

CHEMISTRY THAT MATTERS™



# THRIVING WITH RESILIENCE

ANNUAL REPORT 2020



We at SABIC have always relished a challenge. We know that whatever comes our way, our vision, our values and our sheer resilience will continue to power the ongoing transformation of everything we do and the ways that we do it, to help make tomorrow better than today.

Note: Images and/or other multimedia featured herein may have been taken prior to the COVID-19 pandemic. Therefore, SABIC's health and safety protocols, including, but not limited to, social distancing and the use of face coverings, may not be depicted.



**King Salman bin Abdulaziz Al Saud**  
The Custodian of the Two Holy Mosques



His Royal Highness  
**Prince Mohammed bin Salman bin Abdulaziz Al Saud**  
Crown Prince, Deputy Premier and Minister of Defense

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# STRATEGIC OVERVIEW AND BUSINESS MODEL



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# AT A GLANCE

SABIC, headquartered in Riyadh, Saudi Arabia, employs more than 32,000 people in around 50 countries, working together to make the building blocks of the modern world ever better, ever more efficiently, and ever more sustainably.



**AMERICAS**  
HEADQUARTERS  
Houston, USA



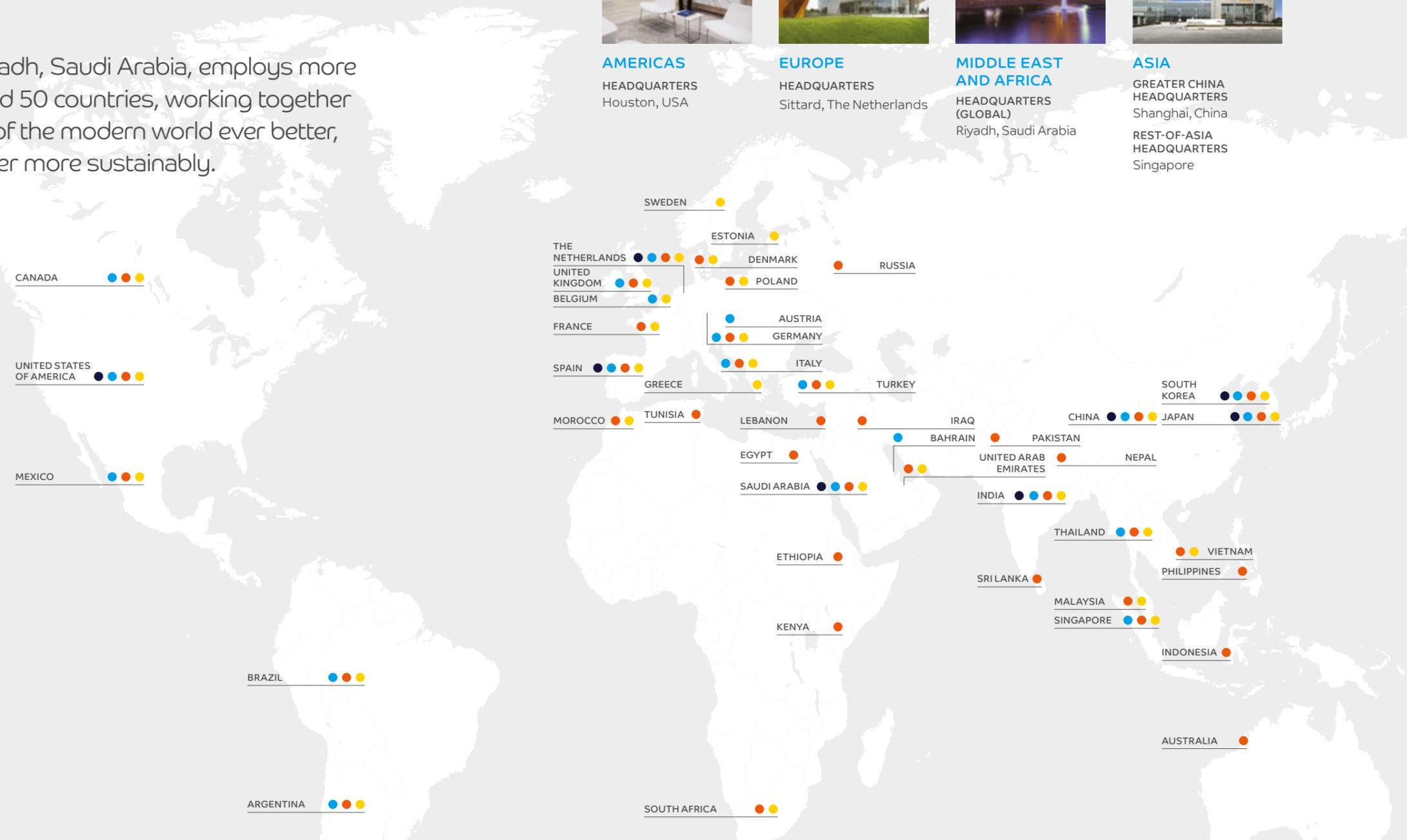
**EUROPE**  
HEADQUARTERS  
Sittard, The Netherlands



**MIDDLE EAST AND AFRICA**  
HEADQUARTERS (GLOBAL)  
Riyadh, Saudi Arabia



**ASIA**  
GREATER CHINA HEADQUARTERS  
Shanghai, China  
REST-OF-ASIA HEADQUARTERS  
Singapore



- Technology and innovation centers ●
- Manufacturing and compounding plants ●
- International subsidiaries and sales offices ●
- Distribution, storage facilities and logistical hubs ●

<b>NET INCOME (SAR)</b> <b>67mIn</b>	<b>ASSETS (SAR)</b> <b>295bIn</b>	<b>SALES (SAR)</b> <b>117bIn</b>	<b>PRODUCTION (METRIC TONS)</b> <b>60.8mIn</b>
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<p><b>32,000+</b> Employees around the world</p>	<p><b>9,946</b> Patent portfolio</p>	<p><b>A+/A1</b> One of the highest standalone credit ratings</p>	<p><b>Top 2</b> Chemical brand value</p>
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## LEADERSHIP STATEMENTS



**KHALID HASHIM AL-DABBAGH**  
Chairman

The challenging business environment of 2020 reduced demand and compressed margins for our core products. This was a direct result of the unprecedented impact of the COVID-19 pandemic on our industry.

However, SABIC demonstrated great resolve and weathered the severe business environment with strong operational resilience and a robust balance sheet. This underlying performance is directly attributable to the efforts of our employees, who in the face of extraordinary adversity, exhibited exceptional focus to delivering the business plan and maintaining operational excellence.

During the year, Saudi Aramco completed the acquisition of the Public Investment Fund's (PIF) 70% stake in SABIC. This momentous acquisition brought together world-class portfolios and enhances SABIC's competitive positioning globally. The resulting tangible synergies in key areas of growth projects, joint ventures and service delivery models will enable SABIC to drive increased value.

Health and safety is a top priority for SABIC and significant actions were taken during the pandemic to safeguard our people, including introduction of extensive workplace precautions and remote working. Fulfilling our commitment to the communities in which we operate, we provided both financial and equipment support to help minimize the impact of the pandemic.

SABIC demonstrated great resolve and weathered the severe business environment with strong operational resilience and a robust balance sheet. This underlying performance is directly attributable to the efforts of our employees, who in the face of extraordinary adversity, exhibited exceptional focus to delivering the business plan and maintaining operational excellence.

Our Environmental, Social & Governance (ESG) priorities are underpinned by a commitment to create a globally sustainable business and are linked to leadership performance incentives. The success of our brand building efforts was also evident as SABIC moved up to become the second most valuable brand in the chemical industry, according to the Brand Finance rankings.

In support of Vision 2030, our NUSANED™ program is enabling localization through economic growth, diversification and job creation in the Kingdom. In addition, our global partnerships and presence in more than 50 countries around the world continue to attract international investments and expertise to the Kingdom.

In 2020, our on-going transformation program resulted in the reorganization of our Agri-Nutrients and Specialties businesses. The changes will provide the necessary focus to create additional efficiencies and build long-term growth.

On behalf of the board, I would like to extend my sincere thanks to Dr. Abdulaziz Saleh Al-Jarbou and the outgoing SABIC board members for their leadership and service. Their contributions have cemented SABIC's position as a market leader in the industry. Also, we welcome our new Board members who bring with them a wealth of knowledge and diversified experience.

Finally, I would like to thank the SABIC leadership team and our employees for navigating through a very difficult 2020 and look forward to enhanced shareholder contributions in the coming years.

Our Environmental, Social & Governance (ESG) priorities are underpinned by a commitment to create a globally sustainable business and are linked to leadership performance incentives. The success of our brand building efforts was also evident as SABIC moved up to become the second most valuable brand in the chemical industry, according to the Brand Finance rankings.

# LEADERSHIP STATEMENTS

## CONTINUED



**YOUSUF ABDULLAH AL-BENYAN**  
Vice Chairman and Chief Executive Officer

2020 has been an unprecedented year that demonstrated the strengths of SABIC's business model and presented the opportunity to advance our plans for the future.

As COVID-19 brought disruption to all corners of the global economy, the value of our careful long-term strategic planning and continuous transformation of our operating model were made clear. We were among the first to recognize the imperative for global businesses to reassess their operations and capitalize on digitalization. The advent of the 'new normal' accelerated the trends we first identified five years ago. Our early actions positioned us ahead of the curve in our industry.

In facing the challenges of 2020, we further embraced innovation and the new future of work, while remaining focused on our long-term growth ambitions and leveraging the strength of our global supply chain, operational efficiencies and capital discipline. These measures enabled us to mitigate short-term challenges and positioned us to thrive in the new economic landscape.

Our 2020 results underlined the resilience of our business and the strength of our long-term growth strategies. Despite external factors, including COVID-19 impacts on our end-use markets and lower prices, we recorded improved performance in sales, capital expenditure (Capex), and General and Administration (G&A) costs. In 2020, SABIC posted a net income of SR 67 million, sales of SR 117 billion, and production of 60.8 tons. These outcomes indicate that we have learned to adjust to the "new normal" and positioned the business for success as the global economy returns to growth.

SABIC's resilience is defined by our business model, operational efficiency, and effective customer engagement. These strengths exist because of the dedication, creativity and professionalism of our global teams. I extend my sincere gratitude to all our employees for their outstanding commitment and contributions during an extraordinary year. I am extremely proud of SABIC's accomplishments during these times and of how our values inspire our teams and the communities in which we live and work.

Our 2020 performance was delivered with our usual uncompromising focus on our customers and delivering innovative sustainable solutions of the highest quality. At SABIC, we also understand the importance of investing in future generations through a range of Corporate Social Responsibility (CSR) initiatives that improve lives around the world. This year, in addition to our usual efforts, we collaborated closely with governments and NGOs to overcome the challenges of COVID-19.

As global responses to the pandemic demanded action, we stepped up our support - mobilizing our combined resources and donating monetary and in-kind support where it was most needed. In all regions where we operate, our efforts helped provide materials for much-needed supplies to frontline medical staff, including Protective Personal Equipment (PPE) for healthcare practitioners and other vulnerable groups.

In Saudi Arabia, our NUSANED™ local content program, a key pillar in our support for the Kingdom's Vision 2030, collaborated with health authorities - while various means of support were extended to local companies producing PPE. This included SABIC technical centers and intermediate component manufacturers volunteering support to identify the best raw materials to develop new health protection solutions.

The pandemic was a real test of our Environmental, Health, Safety, and Security (EHSS) readiness and resilience. We worked tirelessly to raise our EHSS competencies, focusing on driving product stewardship and managing process risk management effectively, while safeguarding our frontline staff. EHSS will always remain critical to our business, and we are fully committed to excellence in this area through training and upskilling our employees.

The development and rollout of vaccines is welcome news and raises hopes for a global economic revival during 2021 and beyond. Our optimism is accompanied by our deep commitment to operate as an essential industry, maintaining output levels to help secure essential goods and meet humanitarian needs globally.

In June 2020, we entered a new era in our history and became the chemicals arm of Saudi Aramco, following its share acquisition of a 70 per cent stake in SABIC from the Public Investment Fund for a total purchase price of SAR 259.125 billion (US\$ 69.1 billion).

Both SABIC and Saudi Aramco are global organizations that understand the global market. In the third quarter of 2020, we began the implementation phase of our alignment - positioning us to achieve long-term growth and deliver value for our stakeholders. SABIC's share in value creation and synergy is expected to amount to a recurring annual value of between \$1.5 billion and \$1.8 billion, which we expect to achieve by 2025. Approximately 80 per cent of this annual is set to be generated from six business areas which include procurement, sales and marketing, supply chain, stream integration, feedstock optimization, and maintenance.

Our two companies' portfolios, strategies, global reach, and human capabilities strongly complement each other - and will set us up to achieve our long-term growth ambitions. Synergies with Saudi Aramco will play an important role in our future and, likewise, our transformation journey is continuing to reshape our business so we can unlock new sustainable growth.

We enjoy a leadership position in the global petrochemicals industry and aim to become a leader in the Agri-Nutrients and Specialties sectors. During the fourth quarter of 2020, SABIC announced the completion of its share purchase agreement with SAFCO. The resulting new entity, SABIC Agri-Nutrients Company, also now owns SABIC's share in National Chemical Fertilizers Company (Ibn Al Baytar), Al Jubail Fertilizer Company (Al Bayroni) and 33.33 per cent of Gulf Petrochemical Industries Company (GPIC). This strategic move will provide more focus and agility for the agri-nutrients business and provide SABIC with a platform for sustainable growth as both a national champion and a global leader in the agri-nutrients industry.

In Specialties, we achieved another important milestone in our growth ambitions this year with the establishment of the business as a stand-alone operation. This will unlock further growth potential and also enable it to evolve its business model to better meet customer requirements. Our leadership credentials in Specialties was also enhanced further in 2020 as we raised our stake in Clariant from 25% to 31.5%.

Digitalization is a key element of our growth strategy as the world increasingly moves toward a digital economy. We see the massive potential of digitalization to further transform our business as we steadily unlock the power of big data, machine learning, and artificial intelligence to improve our competitiveness and strengthen our leadership in the chemical industry.

At SABIC, we have laid digitalization foundations which will allow us to progress our journey to

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# LEADERSHIP STATEMENTS

## CONTINUED

become the preferred world leader in chemicals. In 2019, we initiated a five-year digital transformation strategy, and in 2020, we kicked off 22 digitalization initiatives across our organization, including in Technology & Innovation, Sustainability, Procurement, Petrochemicals, and Agri-Nutrients, in addition to earlier pilot projects in Manufacturing. Our 2021 plan is to scale up and expand successful digitalization pilots across the company, as well as launch new ones.

SABIC is committed to maintaining our strong identity and leadership position in relation to sustainability and Environmental, Social and Governance (ESG) matters. In 2020, I had the privilege of chairing the Business Twenty (B20) group during the G20 summit, presided over by the Kingdom of Saudi Arabia. The key takeaway from the engagement was the central importance of sustainability, which has always been part of our integrated strategy for responsible business and long-term success.

For example, in 2020 we signed a deal for the construction of a photovoltaic solar plant at our polycarbonate facility in Cartagena, Spain. Once complete, this will be the world's first large-scale chemical production site to be run entirely on renewable power. During the year, our global technology centers also worked to create a roadmap to drive the growth of our circular economy business in line with our strategic TRUCIRCLE™ portfolio. These sustainability initiatives, along with our earlier social and governance milestones – such as recognition as the Top Employer across Asia, as a diversity leader in Europe, and as a company that operates on the highest ethical and governance standards – demonstrate how we have embedded key ESG factors successfully into our business practices.

Coinciding with the B20 discussions, SABIC also hosted the first open Circular Carbon Economy Forum to raise awareness beyond the industry and reflect the carbon cycle's interactions between social and environmental systems. Meanwhile, we advanced towards higher levels of excellence in ESG with the launch of our ESG Reporting Steering Committee. This body will oversee the integration of key ESG factors into our business strategies and ensure that we follow transparent, robust, complete and value-driven ESG reporting.

The “New Normal” is here to stay and we must embrace it then adapt to it for the long run. In the year ahead, we will continue to concentrate on maintaining capital discipline, cost management, as well as our ability to uphold a strong balance sheet and credit rating. Our strategy will remain focused on fulfilling our priorities, which include a strong emphasis on EHSS, talent development, customer intimacy, sustainability and market-facing innovation. Our value creation with Saudi Aramco will continue to gather momentum and place us on a stronger growth path by bringing additional scale, technology, investment potential and growth opportunities.

Overall, we anticipate a recovery in the global economy in 2021 that would take us into 2022 in a much better business environment. As we continue **thriving with resilience**, we expect consumers to emerge progressively from the setbacks of the year. We remain strongly committed to helping them meet ever-changing market requirements with sustainable and differentiated products – in the true spirit of our value promise and purpose, **‘Chemistry that Matters’™**.

The pandemic was a real test of our Environmental, Health, Safety, and Security (EHSS) readiness and resilience. We worked tirelessly to raise our EHSS competencies, focusing on driving product stewardship and managing process risk management effectively, while safeguarding our frontline staff. EHSS will always remain critical to our business, and we are fully committed to excellence in this area through training and upskilling our employees.

# OUR BUSINESS MODEL

## STRATEGIC PILLARS

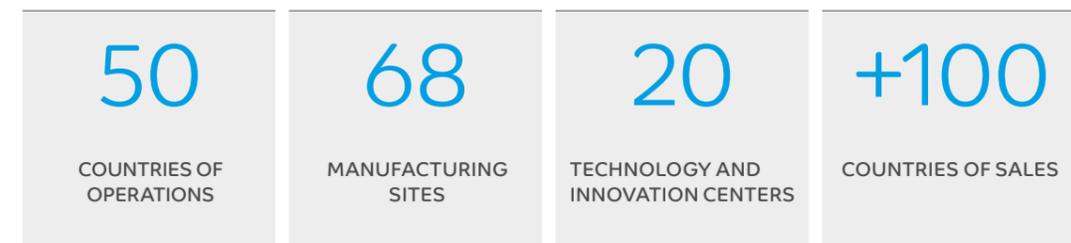


## BUSINESS PORTFOLIO

SABIC operates through three strategic business units (SBUs) and Metals (Hadeed):



## DIVERSIFIED GLOBAL FOOTPRINT

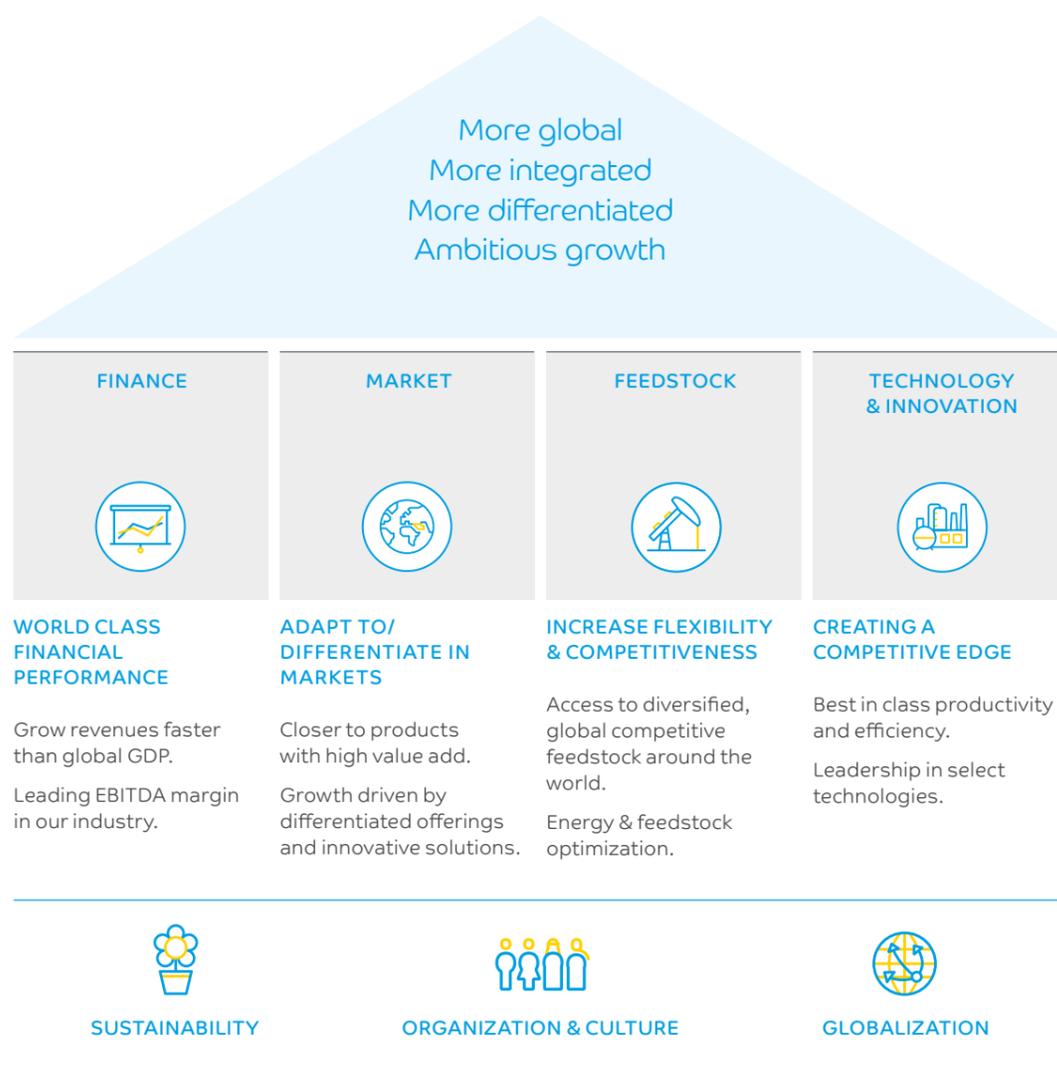


# OUR STRATEGY

SABIC's vision is to be the preferred world leader in chemicals and a true global powerhouse across key sectors of the chemical industry by delivering 'Chemistry that Matters™'.

