT POSITION
- Mr. Al-Abdrabbuh has been Executive Vice President for Agri-Nutrients since February 2018. He is currently Chairman of the Board of Directors of SABIC affiliates SABTANK and CHEMTANK, Vice Chairman of GPCA Fertilizers Committee, Board Member of the International Fertilizers Association (IFA), and Board member of SHIQOU Company.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- With over 30 years of experience in the petrochemicals industry, Mr. Al-Abdrabbuh has held a number of senior positions at SABIC, including the Vice President, Global Supply Chain prior to his current role, leading SABIC’s Supply Chain strategies in Liquids, Solids, Bulk, Sourcing & Excellence, and Global Value Chain Planning & Optimization.
- Prior to that, he was the Vice President of SABIC’s Oxygenates Business Unit, leading the global business of an array of products including Methanol, MTBE, as well as an integrated diversity of Performance Chemicals such as NDA, ZEH, OPF, ABC, Normal Butanol, Isobutanol, ACN, NaCN, and MMA.
- Before that, he held the position of Vice President, Global Corporate Communications. As such, he led SABIC’s Global Media, Internal Communications, Branding, Events & External Relations as well as Corporate Social Responsibility.
- Previously, Mr. Al-Abdrabbuh was Executive General Manager of SABIC affiliate (TAYF), where he was key to its successful business refocus, leading a complete operational, financial and legal restructuring and transformation process.
- He has also held a number of prominent leadership positions in SABIC’s wholly owned affiliate PETROKEMYA, where he successfully led a diverse array of functions covering Technical, Operational, Projects, ERP Implementation and Finance Management roles, as well as having served as Secretary of the Board of Directors.
- In addition, he was the Chairman of the boards of Asia Clean Fuels Association and Saudi Organometallic Chemicals Company and was a member of the board of National Methanol Company.

EDUCATIONAL QUALIFICATIONS
- A graduate of the King Fahd University of Petroleum & Minerals, where he earned a BSc in Computer Science & Engineering. Mr. Al-Abdrabbuh has also completed many professional courses in world-class institutions such as London Business School, UCLA and the University of Michigan.

ANAS KENTAB
Executive Vice President for the Crude Oil to Chemicals Project

CURRENT POSITION
- Mr. Kentab has been Executive Vice President for the Crude Oil to Chemicals Project since January 2018. He is the chairman of the board of Saudi Organometallic Chemicals Company and Al Bayroni, the vice chairman of the board of SAFCO and a member of the board of SINOPEC SABIC Tianjin Petrochemical Company.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- Before assuming his present position, Mr. Kentab served as Executive Vice President of the Agri-Nutrients business unit. He has held a number of senior positions at SABIC, including the Vice President of a number of business units (including polyethylene, polypropylene and olefins and industrial gases) and the General Manager of Intermediate Operations and Planning.
- He began his career at SABIC as Project Manager for Shaq. He held several positions in the former intermediates business unit, where he managed financial and business reporting, strategy and investment planning, and operations planning. He was also a business manager for the mono-ethylene glycol business.
- He was a member of the boards of Kenya, Sharq, Jubail United Petrochemical Company, Sadaf and Yanpet.

EDUCATIONAL QUALIFICATIONS
- Mr. Kentab holds a Bachelor’s degree in Mechanical Engineering from King Saud University in Riyadh. He has undertaken several management and executive leadership programs in GE, Insead, IMD, and London Business School.

TIMOTHY D. LEVEILLE
Executive Vice President, Corporate Finance

CURRENT POSITION
- Mr. Leveille joined SABIC as Executive Vice President, Corporate Finance in 2018.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- Before assuming his present position, he was senior vice president, chief financial officer, and controller of Chevron Phillips Chemical Company, based in The Woodlands, Texas, United States.
- He served previously as assistant treasurer of the Chevron Corp., with oversight over global cash management and financing activities for Chevron’s operating companies worldwide.
- He has worked for the public accounting firm of PricewaterhouseCoopers, and in 1987, joined Caltex, an international joint venture between Texaco and Chevron that was formed originally in 1936 to market oil from the newly discovered fields in Saudi Arabia.
- Mr. Leveille served in various overseas finance roles in Asia and Africa for roughly 17 years with Caltex, including as country chairman and chief financial officer of Caltex Philippines. In 2007, he became vice president of finance for Chevron’s global gas business, and in 2009 senior director of international finance in corporate treasury.

EDUCATIONAL QUALIFICATIONS
- Mr. Leveille holds a Bachelor’s degree in Accounting and Computer Science from Boston College and a Master’s of Business Administration in Finance from Columbia University School of Business, United States. He is a U.S. certified public accountant (CPA), licensed by the state of New York.
CURRENT POSITION
– Mr. Al-Shaikh has been Executive Vice President for Manufacturing since May 2015.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
– During his 20-year career with SABIC, Mr. Al-Shaikh has held a number of senior positions. Prior to his current position, he served as General Manager, Global Talent Management and earlier as General Manager, HR Middle East and Africa. In addition, he was the Director of Global Information Technology Center of Excellence and the Director of Global Information Technology Business Partnership.

EDUCATIONAL QUALIFICATIONS
– Mr. Al-Shaikh holds a Bachelor’s of Science in Electrical Engineering from King Abdulaziz University, Saudi Arabia.

CURRENT POSITION
– Mr. Al-Maker has been Executive Vice President for Shared Services since April 2017.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
– Prior to his present posting, Mr. Al-Maker has held a number of senior positions at SABIC, including Executive Vice President of Technology and Innovation, Executive Vice President of Manufacturing, Vice President of the Polypropylene Business Unit and President of Yanpet.