## OUR VISION

TO BE THE PREFERRED WORLD LEADER IN CHEMICALS



To realize this vision, our strategy lays out a roadmap to transform SABIC into a higher growth, sustainability driven, more resilient and more agile chemical company, while playing a key role in Saudi Vision 2030.

Under this strategy, SABIC will continue its focus on addressing customer and market needs, delivering innovative products and solutions, advancing technology and innovation, furthering its commitment to sustainability, delivering strong operational excellence, and sustaining its unshakeable emphasis on safety. We will ensure long-term success via an effective and efficient organization, a robust and consistent performance culture, and a strong set of values around inclusiveness, diversity and integrity.

Our strategy seeks to deliver sustainable profitable growth and create value for our broad stakeholder base, including shareholders, customers, employees, regulators, and local communities. We will remain committed to being a key enabler of Saudi Vision 2030.

## BUSINESS PORTFOLIO

### PETROCHEMICALS

The SABIC Petrochemicals Strategic Business Unit (SBU) strategy aims at enhancing our leadership position, by growing in fast growing and emerging regions while addressing a range of end-user markets including packaging, automotive, building and construction, healthcare and personal hygiene, and consumer and household goods. It does so by providing products and solutions with a customer-focused mindset, and by leveraging technology, innovation and sustainability.

On June 17, 2020, Saudi Aramco announced the successful completion of its share acquisition of a 70% stake in SABIC from the Public Investment Fund (PIF), the sovereign wealth fund of Saudi Arabia. The completion of this historical transaction positions SABIC to become Saudi Aramco's chemicals arm and the national chemicals champion in Saudi Arabia, while strengthening its leadership position in the global chemical industry.

Our joint efforts with Saudi Aramco in petrochemicals will be strengthened by leveraging our strong customer and market positions and attractive product portfolio to address the growth markets of China, India, South East Asia, and North America. These markets will be served through a range of feedstock asset platforms and associated investment models. These growth platforms will be located mainly in Asia, Saudi Arabia and North America and will be enabled by a combination of competitive advantages derived from both Saudi Aramco and SABIC, including advantaged and liquid feedstock, refinery petrochemical integration, advanced technology, such as our crude-oil-to-chemicals project, and strong strategic partners where relevant.

### AGRI-NUTRIENTS

SABIC Agri-Nutrients SBU continues to advance its transition to becoming the national agri-nutrients champion and a global leader in the agri-nutrients industry. Our strategy within Agri-Nutrients is to maintain our customer intimacy and market-focused approach, by selectively expanding our downstream positions, increasing our product differentiation, and growing our global assets globally.

We laid the groundwork for the legal integration of all SABIC nitrogen assets under SAFCO, due to be completed in 2021; and SAFCO was re-branded SABIC Agri-Nutrients Company. The SABIC Agri-Nutrients Company will be the platform to accelerate the expansion of our global agri-nutrients footprint to key attractive growth regions such as Africa and the Americas.

## SPECIALTIES

Our Specialties SBU focuses on addressing complex and often one-of-a-kind customer needs through differentiation, sustainability and speed to market.

The Specialties SBU was established as a fully independent and standalone entity in November 2020, with the intent to unlock its growth potential, add value by making it a more agile and focused company, and meet its specific business model and customer requirements.

In addition, SABIC increased its stake in Clariant from 24.99% to 31.5% earlier in 2020. This development is part of our long-term growth strategy to remain committed to product differentiation and create value for our customers. It is complementary to our existing specialties business and is well in line with our strategy of opening up new growth opportunities in specialty chemicals.

## METALS (HADEED)

In Hadeed, we remain focused on cost controls and further improving reliability to increase the profitability of the business while maintaining stability of supply of prime quality to the local market, supporting Saudi demand.

## STRATEGIC PILLARS

Our strategic ambitions rest on eight pillars that are critical to who we are: Customer Focus, Market Focus, Operational Excellence, Innovation and Technology, Portfolio Management, Transformation, Localization Engine, and Environmental, Social and Governance (ESG).

- **Customer Focus:** We work hard to understand the evolving needs of our customers in terms of service, product differentiation and solutions.
- **Market Focus:** We aim to accelerate growth both organically and non-organically by being close to regional markets. In our Petrochemicals business, for example, we aim to establish an asset base in the US to take advantage of shale gas opportunities, to expand in Asia where the maximum market growth is, to strengthen our asset base in Europe, and to deliver further growth in Saudi Arabia while taking advantage of our proximity to Middle East/Africa markets.
- **Operational Excellence:** We aim to improve efficiencies in our core areas of manufacturing, commercial, supply chain and cost management.
- **Technology and Innovation:** We strive for competitive advantage selectively through process, catalyst and application development. Sustainability is central to our focus on how we run our business and address current and future challenges.
- **ESG:** We aim to integrate ESG factors into business strategies and company values.
- **Portfolio Management:** We aim to prioritize strategic options and capital allocation within SABIC's portfolio of businesses.
- **Transformation:** We will continue enhancing SABIC's organizational effectiveness by investing in leadership, training and culture and by improving our operating model.
- **Localization Engine:** We aim to further develop the communities within Saudi Arabia. We work hard to catalyze further local content growth in Saudi Arabia through a structured program of leveraging SABIC capabilities.

## OUR CORE VALUES

Our values serve as the foundation of our organization and culture. They govern our behavior and drive our commitment to act with the highest ethical standards. We have integrated them into the fabric of our organization as a reference point for our business practice and to ensure successful implementation of our strategy.



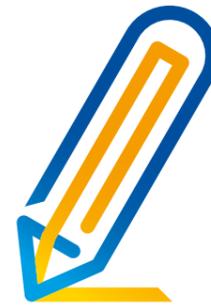
### INSPIRE

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. We are always challenging conventional thinking and seeking 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. Our unwavering focus on flawless execution drives our success.

# MARKET REVIEW

2020 BUSINESS ENVIRONMENT

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## 2020 BUSINESS ENVIRONMENT

Throughout most of 2020, the COVID-19 pandemic caused disruptions to supply chains, demand, international trade flows, and travel, along with lockdowns and collapsing stock prices. Collectively, this dealt a heavy blow to the global economy and caused a sharp downturn.

Most major advanced economies – including the US, the EU and Japan – and emerging economies – such as China, India as well as the Latin American and Middle Eastern and African economies – encountered marked slowdowns and, in some instances, tipped into recession. The trade dispute between the US and China further hurt business and investor sentiment around the world. In response to the declining economic growth, policymakers in many countries started providing more monetary and fiscal stimulus, which mitigated the adverse economic impacts to some degree.

### ADVANCED AND EMERGING ECONOMIES

Both advanced and emerging economies contracted sharply in 2020 as a result of the pandemic after recording moderate growth rates in 2019. There was an across-the-board deterioration in all major economic areas including fixed investment, private consumption, trade and industrial production. Soft energy prices and low demand for oil and energy products dealt a further blow to the growth of major oil and commodity producing countries.

### REGIONAL ECONOMIES

Saudi Arabian economic activity diminished significantly as a result of the COVID-19 crisis. The government's lockdown measures to control COVID 19 brought large swaths of public life to a standstill. Religion-based tourism almost came to a standstill in 2020, severely affecting related service businesses. Industrial production also continued to decline. All this, together with softer oil prices and lower hydrocarbon revenues, caused a severe recession in Saudi Arabia. On the other hand, a slowdown in outbound tourism encouraged more consumer spending in the local economy.

The US experienced a recession in 2020 as COVID-19 cut through its economy. Uncertainty surged, risks widened, and equity markets saw strong volatility, wiping out trillions of household net worth at different times of the year. Consequently, consumers spent more cautiously and businesses put some investments on hold awaiting the outlook to improve. International trade also declined sharply. Residential construction, however, remained a bright spot during the pandemic, rebounding quickly in response to low mortgage rates and new demand for single-family homes in the suburbs. Joe Biden's conclusive win in the presidential election reduced uncertainty and improved business and investor sentiment in the US.

There was a precipitous drop in China's economic activity as a result of the measures it implemented to control the pandemic, particularly in the first half of 2020, with real GDP growth contracting heavily. While almost all major sectors of the economy slowed, consumer spending and exports were the ones most affected. The Chinese government implemented a stimulus package dominated by tax and business fee cuts, and shifted bank lending to small and medium-sized private firms. The central bank expanded its monetary policy to increase liquidity in the system and support growth. The changes in the government's fiscal and monetary stance resulted in a reversal of China's "managed" structural economic slowdown, which is designed to move the country from a state-led, investment-driven economy to a market-led, consumption-oriented economy.

The Eurozone endured a severe recession as a result of the pandemic and associated lockdown restraints. All major economies of the Eurozone went through sharp recessions and slowdowns. Spain, Italy, and France suffered double-digit declines in real GDP, reflecting the severity of their virus outbreaks. Policy responses included substantial increases in European Central Bank asset purchases, large fiscal stimuli in many member states, and the European Union's €750-billion Recovery and Resilience Facility. Monetary policy remained highly accommodative against a backdrop of low inflation. However, increases in debt burdens from already high levels threatened to negatively affect long-term growth prospects in many countries, along with challenging demographics and poor productivity performance.

### GLOBAL INDUSTRIAL PRODUCTION

Global industrial production, which was already growing at a meager pace in 2019, contracted heavily in 2020. While both advanced and emerging economies contributed to the global industrial recession, the industrial contraction was more pronounced in advanced economies than emerging ones. Among major economies, industrial production growth decelerated significantly in the US, the Eurozone, Japan, China and India.

### PETROCHEMICALS MARKETS

As a result of the COVID-19 negative impact on the global economy, the petrochemicals industry saw a reduction in annual demand growth in 2020 in addition to a demand contraction of more than 4% year on year. Prices declined by 40% to 50% for some products, and bottomed during Q2. As governments around the globe relaxed lockdown measures during Q3, demand began to recover, but not to the pre-crisis level. On the supply side, extensive turnaround schedules around the globe, along with the US hurricane season related shutdowns, caused a decline in global and US supplies. This prevented further declines in prices in 2020. Recovery for some products like performance polymers and chemicals remained slow due to weak recovery in major downstream sectors like automotive and durable goods. However, in other sectors, such as consumer hygiene, healthcare and packaging, demand for petrochemicals remained strong. The bright spot has been products like polypropylene for masks and gowns, and polyethylene for all types of packaging. Agri-nutrients prices remained weak as global supply surpassed demand.

### FEEDSTOCK MARKETS

Oil prices tumbled by 60% in Q2 2020 as supply floodgates opened to markets that were already reeling from a demand crisis. With the breakdown of the Vienna Alliance, oil markets had an unprecedented double shock: a demand crisis and market share war, pushing prices to multi-decade lows. Prices recovered by Q3 as OPEC+ coordinated to control supply and as demand slightly recovered with gradual easing of travel restrictions.

Consequently, petrochemicals feedstock prices reacted to the global economic and oil situation, and followed oil to the bottom. Compared to 2019, oil prices declined by approximately 25% (year on year average) and averaged around low to mid 40s per barrel for Brent. Naphtha prices also declined by almost similar percentage – around 27% – compared to 2019, US ethane declined by around 5%, and US natural gas prices declined by around 21% compared to 2019. Liquefied Petroleum Gas in Asia declined by around 18% as demand weakened with the global economic slowdown.

# BUSINESS PERFORMANCE

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# BUSINESS PERFORMANCE

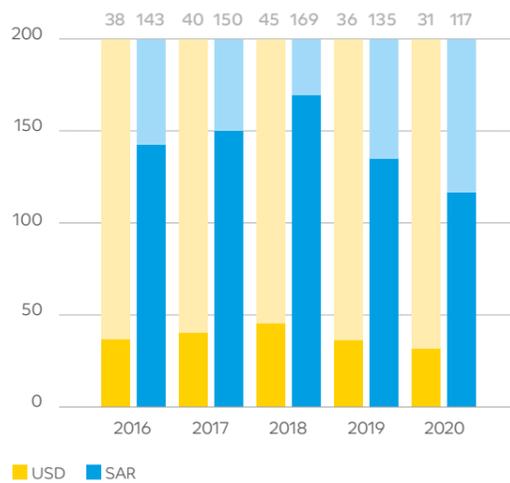
An overview of SABIC sales, income from operations, net income for the year, assets, equity and liabilities and cash flows.

## SALES

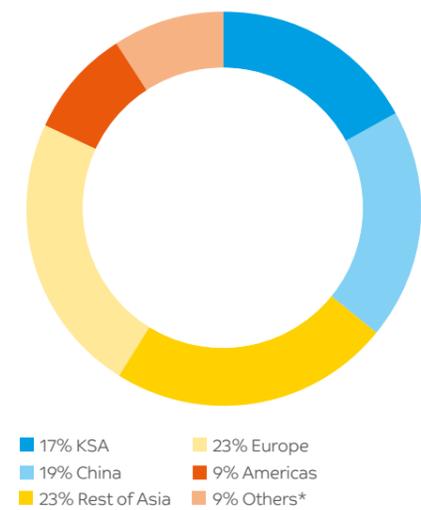
SABIC's sales revenue in 2020 was SAR 116,949 million, a decrease of SAR 18,447 million or 14%, compared to SAR 135,396 million in 2019, due to sharply lower average sales prices across key products; whereas the overall sales volume increased by 1%. Sales revenue for Petrochemicals and Specialties amounted to SAR 101,845 million, which represents 87% of total

SABIC revenues, decreased by SAR 15,643 million or 13% compared to 2019; while the sales volume increased by 1%. Agri-nutrients sales revenues amounted to SAR 6,119 million in 2020, a decrease by SAR 1,000 million or 14%; whereas sales volume increased by 7%. Hadeed sales revenues amounted to SAR 8,986 million, a decrease by SAR 1,805 million or 17%, and the sales volume decreased by 5% compared to 2019.

SALES (BILLION)



2020 SALES BY GEOGRAPHY (%)



Note: The revenue information above is based on the locations of the customers

\*Others includes sales made by certain subsidiaries to their foreign shareholders and for which detailed geographical breakdown for final end consumer sales is not available with the Group.

## INCOME FROM OPERATIONS

SABIC's income from operations for 2020 was SAR 4,574 million compared to SAR 11,523 million in 2019; a decrease of SAR 6,949 million or 60%. The decrease was mainly attributable to the decrease in gross profit margin by 10%. In addition, the share of results of integral joint ventures decreased by SAR 725 million or 42% compared to 2019.

Cost of sales for 2020 were SAR 94,078 million compared to SAR 105,991 million in 2019, a decrease of SAR 11,913 million or 11%. This was primarily due to the decrease in feedstock prices (Naptha, Propane and Butane by 40%, 19% and 18% respectively).

Selling, general and administrative expenses for 2020 were SAR 19,306 million compared to SAR 19,616 million in 2019; a decrease of SAR 309 million or 2% which mainly due to the decrease in shipping costs.

## NET INCOME FOR THE YEAR

SABIC's net income for 2020 was SAR 67 million compared to SAR 5,198 million in 2019. The decrease was mainly attributed to the decline in margins by 54% despite the increase in sales volume by 1%.

Share of results of non-integral joint ventures and associates for 2020 was SAR 66 million compared to a loss of SAR 1,595 million in 2019. This was primarily due to recording an impairment provision for Clariant during 2019 of SAR 1,515 million.

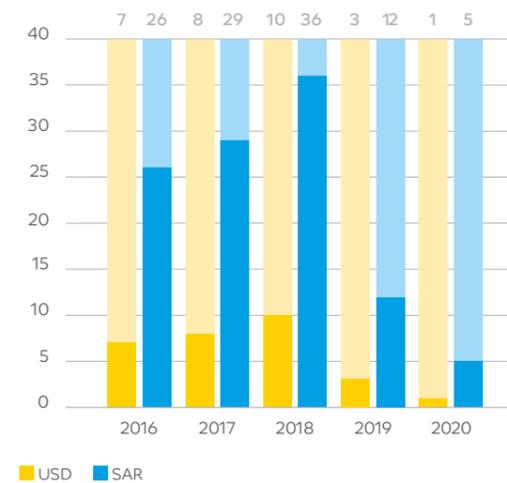
Finance costs, net for 2020 were SAR 1,292 million, an increase of SAR 131 million or 11%, compared to 2019.

Other Income (Expense) for 2020 was SAR (71) million compared to SAR 431 million in 2019. The decrease is mainly due to higher donation expenses and certain restructuring provisions.

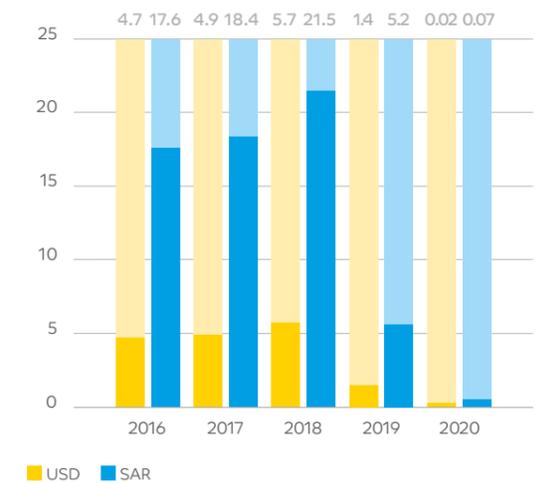
Zakat expenses for 2020 were SAR 1,683 million, which is SAR 285 million lower than 2019.

Income tax expenses for 2020 were SAR 338 million, a decrease of SAR 315 million or 48% compared to 2019. The decrease in Income tax is primarily due to a deferred tax benefits on assets impairments.

INCOME FROM OPERATIONS (BILLION)



SABIC NET INCOME (BILLION)



# BUSINESS PERFORMANCE

## CONTINUED

### ASSETS

**Total assets** for 2020 reached SAR 295,469 million, a decrease of SAR 5,012 million or 2%, compared to 2019. This is primarily due to the decrease in cash and bank balances by SAR 3,483 million, and inventory by SAR 3,254 million. Also, right of use assets decreased by SAR 817 million which was partially offset by an increase in investment in associates and Joint ventures by SAR 1,813 million due to the acquisition of 6.5% additional stakes in Clariant.

### EQUITY AND LIABILITIES

**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+ / A1) on a standalone basis reflects the strength of our financing strategy and its execution. We evaluate the most optimal 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 2020 reached SAR 167,626 million, a decrease of SAR 11,095 million or 6%, compared to 2019. The decrease is attributable to the dividends distributed of SAR 11,100 million during the year.

### TOTAL ASSETS (BILLION)



### EQUITY (BILLION)



Note: Equity attributable to equity holders of the parent

**Liabilities** for 2020 reached SAR 101,231 million, an increase of SAR 7,563 million or 8%, compared to 2019. Non-current liabilities increased by SAR 7,614 million mainly as a result of the increase in employee benefits by SAR 3,846 million and long-term debts by SAR 2,484 million.

Current liabilities decreased by SAR 50 million. Short-term borrowings, current portion of long-term debt and lease liabilities decreased by SAR 227 million. In addition, Zakat and Tax payable decreased by SAR 346 million. This was partially offset by an increase in trade payables and accruals and other current liabilities (net) of SAR 523 million.

During 2020, SABIC issued \$1 billion (SAR 3.75 billion) in international bonds through its wholly-owned subsidiary SABIC Capital I B.V. The purpose of the issuance was general purpose and to refinance some of the outstanding financial obligations of SABIC and its subsidiaries. The bonds were issued in accordance with the Rule Regulation S under the U.S. securities act of 1933, as amended. The bonds are listed on the Irish Stock Exchange (Euronext Dublin) and Taipei Exchange ("TPEX"). Below are the details:

Issuing type	The notes are Senior, U.S.\$ denominated and unsecured by assets
Issuing Amount	U.S. \$ 1,000,000,000.00
Total number	5,000
Par Value	U.S. \$ 200,000.00
Return	2.15% for Bonds maturity in 10 years and 3.00% for Bonds maturity in 30 years
Maturity	10 and 30 years
Terms of Redemption	Redemption on maturity and early redemption following a change of control event

### Remaining SABIC outstanding bonds as 31 December 2020:

ISIN Code	XS1890684688	XS1890684761
Issuer	SABIC Capital II BV	SABIC Capital II BV
Issuing Type	The notes are Senior, U.S.\$ denominated and unsecured by assets	The notes are Senior, U.S.\$ denominated and unsecured by assets
Par Volume	USD\$ 1 bln	USD\$ 1 bln
Return	4%	4.50%
Maturity	2018/2023	2018/2028
Listing	Ireland	Ireland

### LIABILITIES (BILLION)



# BUSINESS PERFORMANCE

## CONTINUED

Below is an overview of the total debt portfolio as of 31 December 2020:

Item (SAR '000)	Original loan amount	Beginning balance	Additions during the year	Repayments during the year	Non-cash*	Ending balance	Period of the loans (years)
Long Term and Financial Lease	41,507,822	32,417,175	3,371,223	-5,719,424	423,204	30,492,178	1-9
Short Term	11,817,874	1,346,996	2,970,878	-	-	4,317,874	1
Bonds	14,499,048	10,580,967	3,727,765	-3,333,375	200,626	11,175,983	3-30
<b>Total</b>	<b>67,824,744</b>	<b>44,345,138</b>	<b>10,069,866</b>	<b>-9,052,799</b>	<b>623,830</b>	<b>45,986,035</b>	

\*This is mainly due to FX and Amortization effects.

The total debt portfolio as of 31 December 2020 can be broken down by lending party as follows:

Lending party	Amount in SAR '000	%
Banks and Export Credit Agencies	26,471,800	58%
Bonds	11,175,983	24%
Public Investments Fund	998,483	2%
Industrial Development Fund	1,619,706	4%
Related parties	0	0%
Finance Leases	5,720,063	12%
<b>Total</b>	<b>45,986,035</b>	<b>100%</b>

Below is a statement of the value of any paid during 2020 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.

Item (SAR '000)	2020		2019	
	outstanding statutory payment which have not been paid until the end of the annual financial period	paid	outstanding statutory payment which have not been paid until during the end of the annual financial period	paid
Zakat	2,040,725	1,946,094	2,235,077	2,306,575
Income Taxes	698,588	958,622	1,028,182	943,776
Others	558,358	81,022	539,200	71,114
<b>Total</b>	<b>3,297,671</b>	<b>2,985,738</b>	<b>3,802,459</b>	<b>3,321,465</b>

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.

Item (SAR '000)	2020	2019	%
End of Service Benefits	13,948,233	11,018,178	27%
Defined benefits pension schemes	2,897,785	2,500,834	16%
Post-retirement medical benefits	1,579,593	1,195,294	32%
Long-term service awards	165,938	134,352	24%
Early Retirement Plans	30,989	32,150	-4%
Saving Plans	1,033,447	929,597	11%
<b>Total</b>	<b>19,655,985</b>	<b>15,810,405</b>	<b>24%</b>

## CASH FLOWS

**Net cash generated from operating activities** for 2020 was SAR 22,046 million, a decrease of SAR 11,784 million or 35%, compared to 2019. The decrease was mainly attributed to the decline in margins by 54% despite the increase in sales volume by 1%. This was partially offset by a favorable movement in working capital and lower payments for finance costs and zakat and income tax.

**Net cash used in investing activities** for 2020 was SAR 13,964 million, an increase of SAR 1,605 million or 13% compared to 2019. The increase was mainly attributed to acquisition of 6.5% additional stakes in Clariant; in addition to the lower cash inflow from short-term investments of SAR 5,679 million; partiality offset by a lower CAPEX spending of SAR 5,353 million.

**Net cash used in financing activities** for 2020 was SAR 14,525 million, a decrease of SAR 8,516 million or 37%, compared to 2019. The decrease was mainly due to the lower debt and lease repayments of SAR 3,766 million and lower dividends to shareholders and non-controlling interests of SAR 5,458 million. This was partially offset by lower debts proceed of SAR 1,271 million.

**Cash and cash equivalent at the end of the year** 2020 was SAR 28,838 million, a decrease of SAR 6,454 million or 18%, compared to 2019, which was mainly due to lower cash generated from operating activities.

**Free cash flow** for 2020 was SAR 8,908 million, a decrease of SAR 6,430 million or 42%, compared to 2019.

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.
- USD/SAR Rate: 3.75.
- 2019 figures were restated as a result of aligning the accounting policies with Saudi Aramco after the acquisition of 70% of SABIC.

# BUSINESS SEGMENT ANALYSIS

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## ANALYSIS

SABIC operates through three strategic business units (SBUs) and Metals (Hadeed), a wholly owned manufacturing business.

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

### FINANCIAL METRICS

SAR Billion	Petrochemicals and Specialties			Agri-Nutrient			Hadeed			Consolidated		
	2020	2019	% change	2020	2019	% change	2020	2019	% change	2020	2019	% change
Revenue	101.84	117.49	-13%	6.12	7.12	-14%	8.99	10.79	-17%	116.95	135.40	-14%
Income (loss) from operations	4.61	10.50	-56%	1.53	2.01	-24%	-1.57	-1.00	-57%	4.57	11.52	-60%
Assets	266.75	271.11	-2%	12.21	11.67	5%	16.50	17.69	-7%	295.47	300.48	-2%

### NON-FINANCIAL METRICS

Metrics (000 Mt)	Petrochemicals and Specialties			Agri-Nutrient			Hadeed			Consolidated		
	2020	2019	% change	2020	2019	% change	2020	2019	% change	2020	2019	% change
Production volume	48,317	48,003	0.6%	8,145	7,726	5%	4,423	4,671	-5%	60,884	60,400	0.8%
Sales volume	37,785	37,466	1%	6,913	6,434	7%	4,606	4,844	-5%	49,304	48,745	1%

Note:

- Specialties SBU's Non-Financials are separately disclosed in the Specialties SBU section.
- 2019 figures were restated as a result of aligning the accounting policies with Saudi Aramco after the acquisition of 70% of SABIC.

## PETROCHEMICALS

Petrochemicals is SABIC's largest Strategic Business Unit, supplying customers all over the world with a wide range of innovative solutions and products offering ever greater performance and sustainability. The portfolio includes the fundamental building blocks for much of the world that surrounds us – chemicals, polymers and other materials, used in the manufacture of everything from automobiles to healthcare, buildings to household goods, as well as sustainable solutions for the packaging industry. Our products include olefins, methanol, methyl tertiary butyl ether (MTBE), aromatics, glycols, linear alpha olefins, polyethylene, polypropylene, polyethylene terephthalate, polyvinyl chloride, polystyrene, polycarbonate, acrylonitrile butadiene styrene (ABS) and many other engineering thermoplastics and blends.

While the ongoing pandemic has presented challenge after challenge, we have continued to come up with global solutions.

Supporting the Saudi Ministry of Health with ethanol supplies for hand sanitizer and disinfectant producers; supplying Mindray Medical International Limited, one of China's leading medical equipment manufacturers, with the materials to produce vital ventilators for two new Wuhan hospitals; launching SABIC Purecares™ personal hygiene portfolio, aiding rapid development of an affordable, reusable COVID-19 mask; in Saudi Arabia and around the world, we have delivered what was needed, while continuing to build for the future.

### FINANCIAL HIGHLIGHTS

Petrochemicals and Specialties revenues amounted to SAR 101.84 billion in 2020, a decrease of SAR 15.64 billion or -13%, compared to SAR 117.49 billion in 2019. The decrease was mainly attributable to the decrease in average selling prices despite the increase in sales volumes by 1%.

### NON-FINANCIAL METRICS

Million MT	Production volume		Sales volume	
	2020	2019	2020	2019
Chemicals	37.3	37.0	23.6	23.4
Polyethylene's (PE)	4.1	4.1	6.9	7.0
Performance Polymers & Industrial Solutions (PP & IS)	6.8	6.7	6.9	6.7
<b>Total</b>	<b>48.2</b>	<b>47.8</b>	<b>37.4</b>	<b>37.1</b>

Income from operations was SAR 4.61 billion (including Specialties SBU), a decrease of SAR 5.9 billion or -56%, compared to SAR 10.50 billion in 2019. The decrease was mainly attributable to lower average selling prices, in addition to the lower share of results of integral joint ventures.

### OPERATING HIGHLIGHTS

#### IMPROVING PRODUCTION

##### More sustainable glycol production

Savings in raw material (ethylene) were achieved in 2020 through optimization of ethylene oxide catalyst performance at glycol plants. Engineering solutions have been proposed to enhance CO<sub>2</sub> recovery and heat integration, with a view to improving our sustainability footprint. Both initiatives are part of our ongoing program of reducing feedstock consumption, improving energy efficiency, and mitigating heat exchanger pressure drop and fouling, while continuing to meet or exceed product specification and shelf-life expectations.

# PETROCHEMICALS

## CONTINUED

### SABIC affiliates fuel/feedstock optimization

SABIC continued optimizing fuel/feedstock reutilization at SABIC affiliates, taking into account supply and processing capacities. The initiative is already feeding through to significant bottom line benefits, and it will be maintained over the coming years.

### Ibn Rushd transformation/Phase-II project

Ibn Rushd continued transforming to restructure its business and improve its financial performance. This included standardizing the operation and management of plants in collaboration with Yansab, with the aim of optimizing assets utilization, achieving Capex efficiency, recruiting national talents and optimizing handling materials and feedstock. Ibn Rushd will continue supplying the Saudi Arabian market with PET (polyethylene terephthalate). Furthermore, the transformation actions include closure of a number of plants, including aromatics, PTA (purified terephthalic acid), AA (acrylic acid) and associated utility units by the end of 2020.

### IMPROVING PRODUCTS

#### Bio-MTBE

SABIC is the first producer of bio-MTBE in Europe (in addition to fossil MTBE – methyl tertiary butyl ether), a fuel additive widely used to reduce emissions. SABIC's unique material is made from bio-methanol produced from biogas sourced from manure, sewage sludge and organic municipal waste.

#### Chemicals going circular

With the world increasingly aware of the environmental impacts of discarded plastics, technological innovation is beginning to provide solutions, both reducing waste and creating sustainable feedstocks for petchem operations.

As part of our TRUCIRCLE™ program of circular solutions, in 2020 we saw the large scale production of our certified circular products, from advanced recycling of used plastic. These materials provided solutions for a range of applications and industries, including for the production of seven million ice cream tubs for Unilever's Magnum™ brand. This represented both a world first as a recycled container with food application approval, and a significant sustainability shift for the industry toward a circular economy.

### New grades, new products

Further product/grade initiatives included:

- Development of new PEG (polyethylene glycol) PH grades, SAPEG 400 PH & SAPEG 600 PH, for the pharmaceutical, personal care and cosmetics industries.
- Launch of a new lightweight CSD (carbonated soft drink) cap grade, with excellent slip performance
- New PHF random PP and impact PP TWP (thin wall packaging) grades for the MEAF and APAC markets
- New mechanically-recycled polymers for automakers
- New low melt viscosity grade PVC 57S for pipe-fitting application.

### NEW APPLICATIONS

#### 5G network station antenna

A global leader in telecommunication and information technology in China selected SABIC's STAMAX™ resin to create a high quality, high efficiency antenna cover for its 5G network base station.

#### Optimizing automobile battery packs

Vehicle electrification is accelerating. Recognizing this, a dedicated SABIC team has been developing solutions to help automakers optimize the battery packs of electric vehicles (EV). These efforts led in 2020 to a ground-breaking use of thermoplastic for the battery cover of a plug-in hybrid EV. SABIC's emerging portfolio of materials for EV applications – and related expertise – is positioning us as an emerging leader in serving this rapidly growing space.



Ice cream tubs made from SABIC's certified recycled plastic material – a world's first as a part-recycled container gaining food application approval.

### PV floating barrel

SABIC successfully launched a new product, HDPE B5308, targeting the PV (photovoltaic) floating barrel market – an increasingly important part of the renewable energy industry. Floating photovoltaics represent increasing opportunities with leading manufacturing companies in China and India, as they play a key role in meeting their material solutions needs. Additional sales were achieved by expanding the grade's applications into IBC (intermediate bulk container) rigid packaging – a market with significant volume potential.

### Piping for Bangladesh pipeline

September saw the passage of the longest convoy ever to pass through the Suez Canal since its 1869 opening: 6,722m of 2.3m diameter pipes made of SABIC RELY 5924, on its way from the fjords of Norway to the shores of Bangladesh, where it will be used in creating a power plant offshore cooling water pipeline system.

### Better polymer, better pavement

Asphalt modification by polymers improves pavement durability by improving resistance to rutting and thermal cracking, fatigue damage, stripping and similar degradations. A number of polymers are used, including styrene butadiene styrene (SBS), styrene butadiene rubber latex, crumb rubber, ethyl vinyl acetate (EVA) and ethylene copolymers. SABIC COHERE 8170D is currently under investigation as a binder for this application.

### Expanding PCR and renewable offerings

In 2020, we expanded our portfolio of engineering thermoplastic resins incorporating high levels of post-consumer recycled material (PCR) destined for applications in the consumer electronics business and electric and electronics industry. The mechanically recycled PCR material is blended with the virgin material. It can help improve plastic recyclability, lower emissions, and drive toward closing the loop on used plastic.

2020 also saw advances with solutions for customers and value chain partners for applications in food packaging, cosmetics and healthcare applications, using SABIC's certified renewable polyolefins. Coming from second generation, bio-based feedstock that is not in direct competition with the human food chain, these solutions can help to reduce the carbon footprint of the end-product.

### COLLABORATING FOR SUCCESS

#### Cooperation brings FIFA approval

A five-year collaboration with Bellinturf, a leading producer of artificial grass producer, has led to the co-development of FIFA-approved artificial grass, using a SABIC PE & PP solution. In trials, the product demonstrated excellent mechanical performance and durability, with potential for significant growth in this application.

### SAUDI ARABIA'S FIRST POLYMER BANKNOTE



Saudi Arabia this year issued its first polymer currency, with a five-riyal banknote made from SABIC polypropylene. The new banknote uses Guardian™ substrate from CCL Innovia that is made from SABIC® PP polymer which was chosen because of its distinguishable durability and strength. The environment-friendly notes start life as polymer pellets produced by SABIC which are then transformed into Guardian™ polymer substrate film, used only for banknotes. Once the banknotes have completed their working life, they can be recycled by turning them back into polymer pellets. These can then be used for a wide range of products, including kitchenware and building materials.

### SABIC solution for farmers' freshwater

Increasing drought and saltwater intrusion in the Mekong Delta during the dry season has caused extensive damage to rice fields, fruit orchards and other local agriculture, and left farmers throughout the region without freshwater supplies they can rely on. Our team worked with Tan Phong Ltd, a leading Vietnamese packaging manufacturer, on designing multilayered giant plastic bags using SABIC materials, each capable of holding up to 30 cubic meters of freshwater.

### LOOKING AHEAD

As we move toward a more circular economy, we look forward to further deepening our collaborative partnerships with customers and other stakeholders in support of sustainable growth. Our market-leading initiative in chemical recycling of mixed plastic waste to the original polymer and our TRUCIRCLE™ portfolio of circular solutions demonstrate how we can successfully combine sustainability and innovation to meet the challenges that lie ahead.

While we redouble our efforts to expand our presence and achieve profitable growth in key global markets, we will also continue streamlining our operations and capabilities to better serve our customers.

# AGRI-NUTRIENTS

SABIC's Agri-Nutrients Business supplies customers throughout the world with a wide variety of fertilizers, from general to highly specialized. The Business Unit's product range includes urea, ammonia, MAP, DAP, phosphate-based fertilizers, and a comprehensive portfolio of nitrogen-based compound inorganic products as well as specialty solutions.

2020 was a testing year for the world's agri-nutrients producers. With COVID-19's economic impacts compounding those arising out of trade disputes and geopolitical tension, continuing to help provide secure, reliable food sources to the world's growing population has never been more challenging.

It's been a year of contrasts, with falling crude prices feeding through to lower feedstock costs but revenues also under pressure, as increasing global production capacities make margins hard to sustain. Our agri-nutrient customers have also faced pressures on multiple fronts: environmental, regulatory, credit lines, and not least, commercial. Yet overall the fertilizer industry has been one of stability, with favorable weather bringing strong demand, and most governments defining agri-nutrients an "essential commodity," in the interests of food security.

Throughout the crisis, SABIC has continued to produce and deliver the solutions the world's food producers need, while calmly continuing the ongoing work of improving the products we make, and the ways we make them.



Estidamah helps spread best agricultural practices with applied new crop management at commercial farms.

## FINANCIAL HIGHLIGHTS

Agri-nutrients revenues amounted to SAR 6.12 billion in 2020, a decrease of SAR 1 billion or -14%, compared to SAR 7.12 billion in 2019. The decrease was attributable to the lower average selling prices despite the increase in sales volumes by 7%.

Income from operations for 2020 was SAR 1.53 billion, a decrease of SAR 0.48 billion or -24%, compared to SAR 2.01 billion in 2019. The decrease was mainly attributable to the lower average selling prices.

## OPERATING HIGHLIGHTS

### INTEGRATION, COLLABORATION

This year saw the beginning of the integration of our agri-nutrients assets under one umbrella, with all related equity shares and assets consolidated in a new company, SABIC Agri-Nutrients Company, in line with SABIC's diversification strategy and transformation program. As production is integrated in pursuit of synergies and efficiencies, as well as accelerated, sustainable growth, the product portfolio is being actively diversified, reflecting ever more fragmented, specialized customer needs, and the pricing premiums available for those who meet them.

Special multi-disciplinary teams have worked together to model the necessary customer focus mindset, engaging directly with customers to identify unmet needs and collaborate in developing effective solution strategies that will enable an efficient supplier of commodities to become also an ever more agile and innovative supplier of differentiated value-add products.

## NEW PRODUCTS, NEW APPLICATIONS

We continued developing new differentiated products and fertilizer grades.