EDUCATIONAL QUALIFICATIONS
– Mr. Al-Maker holds a Bachelor’s Degree in Chemical Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia and a Master’s of Business Administration with a concentration in Management Information Systems from King Fahd University of Petroleum and Minerals, Saudi Arabia.

CURRENT POSITION
– Mr. Al-Oudan has been Executive Vice President for Corporate Human Resources since May 2015.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
– During his 20-year career with SABIC, Mr. Al-Oudan has held a number of senior positions. Prior to his current position, he served as General Manager, Global Talent Management and earlier as General Manager, HR Middle East and Africa. In addition, he was the Director of Global Information Technology Center of Excellence and the Director of Global Information Technology Business Partnership.

EDUCATIONAL QUALIFICATIONS
– Mr. Al-Oudan holds a degree in Management Information Systems from King Saud University, Saudi Arabia.

CURRENT POSITION
– Mr. Al-Harethi has been Executive Vice President for Innovation and Business Development since January 2015.

WORKING EXPERIENCE AND PREVIOUS POSITIONS
– Prior to his present posting, Mr. Al-Harethi was the Executive Vice President of the Chemicals business unit and, before that, the Vice President of Global Procurement Services. He has led sophisticated overseas manufacturing and service organizations. Al-Harethi is skilled at establishing operational excellence within culturally diverse environments, translating conceptual models into specific growth strategies, and planning/executing multi-faceted global business development campaigns designed to improve market share, gross revenue and EBITDA.

EDUCATIONAL QUALIFICATIONS
– Mr. Al-Harethi holds a Bachelor’s Degree in Chemical Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia and a Master’s of Business Administration with a concentration in Management Information Systems from King Fahd University of Petroleum and Minerals, Saudi Arabia.
EXECUTIVE OWNERSHIP
As at 31 December 2018, the Executive Management had the following shareholding in SABIC and/or its subsidiaries:

<table>
<thead>
<tr>
<th>No.</th>
<th>Board Member</th>
<th>SABIC</th>
<th>SAFCO</th>
<th>WAGAB</th>
<th>SABIC</th>
<th>SAFCO</th>
<th>WAGAB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Musaad Sulaiman Abdullah Al-Othali (1)</td>
<td>16,000</td>
<td>24,410</td>
<td></td>
<td>16,000</td>
<td>24,410</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Omar Abdullah Abdulrahman Al-Amoudi</td>
<td>214,200</td>
<td></td>
<td></td>
<td>214,200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Abdulrahman Saleh Abdulrahman Ali-Fageeh</td>
<td>5,000</td>
<td></td>
<td></td>
<td>5,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Awadh Mohammed Saleh Al-Maker</td>
<td>13,400</td>
<td>30,000</td>
<td>12,000</td>
<td>30,000</td>
<td>12,000</td>
<td>30,000</td>
</tr>
<tr>
<td>5</td>
<td>Ernesto Occhiello</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Abdulaziz Ali Abdulaziz Al-Oudan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Usaidh Khalaf Hassan Al-Hareth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Ahmed Terans Saad Shelkh</td>
<td>100,000</td>
<td></td>
<td></td>
<td>+100,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Anas Yusuf Kentab</td>
<td>9,000</td>
<td>3,000</td>
<td>6,000</td>
<td>9,000</td>
<td>3,000</td>
<td>6,000</td>
</tr>
<tr>
<td>10</td>
<td>Timothy Leveille</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Exited the list of senior executives on Feb 28, 2018.
2. Joined the list of senior executives on June 03, 2018.

CURRENT POSITION
- Mr. Al-Amoudi is Executive Vice President for Engineering and Projects since April 2017. He is the chairman of the board of Saudi Kayan and a member of the board of Power and Water Utilities Company for Jubail and Yanbu (MARAFIQ).

WORKING EXPERIENCE AND PREVIOUS POSITIONS
- Mr. Al-Amoudi has held a number of senior positions at SABIC, including Executive Vice President of Shared Services, President of Petrominek and President of Saudi European Petrochemical Company. Previously, he was the chairman of the board of Specialty Chemicals Company and a member of the boards of Bin Rusaid and National Plastic Company.

EDUCATIONAL QUALIFICATIONS
- Mr. Al-Amoudi holds a Master’s Degree in Chemical Engineering from Drexel University, United States, and a Bachelor’s Degree in Chemical Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.
The Board shall, based on the recommendation of the Remuneration and Nomination Committee, determine the remuneration of Board members, Committee members, Committee members who are not members of the Board and Senior Executives. In addition, the remunerations are determined according to the conditions set by the Board and the Remuneration Policy approved by the General Assembly of the Company. Accordingly, the member shall be entitled to the remuneration granted to him.

**REMUNERATION POLICY**

**OBJECTIVE**

The objective of this Policy is to organize the remunerations in a way to attract Board and Committee members with the appropriate scientific, technical, and management expertise and enables them to carry out their roles with the required professionalism and efficiency, taking into consideration SABIC business environment and required skills and capabilities.

The company aims to create an attractive environment to attract and retain talents with required skills and expertise to ensure sustained growth and achievement of the company’s vision. It maintains a remuneration framework for Executive Management that is consistent with the relevant rules, legislation, and best practices.