Urea calcium sulfate (UCS), a unique fertilizer containing nitrogen and sulfur, made from locally sourced urea and gypsum, is a world's first. Production began early this year, followed by sales to customers around the world. Commercial trials for WS NPK 13-13-13, the world's first fully water soluble granular NPK grade – were completed, and sales to local customers began. Commercial production of three new urea-differentiated products – stabilized urea, zinc enriched urea and humic acid coated urea is planned towards the end of the year.

We further expanded our NPK/NPS portfolio produced at our joint venture company, the Ma'aden Wa'ad Al-Shamal Phosphate Company (MWSPC), and introduced new grades to the global market in 2020. MWSPC produced two grades, NPK 10-26-26 and NPK 20-20-0+13S, and SABIC exported them to our global customers.

Our phosphate sales in India grew by 12 percent in 2020 compared to the previous year, strengthening SABIC's position in this key market. We also strengthened our phosphate position in the US by around 30 percent.

In a "non-agricultural" application, a number of new countries joined the list of those using technical grade urea to help reduce nitrogen oxide emissions from factories and vehicles.

We are also working closely with our manufacturing facilities to develop projects and technology solutions to new regulatory energy challenges, and to enhance plant efficiency, with improved reliability, and reductions in energy consumption and CO<sub>2</sub> footprint.

## AGRICULTURE RESEARCH

The National Research and Development Center for Sustainable Agriculture (Estidamah) continued working to help spread best agricultural practices, with applied new crop management at commercial farms boosting yields and quality. It also continued to offer advice and assistance to regional greenhouse farmers, as well as launching a vertical farming partnership program to stakeholders and potential investors, with an offer to host related technologies for research and demonstration purposes.

Estidamah also joined the Ministry of Environment, Water and Agriculture caravan, providing advisory services and showcasing best agricultural practices to greenhouse farmers in seven regions throughout the Kingdom, as well as participating in numerous field days, festivals and trade fairs, spreading best practice, meeting customers, listening to their concerns, and noting their needs.

## BLUE AMMONIA PRODUCED AT SABIC AGRI-NUTRIENTS MAKES GLOBAL DEBUT



Saudi Arabia successfully demonstrated the ability to ship blue ammonia from Saudi Arabia to Japan in September 2020 for use in zero-carbon power generation. It is the first time in the world that a solution has been found for blue ammonia shipments, paving the way forward for the further use of hydrogen in the energy system. The ammonia was produced at our SABIC Agri-Nutrients facility in Jubail and the equivalent amount of CO<sub>2</sub> produced was captured. Ammonia, a compound consisting of three parts hydrogen and one part nitrogen, can help in addressing the challenge of meeting the world's growing energy needs with reliability and sustainability. This supply chain demonstration came as part of a pilot study being conducted by the Institute of Energy Economics, Japan, and Saudi Aramco in partnership with SABIC.

## LOOKING AHEAD

We will continue to develop various differentiated products in the pipeline including stabilized nitrogen, enriched UCS, biodegradable CRFs (controlled release fertilizers) and new water soluble NPK grades. We will also continue to work with our customers to develop process solutions to key crop nutrition challenges, helping improve farm profitability and environmental performance.

Leveraging artificial intelligence and modern technologies is a cornerstone of our corporate digital transformation agenda program to introduce different, smart farming solutions. Together with our collective market experience, we are eager to elevate our customer engagement, demand fulfillment and knowledge sharing, and explore opportunities to convert threats into opportunities. This will also enable the exploration of multiple opportunities in key strategic regions (Saudi Arabia, Africa, and North and Latin Americas), and we will continually seek opportunities to enter new markets and introduce new products toward our vision of being a national champion and a global leader in the agri-nutrients industry.

# SPECIALTIES

Innovation inspired by megatrends propels Specialties to create value for its customers, whose complex thermal, mechanical, optical and electrical performance requirements challenge us to push the boundaries of our unique chemistries and new formulation and application development capabilities.

The Fourth Industrial Revolution, characterized by rapid and disruptive applications of technology in society, has been accompanied by a new set of megatrends – innovation spaces where Specialties continues to exert a strong technology advantage. These megatrends include the rise of artificial intelligence, including 5G infrastructure and autonomous transportation; electrification, including renewable energy, energy storage and development; and the growing circular economy, including the use of renewable and recaptured feedstocks. SABIC's Specialties business is positioned as a key enabler to drive these technological revolutions forward.

## OPERATING HIGHLIGHTS

### MAXIMIZING COMPETITIVE ADVANTAGES

Specialties' portfolio is just that: a distinctive suite of unique chemistries that play an instrumental role in our customers' short and long-term product development cycles. In 2020, Specialties aligned its offerings to maximize competitive advantages on two fronts, recognizing these cycles. The portfolio of NORYL™ resins and LNP™ compounds and copolymers leverages our agile formulations, application development capabilities, and localized resources to create customized solutions based on combinations of mechanical, thermo, electrical and optical properties. Fundamental value is driven by the ability to formulate a solution using different base resins, filler technologies and different additives. The portfolio including ULTEM™ resins and specialty additives leverages the inherent properties of these unique molecules, positioning them to be specified into growing application spaces, or modifying them to fit into the new applications and value chains.

## NON-FINANCIAL METRICS

"000 MT"	Production volume		Sales volume	
	2020	2019	2020	2019
Specialties SBU	96.6	106	270	270

The fundamental value here is the DNA of the final molecule and the uniqueness of the building blocks.

Both of these portfolios play a significant role in addressing new opportunities driven by megatrends.

Artificial intelligence and the Internet of Things are two megatrends driving the growth of 5G infrastructure and compatible devices. NORYL™ oligomers are high-quality materials supporting 5G infrastructure upgrades to high-speed servers, base stations, wireless antennae and other related hardware. Increasing adoption of 5G technology has led to a greater than 300% increase in the demand for NORYL™ oligomers, as printed circuit board manufacturers need new material classes to help them meet more challenging performance standards. These proprietary patented materials have strongly contributed to the ten-fold growth of Specialties' additives business over the last four years.

Today, NORYL™ SA9000 oligomer is recognized as the flagship material for high speed digital models, and qualified by the majority of copper clad laminate manufacturers globally, who have selected the material because the unique reactive chemistry of the oligomer reduces signal loss that occurs in either rigid or flexible printed circuit boards.

As global 5G rollouts accelerate, demand for NORYL™ oligomers is expected to increase significantly. In 2019, the Specialties business initiated capacity expansions that were realized during 2020, enabling SABIC to meet the explosive demand for this 5G enabling material.

Specialties' focus on innovation helps its customers to stay ahead of 5G networking trends, with advanced materials that help ensure reliable performance of parts under higher frequencies and heavier data loads, key to realizing the full potential of 5G communications. Specialties' LNP™ compounds and copolymers can help improve active antenna unit design and performance with customized dielectric constant and dissipation factor capabilities. NORYL™ resins support 5G applications including full-frequency GPS antennas, microwave antenna reflectors, and cooling fans in base band units and in mmWave radomes. ULTEM™ resins feature properties that support fiber optic connectors and lenses, radio frequency connectors, board-to-board connectors and RF filter components.

Specialties' materials also help to address the megatrend of electrification, with its focus on renewable energy, energy storage, and advances in mobility, including battery technologies and advanced driver assistance systems (ADAS). With all major OEMs offering hybrid and fully electric vehicles, the demand for materials to support powertrains, battery pack components, battery protection and EV service equipment (EVSE) is met by a range of Specialties materials. NORYL GTX™ resin can serve structurally in honeycomb metal/plastic hybrid rocker panels for EV battery crash protection, battery cell spacer, or in charging port covers, connectors and sockets for EVSE. LNP™ compounds, formulated to deliver pinpoint effects such as conductivity, EMI/RFI shielding, thermal dissipation, tunable dielectrics, and electro-static dissipation, have been specified into a wide range of electric vehicle applications, including those supporting ADAS.

With sustainability at the forefront of global concern, Specialties is developing new ways to help customers participate in the circular economy. This includes a focus on both renewable and circular feedstocks, such as the use of post-consumer or post-industrial recycled materials, bio-based feedstocks and chemically recycled technologies.

LNP™ ELCRIN™ iQ resin, based on upcycled iQ polybutylene terephthalate (PBT) resins, a proprietary SABIC technology, is a good example of the latter. Each kilogram of LNP™ ELCRIN™ iQ resin uses up to 67 post-consumer 500ml PET water bottles, reducing the cradle-to-gate environmental footprint as assessed by lower energy requirements and global warming potential. Specialties is targeting expansion of its renewable and circular feedstock-based materials, with a third of new product introductions incorporating these feedstocks.

The COVID-19 pandemic presented extraordinary challenges for our healthcare customers. To meet their urgent needs for materials, Specialties expedited order fulfillment for two Chinese medical device manufacturers, Mindray Medical International Limited and DIRUI Industrial Co., Ltd., helping them to meet unprecedented demand for their products.

## SUPPORTING 5G INFRASTRUCTURE



Artificial intelligence and the Internet of Things are two megatrends driving the growth of 5G infrastructure and 5G-compatible devices. The rapid adoption of 5G wireless technology has led to a greater than 300% increase in the demand for NORYL™ oligomers, the flagship materials supporting 5G infrastructure upgrades, as printed circuit board manufacturers need new material classes to help them meet more challenging 5G performance standards.

Mindray received a critical order from Italy for 10,000 ventilators, defibrillators, monitors and diagnostic machines, then contacted Specialties to obtain a range of its high-performance materials. DIRUI required NORYL™ resin to produce 1,000 auto-chemistry analyzers. Specialties quickly mobilized to manufacture, fulfill and supply Mindray's and DIRUI's orders, helping them to meet the needs of their healthcare customers worldwide.

A major milestone was achieved in November 2020 as the Specialties business was established as a stand-alone strategic business unit within SABIC, with its own financials, IT infrastructure, manufacturing and technology assets, legal entities and dedicated employees. SABIC first initiated the action in Q2 2019, and the move provides the necessary conditions to accelerate value creation via organic and inorganic growth opportunities for Specialties. Also during 2020, Specialties further advanced capacity expansion projects in Europe and Asia announced in 2019 to meet customers' demand for its NORYL™ and ULTEM™ resin products respectively.

## LOOKING AHEAD

Looking toward the future, operating as a stand-alone allows the Specialties business to continue to build on a position of strength through scalable, innovative product offerings, creating new growth platforms that are independent of feedstock dynamics.

The Specialties business is an excellent example of what drives our business every day – our unyielding dedication to generate maximum value for our customers and our firm commitment to deliver 'Chemistry that Matters™'.

## METALS (HADEED)

Metals products are supplied under the SABIC brand through Hadeed, a fully owned affiliate, which is the Gulf's largest steel producer. We manufacture a wide range of long and flat products, while being committed to maintaining best-in-class standards in efficiency, reliability and EHSS, steadily improving sustainability, and delivering maximum value for stakeholders.

The pandemic's impacts compounded pre-existing pressures coming from raw material costs and weak demand, but none was allowed to interfere with our commitments to the building and construction sector and in maintaining our market-leading position in the region. We upheld our reputation as a reliable supplier of consistently high quality steel products to the Saudi market and met customer needs as closely as possible despite the mobility constraints brought about by the pandemic.

Our strategy, targeting a turnaround to achieve sustainable first quartile competitive performance and profitability, remains on course. We are currently looking into prospects for backward integration into mining, positioning Hadeed in upstream bulk production, and assessing new differentiated product facilities. Long-term strategic projects under evaluation include:

- Investment in mining in search of raw material cost optimization through the Takumal project – currently indicating good potential, with research continuing.
- Investigation into potential synergies with government and investment agencies, and opportunities for increasing local content in line with Vision 2030.
- Working with SABIC Manufacturing on a program to explore potential for synergies, and gains from digitalization and cost optimization initiatives.
- Assessment of new differentiated products for their alignment with customer needs and SABIC sustainability ambitions.

### FINANCIAL HIGHLIGHTS

Metals Revenues amounted to SAR 8.99 billion in 2020, a decrease of SAR 1.80 billion or -17%, compared to SAR 10.79 billion in 2019. This was attributable to the decrease in average selling prices and sales volume by -5%.

Loss from operations for 2020 was SAR -1.57 billion, a decrease of SAR 0.57 billion or -57%, compared to SAR -1 in 2019. This was attributable to the decrease in the average selling prices and sales volumes by -5%.

### OPERATING HIGHLIGHTS

#### MAINTAINING MOMENTUM

In production, our team developed and evaluated a new catalyst for use in direct reduction processes, and progressed another initiative aimed at recycling various by-products and waste materials.



Despite the challenges of 2020, our people continued working on multiple fronts to improve operations.

Sustainability KPIs came under pressure this year due to a challenging market, but a major CAPEX program designed to improve natural gas metering capability, commissioned toward the end of 2019, promises improved control with a view to Saudi Energy Efficiency Center (SEEC) second cycle targets. A further plan is in hand to address gaps and achieve 2025 SEEC targets, along with programs to reduce and reuse waste materials, water and heat, in line with our commitment to the circular carbon economy.

Despite an exceptionally difficult operating environment in 2020, morale remained high, as our people continued working on multiple fronts to improve operations and maintain momentum in our ongoing transformation:

- Targeted working capital efficiency, a new inventory aging management system was introduced to accelerate turnover and improve our cash position, helping achieve a 45% reduction in overage inventory over the year
- A new business continuity team was set up to address issues including upstream feedstock availability, engaging all stakeholders in decisions that helped limit production losses, boost exports to offset weak local markets, and synchronize plant shutdowns to bring semi-finished product inventory in line with final product plants' requirements
- New land transportation contracts were negotiated, saving 10% over the old contract prices and bringing a 5% overall reduction in conveyance costs as against 2019

Despite the impact of the pandemic, around 3 million metric tons of long product were supplied to over 80 cities locally and 19 regional and international destinations. Strenuous efforts to expand exports to offset weak regional demand paid off handsomely, exceeding the initiative target by around 70%, including record single quarter exports of 118,000 metric tons – three times the normal volume.

We set a significant record in wire rod sales with 1,091,000 metric tons sold, 18% higher than last year's figure, and 7% higher than the previous record achieved in 2014. We also achieved the first successful processing of high carbon steel wire rods from coils at customer sites; and developed a variety of new wire rod grades and sizes.

In flat products, meanwhile, September 2020 saw the highest monthly sales since August 2015, with a total of 184,000 metric tons, with first time sales to the key markets of Vietnam and China, and penetration of a new market, gas cylinders. 47,000 metric tons of aged slab inventory was successfully depleted, while effective utilization of free intermediate and finished inventory generated multi-million US\$ free cash.

### IRON ORE ALTERNATIVE



We have made significant strides in recent years in our efforts to explore alternatives to the costly prime grades of iron ore usually used by our direct reduction plants as well as by other similar plants around the world. Using alternative grades brought substantial financial benefits to Hadeed in 2020 when 600,000 metric tons of alternative iron ore pellets were consumed – that is, around 8% of the total iron ore pellets used. The successful implementation of this technology came after years of lab testing, plant trials, process adjustments, model developing, and training of our operation personnel on using these grades.

### SAFETY AND SKILLS

Throughout the year of the pandemic, we continued to invest in our people and their safe wellbeing, maintaining the highest standards of safety, with our regular annual analysis helping identify improvement opportunities. A new program was introduced to help eliminate incidents, with four critical success factors identified: leadership and culture, people and organization, system and process, and workforce competency.

We introduced a new digital system to enable leaders to track individual employees' development; saw 11 engineers graduate from the SEED (SABIC Engineers early Development) program; conducted Antecedent Behavior Consequence Model training for leaders; and successfully completed the second phase of Hadeed SHEM (Safety, Health & Environment Management) Center.

### LOOKING AHEAD

We are well prepared and in good shape for 2021 and beyond as we anticipate recovery in local demand as the world recovers from the impacts of the pandemic.

We will continue to improve the skills of our people, the efficiency of our production and the range of our products, with the aim of making considerable progress in export markets.

# CORPORATE PERFORMANCE

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

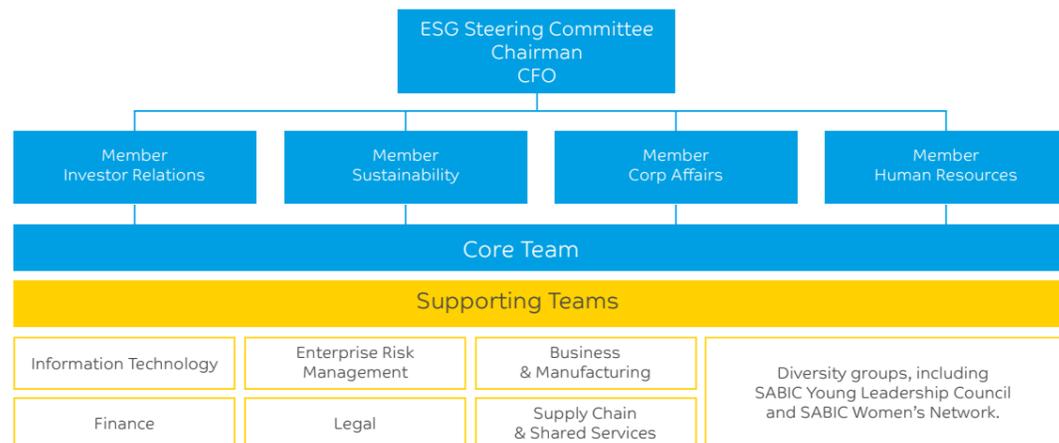
SABIC has been a sustainability story from its very foundation, capturing the gas that was flared into the air from the oil fields in Saudi Arabia. This core principle was very clear when we released our first annual report in 1977, but it was not until 2011 that we began our Environmental, Social and Governance (ESG) reporting journey, with the publication of our first sustainability report. The journey has continued over subsequent years by way of materiality assessments, the setting of targets and KPIs, and increasing transparency, to the point where we are ready for this – our first formal ESG disclosure in the Annual Report.

In reflection of our strong tradition of sustainable business practices and socially responsible investments, Capital Finance International (CFI.co) has recognized us as the Best ESG Responsible Petrochemical Company in Middle East/Africa for 2020. We have also received a platinum medal for sustainability from EcoVadis, a leader in evaluating the sustainable performance of businesses around the world. As the highest possible distinction, the platinum medal is only awarded to companies that score in the top 1% for sustainability practices.

At Davos in 2017, over 140 CEOs, including SABIC's, from the World Economic Forum International Business Council (IBC), issued the Compact for Responsive and Responsible Leadership, declaring that 'society is best served by corporations that have aligned their goals to the long-term goals of society,' and identifying the UN's Sustainable Development Goals (SDGs) as the roadmap for that alignment.

We are also supporting the WEF framework focused on Stakeholder Capitalism, whereby SABIC's purpose is oriented toward creating long-term value, not only for shareholders but also our stakeholders. We are active members of the WEF ESG practitioners group and we consider the WEF metrics a good guidance to enhance the standardization and value orientation of the ESG disclosures.

At SABIC, we recognize ESG's central importance to business success in today's global marketplace, and it soon become, if not already, a license to operate. We are actively looking to integrate these ESG factors into our core business strategy, to ensure that everyone at SABIC shares a common understanding of the megatrends that will affect our company and society over the decades ahead, and a common approach to addressing the ESG issues those trends raise. We also recognize the need to integrate our response to demands for disclosure into the very fabric of our processes, tools and priorities, whether regulation demands it or not.



Such recognitions led to SABIC's establishment of an ESG Reporting steering committee, to take charge of our ESG reporting strategy and roadmap. Headed by our CFO, the committee includes cross-functional representation from our Human Resources, Corporate Sustainability, Corporate Affairs, including Corporate Social Responsibility and Global Communications, and Investor Relations departments. Their deliberations inform the work of the ESG core working team, which has direct support from numerous functions throughout the organization, including Legal.

The aim is to embed ESG into decision-making at every level and in every area of the organization, while ensuring that a holistic approach is taken. The ESG reporting steering committee is the enabler to promote the integration of ESG factors into core business processes and decisions.