**PRINCIPLES**

Considering the regulatory requirements, the remuneration for Board members, Committee members and Executive Management are as follows:

**A. Board and Committee members**

- The Board, based on the recommendations of the Remuneration and Nominations Committee, determines the remuneration of Board members and Committee members based on the following principles:
  - The remuneration shall be consistent with the company’s strategic objectives and an incentive factor for the members to achieve these objectives and enhance the company’s ability to develop and sustain its business.
  - Remunerations should be based on the nature of the company’s business and its size as well as the skills and experience required.
  - The remunerations should be a means to attract Board members with the relevant expertise and qualifications to enhance the company’s ability to achieve its objectives.
- Board member is entitled to an annual remuneration not exceeding SR 200,000 for his membership of the Board. The Board may determine different amounts of such remuneration based on recommendations from the Remuneration and Nominations Committee.
- Board member who is participating in Board committees (including the Audit Committee) are entitled to annual remuneration not exceeding SR 300,000, whether the member is participating in one or several Committees. The Board may decide otherwise based on the recommendations of the Remuneration and Nominations Committee.

**B. Executive Management**

- Based on the recommendation of the Remuneration and Nominations Committee, the Board specifies Executive Management’s remuneration according to the following principles, Remuneration and compensation should:
  - Be commensurate with the company’s strategic objectives and be a motivating factor for Executive Management to meet these objectives and enhance the company’s ability to grow and sustain its business.
  - Be commensurate with the nature of the company’s business and size as well as with the required skills and experience.
  - Enable the company to attract senior executives with skills and qualifications necessary to enable the company to meet its objectives.
  - Not cause conflict of interest which might adversely impact the company’s interest and ability to achieve its objectives.
## Remuneration Paid During 2018

The annual remuneration of the Board is disbursed after the approval of the general assembly of SABIC’s shareholders. Annual remuneration amounts for the Board members representing the Government (through PIF) are paid to PIF. The aggregate total remuneration paid by SABIC to the members of the Board (including for their membership of, and chairing of, Board committees) for the year ended 31 December 2018 is set out below:

**Board members remuneration (amounts in Saudi riyals)**

<table>
<thead>
<tr>
<th></th>
<th>Fixed Remunerations</th>
<th>Variable Remunerations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Specific amount</td>
<td>Total attendance</td>
</tr>
<tr>
<td><strong>FIRST: INDEPENDENT MEMBERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Abdullah M. Al-Issa</td>
<td>182,000</td>
<td>12,000</td>
</tr>
<tr>
<td>2. Khaled bin Hamza Nahas</td>
<td>185,000</td>
<td>12,000</td>
</tr>
<tr>
<td>3. Mohammed bin Talal Al-Nahas</td>
<td>182,000</td>
<td>15,000</td>
</tr>
<tr>
<td>4. Nader Ibrahim Al-Wehibi (3)</td>
<td>0</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>549,000</td>
<td>48,000</td>
</tr>
<tr>
<td><strong>SECOND: NON-EXECUTIVE MEMBERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Abdulaziz Habdan Alhabdan (6)</td>
<td>182,000</td>
<td>6,000</td>
</tr>
<tr>
<td>6. Abdulaziz Saleh Aljabri (6)</td>
<td>33,575</td>
<td>9,000</td>
</tr>
<tr>
<td>7. Fahed Abdullah Al-Mubarak (3)</td>
<td>33,575</td>
<td>9,000</td>
</tr>
<tr>
<td>8. Calum MacLean (6)</td>
<td>33,575</td>
<td>9,000</td>
</tr>
<tr>
<td>9. Roberto Guadagni (6)</td>
<td>33,575</td>
<td>9,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>332,300</td>
<td>42,000</td>
</tr>
<tr>
<td><strong>THIRD: EXECUTIVE MEMBERS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Yousef Abdullah Al-Benyani (6)</td>
<td>182,000</td>
<td>18,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>182,000</td>
<td>18,000</td>
</tr>
</tbody>
</table>

1. The specific amount is the annual remuneration for membership of the Board of Directors for the year 2017. It was disbursed after the approval of the General Assembly in April 2018. The annual remuneration for membership of the Board for 2018 will be disbursed after the approval of the General Assembly scheduled in April 2019.

2. For the members representing the Government in the Board of Directors, the annual remuneration amounts shall be paid for the membership of the Board of Directors and the attendance allowance of the Board sessions related to them to the Public Investment Fund annually on the basis of the decision of the Council of Ministers.

3. Members joined the membership of the Board of Directors and Committees on 17 April 2018.

4. Member ended his membership in the Board of Directors and Committees on 17 April 2018.
THE AGGREGATE TOTAL REMUNERATION PAID BY SABIC TO THE COMMITTEE MEMBERS FOR THE YEAR ENDED 31 DECEMBER 2018 IS SET OUT BELOW:

<table>
<thead>
<tr>
<th>Fixed remunerations (including Session attendance allowance)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AUDIT COMMITTEE MEMBERS</strong></td>
<td></td>
</tr>
<tr>
<td>1. Abdullah Alhabdan Alhabdan (5)</td>
<td>141,370</td>
</tr>
<tr>
<td>2. Khaled bin Hamza Nahas</td>
<td>0</td>
</tr>
<tr>
<td>3. Abdullah M. Al Issa</td>
<td>0</td>
</tr>
<tr>
<td>4. Abdul Rahman Ibrahim Al Humaid Member from outside the Board of Directors</td>
<td>200,000</td>
</tr>
<tr>
<td>5. Khaled Dawood Al Fadag Member from outside the Board of Directors</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>541,370</td>
</tr>
<tr>
<td><strong>REMUNERATIONS AND NOMINATIONS COMMITTEE MEMBERS</strong></td>
<td></td>
</tr>
<tr>
<td>1. Abdullah M. Al Issa</td>
<td>250,000</td>
</tr>
<tr>
<td>2. Mohammed Ibn Talal Al-Nahas</td>
<td>250,000</td>
</tr>
<tr>
<td>3. Roberto Gualdi</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>750,000</td>
</tr>
<tr>
<td><strong>INVESTMENT COMMITTEE MEMBERS</strong></td>
<td></td>
</tr>
<tr>
<td>1. Abdulaziz Saleh Aljarbou</td>
<td>250,000</td>
</tr>
<tr>
<td>2. Youssef Abdullah Al-Itayyan</td>
<td>250,000</td>
</tr>
<tr>
<td>3. Abdullah M. Al Issa</td>
<td>0</td>
</tr>
<tr>
<td>4. Khaled bin Hamza Nahas</td>
<td>0</td>
</tr>
<tr>
<td>5. Fahad Abdullah Al-Mubarak</td>
<td>250,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>750,000</td>
</tr>
<tr>
<td><strong>RISK AND SUSTAINABILITY COMMITTEE MEMBERS</strong></td>
<td></td>
</tr>
<tr>
<td>1. Khaled bin Hamza Nahas</td>
<td>250,000</td>
</tr>
<tr>
<td>2. Abdullah Alhabdan Alhabdan (5)</td>
<td>75,288</td>
</tr>
<tr>
<td>3. Mohammed Ibn Talal Al-Nahas</td>
<td>0</td>
</tr>
<tr>
<td>4. Calum MacLean</td>
<td>250,000</td>
</tr>
<tr>
<td>5. Nader Ibrahim Al-Wehbi</td>
<td>143,816</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>717,124</td>
</tr>
</tbody>
</table>

5. Member ended his membership in the Board of Directors and Committees on 17 April 2018, and continues his membership in the Audit Committee.
6. Member ended his membership in the Risk and Sustainability Committee on 17 April 2018.
7. Members joined the membership in the Risk and Sustainability Committee on 5 June 2018.

THE AGGREGATE TOTAL REMUNERATIONS PAID BY SABIC TO FIVE EXECUTIVES WHO HAVE RECEIVED THE HIGHEST REMUNERATION, INCLUDING THE CEO AND CFO, FOR THE YEAR ENDED 31 DECEMBER 2018 SET OUT BELOW:

<table>
<thead>
<tr>
<th>Senior Executives</th>
<th>Fixed remunerations</th>
<th>Variable remunerations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salaries</td>
<td>Allowances</td>
</tr>
<tr>
<td></td>
<td>(SAR) 12,507,896</td>
<td>5,725,613</td>
</tr>
</tbody>
</table>

5. Member ended his membership in the Board of Directors and Committees on 17 April 2018, and continues his membership in the Audit Committee.
6. Member ended his membership in the Risk and Sustainability Committee on 17 April 2018.
7. Members joined the membership in the Risk and Sustainability Committee on 5 June 2018.
INTERNAL AUDIT AND COMPLIANCE

INTERNAL AUDIT

The Internal Audit Department carried out planned audits to investigate, objectively and independently, the adequacy and effectiveness of Internal Control Systems in protecting the company’s assets, and assessing performance suitability to control potential risks, in addition to participating in some special assignments, including, for instance, review of compliance with company’s policies with the Compliance with the Work Ethics Team, as well as confirming that SABIC’s Internal Audit Department operates in accordance with International Internal Auditing Standards. In addition, following results of the annual review of the effectiveness of internal control system processes in 2018:

- The Internal Audit Department – independently and The Internal Audit Department – independently and objectively – assesses the adequacy and effectiveness of the Internal Control Systems, Risk Management and Corporate Governance, with a focus on high risks that threaten the company business, using risk-based audit methodology. The Internal Audit Department functionally reports to the Audit Committee and administratively to the Vice Chairman and Chief Executive Officer. In carrying out its duties, the Department has absolute power to access all SABIC’s sites around the world, and all information, documents and employee-related issues.

- During 2018, the company’s business has undergone periodic audits. The Internal Audit Department carried out planned audits as approved by the Audit Committee for 2018, to evaluate, objectively and independently, the adequacy and effectiveness of Internal Control Systems in protecting the company’s assets, and assessing performance suitability to control potential risks, in addition to participating in some special assignments, including, for instance, review of compliance with company’s policies with Compliance Team, as well as the implementation of joint audit with SABIC’s partners in joint ventures.

- The Internal Audit Department continued to follow up with the company’s executive management responsibility for implementing the recommendations contained in the audit reports, to ensure their implementation in accordance with set dates and specific procedures to ensure the integrity of the internal control processes. During 2018, significant progress was made in closing and verifying audit findings along with strengthening the follow-up / closure process.

- The Certified External Auditor, Ernst & Young was assigned to audit the accounts of the company for 2018 in addition to reviewing the Internal Control System within the scope of its review of the final financial statements of the company. The referenced review operation did not show substantial weakness in the Internal Control System of the company, reflecting the conviction of the effective established internal control processes.

- The Internal Audit Department has in 2018 successfully fulfilled the Planned Leadership roles in the Organization and hired professionals that enhance diversification in gender and experience. The Internal Audit Department is keen to attract talent and train employees to ensure that they have the skills and capabilities necessary to perform internal audit work. In terms of social responsibility and taking a leading role in the region, the company supported the internal audit profession by sponsoring the High-level 2018 international conference in Dubai.