- The ESG steering committee is responsible for:
- Understanding ESG performance and identifying the most relevant ESG disclosures for the company
  - Identifying and proposing general ESG policies, and prioritizing current and emerging ESG issues that may affect operations
  - Establishing a clear and well-defined ESG charter for the organization, along with a roadmap for its fulfillment, by capturing the ESG priorities from the businesses and functions.
  - Improving the company's understanding of ESG matters
  - Supporting the evaluation of ESG risks and opportunities, and seek ways to monetize them.

The table below links SABIC's World Economic Forum disclosures with the Global Reporting Initiative. The full disclosure story can be found on SABIC's portal.

GRI Standards	Topic	Reference	GRI Standards	
Principles of Governance	Governing Purpose	- Governance Framework, SABIC annual report (pages 92-93)	102-26	
		- ESG Reporting Steering Committee, SABIC annual report (page 46-47)		
	Purpose-led management	- Our Brand Manifesto in <a href="http://www.sabic.com/en/about/our-brand">www.sabic.com/en/about/our-brand</a>	102-26	
		- Our Strategy in SABIC annual report (pages 16-17)		
	Quality of Governing Body	Governance body composition	- SABIC Board in SABIC annual report (page 97)	102-22
		Remuneration	- Risk and Sustainability Committee in SABIC annual report (page 115)	
Stakeholder Engagement	Impact of material issues on stakeholders	- Sustainability Governance in <a href="http://www.sabic.com/en/sustainability/governance">www.sabic.com/en/sustainability/governance</a>	102-35	
		- Remuneration in SABIC annual report (pages 125 – 129)		
Ethical Behavior	Anti-corruption	- Stakeholder engagement in SABIC Sustainability report	102-43, 102-47	
		- Our Workforce in SABIC Sustainability report		
Risk and Opportunity Oversight	Integrating risk and opportunity into business process	- Materiality in SABIC Sustainability report	205-2, 205-3	
		- SABIC Code of Ethics in <a href="http://www.sabic.com/en/about/our-compliance-culture/sabic-codeof-ethics">www.sabic.com/en/about/our-compliance-culture/sabic-codeof-ethics</a>		
Planet	Climate Change	- Ethics and Compliance in SABIC sustainability report	102-17	
		- Our Compliance Culture in <a href="http://www.sabic.com/en/about/our-compliance-culture">www.sabic.com/en/about/our-compliance-culture</a>		
	Fresh water availability	- Risk Factors in SABIC annual report (pages 80-89)	102-15	
People	Dignity and Equality	- Climate Change and Greenhouse Gas in SABIC Sustainability report	305-1	
		- GHG emissions and other operational footprint details in SABIC Technical Supplement report		
	Health and Well Being	- Climate Change and Greenhouse Gas in SABIC Sustainability report	303-3	
Prosperity	Employment and wealth generation	- TCFD Disclosures in SABIC Sustainability report	406-1	
		- Water section in SABIC Sustainability report		
	Community and social vitality	- Diversity, Inclusion and Collaboration in SABIC Sustainability report	408, 409	
Universal matters	UNGC	- SABIC Code of Ethics Fair Employment Practices Policy in SABIC Code of Ethics: <a href="http://www.sabic.com/en/about/our-compliance-culture/sabic-codeof-ethics">www.sabic.com/en/about/our-compliance-culture/sabic-codeof-ethics</a>	403-2, 4	
		- Environment, health, safety, and security (EHSS) and Product Safety section in SABIC Sustainability report		
Universal matters	SDGs	- Our Workforce - SABIC Academy in SABIC Sustainability report	404-1	
		- Our Workforce in SABIC Sustainability report		
Universal matters	SDGs	- Engagement and Collaboration: our approach and our performance in SABIC Sustainability report	203-1	
		- Nusaned Investment at <a href="http://www.nusanedin.sabic.com">www.nusanedin.sabic.com</a>		
Universal matters	SDGs	- Global Tax Strategy in <a href="http://www.sabic.com/en/investors/corporate-governance">www.sabic.com/en/investors/corporate-governance</a>	203-2	
		- Taxes overview in SABIC annual report (page 30) and Consolidated Financial statements for the year ended 31 December 2020 at <a href="http://www.sabic.com/en/newsandmedia/media-centre-publications">www.sabic.com/en/newsandmedia/media-centre-publications</a>		
Universal matters	SDGs	- Social impact and community relationships in SABIC Sustainability report	403-2, 4	
		- Global CSR initiatives reach and focus areas in SABIC Sustainability report		
Universal matters	SDGs	- UNGC Principles at SABIC: <a href="http://www.sabic.com/en/sustainability/corporate-reporting/ungc-principles">www.sabic.com/en/sustainability/corporate-reporting/ungc-principles</a>	404-1	
		- SABIC SDGs roadmap: <a href="http://www.sabic.com/en/Images/Sustainable-Development-Goals-2019-Roadmap_tcm1010-21094.pdf">www.sabic.com/en/Images/Sustainable-Development-Goals-2019-Roadmap_tcm1010-21094.pdf</a>		

# ENVIRONMENTAL CAPITAL

SABIC recognizes the core role sustainability and innovation play in our organization to help meet the challenges of maintaining a livable planet, and to accelerate the development and adoption of new market-focused solutions that respond to society's demands for environmental protection.

Embedding sustainability and innovation into our DNA has helped us create new technologies and solutions, adopt new processes that have transformed our governance and operational efficiency, and unite our employees, partners and other stakeholders in an integrated effort to transform our supply chain and operations for the good of the planet and its people.

## GOVERNANCE FOR SUSTAINABILITY

Governance is crucial. We have created a number of sustainability committees and councils at different levels of the business, reporting directly to the board, including the newly set up Environmental, Social and Governance (ESG) steering committee. This committee helps our senior management set strategy, develop, implement and monitor initiatives and policies to fulfil it, manage stakeholder communications, and generally monitor and manage all SABIC ESG-related activities.

Our Sustainability Council, chaired by the Vice Chairman and CEO, is responsible for setting our sustainability vision, priorities, and goals, accountable for performance against sustainability goals. It approves the recommendations of the Corporate Sustainability Department and Steering Committee. Sustainability has also been included in the scope of the Board of Directors Risk Committee, emphasizing its importance to our business.

This year, we formed the Scientific and Technical Advisory Council, managed by SABIC Corporate Fellows, with members from academia and industry, to focus on differentiated materials, renewables, process break-through, feedstock diversification and sustainability. The Council performs technical health checks for early-stage programs, provides content expertise for the M&A team, advises on issues raised by Technology & Innovation management, elicits and backs new ideas, contributing expert feedback, provides a sounding board for executives, and maintains a research framework to enable sustainable growth.

## WORKING TOWARD CIRCULARITY

Plastic is a valuable resource which should never be wasted. However, when used plastics enter our seas, oceans, waterways and ecosystems, it is a challenge to recover the material for reuse. SABIC's aim for the future is that plastics should not end up in the environment or in landfill and instead are reused and remade into new products.

The launch of our TRUCIRCLE™ program at the end of 2019 marked an important milestone on our journey toward closing the loop on plastic waste. Our TRUCIRCLE™ portfolio and services of circular solutions span design for recyclability, mechanically recycled products, certified circular products from feedstock recycling of used plastics, certified renewables products from bio-based feedstock and closed loop initiatives to recycle plastic back into high quality applications and help prevent valuable used plastics from becoming waste.

In 2020, our global technology centers worked to create a roadmap to drive the growth of our circular economy business and to deliver a balanced portfolio across our businesses in line with our strategic TRUCIRCLE™ initiative. One such example is our focus on the future generations of pyrolysis technologies for the global scale-up of our circular products and improved CO<sub>2</sub> footprint.

Our efforts involve extensive cooperation with many associates, including companies involved in waste handling and conversion, direct material customers, OEMs, brand owners and retailers, industry peers, academics and other third party experts, and global policymakers. We are currently working to increase certified circular polymer production with our first commercial plant, situated in the Netherlands, by 2022.



Solar panels at our sites in India have cut greenhouse gas emissions significantly.

Examples of circular solutions from our TRUCIRCLE™ portfolio include:

- Orkla Group produced the first chips packaging made with SABIC's certified renewable polypropylene (PP) using bio-based feedstock that is not in direct competition with the human food chain.
- Innovative TF-BOPE polymer solution for food packaging film to create a more sustainable frozen food packaging which combines a new polyethylene (PE) grade with innovative film production technology.
- Unilever and Greiner Packaging collaborated with SABIC in the development of an innovative new Knorr® bouillon container using certified circular impact polypropylene (PP). The selected certified circular polymer grade - SABIC® PP FLOWPACT FPC45 impact copolymer - is a phthalate-free product and compliant with certain European food contact regulations.
- SABIC's certified circular PP used in Biaxially Oriented PolyPropylene film structures manufactured by Huhtamaki, will be introduced in primary pet food brand packaging by Mars Inc., a global leader in confectionery, food, and pet food products.
- Plastic processor Elkamet chose SABIC's polycarbonate based on certified renewable feedstock, which can offer significant carbon footprint and fossil depletion reductions, for several of their lighting applications
- Closed loop collaboration with UK retailer Tesco and value chain partners Plastic Energy and Sealed Air to introduce the first recycled flexible packaging for Bradburys cheese from materials returned by customers.
- Estée Lauder Companies' global skincare brand, Origins Natural Resources Inc., and beauty packaging manufacturer, Albéa, collaborated with SABIC for its new advanced beauty tube pack to be launched in 2021.
- Beiersdorf, a leading provider of innovative, high-quality skincare products with brands such as Nivea, Eucerin, and La Prairie, will be using certified renewable polypropylene (PP) "second generation" bio-based materials in its cosmetics packaging. The new packaging products will be introduced in the market in 2021 and replace fossil-based virgin PP.
- REN Clean Skincare introduces its pioneering new pack for their iconic moisturizer EVERCALM® Global Protection Day Cream made with SABIC's certified circular PP that provides a transparent look and feel while also supporting the complex assembly of parts requiring tight tolerances, such as for airless packaging systems.

All TRUCIRCLE™ certified products have been produced under a mass balance accounting system, gaining accreditation under the International Sustainability and Carbon Certification Plus scheme.

## COLLABORATION FOR CIRCULARITY

SABIC is involved in several global alliances and frameworks working to drive systemic change, throughout the value chain. We truly believe that world challenges can be only overcome through partnerships and collaborative approaches. We are a founding member of the World Plastics Council and the Alliance to End Plastic Waste, aiding infrastructure development to manage waste and increase recyclability.

We are also a member of The Ocean Clean Up, which is collecting plastic waste from the oceans, and support the UN and the G20 in combatting marine litter.

We are founding members of the World Economic Forum Collaborative Innovation for Low Carbon Emitting Technologies Platform, working with others in petrochemicals on breakthrough solutions to reduce our industry carbon footprint.

This year also saw us launch Energy Efficiency and Carbon Management (EECM) – an initiative designed to identify compliance risks, monitor new initiatives, and provide advice where needed. Two key roadmaps address SEEC (Saudi Energy Efficiency Center) short and long term perspectives, and Europe climate issues, including furnace electrification and renewable electricity. The EECM team is also responsible for aligning with SEEC regulators on boundaries and reporting methodologies for setting baselines.

We are also participating with peers in the World Resource Institute's SBTi (Science Based Targets initiative) project to come up with a framework for the chemicals industry, and evaluating our readiness to commit to SBT in 2021.

## RENEWABLE PRODUCTION

Our polycarbonate facility in Cartagena, Spain, is set to become the world's first large scale chemical production site running entirely on renewable power, following the signing of a major agreement with the Spanish energy leader, Iberdrola. Once the solar plant comes on line in 2024, our customers will have access to polycarbonate solutions produced with 100% renewable power.

We aim to have 4GW of installed wind or solar energy for our sites globally by 2025, 12GW by 2030. Solar panels at our India and Thailand sites have cut greenhouse gas emissions by more than 200 metric tons in 2020, and our Home of Innovation in Riyadh, Saudi Arabia, has been completely solar-powered since 2015.

In time, SABIC's aspiration is to switch entirely from fossil-produced to renewable energy, while doubling electricity's share of our energy mix. We also plan to procure renewable energy through long-term off-take agreements, with project developers building, owning, operating and financing solar or wind parks.

## THE CONTINUING JOURNEY

Over the coming years, the global chemicals industry needs to evolve and innovate to confront the increasing impact of climate change. We also need to work with others – governments, academia, industry bodies and companies in other industries – to align our aims and objectives, and share our learning. Collaboration is key to ensure that we're working effectively to transform the value chain in a lasting, meaningful way.

It's a challenging prospect, but also one that offers fertile ground for new opportunities. We are already seeing huge benefits from our sustainability efforts. We foresee even greater change, as we apply our understanding of challenges and solutions, and increasingly address environmental, business and financial risk factors in a balanced way. Working together and working with others, we will continue to strive ever more effectively for a sustainable, circular future for our business, our people and the planet.

# HUMAN CAPITAL

Our people have proved to be the true heroes of 2020. We extend our sincere gratitude to everyone, especially our frontline employees, who worked throughout the pandemic-affected year to secure and protect business continuity and help us remain on track to become the preferred world leader in chemicals.

We will continue to attract, retain and develop the best talent in the industry, while the safety and wellbeing of our employees remain our highest priority. The pandemic gave us the opportunity to develop and implement a number of innovative ways of global communication and connectivity. Being “connected” helped us deal with the response even at a personal level, and sustain our high safety standards and stay firmly on course to achieve our business goals.

In 2020, we evolved our observable behaviors using our core values and the SABIC Leadership Way (SLW) framework to encourage an enhanced collaborative way of working, anchoring our Employee Value Proposition that is centered on two-way dialogues. We focus on exploring what matters together and on sharing ideas, goals and ambitions – openly and candidly.

Our employees are our greatest asset and the critical factor in sustaining our success and accelerating growth.

## RESPONSE ACTIONS TO THE PANDEMIC

Our global employee network worked tirelessly to organize our response to the people’s needs. With a footprint in over 50 countries, our sites were proactive in their response to COVID-19 safety measures in addition to mobilizing a significant portion of our workforce to work from home (WFH).



SABIC Leadership Way inspires our people to “Be the impact.”

The HR community enabled a rapid, flexible approach to enhance and expand policies to meet the ever-changing needs of employees, their families and our communities. We also provided a number of digital platforms for people to stay connected which included dedicated channels for real-time health and wellbeing advice.

Additionally, leadership communication campaigns addressing on-the-ground concerns were launched to support and uplift employee morale. This was a heartfelt and creative space which included stories of WFH experiences relayed across to employees through short videos, selfies, actual life experiences, challenges and questions. This, in turn, increased our sense of resilience via a program we initiated: “Together We Overcome COVID-19.”

## PULSE SURVEY

In May 2020, our global employees received a link to an anonymous, confidential and externally conducted survey. The survey architecture consisted of 25 questions which were targeted across seven specific areas, to gauge the employees’ views on our company’s response to the global pandemic. The participation level and overall results were very positive, with most respondents rating our pandemic-related actions as highly effective.

## SABIC LEARNING

This function plays a key role in providing learning opportunities that impact the development paths of all our employees. By improving knowledge, skills and capabilities, we were also able to transfer many face-to-face interactions to digital learning and engagement platforms to mitigate against the challenges presented by COVID-19. The Digital Learning Experience Campaign offers and promotes a variety of global virtual classrooms and online learning options, globally accessible to our employees.



Employees proved to be our true heroes throughout the pandemic-affected year, helping to secure and protect business continuity.

## BEING THE IMPACT

SABIC Leadership Way inspires our people to “Be the impact.” This year our employees have lived that phrase to the full, displaying courage, adaptability and calm professionalism to stay positive and keep working effectively, for the benefit of our work, workplace and workforce.

Within the new working environment, employee development might have been expected to take a back seat, but not at SABIC. While our approach and methods, tools and techniques, have had to change, to take account of the year’s very specific circumstances, the work of continuously improving our skills – at every level of the organization – continued.

Alongside capability-building, we also undertook a number of initiatives to safeguard and improve employee health and wellbeing, extending access to resources that support their physical and mental health via enhanced digital and tele-health capabilities to our existing regional Employee Benefit platforms.

## BUILDING SKILLS

### HR ONE

“HR One” went live in February 2020 bringing together recruitment & onboarding and learning within a single integrated system, simplifying and streamlining our global process for attracting, retaining and developing talent.

### MENTORING PROGRAM

A global effort in 2020 saw the launch of our Mentoring Program (on a virtual platform) to connect our employees with internal coaches, to develop and target plans to achieve their aspirations.

### PERFORMANCE ENHANCEMENTS

Stakeholders’ feedback during 2020 was instrumental in rolling out a number of key enhancements to our Talent Review Process including a revised timeline and performance differentiation approach, a new tool kit for managers on Career Potential and improved data access for the HR team.

## BUILDING TEAMS

### SABIC IMPACT – LEADERSHIP SUMMIT

This year, our top 150 leaders, from six time zones, came together virtually for a four-day interactive Learning Summit focusing on employee engagement, professional leadership and strategic communication. The event exemplified our commitment to developing leaders, instilling and building a sustainable growth mindset.

### SABIC YOUNG LEADERSHIP COUNCIL

A hundred young “influencers” were selected from over 400 of our employees worldwide to join the SABIC Young Leadership Council (SYLC) this June in developing bold new “step change” ideas to enhance our workplace and our business. SYLC looks to harness the broad diversity of our workforce so we can inclusively drive strategic and transformational change throughout our global organization.

### GLOBAL EMPLOYEE TOWN HALL

The 2020 Global Employee Town Hall took place at our headquarters in Riyadh, with leaders live-streamed throughout the regions to communicate key messages on performance and our long-term plans, with an uncompromising focus on safety, compliance and talent.

## BUILDING FOR THE FUTURE

### EXTERNAL LEARNING PROGRAM

Human capital development is at the very heart of the Saudi Vision 2030 program. We worked this year with various governmental and educational entities to help prepare a diverse pool of Saudi youth and leaders for the new economy, building their skills and potential through the SABIC External Learning Program. The cohort this year was a diverse mix of trainees of over 5,000 delegates.

### LEADERSHIP PROGRAM

The work of the SABIC Leadership Program for government officials, created in 2016 to share our experiences with government, continued this year despite the challenges of 2020. The planned cohort for 2020 was circa 250 leaders working in Saudi government-led ministries and institutes.

### VALUES 20

Values 20 is an emerging global community that came together this year to actively engage with the activities of the G20. Six delegates were selected from SABIC as experts who contributed to and helped build this hub for continuous knowledge sharing.

# INTELLECTUAL CAPITAL

In 2020, SABIC Corporate Technology and Innovation (T&I) comprised 1,605 employees working on various research projects at 20 centers around the world, with a patent portfolio of 9,946, to deliver differentiated and sustainable product and application solutions and sustainable cost-advantaged process innovation to meet the needs of our customers and the value chain over the near-, mid- and long-term horizon.

Despite a challenging environment this year, the T&I organization continued its focus on elevating the capabilities of our people, improving our innovation portfolio, and strengthening our innovation model to increase return on investment and further strengthen SABIC's ability to compete in the global market. We further focused on optimizing our use of global resources and capabilities, developing a more robust succession-planning pipeline, and strengthening the innovation portfolio focus on delivering on our sustainability priorities.

## IMPROVING PRODUCTION

Numerous projects this year aimed at generating additional value and improving our cracker assets worldwide, in areas including yield improvement, furnace optimization, capacity and feedstock margin maximization, fouling mitigation, energy intensity improvement, benzene extraction, and alternative feedstock processing.