- The Internal Audit Department in 2018 reviewed and refreshed the IA Strategy with a focus on making the impact, by conducting deeper, smarter and faster audits and having a tangible influence on Governance, Internal Controls & Risk Management across SABIC’s Corporate Functions and Regions. The four pillars of the IA Department’s new 2019-2021 Strategy are: Audit Functional Excellence; Stronger 3-Lines of Assurance; More & Broader Technology / Data Analytics; and Talents for Today & Tomorrow.

- The IA Leadership team initiated structured engagement sessions with the Company Leadership and discussed audit findings, key risks and controls, information focus areas and awareness regarding the 3 Lines of Assurance (3 LOA) model and other audit related comments.

- The Department is committed to ensuring the application of International auditing standards through the Expertise Center to assure quality of business implementation and development projects.

AUDIT COMMITTEE OPINION

As on 31 December 2018, and based on the Executive Management reports and the content of the external and internal auditors’ reports issued during the year, in our opinion, the Company’s Executive Management has maintained an effective internal control system; and that the scope and extent of the audit processes in conjunction with the Audit Committee meeting discussions, has provided reasonable ground for the Committee to formulate this opinion.

COMPLIANCE

SABIC’s Compliance Program establishes a framework to ensure that all our employees act with integrity and comply fully with the laws and regulations of the countries in which we operate, and also adhere to the company’s internal policies that often exceed legal requirements. SABIC Code of Ethics is the tool that governs how all employees interact with business partners, officials, colleagues and the community. The Code can be found at www.sabic.com/en/about/sabic-code-of-ethics.

Our approach to ethical behavior focuses on adherence to the company’s governance structures, policies and procedures in the most transparent way possible. Senior executives and leaders are keen to serve as role models for other employees in terms of compliance and ethical conduct.

SABIC’s commitment to integrity and compliance goes far beyond simply seeking to prevent the consequences associated with violations, such as penalties and fines. We believe that ethical commitment to business performance is the foundation of the company’s long-term success.

To build the right foundation for ethical compliance and avoiding violations, all employees are required to attend comprehensive compliance training, refresher courses, as well as special lessons on specific topics based on work duties, such as antitrust legislation, fair employment practices or trade control systems. This training takes various forms, including face-to-face or online training, and the training materials and formats are updated regularly.

SABIC’s Chief Compliance Counsel is responsible for managing the implementation of the compliance program, supported by a team of Compliance Lawyers working in each region where we conduct our business. The Chief Compliance Counsel regularly reports to the Audit Committee of the Board on the progress made at the program level as well as on any significant results.

We encourage employees to report any suspicious activity, and we encourage them to inquire and ask for guidance if there is any doubt. Employees can report to their manager, communicate with global compliance support lines, or through the web-based reporting tool, which provides the option to report concerns, anonymously. All credible reports are processed and investigated as needed, and all questions are responded to and answered in a timely manner.

At SABIC, we have been a key contributor to the global business fight against corruption since 2012 with our founding membership in the Business 20 (B20) Anti-Corruption Task Force, as well as our active participation in the World Economic Forum’s Partnering Against Corruption Initiative. We are routinely asked to speak and lead on these issues at some of the world’s preeminent anti-corruption events.

In 2018, SABIC continued its leadership on anti-corruption through participation in Integrity and Compliance Cross-Thematic Group at the annual B20 Summit in Buenos Aires. Argentinian presidency of the group of the world’s 20 largest economies (G20). The B20 is the official G20 dialogue with the global business community. This elite group of companies provided guidance to G20 leaders on advancing a future-focused, resilient, and sustainable economy. Following this effort, SABIC presented on a panel called “B20 Policy Actions on Integrity & Compliance - Moving from Intent to Action” at the International Anti-Corruption Conference in Copenhagen, hosted by the Danish Ministry of Foreign Affairs and Transparency International.

By adding our voice to these international anti-corruption efforts, SABIC is finding ways for business to work with other actors to build effective governance institutions, share best practices and technical advice, and ultimately, to improve the human rights of people living in the communities where we operate.
RELATED PARTY TRANSACTION

The company, represented in the Legal Department, protects SABIC business against legal risks, through legal advice and periodic review of contracts, policies, rules and regulations to be in line with the relevant rules and regulations issued by the legislator.

The company, represented by the Audit Department, performs operational review of all aspects of activities in sectors and departments of SABIC and affiliates inside and outside Saudi Arabia. In addition, Environment, Health, Safety and Security Department is responsible for supporting and protecting the Company and its affiliates in the field of environment, health, safety and security, as well as preparing policies and procedures to comply with the relevant laws and regulations issued by the legislator.

The company assumes marketing and sales of affiliates products in various local, regional and global markets through marketing agreements signed with those companies. The company also provides its affiliates with procurement services, involving transportation, warehouse services and delivery of materials related to spare parts through the SABIC Shared Services function. The company, represented by Shared Services, provides accounting, human resources, information technology, and engineering services to affiliates under an agreement signed with them.

The company, represented by the Audit Department, performs operational review of all aspects of activities in sectors and departments of SABIC and affiliates inside and outside Saudi Arabia. In addition, Environment, Health, Safety and Security Department is responsible for supporting and protecting the Company and its affiliates in the field of environment, health, safety and security, as well as preparing policies and procedures to comply with the relevant laws and regulations issued by the legislator.

DECLARATION BASED ON CORPORATE GOVERNANCE REGULATION

BOARD OF DIRECTORS DECLARATIONS

The Board of Directors acknowledges the following:

- The accounting records were properly prepared.
- The internal control system was founded and implemented effectively.
- There are no doubts on the company’s ability to continue business.
- There are no penalties, disciplinary actions, precautionary measures, or restrictions imposed on the company by the competent body or by any other supervisory, organizing or legal body.
- SABIC company already appointed an internal auditor and there is not any recommendation from the Audit Committee.
- There is no conflict between the recommendations of the Audit Committee and the resolutions of the Board of Directors, and the recommendations of the Audit Committee which included the appointment of the Auditor of the Company and the determination of his fees for the fiscal year 2018.
- Financial Statements are prepared according to the standards approved by the Saudi Organisations for Certified Public Accountant.
- The company did not issue or grant any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights.
- The company didn’t redeem, purchase or cancel any redeemable debt instruments.
- The company has not concluded any works or contracts of substantial interest to a member of the Board of Directors, or the Senior Executives, or any person related to any of them.
- There are no arrangements or waiver agreements of any salary or compensation by one of the Board members or Senior Executives.
- There are no any arrangement or agreement under which a shareholder of the company has waived any rights to dividends.
- Auditors’ report shows that the consolidated financial statements are free of material misstatements, and any reservations towards it.
- The Board of Directors has not issued a recommendation to change the auditor before the expiry of the term for which he was appointed.

COMPANY DECLARATIONS

The company applies all the provisions contained in the Rules of Corporate Governance issued by the Capital Market Authority (CMA), except the provisions below:

- The company did not issue or grant any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights.
- The company has not concluded any works or contracts of substantial interest to a member of the Board of Directors, or the Senior Executives, or any person related to any of them.
- There are no arrangements or waiver agreements of any salary or compensation by one of the Board members or Senior Executives.
- There are no any arrangement or agreement under which a shareholder of the company has waived any rights to dividends.
- Auditors’ report shows that the consolidated financial statements are free of material misstatements, and any reservations towards it.
- The Board of Directors has not issued a recommendation to change the auditor before the expiry of the term for which he was appointed.

<table>
<thead>
<tr>
<th>Article /Clause No.</th>
<th>Provision of Article/Cause</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 20/ Clause 10 Issues Affecting Independence</td>
<td>If his/her served for more than nine years, consecutive or inconsistent, as a Board member of the Company.</td>
<td>The Company has an independent member (Abdulrahman Mohamed Al-Issa) who has spent more than nine years as a member of the Board of Directors.</td>
</tr>
<tr>
<td>Article 5/4 Audit Committee Formation, Clause B</td>
<td>The chairman of the Audit Committee shall be an independent member</td>
<td>The Board of Directors is of the opinion that the formation of the Audit Committee consists of five members, including two independent members of the Board of Directors, and three members from outside the Board, which can achieve independence that enhances the efficiency of the Committee’s work. It should be noted that the Committee chose a member from outside the Board as its Chairman based on its approved regulations.</td>
</tr>
<tr>
<td>Article 95/ Formation of a Corporate Governance Committee</td>
<td>If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance and shall provide the Board with its reports and recommendations at least annually. Based on Article 5/1 of the Corporate Governance Regulations, which stipulates that the Board of Directors shall form specialized committees in accordance with the need of the company and its conditions to enable it to perform effectively, the Board of Directors does not consider the need to form a specialized committee on corporate governance. All the other Board committees formed, in carrying out their duties and achieving their objectives, do inherently realize the Corporate governance function and objectives. Therefore, reducing the duty of “governance” to a single Committee on Governance, contravenes the proper governance application and realization.</td>
<td></td>
</tr>
</tbody>
</table>

The company did not issue or grant any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights.
APPENDIX
### DETAILS OF AFFILIATES, JOINT VENTURES AND ASSOCIATED COMPANIES IN THE FINANCIAL STATEMENTS, WHERE APPROPRIATE.