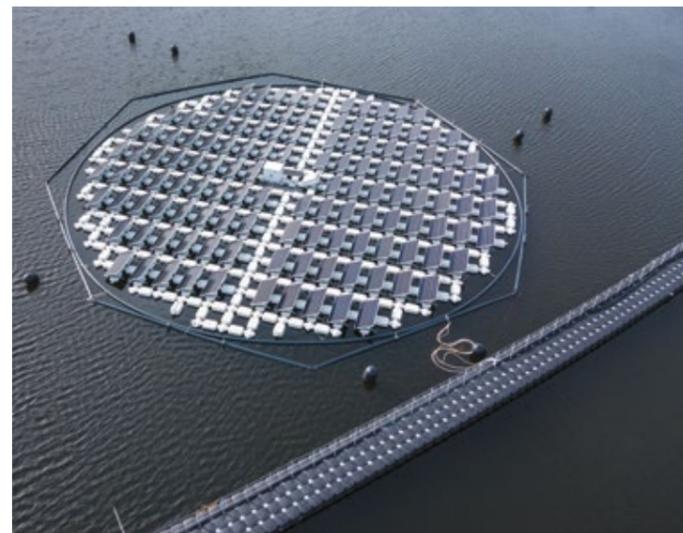
We worked closely with our manufacturing affiliates and addressed chronic plant challenges. For example, we helped resolve the longstanding PK-3 1-butene quality issue, enabling the production of all LLDPE grades. Such efforts have brought substantial cost savings by averting production losses in 1-butene and PE plants.

This year saw the first commercial demonstration of a new High Space Time Yield (HSTY) technology, offering the prospect of 10% productivity enhancement over Normal Super Condensed Mode in the LLDPE gas phase process/reactor. In addition to boosting productivity, the new process also offers material product benefits – plans are in hand to deploy it in other SABIC LLDPE gas phase reactors.

Further initiatives, which were part of our MTBE-FBD4 improvement strategy and implementation of our catalyst strategy at the Petrokemya MTBE plant, resulted in an unprecedented boost in MTBE production and a significant reduction in catalyst losses from 2005. The significant catalyst savings were equal to more than 50% compared to the baseline. Reliability improved as well by sustaining operations with minimum unplanned shutdowns.

## PRODUCT INNOVATION

As consumers demand ever more higher performing and more sustainable products, in everything from piping to packaging, auto to electronics, personal hygiene to agri-nutrients, our expertise and ingenuity helps customers all over the world overcome their challenges.



Aerial view of a floating island of solar panels in Oostvoornsemeer, The Netherlands, built mostly from SABIC material – an example of how we are building our innovation portfolio to further strengthen our ability to compete in the global market. The floatation devices are made from our PP compound 1650U and the connections are from 1520U.

## AUTO APPLICATIONS

The release of next-generation STAMAX™ products with improved aesthetic properties is helping us maintain our leadership in the auto sector and build our share of the valuable global tailgate business. New formulations of XENOY™ HTX resins and flame retardant SABIC® PP resins serve multiple applications in the booming electric/hybrid vehicle market, from honeycombed plastic-metal hybrid rocker panels for battery crash protection to structural battery components.

## FLOATING STRUCTURES FOR PHOTOVOLTAIC

Two new products – HDPE for blow molding and PP for injection molding – designed for photovoltaic floating devices for the fast-growing renewable energy market offering good processability and mechanical properties, gained positive feedback from European and Asian customers.

## FLEXIBLE PACKAGING

A new SABIC POP (polyolefin plastomer) based solution for liquid container liner applications was successfully launched, with three tailor-made offerings targeting different level of CTQs (Critical to Quality criteria) on flex-crack resistance and dart impact performance. Significant weight savings compared to conventional rigid packaging along with better leakage resistance offer customers significant cost savings, as well as reductions in leakage-related failures.

In addition, BCT18F, which is a new high impact polypropylene for flexible packaging, helps meet increasingly demanding gel count specifications.

## NEW MELTBLOWN GRADE

A new enhanced variant of our existing PP514M12 meltblown grade offers enhanced properties and processing in the final application for lower T&P (temperature and pressure), better HH (high heat resistance), and lower fiber-fly, positioning it for numerous medical and hygiene applications.

## ELECTRICAL AND ELECTRONICS

New short and long glass filled polypropylene grades were launched, realizing first successes to serve 5G antenna cover applications. We continue to improve formulations, supporting customer programs, and providing better transmittance, lighter, and tougher next generation solutions.

## AGRI-NUTRIENTS SOLUTIONS

Two new platforms for nano-fertilizers and bio-enhanced fertilizers were established to enrich our agri-nutrients portfolio. Moreover, we worked closely with "SABIC Agri-Nutrients Company" to develop technological solutions to meet new regulatory energy requirements. We also worked on improving plant reliability and on lowering energy consumption and CO<sub>2</sub> emissions.

## INNOVATION EXCELLENCE

We continued this year to improve operational excellence on many fronts: maximizing value creation from our global sites and other assets; increasing the efficiency of the organization and our delivery to the T&I community and other SABIC businesses; and leveraging our resources more efficiently, for a faster, more agile response to

internal and external stakeholders.

Key areas of focus included efforts to improve leadership across sites, exploit resource synergies more effectively, improve communication, with more information more frequently, and greater transparency, enhance external collaborations, tighten the focus of the T&I portfolio, and continue to build an organization equipped to deliver sustainable disruptive innovations.

We also this year began looking into the results of the SABIC-Saudi Aramco synergy assessments, developing the broad outlines of an effective collaboration and value delivery plan.

## TECHNOLOGY VENTURES

This year brought an increased focus on external collaborations with universities and institutes, start-ups, and other third parties, with a view to adding more value through existing activities, and acquiring, developing and effectively leveraging complementary technologies from third parties.

We strengthened our technology-ventures footprint in Europe, North America and China, ensuring close alignment with its strategic technology goals. The investment portfolio currently consists of ten active companies, two technology licenses and four funds. 2020 investments included UK-based Void Technologies and New Leaf in the US, in support of SABIC's differentiation and growth strategy in its target markets.

## TECHNOLOGY LICENSING

Technology Licensing works to secure state of the art technologies for SABIC and its affiliates' global growth initiatives, helping to maximize affiliates' asset productivity, enhance efficiency and reduce energy intensity, ensure compliance with SABIC/SEEC targets, and deliver significant environmental benefits. Technology Licensing is also active in deploying SABIC proprietary technologies to growth projects of both SABIC and selected third parties. SABIC this year, for one example, through its partner Technip FMC, licensed the use of its proprietary acrylonitrile butadiene styrene (ABS) technology at a plant in China.

As we and the world emerge from the trials of 2020, we will continue to build the skills, commitment and morale of our people, build flexible teams, improve retention and succession, and enhance an agile and resilient innovation culture. We will continue to strengthen our innovation model, with coordinated centers of excellence, costs cut, efficiency boosted, and the full benefits of our innovation capabilities captured and optimally leveraged for ongoing and sustainable improvement to our Return on Investment.

# MANUFACTURING CAPITAL

Despite the challenges arising out of the pandemic in 2020, SABIC Manufacturing remained committed to achieving the highest levels of manufacturing excellence and safety standards.

The continuous pursuit of manufacturing excellence is vital to our drive to become the preferred world leader in chemicals. In a competitive industry, further challenged this year by the COVID-19 pandemic, Manufacturing at SABIC has shown resilience by employing robust standards and process technologies, supported by its knowledge pool to achieve the highest level of asset availability since 2017.

The agility of our manufacturing organization was also demonstrated by our immediate response to the pandemic. Here, our risk and crisis management systems gave us a solid foundation for business continuity, which ensured commitment to both our customers and the community.

Driven by our global manufacturing strategy, we have pursued optimization as a key principle in attaining excellence across multiple geographies and cultures.

Our strategic initiatives have provided focus, where our Asset Lifecycle Management structure has ensured optimization of plant operations and has driven Operations Discipline. We have mobilized our global talent base to support our endeavor in achieving manufacturing excellence, whilst ensuring the continual investment in the capability of our people through our Workforce Development programs.

We also continue to drive Energy Optimization at our sites in support of our sustainability objectives, ultimately reducing our overall footprint.

Our 2020 milestones were all underpinned by our core value of EHSS, where we continue to embed a culture of safety as a top priority.

## ASSET LIFE CYCLE MANAGEMENT

Our asset maturity continues to strengthen as we build our asset capabilities through implementation of the Asset Life Cycle Management Framework. This has resulted in our lowest unplanned shutdown days leading to increased availability, and significant planned CAPEX optimization.

We are leveraging the strengths of our Operations Management System, which provides an integrated platform for safety and reliability. Through the utilization of the Asset Lifecycle Management standards, we see improved asset capability and reliability performance, and effective governance of the SABIC defect elimination process, resulting in minimizing operating losses. It has also enabled stewardship of reliability-in-design, which has been employed in several new mega projects and integrated into the process throughout our global manufacturing sites.

Cybersecurity is a major threat to many industries, and it is of paramount importance to ensure protection against such a threat. Our cybersecurity model has been developed in line with industry best practices and is applied in our continued effort to mitigate threats across all our sites.



We are continuously pursuing manufacturing excellence which is vital to our drive to become the preferred world leader in chemicals.



Driven by our global manufacturing strategy, we have pursued optimization as a key principle in attaining excellence across multiple geographies and cultures.

## WORKFORCE DEVELOPMENT

Our ever-stronger culture of excellence is reflected in the achievements of our sites around the world, reinforced by our SABIC values. Sustained focus on our people and their capabilities is utmost, and we have worked hard to continually improve our people competencies.

This improvement starts with our frontline employees (operators, technicians and security guards), where we have deployed a program called JADEER, which will be a single integrated platform to support frontline employees' competency development by enhancing work processes, EHSS and process safety.

We have also conducted assessments for our engineer and chemist development programs – SABIC Engineers early Development program (SEeD) and Technical Talent program with a methodology that moves from compliance to engagement and effectiveness.

Our efforts to embed the right leadership behaviors were maintained, and despite the impacts of the pandemic, we were able to conduct a global virtual assessment of Critical Organization Behaviors (COBs). This provided key insights into our strengths and areas of improvement that will contribute to enhancing our pursuit of manufacturing excellence.

We have begun to build a manufacturing learning platform, combining a rich resource library of learning content with a forum to help SMEs assure quality and be aligned with international standards. It also provides the ability to integrate our technical talent capability development programs under a single unified platform.

For the long term, we will continue to build a working environment that inspires and connects people through our global networks, ensuring access to depth and breadth of experience, excellent learning resources, and diverse assignments.

## ENERGY OPTIMIZATION

In 2020, we maintained our focus on improving our energy efficiency, in support of SABIC's sustainability objectives.

Opportunity assessments looking to identify and evaluate possible conservation measures to improve our overall footprint and assure regulatory compliance with SABIC's energy efficiency program were carried out at four major sites. Such assessments also play a key role in evaluating any prospective mega project's sustainability performance.

The Site Energy Optimizer Program – a key analytical tool and process, launched in 2018, to identify site-optimized scenarios in day-to-day operations and design – continued to deliver positive results. Deployment has been completed at 14 sites, helping identify "quick win" energy saving opportunities, and guide the development and deployment of improved energy system operating strategies.

## OPERATIONS DISCIPLINE

The Operations Discipline journey is one element in SABIC's Operation Excellence initiative, launched in 2018 to drive universal adoption of the Operating Discipline concept, designed to reduce EHSS incidents and improve reliability. The program looks to ensure compliance with critical operational elements during manufacturing processes, and capitalize on best operational practices.

The Operations Discipline diagnostic assessment was completed in 2019 at our sites in Saudi Arabia and saw the site gap closure plan achieving above target results. The planned assessment for our European and Americas sites was postponed from 2020 to 2021 due to the pandemic. The program will lay the foundation for best in class standards and establish a sustainable environment of empowerment throughout our manufacturing community, strengthening ownership and energizing a drive for results through commitment and innovation.

# MANUFACTURING CAPITAL

## CONTINUED

### ENVIRONMENT, HEALTH, SAFETY AND SECURITY (EHSS)

SABIC's global EHSS organization supports our manufacturing operations, business units and corporate functions, providing a center of excellence that helps deliver continual improvements in our EHSS performance worldwide.

This year SABIC raised EHSS competencies, improved communication and information-sharing, and enhanced and refined initiatives driving people development, digital transformation, and risk and operations management.

While responding to the impacts of COVID-19, we also maintained momentum in embedding EHSS as a SABIC critical core value, in line with our commitment to achieving industry-leading performance.

### MANAGEMENT SYSTEMS

In 2020, we continued to embed the new risk-based assessment, introducing Maturity Level concept throughout the organization, and assess our sites' SHEM field implementation, performance and progress.

### EHSS INFORMATION ENABLEMENT

This eSHEM Phase II initiatives project underwent a global rollout this year for four EHSS modules – SABIC Assurance Program for EHSS Risks (SAFER), EHS Risk Assessments, EHSS Audit, and Calendar – enabling improved identification, aggregation and communication of key EHSS information.

Increasing automation is also supporting SABIC to better manage risks, capture findings and track mitigation actions, helping reduce violations, equip SABIC for first-in-class EHSS performance, and prepare for improved data analysis and artificial intelligence exploitation.

### EHS CULTURE SURVEY

This year's EHS Culture Survey involved 16,730 participants globally in a hearts & minds effort as part of our Operations Management System (OMS-111) standard, corporate training programs, and efforts to gain a better understanding of employees' perceptions of their work environment culture.



EHSS is a critical core value for SABIC across all its operations.

### GLOBAL KEY PERFORMANCE INDICATORS

Global EHSS developed and introduced EHSS Maturity, an overarching new performance monitoring concept using existing KPIs to generate maturity indexes based on existing systems and standards, designed to:

- Drive increased performance excellence, and visibility to SABIC leaders
- Ensure focus on OMS/SHEM key aspects
- Improve accountability at all levels of SABIC leadership
- Allow global KPI benchmarking throughout the organization
- Provide valuable input for OMS-SHEM audits

### RESPONSIBLE CARE®

This year saw the start of the recertification audit for RC14001:2015 and ISO45001 standards, in line with the chemical manufacturing industry's EHSS initiative Responsible Care®. Five years of internal and third-party audits have uncovered no major non-conformances, and this year saw significant improvements.

### ENVIRONMENT, HEALTH AND SAFETY

SABIC participated in several Cefic (European Chemical Industry Council) and Plastics Europe groups focusing on marine litter and Operation Clean Sweep programs, and ECHA (European Chemicals Agency) micro plastics and waste gas chemicals restrictions. In the US, SABIC was part of the American Chemistry Council's work group set up to define a pellet loss metric for Operation Clean Sweep Blue.

A SABIC EHSS team also joined the Association of International Chemical Manufacturers' pollution prevention workshop, helping prepare and track new regulations, and raise understanding of new requirements. In China, quarterly meetings brought together environmental law firms, site leadership and local EHSS teams. We also worked on:

- **Discharges to water** – with improved discharges and reutilization, and reduced pollutant loads. At our Vadodara, India, site an online wastewater analyzer was installed to monitor Chemical Oxygen Demand, Biochemical Oxygen Demand, Total Suspended Solids, color, pH and ammonia nitrogen, helping ensure compliant discharges and maximize recycling of treated waste water.
- **Emissions to air** – with a number of sites seeing installation of new odor abatement equipment and retrofits of low/ultra-low-NOx burners, including Teesside in the UK, and STC-Shanghai, where low-NOx burner retrofits for boilers cut NOx emissions from 110 mg/m<sup>3</sup> to around 25 mg/m<sup>3</sup>.
- **Waste generation and management** – with segregated bins, and training and reminders for employees, helping increase recycling at our Benoi, Singapore site.

### PROCESS RISK MANAGEMENT

#### PROCESS SAFETY KNOWLEDGE AND COMPETENCY

Our EHSS responses during COVID-19 included:

- Human Capital Development strategic initiatives, including widespread on-line engagement with the workforce for various knowledge-based applications
- Continuing our work with Mary Kay O'Conner Process Safety Center to develop Process Safety professionals, with 27 engineers enrolled in Developing Batch-4, and 18 engineers enrolled for Proficient Level Batch-1 training in 2020.
- Fundamentals of Process Safety training, with 56 professionals attending this year
- Layer Of Protection Analysis training, with online sessions of 230 employees
- 121 employees trained in the SAFER program, which is aimed at senior managers and subject matter experts
- Emergency preparedness training, with particular emphasis on pre-incident planning, delivered to 75 personnel throughout the organization

#### MANAGING RISKS

Hazard Identification and Risk Management is the cornerstone of managing risks. SAFER, which is SABIC's EHSS risk registry, saw an increased engagement with stakeholders. Organizational resilience and operational agility during the pandemic resulted in overcoming the challenges of risk stewardship.

SAFER stewardship saw closer monitoring of Major and Significant risks, particularly with large number of turnaround deferrals. Site engagements were performed using online engagement tools and an enhanced monitoring of risks provided greater assurance of risk management. IT enablers like eSHEM for SAFER were deployed for Middle East and Africa region and works are underway to fully implement the program in all regions. This will see a greater transparency in risk management and deployment of interim and mitigation actions with a clear focus on risk based prioritization for projects implementation. In addition, the dashboards using IT enablers are also expected to enhance risk awareness and focused corporate and site engagements at all levels.

#### SECURITY MANAGEMENT

This year saw numerous initiatives to ensure regulatory compliance, including:

- Risk Management: revalidating security risks, providing Security Risk Assessment training, and conducting and reviewing security risk assessments for sites worldwide
- Cyber Security: training and refresh in response to new threats
- Management System: completion of revision of security risk-based framework
- Travel Security Program: ensuring medical, safety and security help for business travelers worldwide
- Homeland Security Mega Project, with completion of front-end engineering designs for upgrading security infrastructure for our KSA affiliates

#### CRISIS MANAGEMENT

Crisis Management responded rapidly to the pandemic, raising preparedness, improving our crisis management structure, monitoring impacts on employees, sites and offices, ensuring business continuity, managing Personal Protective Equipment, monetary and other donations, improving the Crisis Management Dashboard to aid impact visualization and application development, ensuring preparedness for other threats such as cyber security risks, and efficient capture of all COVID-19 learnings, and their incorporation into CM plans and processes.

### PRODUCT STEWARDSHIP

This year saw an organization-wide move to Corporate Sustainable Development, with core programs built on key initiatives to maintain our program of continuous improvement, including developing and deploying product stewardship knowledge and competency, enhancing communications, and improving our risk discovery and management processes. We this year:

- Began building our new Product Stewardship Training certification program
- Improved our efficiency in delivering SABIC compliance documents to customers
- Continued to embed EHSS/PST reviews in T&I, E&PM and M&A programs
- Implemented PST incidents management and product risk characterizations
- Made Manufacturing a key focal point
- Completed our top 50 Product Risk Characterizations
- Continued running workshops in Saudi Arabia, with rollout to other regions planned
- Instituted Safer Chemistry as a major theme

### ENGAGEMENT AND SUPPORT

Despite fewer network meetings due to COVID-19, Industrial Hygiene Committee members continued recent years' meetings and working with a number of agencies, including:

- Royal Commission Public Health Department
- Saudi Food and Drug Authority
- Nuclear and Radiological Regulatory Commission
- Saudi Standards, Metrology and Quality Organization
- Ministry of Labor

### CAPABILITY BUILDING

This year saw the restart of NEBOSH (National Examination Board in Occupational Safety and Health) - International General Certificate in Occupational Health and Safety, with courses run virtually due to COVID-19, training:

- 29 Industrial Hygiene experts in the Board of Occupational Safety and Health modules
- 82 instructors for new unified safe work permit and LOTO (lock-out/tag-out) for all KSA sites
- 43 IH experts in Health Risk Assessment Workshop conducted for MEA staff
- 140 leaders and key stakeholders in crisis management awareness

### GLOBAL EHSS PERFORMANCE MONITORING & REPORTING

We continued to monitor trends in EHSS, the Total Recordable Incident, Occupational Illness, and Security Incident rates, while dropping Process Safety Total Incident Rate in favor of the new metric American Petroleum Institute 754 Process Safety Event Tier 1. Global EHSS Corporate Sustainability Department also approved the incorporation of fatality rates in the new metric.

In eSHEM, we saw enhancements of the global system, making eSHEM compliant with OMS-318, implementation of phases 1 and 2 for incident management, and continued quality monitoring of the eSHEM system by Performance Monitoring Reporting with regular communication to all affiliates, to aid their ongoing EHSS data improvement efforts.