#### AFFILIATES

<table>
<thead>
<tr>
<th>No.</th>
<th>Affiliate name</th>
<th>Percentage of ownership</th>
<th>Main activity</th>
<th>Country of operation</th>
<th>Country of foundation</th>
<th>Capital in SAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SABIC Industrial Investments Co. (SIC) and its affiliates</td>
<td>100%</td>
<td>Establishment of metal, petrochemical chemicals and fertilizer plants</td>
<td>Middle East and North Africa</td>
<td>Saudi Arabia</td>
<td>300,000,000</td>
</tr>
<tr>
<td>2</td>
<td>SABIC Luxembourg S. A. R. L. its affiliates</td>
<td>100%</td>
<td>Operation of major petrochemical complexes, production and sale of hydrocarbon products, innovative plastics, polymers and chemicals</td>
<td>Europe, America and Asia</td>
<td>Luxembourg</td>
<td>34,281,250</td>
</tr>
<tr>
<td>3</td>
<td>Arabian Petrochemical Company (PETRXKEMIA)</td>
<td>100%</td>
<td>Operation of complex to produce olefins, derivatives and polymers</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>1,155,540,000</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Iron &amp; Steel Company (HADEED)</td>
<td>100%</td>
<td>Manufacture of long and flat steel products</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>1,070,000,000</td>
</tr>
<tr>
<td>5</td>
<td>SABIC Salini (Salini)</td>
<td>100%</td>
<td>Salini management</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>500,000</td>
</tr>
<tr>
<td>6</td>
<td>SABIC Industrial Catalyst Company (SABICAT)</td>
<td>100%</td>
<td>Development, build, own, operate and maintain plants to produce polymers, methanol, ethylene glycol, butane and other products</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>500,000</td>
</tr>
<tr>
<td>7</td>
<td>Saudi Carbon Fiber Company (SCFC)</td>
<td>100%</td>
<td>Carry out all works and operations related to logistics, transport, distribution, warehousing, shipping, export, unloading and loading networks.</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>500,000</td>
</tr>
<tr>
<td>8</td>
<td>SABIC Supply Chain Services Limited Company (SSCS)</td>
<td>100%</td>
<td>Operations of petrochemical complex to produce ethylene, naphtha, propylene, ethane, ethylene dichloride, styrene, caustic soda, and methyl tertiary-butyly ether (MTBE)</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>3,210,741,000</td>
</tr>
<tr>
<td>9</td>
<td>Saudi Petrochemical Company (SAGAM)</td>
<td>100%</td>
<td>Production of ACN and sodium cyanide</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>171,227,500</td>
</tr>
<tr>
<td>10</td>
<td>Saudi Japanese Acrylonitrile Company (SHIOKAN)</td>
<td>100%</td>
<td>Operation of a Complex for manufacture of methylacrylate butyl ether (MABE) and polyolefins</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>1,025,665,000</td>
</tr>
<tr>
<td>11</td>
<td>Saudi European Petrochemical Company (IBN ZAHR)</td>
<td>80%</td>
<td>Production of aromatic components and derivatives and a pure terephthalic acid, acetic acid, polylethenylene terephthalate</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>2,695,620,000</td>
</tr>
<tr>
<td>12</td>
<td>Jubail United Petrochemical Company (UNITED)</td>
<td>75%</td>
<td>Operation of a major petrochemical complex for the production of ethylene, polyethylene, ethylene glycol and linear alpha olefins</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>2,495,620,000</td>
</tr>
<tr>
<td>13</td>
<td>National Chemical Fertilizers Company (IBN AL-BAYT)</td>
<td>75%</td>
<td>Production of chemical fertilizers</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>414,750,000</td>
</tr>
<tr>
<td>14</td>
<td>National Industrial Gases Co (GAS)</td>
<td>70%</td>
<td>Production of industrial gases and supply to different industries</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>248,000,000</td>
</tr>
</tbody>
</table>

#### Note: SUKUK is currently in the process of liquidation.
### JOINT VENTURES AND ASSOCIATED COMPANIES

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Associate</th>
<th>Percentage of ownership</th>
<th>Main activity</th>
<th>Country of operation</th>
<th>Country of foundation</th>
<th>Capital in SAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sinopec SABIC Tianjin Petrochemical Co., Ltd.</td>
<td>50%</td>
<td>Production and sale of petrochemical products</td>
<td>China</td>
<td>China</td>
<td>5,342,884,154</td>
</tr>
<tr>
<td>2</td>
<td>SABIC SK NEREUS Ltd.</td>
<td>50%</td>
<td>Operation of complex to produce low linear density polyethylene</td>
<td>Singapore</td>
<td>South Korea</td>
<td>1,125,073,500</td>
</tr>
<tr>
<td>3</td>
<td>Gulf Petrochemical Industries Company (GPIC)</td>
<td>33.33%</td>
<td>Manufacturing of petrochemical products</td>
<td>Bahrain</td>
<td>Bahrain</td>
<td>600,000,000</td>
</tr>
<tr>
<td>4</td>
<td>Gulf Aluminium Rolling Mills Company (GABARCO)</td>
<td>40%</td>
<td>Manufacturing and production of aluminum</td>
<td>Bahrain</td>
<td>Global</td>
<td>38,845,998</td>
</tr>
<tr>
<td>5</td>
<td>Ma’aden Phosphate Company (MPC)</td>
<td>33.33%</td>
<td>Operation of complex for the production of phosphate and fertilizers</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>2,088,680,000</td>
</tr>
<tr>
<td>6</td>
<td>Arabian Petrochemical Company (PETROKEMY A)</td>
<td>10%</td>
<td>Investment in downstream industries</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>870,200,000</td>
</tr>
<tr>
<td>7</td>
<td>Electricity and Water Utility Company in Jubail and Yanbu (Marafiq)</td>
<td>24.81%</td>
<td>Maintenance, management and implementation of saline water cooling and treatment systems</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>2,500,000,000</td>
</tr>
<tr>
<td>8</td>
<td>Bahrain Aluminum Company (Alba)</td>
<td>62%</td>
<td>Manufacturing and production of Aluminum</td>
<td>Bahrain</td>
<td>Bahrain</td>
<td>340,000,000</td>
</tr>
<tr>
<td>9</td>
<td>National Chemical Fertilizers Company (IBN AL-BAYT AR)</td>
<td>10%</td>
<td>Purchase, chartering and operation of petrochemical carriers (carriers and ships)</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>650,000,000</td>
</tr>
<tr>
<td>10</td>
<td>Ma’aden Wadi Al Shamal Phosphate Company (MWS/SPC)</td>
<td>15%</td>
<td>Operation of complex for the production of phosphate and fertilizers</td>
<td>Saudi Arabia</td>
<td>Saudi Arabia</td>
<td>1,042,501,875</td>
</tr>
<tr>
<td>11</td>
<td>Clariant AG (CLARIA)</td>
<td>99.9%</td>
<td>Manufacturing of specialty chemical products</td>
<td>Global</td>
<td>Switzerland</td>
<td>4,680,064,491</td>
</tr>
<tr>
<td>12</td>
<td>Cosmar Inc.</td>
<td>90%</td>
<td>Manufacturing of petrochemical products</td>
<td>USA</td>
<td>USA</td>
<td>910,094,588</td>
</tr>
</tbody>
</table>