# SOCIAL AND RELATIONSHIP CAPITAL

At SABIC, we know our actions today and our vision for tomorrow play a big part in making the world a better place – for our employees, our stakeholders, and the communities in which we work. We invest in future generations through a range of global Corporate Social Responsibility (CSR) initiatives which play a key role in making life better for millions of people every day. This year, we faced a new challenge with COVID-19, and joined hands with government authorities and NGOs worldwide to help overcome the pandemic.

Wherever we operate, we look to develop mutually beneficial partnerships with our stakeholders, using a sustainable approach that delivers lasting value through innovative programs to meet community needs. Our efforts contribute to 10 United Nations Sustainable Development Goals and are focused on four key priority areas: Health & Wellness, Science & Technology Education, Environmental Protection, and Water & Sustainable Agriculture. Every year we aim to adapt our CSR investments and activities to fit local community needs in each region. In total this year we invested over US\$ 39.6 million in 274 Global CSR programs, including 212 programs to mitigate the impact of COVID-19, reaching around 35 million people in 34 countries.

As part of our support for Saudi Vision 2030, we partnered this year with the Ministry of Human Resources and Social Development in outlining a national social responsibility strategy aimed at enhancing Saudi public, private and non-profit participation in social programs and initiatives. The project identified a number of main pillars including developing social responsibility partnerships, implementing integrated social responsibility regulations, creating a balanced portfolio of

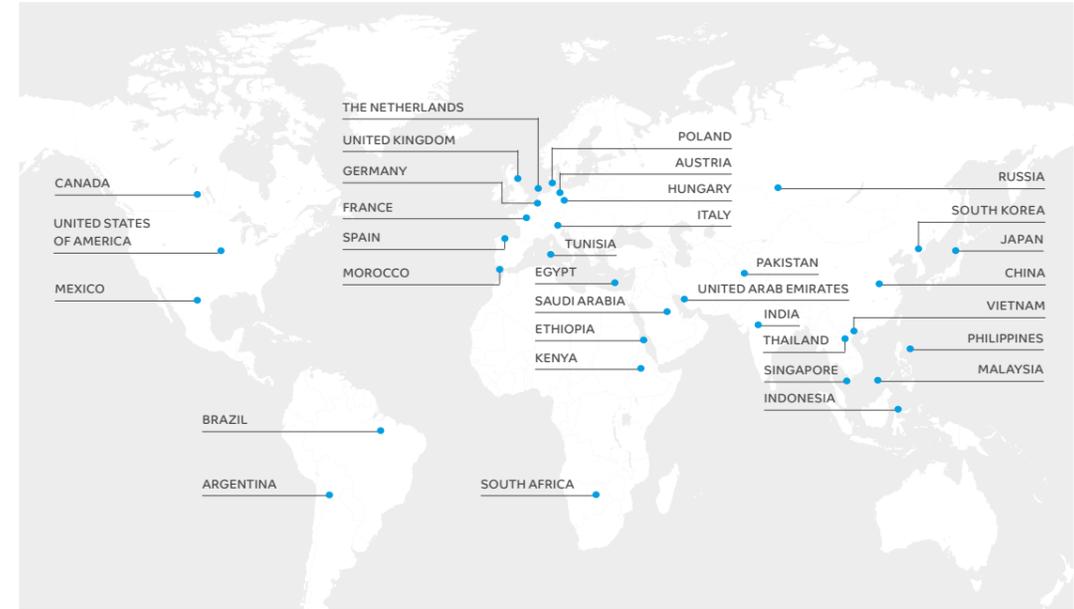
incentive schemes, building national awareness, and developing capabilities including effective monitoring and measurement tools.

We were proud this year to receive the Excellence Award for Sustainability in the Innovation and Sustainability 2020 Excellence Awards and Forum for Corporate Social Responsibility, hosted by China's Shanghai Daily, in recognition of our dedication to sustainable development and poverty alleviation. We were also recognized with the Community Chest's Community Spirit Gold Award in Singapore for our efforts in supporting vulnerable families affected by the pandemic.

### SCIENCE & TECHNOLOGY EDUCATION

A quality education and lifelong learning have always been prime values for SABIC. Our goal is to foster innovation, particularly through science and technology education, and we've kept up momentum despite the unique challenges faced this year.

 <b>274</b> global programs	 <b>US\$ 39.6 M</b> invested	 <b>34</b> countries reached
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Our Global Corporate Social Responsibility activities address specific community needs in each country.

Our Global Back to School Initiative benefitted over 120,000 students in 13 countries – KSA, Egypt, Ethiopia, UAE, Singapore, Vietnam, China, India, UK, Germany, Netherlands, Spain, and the US. In Saudi Arabia, 70,000 students across 13 regions were given backpacks with school supplies, while 20,000 received electronic tablets, through a collaboration with the Ministry of Education and Takaful Foundation.

In China, we continued our Love Shoes program, with 196 students receiving shoes and schoolbags hand-painted by SABIC volunteers with inspirational messages and drawings, along with hand-made picture books, encouraging and supporting their academic efforts. We also helped bring digital technology support to students in remote areas of rural China, extending quality education to those most in need.

In Vietnam's Tra Vinh province, a donation of 40 bicycles helped underprivileged students in isolated rural areas get to schools in nearby towns and cities, while in India we collaborated for the fourth year running with the Central Institute of Plastics Engineering & Technology in a skills development program that delivered plastic processing operator training to 90 young people, equipping them for future jobs in the industry.

COVID-19 added impetus to a program extending remote learning in India, where construction began this year on new classrooms equipped with digital learning technology, enabling teachers to conduct online classes, and SABIC volunteers to interact virtually with students through motivational sessions.

Our Global Initiative for Education and Innovation also continued in 2020, in partnership with Junior Achievement Worldwide and INJAZ Saudi Arabia, with a new focus on distance learning, benefiting over 12,000 students in 13 countries with the help of over 250 SABIC volunteers. Among its programs is Lights of Our Future, which invites students to consider urban sustainable development from an economic perspective, and draw on that learning to devise innovative solutions. Other programs included It's My Business which introduces students to entrepreneurship, a STEM (Science, Technology, Engineering and Mathematics) Innovation Camp, and Job Shadowing.



Our Global Back to School Initiative reached 13 countries in 2020.

# SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

## ENVIRONMENTAL PROTECTION

We maintained our efforts this year to tackle climate change and its impacts around the world through innovation and education, and our Global Environmental Protection Initiative in nine countries - Singapore, Indonesia, Thailand, Japan, South Korea, Germany, UK, Spain and the Netherlands. Due to the pandemic, we have been reaching the community with virtual programs to ensure safety of participants. Many of these programs involved our volunteers engaging in online train-the-trainer workshops, before conducting their own workshops to raise environmental awareness in the wider community. Program topics included plastic waste, recycling options and climate change, while hands-on workshops taught participants how to make DIY products such as eco-friendly cleansers and hand sanitizers.

In Spain, SABIC recently supported the Cartagena Oceanographic Research Institute and Cartagena Polytechnic University in the Ocean Hackathon 2020, during which more than 100 teams of students worked to develop a prototype app to help address some of the challenges facing our oceans.

## WATER & SUSTAINABLE AGRICULTURE

Water source and sanitation management go hand in hand with better food and energy production – key to ending hunger, achieving food security, and improving nutrition. We maintained our support of Saudi Arabia's agricultural industry by participating in dates festivals in Al Qassim, and a citrus festival in Al Hariq, highlighting our national efforts to increase crop productivity, quality and variety.

In an effort to further support effective farming practices in Saudi Arabia, following two phases of technical training and agricultural caravans, this year we continued our three Agricultural Field Schools, covering Al Madinah and Al Ula, providing a forum where farmers and scientific researchers can share knowledge and experiences.



SABIC launched its Thank You Initiative in Saudi Arabia in partnership with the Ministry of Health.

## HEALTH & WELLNESS

Our Global Health Initiative and Global Social Initiative continue to demonstrate SABIC's contributions toward the health and wellness of the communities in which we work, and society at large. Throughout 2020, we placed considerable emphasis towards mitigating the impact of the COVID-19 pandemic to keep our communities healthy, safe and well informed. Over the year, our contributions in Health & Wellness totaled 220 programs ranging from food bank support to provision of medical equipment and supplies, in addition to health awareness programs.

Despite the pandemic, our initiatives to support health and wellness in other areas continued, including efforts to recognize and improve mental health and quality of life. We partnered with various government entities and other institutions to launch the Mental Health & Life Stress Survey project, aiming to study mental health throughout Saudi Arabia, and to consider available treatments and the obstacles that prevent people accessing them. The study, involving 10,000 respondents across 13 regions, was conducted by the Ministry of Health, King Salman Center for Disability Research, King Faisal Specialized Hospital and Research Center, and King Saud University, in collaboration with the World Health Organization, Harvard University, and the University of Michigan.

This year saw the continuation of the SABIC Award for Mental Health, carried out in Saudi Arabia in collaboration with the National Center for Mental Health, designed to encourage and implement innovative ideas from entrepreneurs and researchers meant to address mental health challenges, and to recognize their help in raising community awareness of mental health.

Our partnership with Zahra Cancer Association and the Saudi Ministry of Health enabled the launch of six preventative breast cancer screening clinics, expanding on previous efforts in a program now expected to benefit over 4,800 women a year. We also supported the health and wellbeing of 3,000 orphans in the Kingdom through a medical insurance program in partnership with Kanaf Association.

## OUR RESPONSE TO COVID-19 – COOPERATION, COLLABORATION AND COMMUNITIES

As daily life and health around the world reeled under the impact of the pandemic, our global teams united under our rallying cry 'Together We Overcome COVID-19', supporting community outreach programs and working with government authorities and NGOs to achieve maximum impact and address people's needs promptly and effectively.

Throughout the year, we remained focused on protecting the health and wellness of our employees and communities, supporting the business requirements of our customers, and collaborating with government and NGO partners around the world. We strengthened our external collaboration ecosystem to improve our return on innovations, and worked with partners to promptly develop innovative solutions to help address the pressing challenges posed by the pandemic – as we clearly understood the important role of the chemical industry in the recovery of the global economy and our role within that. We contributed significantly toward minimizing the impact of the pandemic through investments of over US\$ 33.4 million in monetary and in-kind donations, delivered across 212 activities reaching over 35 million people in five continents. We also committed to matching donations made by our employees to charities responding to COVID-19.

We are proud of leading streamlined efforts in partnership with government entities and NGOs throughout the world to bring humanitarian aid wherever it's needed, providing sought-after materials ranging from sanitizers and medical supplies to protective equipment for frontline healthcare workers. We continue to review these efforts and their efficacy, and to look into other geographies and actions in an effort to increase our positive and meaningful impact.

In China, shortly after the initial outbreak, SABIC swiftly responded to the Chinese government's calls to support frontline medical workers with a US\$ 1.1 million donation to Hubei Charity Federation. We also provided urgently-needed medical supplies and personal hygiene and healthcare products, benefiting over 1.5 million people.

Throughout the rest of Asia, our investments supported local food banks, hospitals and NGOs through 13 programs, benefiting over 1 million people across eight countries: India, Singapore, Malaysia, Philippines, Thailand, Vietnam, Japan and South Korea. We have supported government initiatives, fundraising organizations and hospitals across the region, including India's Prime Minister Care Fund, Singapore's National Council of Social Service, and NGOs such as Red Cross and Caritas Manila, with monetary and in-kind donations to alleviate the pandemic's economic and community impacts.

In Saudi Arabia, we partnered with government authorities through 26 programs. At the outbreak of the pandemic, national contributions ranged from supplying ethanol for sanitizers and polymer resins for sanitizer bottle manufacturing to distributing



Our contributions in health & wellness toward COVID-19 pandemic relief reached 30 countries.

medical supplies such as latex gloves and disposable medical gowns. These programs were conducted through partnerships with the Ministry of Health and National Unified Procurement Company, as well as other government entities and NGOs. We also supported several social awareness campaigns through various platforms to promote community health and highlight the importance of best practice in curbing the spread of COVID-19.

Elsewhere in the Middle East and Africa, our investments reached 12 programs, benefiting communities in six countries - Egypt, Tunisia, Morocco, South Africa, Kenya and Pakistan. These programs brought medical supplies and personal hygiene products to government entities, hospitals and NGOs such as Al-Amal Association in Morocco and Tahya Misr Fund in Egypt. Food bank donations were also provided through NGOs such as Al-Amgir Welfare Trust in Pakistan and Things on Wheels in South Africa.

In Europe, our campaigns supported healthcare workers on the frontlines, the education of children kept home from school, as well as isolated elderly and vulnerable people. All told, we supported our communities through 115 programs in 10 countries across Europe - Austria, France, UK, Germany, Hungary, Spain, Italy, the Netherlands, Poland and Russia. T&I expertise helped community groups in the UK develop a new protective facemask design. After a review to determine which SABIC material would be best suited, we provided 22 tons of material allowing 500,000 facemasks to be rapidly produced by injection molding.

In the Americas, SABIC donations to food banks and NGOs such as the United Way, Rotary International, Cruz Roja Mexicana and Fundacao Esporte helped people in the US, Canada, Mexico, Brazil and Argentina through 44 programs. We also contributed with products such as LEXAN™ film for the production of personal protection equipment for healthcare workers, and medical equipment such as ventilators, monitoring devices, respiratory therapy machines and diagnostic equipment.

As COVID-19 continues to be a global concern, we are continuing to build strategic partnerships to actively support global, national and community responses against the pandemic – true to our promise: 'Chemistry that Matters™'.

# SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

## ENABLING SAUDI VISION 2030

SABIC is fully committed to being a key enabler of Saudi Vision 2030, particularly under our groundbreaking NUSANED™ local content initiative, by helping to create a value-added local manufacturing base, diversify the national economy, create jobs and minimize dependency on imports.

Through NUSANED™ we have adopted a structured approach to maximizing local content development by promoting the localization of materials and services, creating downstream business opportunities, developing workforce through training and entrepreneurship, and supporting efforts to attract and enable foreign investments in Saudi Arabia.

We continue to work on developing mutually beneficial partnerships within Saudi Arabia as well as with overseas stakeholders and building relationships with foreign investors and financial institutions. We seek to attract internal investments in innovation, technology, manufacturing, procurement and creating high-skilled and specialized jobs for nationals.

We continue to work on developing mutually beneficial partnerships within Saudi Arabia as well as with overseas stakeholders.



## FOUR MAIN PILLARS

Built on four main pillars, NUSANED™ has been providing opportunities for investors, especially young people and entrepreneurs, who wish to develop their businesses in innovative and leading industrial sectors.

Each of the four pillars represents a stage of building a potential opportunity or idea:

**Entema**, an opportunity gate to originate, receive and analyze investor opportunities evaluating them and determining their feasibility

**Da'aem**, which reflects the real support that SABIC offers to enable investment opportunities

**Access to Finance**, where feasible opportunities and financing solutions are identified for commercially feasible projects

**Muahal**, where SABIC develops workforce capabilities to support investors

## IMPACTFUL COLLABORATIONS

NUSANED™ received 700 registration requests in 2020 of which 43 qualified for the program across several priority national industrial sectors such as metals, renewables, and medical supplies. Overall, 1,604 application requests have been received since the program's inception in January 2018, of which 106 have qualified.

We continued to support local manufacturers and service providers to help them technically qualify for projects on capital expenditures/operating expenses criteria until complete business engagement with our stakeholders. In 2020, we introduced a new concept to integrate local suppliers into our procurement function and increase the level of localization. Overall, 59 local suppliers were onboarded. Our success in material localization included product categories such as heat exchangers, valves and coolers, which brought significant advantages to local manufacturers, besides improving local capabilities.

## SUPPLIER DEVELOPMENT

In 2020, three manufacturers were approved for Customer Development under our Numou program, resulting in a high level of localization across several key sectors, besides an improvement in the business participation rate of manufacturers. On an average, these manufacturers increased their spend with SABIC by 79% as against previous years.

Under Customer Development, we successfully completed four pilot projects with notable impact on sales volumes, including:

- Sustained the sales of local water bottle manufacturers utilizing 10,000 tons per annum of SABIC polycarbonate, which resulted in a saving of up to 20-35% of operating costs
- 6,000 tons per annum of additional sales of SABIC styrene to localize emulsion polymers for paints & coatings in the concrete industry
- Thousand tons per annum of additional sales of monoethanolamine, fatty acid and methanol resulting from the local manufacturing of material required for oil & gas drilling
- 1,800 tons per annum increase in sales, accounting for 30%, in the electrical sockets & extensions market, and the creation of 40 direct jobs.

NUSANED™ further supported investors by facilitating the technical qualification of chemical products and manufacturing equipment. We also helped in developing investors' technical capabilities to meet global standards and ensure product effectiveness. Seven investors were qualified in 2020 across several categories such as chemical products for cleaning heat exchangers, chemical raw materials, recycling of iron slag, and safety equipment.

Through a series of workshops with our stakeholders, we identified 14 localization opportunities across five chemical categories and completed their enrollment in the NUSANED™ program to drive local investments.



Through NUSANED™, we have adopted a structured approach to maximizing local content development

We also conducted market research to build investor value propositions, identify raw material requirements and their availability locally, and assess national demand. Several of these potential investors are currently in discussions to drive the localization within these strategic chemical categories.

Our Local Supplier Debottlenecking Support Program has introduced our local capabilities and our manufacturing competencies to local importers, resulting in a localization spend of SAR 20 million for equipment and spare parts.

Further, during the year, we supported localization of four technologies in the Saudi market: rubber applications; 3D printing filaments; protective helmets and glasses; and medical blood bags.

We also supported localization in the production of track shoe plate and transparent armor for the defense industry.

We continued to support local manufacturers and service providers to help them technically qualify for projects on capital expenditures and operating expenses criteria.

# SOCIAL AND RELATIONSHIP CAPITAL

## CONTINUED

### NUSANED INVESTMENT™

Nusaned Investment™, which was launched in 2018 with the aim of providing financial support to small and medium-sized enterprises (SMEs), is offering direct equity and mezzanine financing; unlocking of debt from third-party banks; and lending support through strategic and operational advisory services as well as through SABIC's localization initiative. Since its launch, it has secured approval and commitment for six deals with a total value of around US\$38 million with local and foreign partners across diverse sectors including Specialty Chemicals, Plastics, Energy, Construction Products, Services and Recycling.

In 2020, eight new opportunities were added to the pipeline taking the total to 34 across different stages of the investment evaluation process.

The SR 100 million Nusaned Private Equity Fund, in collaboration with the General Authority for Small and Medium Enterprises (Monshaat), is nearly fully committed. We are currently working on launching a second fund with new co-investors.

In October 2020, we signed a cooperation agreement with Kafalah to facilitate the financing of suitable projects and help overcome the challenges facing SMEs. Kafalah, which is a loan guarantee program, facilitates financing of economically viable SME projects.

### JOB CREATION

As part of a key NUSANED™ pillar, Muahal, more than 3,500 jobs were created in 2020, out of a total of 6,000+ since the launch of the initiative in 2018. Of these, more than 1,300 jobs were for women.

We also ran effective job creation campaigns in collaboration with the Saudi Chambers of Commerce and Industry to further contribute toward workforce development in Saudi Arabia.

We conducted more than 36,000 hours of virtual training to share knowledge and enhance human capital skills. Besides, more than 100 of our employees were trained under our LCBDU Fellowship Program to share knowledge on Local Content within the SABIC community.



### HEALTHCARE SUPPORT

At the onset of the pandemic, we proactively collaborated with local health authorities to maximize our localization efforts. Notable outcomes:

- The number of NUSANED™ opportunities in the healthcare sector increased to more than 70, covering ventilation systems, personal protection equipment (PPE), and pharmaceuticals.
- Four key opportunities were identified for PPE localization and realization targets were developed.
- Production capacity of local medical mask manufacturers increased from two million a day to six million a day with our support.
- Five international investors were selected for localization of N95 masks production based on detailed technical and commercial assessments.
- Suitable materials and 3D printing knowhow were provided through our global technology network for the local manufacture of ventilators.
- The National Industrial Development Center (NIDC) localized four active pharmaceutical ingredients with our support.