### DETAILS OF STOCKS AND DEBT INSTRUMENTS ISSUED BY EACH AFFILIATE

<table>
<thead>
<tr>
<th>No.</th>
<th>Affiliate Name</th>
<th>No. of shares and nominal value</th>
<th>Debt Instruments in SAR’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SABIC Industrial Investments Co. (SIIC) and its affiliates</td>
<td>300,000 shares, SR 1,000 each</td>
<td>2,086,768</td>
</tr>
<tr>
<td>2</td>
<td>SABIC Luxembourg S. A. R. L. and its affiliates</td>
<td>262,000 shares, SR 131.25 each</td>
<td>12,028,258</td>
</tr>
<tr>
<td>3</td>
<td>Arabian Petrochemical Company (PETROKEMY A)</td>
<td>195,354 shares, SR 10,000 each</td>
<td>101,912</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Iron &amp; Steel Company (MAHED)</td>
<td>1,070,000 shares, SR 1,000 each</td>
<td>283,140</td>
</tr>
<tr>
<td>5</td>
<td>SABIC Sales (Sabic)</td>
<td>5,000 shares, SR 100 each</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>SABIC Industrial Catalyst Company (SABCAT)</td>
<td>5,000 shares, SR 100 each</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>Saudi Carbon Fiber Company (SCFC)</td>
<td>500 shares, SR 1,000 each</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Saudi-European Petrochemical Company (BIN ZAHR)</td>
<td>1,025,666 shares, SR 1,000 each</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Jubail United Petrochemical Company (UNITED)</td>
<td>2,495,620 shares, SR 1,000 each</td>
<td>-</td>
</tr>
<tr>
<td>10</td>
<td>National Chemical Fertilizers Company (IBN AL-BAYT AR)</td>
<td>494,700 shares, SR 1,000 each</td>
<td>-</td>
</tr>
<tr>
<td>11</td>
<td>National Industrial Gas Co (GAN)</td>
<td>348,000 shares, SR 1,000 each</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>Yanbu National Petrochemical Company (YANASAB)</td>
<td>562,500,000 shares, SR 10 each</td>
<td>-</td>
</tr>
<tr>
<td>13</td>
<td>Saudi Methanol Co (AL-RADA)</td>
<td>25,000 shares, SR 10,000 each</td>
<td>-</td>
</tr>
<tr>
<td>14</td>
<td>Al Jubail Fertilizer Co (AL-BAYRONI)</td>
<td>13,430 shares, SR 50,000 each</td>
<td>-</td>
</tr>
<tr>
<td>15</td>
<td>Saudi Yanbu Petrochemical Company (YANPET)</td>
<td>4,596 shares, SR 1,000,000 each</td>
<td>-</td>
</tr>
<tr>
<td>16</td>
<td>National Methanol Company (BN SFA)</td>
<td>5,580 shares, SR 101,000 each</td>
<td>1,208,740</td>
</tr>
<tr>
<td>17</td>
<td>Saudi Petrochemical Company (SADAF)</td>
<td>3,170,790 shares, SR 1,000 each</td>
<td>394,999</td>
</tr>
<tr>
<td>18</td>
<td>Eastern Petrochemical Company (DHARID)</td>
<td>189,000 shares, SR 10,000 each</td>
<td>-</td>
</tr>
<tr>
<td>19</td>
<td>Al-Jubail Petrochemical Company (AL-BAYRONI)</td>
<td>21,492 shares, SR 10,000 each</td>
<td>4,655,295</td>
</tr>
<tr>
<td>20</td>
<td>Saudi Methanol Co (AL-RADA)</td>
<td>17,122,750 shares, SR 10 each</td>
<td>-</td>
</tr>
<tr>
<td>21</td>
<td>Arabian Industrial Fibers Company (ALDURU)</td>
<td>5,580,000 shares, SR 10,000 each</td>
<td>301,338</td>
</tr>
<tr>
<td>22</td>
<td>Saudi Arabian Fertilizer Company (SAFCO)</td>
<td>5,580,000 shares, SR 10,000 each</td>
<td>301,338</td>
</tr>
<tr>
<td>23</td>
<td>Saudi Kayan Petrochemical Company’s (SAUDI KAYAN)</td>
<td>2,500,000,000 shares, SR10 each</td>
<td>101,812</td>
</tr>
<tr>
<td>24</td>
<td>Saudi Acrylonitrile Company (SAMAC)</td>
<td>135,000,000 shares, SR 10,000 each</td>
<td>2,715,548</td>
</tr>
<tr>
<td>25</td>
<td>SABIC Supply Chain Services Limited Company (SCS)</td>
<td>50,000 shares, SR 10 each</td>
<td>-</td>
</tr>
<tr>
<td>26</td>
<td>Saudi Specialty Chemicals Company (SPICHEM)</td>
<td>2,200,000 shares, SR 100 each</td>
<td>-</td>
</tr>
<tr>
<td>27</td>
<td>Saudi Organics and Chemicals Company (SOCC)</td>
<td>100,000 shares, SR 10 each</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: Debt instruments do not include internal loans among companies that were excluded for consolidating the financial statements. SUKUK is currently in the process of liquidation.