### HOME OF INNOVATION™

SABIC's Home of Innovation™ (Hol) on-boarded 10 new participating local and global companies in 2020 – all original equipment manufacturers that fall under the National Industrial Strategy (NIS) sectors. They were Dupont, BASF, Alkhorayef, SYLVANIA, Saudi Drip, KST, Sudair Pharma, Source Global, HYTORC and SAPPCO.

Hol also commissioned eight new technologies for localization that covered a diverse range of NIS sectors: renewables, building materials, food processing, machinery & equipment, and medical supplies.

### SUPPORT FOR FACTORIES

Under our Tamayouz program, we supported local factories in overcoming their operational challenges and in driving excellence in their operations. We helped 10 local factories address various challenges by adopting operational excellence with the aim of increasing competitiveness and creating value-added jobs. We are in the process of scaling up the program to cover all factories in Saudi Arabia in cooperation with the Ministry of Industry.



Above: Under our Employment-Start Development Program, several jobs were created in 2020 for Saudi nationals, including women.

Left: We help develop a local workforce through training and entrepreneurship,

Over the year, we identified the challenges faced by nine factories after going through a complete diagnosis phase. We addressed the problems of three factories and helped them make potential annual savings of SAR 183 million. We also completed the second version of the Operational Excellence Manual to be used as a reference for all local factories to help overcome their operations challenges.

### COMMUNICATION AND SUPPORT

We launched a NUSANED™ Support Center to serve investors and entrepreneurs. The center is now fully operational with all strategic plans in place to empower and localize the industry sector.

We also launched our official Twitter account, under the handle, @Nusaned, to serve as a communication channel between our team, registered investors and the business community, besides those interested in local content development and entrepreneurship.

### INTO THE FUTURE

As we maintain the pace of our support toward meeting the objectives embodied in Vision 2030, our Local Content initiative will be key to attracting investments in innovation and technology, procurement and manufacturing, and in helping to generate employment.

# SUPPLY CHAIN

SABIC Global Supply Chain continued to deliver in the face of the COVID-19 pandemic and the resultant turbulence across countries. Despite the challenges, SABIC has outperformed, relying on its resilient supply chain network and customer-centric operating model, while remaining strongly committed to environmentally responsible practices.

Working closely with our customers and logistics service providers, we successfully delivered 37 million tons of products to around 12,000 customers in over 140 countries – with more than 18,000 stock-keeping units flowing through around 200 distribution centers, and around 500 logistics service providers worldwide collaborating to process almost 500,000 sales orders annually.

Our infrastructure proved resilient and our people adaptable. Service levels were improved, and efficiencies achieved through the efforts of cross-functional teams, with targets met, inventories well managed, and product delivered, including urgent supplies to address the crisis caused by the pandemic.

Throughout the year, SABIC Global Supply Chain continued its ongoing program of becoming ever more efficient, more responsive and reliable.

## INITIATIVES WORLDWIDE

Our initiatives around the world this year included:

- **Japan** – with the first direct shipments from Saudi Arabia to Japan.
- **Europe** – where new supply chains will enable transition towards circular feedstock and products.
- **China** – with a new ship to forecast model cutting lead-times from 45 days to 10, and increased use of DDP (delivered duty paid) arrangements building customer loyalty by saving time and hassle.
- **India** – where strategic rescheduling actually reduced costs while maintaining deliveries despite the lockdown.
- **UK** – where all preparations have been made for a smooth and seamless transition to the post-Brexit new year.

## OPTIMIZATION AND EFFICIENCY

While coping professionally and efficiently with the many new challenges arising out of the pandemic, we also continued seeking opportunities to enhance the efficiency, agility and reliability of our services to customers.

### AI INTELLIGENCE

Efforts continued across our global organization to explore the full potential of digitalization and Artificial Intelligence to eliminate error and systematize success, and drive waste and delay out of the supply chain, enabling both lower costs for SABIC and enhanced service to customers.

In China, upgraded digitalization solutions for SSTPC (Sinopec Sabic Tianjin Petrochemical Co. Ltd – a 50/50 joint venture with China Petroleum & Chemical Corp) and the Chongqing plant enabled online real time tracking and enhanced safety, through applied AI technology.

### HIGH SEA SALES

High sea sales shipments, with pre-booking linked to customer orders with goods in transit, brought significant savings in both time and money – five days eliminated from the Order to Cash cycle.

### COSTS DOWN, SERVICE UP

Many other innovations were this year developed and delivered by agile, cross-functional teams, delivering significant cost, time and transparency benefits to both SABIC and its customers, including:

- Introduction of increased weight per pallet, reducing movements and handling
- Implementation of local stock-points in Rotterdam in The Netherlands, Alexandria in Egypt, and Marin in Spain to cut lead times and improve reliability
- Automated business processes for real time tracking and tracing of goods from our China production affiliates



SABIC Global Supply Chain continued seeking opportunities to enhance the efficiency, agility and reliability of our services to customers.

## NETWORK & PLANNING OPTIMIZATION

A special Global Value Chain Planning & Optimization team this year worked through a number of business scenarios with colleagues from various units throughout the regions to assess and assure preparedness for Covid-19's potential effects on global inventory and sales volumes. These preparations proved their worth in the way operations were maintained despite the pandemic's multiple impacts.

Meanwhile, a number of improvement projects were in hand, including:

- **Plant to port performance** - introducing a new holistic operating model designed to improve both physical and information flows, aiding seamless, performance-driven operations from affiliates to port in Saudi Arabia
- **Liquids stock posting automation** - automating daily stock posting for liquid products in KSA to ensure inventory record accuracy in real time, at all times
- **Production planning optimization** - replacing Excel-equipped personal experience with a world-class production planning solution built on 'best in class' technology: a major move towards optimized value-driven planning for all olefins crackers.

## 2020 ADAM SMITH AWARDS

SABIC Asia Pacific Pte Ltd, along with its banking partner HSBC, was announced winner of Asia Pacific's Best Fintech Solution at the Adam Smith Awards Asia 2020, reflecting our supply chain excellence.

The award recognized a fully digitized letter of credit trade transaction between SABIC Singapore and a Malaysian customer – Malaysia's first trade blockchain transaction.

The solution paves the way for smoother cross-border trade in the region, accelerating speed of processing by as much as 60% while potentially also cutting costs for customers.

## AMERICA DISTRIBUTION CENTER MODEL

We successfully transitioned the Americas region to a Distribution Center Model with a fully rearranged network, comprising seven new US distribution centers positioned to serve 99% of SABIC customers within a two-day reach. With this initiative, SABIC has upgraded service capabilities, improving EHSS and operating standards, and brought a sustainability impact by reducing distance travelled and consequently a reduction in CO<sub>2</sub> emissions. In South America, the network was expanded to support growth through a new distribution center in Santa Catarina, Southern Brazil, and by converting the Diadema, Sao Paulo, state facility into a SABIC branch for enabling customer reach and service ease.

## ROBOTIC PROCESS AUTOMATION

Robotic Process Automation (RPA) proof of concepts for Export Permit Declarations at our Singapore hub went live in November. The RPA enabled routine processes to be automated with greater accuracy at half the amount of time and allow our customer service personnel to focus on value added activities and improving customer satisfaction.

## INDIA E-INVOICE PROJECT

As part of its crackdown on tax evasion and fraud, the Government of India recently launched its e-invoicing project, designed to promote digitization and standardization, eliminate data re-entry and aid error-reconciliation, reducing payment cycles and processing costs and preventing disputes between transacting parties. As part of this initiative, all invoices generated by SABIC will now be validated and recorded through a government server for tax purposes. Each invoice will carry a unique reference number and QR code for tax compliance, with full end-to-end visibility for the transacting parties.

Throughout the year, we continued our ongoing program of becoming ever more efficient, responsive and reliable.

# BUSINESS OUTLOOK AND RISK FACTORS

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## FUTURE PLANS AND INVESTMENT

SABIC continued its efforts throughout 2020 to achieve its strategic goals, focusing primarily on accelerating growth, transformation initiatives, expanding its product portfolio, and developing innovative technologies.

### DRIVING GROWTH

Both organic and inorganic, we are working to build an asset footprint in the US to capitalize on shale gas opportunities, to build our presence in Asia and Europe, and to leverage our strength in Saudi Arabia for growth and Vision 2030. We plan to leverage and reinforce our local infrastructure and capabilities in support of its growth ambitions in China.

We will continue to work toward profitable long-term growth by investing in our people and safe and reliable operations, while at the same time, maintaining strong capex discipline. We are making short-term adjustments and prioritizing our strategic initiatives to mitigate the impact of the pandemic, but we remain fully focused on realizing our vision.

We are strengthening our relationships with our customers through our operations in 50 countries. We have established an extensive network of regional offices and operational centers throughout the Americas, Europe, the Middle East, Africa and Asia to support customer needs. We have a strong presence in key regions where demand is strong, with proximity to future growth markets as well. With our strategic geographic positions and market-driven focus, we are well positioned to support our customers to grow their business with our differentiated offerings and innovative solutions.

### IMPROVING BUSINESS PORTFOLIO

In 2020, as part of our global polyethylene (PE) and polypropylene (PP) product growth strategy, we acquired Albemarle's share in the Saudi Organometallic Chemicals Company, making us self-sufficient in aluminum alkyls triethylaluminum catalysts, and taking us one step closer to our ultimate goal: a complete PE/PP production chain.

We also integrated our Agri-Nutrient production under one umbrella – a move that is expected to generate synergies and provide focus and agility to enable us to maintain our competitive edge globally. Our product portfolio is being actively diversified, reflecting ever more fragmented, specialized customer needs, and the pricing premiums available for those who meet them.

Our plans for Specialties as a standalone business reflect its strategic importance, as we plan to move toward a multisector industry profile. Organically, the business will continue to explore new growth opportunities in fast-growing and disruptive end-markets. The standalone model is expected to bring additional value to our customers who depend on our Specialties business for its innovation expertise and highly differentiated solutions.



Innovation is key to maintaining our competitive edge, achieving growth and driving success.

In a challenging competitive environment, SABIC Europe engages constantly in making business improvements, working closely with major OEMs and specifiers to better exploit technology and drive innovation, in compliance with stringent regulations and sustainability targets. We are playing a leading role in addressing the challenges of climate change, and have developed circular solutions with chemically recycled mixed plastic waste.

### LEVERAGING INNOVATION

Innovation is key to maintaining a competitive edge, achieving growth and driving success. We work closely with each business unit or operating function to improve existing processes and products as well as developing new ones, often working closely with our customers to do so.

In addition, as part of our research efforts, we collaborate with Saudi Aramco in advancing crude oil-to-chemicals technologies, other companies, universities and international research centers. 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 350 partners across the globe and major partnerships are in place in the US, The Netherlands, China, Saudi Arabia and India.

### ENERGY-EFFICIENT MANUFACTURING

Our Energy Efficiency and Carbon Management (EECM) team developed an overall roadmap for the energy efficiency portfolio. They engaged with all stakeholders to consolidate the efforts of SABIC affiliates for energy initiatives. This resulted in a comprehensive, consolidated target roadmap to comply with SEEC second cycle, which prioritized the portfolio projects list to 54 projects, carrying a cost of US\$ 1.9 billion. These are at an advanced stage and are the highest energy-saving projects for closing the gap. In addition, EECM has also brought in game changers and high-energy saving initiatives such as Cogeneration & Renewable projects. The initial list, which had 144 projects, is part of the assessment and prioritization process, initially estimated to cost US\$ 4 billion, with foreseen challenges to close the second cycle gap.

The roadmap includes possible synergy between SABIC affiliates' projects to create several scenarios to invest in the most lucrative initiatives through utilizing the Credit Transfer Mechanism. This mechanism is important especially for those who are in a deficit position and face financial or technical challenges to achieve the savings target by themselves. It will help them avoid stringent consequences and cover their own gaps at lesser cost. Furthermore, it encourages those sites who have already achieved their target to propose projects, as they will be rewarded for whatever credit they make available to others to cover their deficit.



To maintain our growth momentum, we are strengthening our relationships with our customers through our operations in 50 countries.

### COLLABORATION EFFORTS WITH SAUDI ARAMCO

SABIC's collaboration with Saudi Aramco represents an excellent opportunity for both companies to align and harness value – for their mutual benefit and for the benefit of their respective customers, stakeholders and shareholders. Both companies have been working together to explore areas of synergies that will maximize value for both parties. SABIC's share in the value creation and synergy is expected to amount to recurring annual value of US\$ 1.5 billion to US\$ 1.8 billion. This value is set to be generated from six key business areas, which include Procurement, Sales and Marketing, Supply Chain, Stream Integration, Feedstock Optimization and Maintenance.

The alignment with Saudi Aramco will bring additional scale, technology, investment potential and growth opportunities to SABIC. As part of the broader long-term strategy, there will be additional opportunities to capture value through growth projects optimization, joint venture management and one service delivery model.

In 2021, we will realign marketing & sales, commercial and supply chain activities with Saudi Aramco so that SABIC will focus on petrochemicals and Aramco Trading Company will focus on Fuel and Aromatics products.

# FUTURE PLANS AND INVESTMENT

## CONTINUED

### INVESTMENT

SABIC continued to develop and expand its businesses under its ambitious long-term strategy. This includes a number of expansion and development projects, as well as signing of a number of strategic agreements.

The projects are split between Saudi Arabia and Rest of World and classified between growth projects, corporate research, corporate social responsibility, efficiency/debottlenecking/improvement, sustainability/SEEC, research center, regional hub, training facility and for housing.

### PROJECTS IN SAUDI ARABIA

No.	Project name	Brief description	Classification	Capacity	Location	Expected completion date	Status
1	United Ethylene Glycols	The project aims to expand Ethylene Glycols production by building the third Ethylene Oxide/Ethylene Glycols Plant at Al-Jubail United Petrochemical Company (United).	Growth	MEG 700 KTA. DEG 97 KTA. TEG 5,7 KTA	Jubail, KSA	Q1 2021	Under construction
2	GAS 9 Expansion	The project aims to increase the production capacity and provide continuous oxygen and nitrogen for the safe operation of related industries in Jubail Industrial Area.	Growth	3,600 MTPD Oxygen. 3,500 MTPD Nitrogen	Jubail, KSA	Q1 2021	Under construction
3	SABIC Research Center	The project aims 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.	Research center	-	Jubail, KSA	Q3 2021	Under construction
4	Petrokemya MTBE	The project aims to improve and uplift Methyl Tertiary-Butyl Ether (MTBE) plant at Arabian Petrochemical Company (Petrokemya).	Efficiency/debottlenecking (DBN) / improvement	Improve 30% of the original capacity	Jubail, KSA	Q1 2023	Under feasibility
5	Nexlene™ Technology	The project aims to increase polyethylene production, utilizing Nexlene™ technology owned by SABIC SK Nexlene Company (SSNC). Nexlene™ technology is necessary for the food and non-food packaging industries, electrical cable manufacturing and chemical products reinforcement of polymers.	Growth	300 KTA	Jubail, KSA	-	Under feasibility
6	Sharq Olefins	The project aims to increase propane utilization by 25%, which will increase ethylene and propylene production at Eastern Petrochemical Company (Sharq).	Efficiency/debottlenecking (DBN) / improvement	-	Jubail, KSA	-	Under feasibility
7	SABIC Carbon Fiber	SABIC and DowAksa signed a technology license agreement. 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.	Growth	3.0 kilo-tons	KSA	Q4 2023	Under feasibility
8	SABIC NaCN	SABIC and Evonik Industries signed three agreements related to hydrogen and sodium cyanide technologies. These agreements mark a major milestone for SABIC to secure the critical hydrogen cyanide and sodium cyanide technologies required to set up world-class manufacturing sites for both products in Saudi Arabia.	Growth	-	KSA	Q4 2023	Under feasibility
9	SABIC and MARAFIQ Co-generation Plants	SABIC and MARAFIQ signed an MoU to study an opportunity to build power and steam cogeneration plants in Jubail 1 Industrial Complex to optimize natural gas consumption and improve power generation efficiency.	Sustainability/SEEC	Supply electrical power of approx. 2500 MW and HP steam of 3500 TPH	Jubail, KSA	-	Under feasibility

### PROJECTS IN SAUDI ARABIA

No.	Project name	Brief description	Classification	Capacity	Location	Expected completion date	Status
10	Saudi Methanol Company (Ar-Razi)	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 (Ar-Razi) for another 20 years and raising its ownership to 75% ownership. Building a new mega Methanol plant or revamping the current plants is under evaluation.	Efficiency/debottlenecking (DBN) / improvement	-	Jubail, KSA	-	Under feasibility
11	Yanbu Cracker	SABIC and Saudi Aramco are currently studying the integration of Saudi Aramco's existing refineries in Yanbu with a world-scale mixed feed steam cracker and downstream olefin derivative units.	Growth	-	Yanbu, KSA	-	Under feasibility
12	SABIC Jubail Main Building and Global Data Center	The project consists of an administrative building, training center and advanced information center designed to the highest international standards in terms of sustainability to serve the company and its subsidiaries in all countries of the world and enhance the work of the basic information systems on which the global operations depend.	Regional hub	66.4 thousand square meters	Jubail, KSA	Q4 2021	Under construction
13	SABIC Technology Center Jubail 2	The project aims to build a new research center in the existing SABIC Technology Centre at Jubail. The new technology center is to be a world-class research center for the portfolios of Petrochemicals and Agri-Nutrients. The center will be a replacement for Lab1 and Lab 2 at SABIC Technology Center in Riyadh. The new center will also enhance T&I research capabilities and allow future growth and improvement.	Research center	65,000 square meters	Jubail, KSA	-	Under feasibility
14	Petrokemya Caustic Soda Plant	The project aims to replace cell lines with state of the art Membrane Electrolyze cell lines, which eliminates the use of asbestos, produces very high quality caustic soda and has significant power saving per ton of chlorine produced.	Sustainability/SEEC	608 KTA	Jubail, KSA	Q2 2022	Under construction
15	Ibn Al-Baytar Sustainability	The project aims to improve energy efficiency of plant based on Saudi Energy Efficiency Center (SEEC) requirement.	Sustainability/SEEC	-	Jubail, KSA	Q1 2021	Under Construction
16	Yanpet Sustainability	The project aims to improve the energy utilization intensity of EG2 plant.	Sustainability/SEEC	-	Yanbu, KSA	Q4 2021	Detailed engineering
17	SABIC Techno Valley Center	The project aims to build a state-of-the-art world-class research center at the Dhahran Techno Valley Center (DTVC), focusing on process technologies, leveraging existing talent and capabilities at KFUPM. The new research center will be part of SABIC's global network across different regions.	Corporate Social Responsibility	-	Dhahran, KSA	-	Under feasibility
18	Al Matrafiya Housing	This is a housing project for Saudi employees at Jubail Industrial City. It occupies an area of 4.4 square kilometers, comprising 2,701 housing units, designed according to the latest structural specifications and features, alongside condominiums, several facilities.	Housing	2,701 housing units	Jubail, KSA	Q2 2021	Under construction
19	Al Jaar Housing	It is a housing project for Saudi employees at Yanbu Industrial City. It is occupying an area of 42.5 hectares.	Housing	550 Housing units	Yanbu, KSA	Q1 2021	Under construction
20	SABIC Emergency Response Center	The Project is for providing Security and Safety training. Project also include expansion to the existing capacity for emergency response training activities.	Training facility	14,158 sq. meters	Jubail, KSA	Q1 2024	Under feasibility
21	Sharq EG	To improve the energy efficiency (EG-1, 2 and 4) and reduce the feedstock consumption (EG-1 and 2) of the glycol plants.	Sustainability/SEEC	-	Jubail, KSA	Q3 2023	Under feasibility
22	GAS Phase 4	This project is required principally to meet the extra gaseous oxygen and nitrogen demands in Yanbu Industrial City to meet GAS Yanbu plants configuration and operation philosophy by building Air Separation Unit (Phase-4) in Yanbu Industrial City as 2,000 MTPD gaseous Oxygen.	Growth	GOX: 2000 MTPD GAN: 1000 TPD LOX/LIN/LAR: Maximum	Yanbu, KSA	Q4 2022	Under feasibility

# FUTURE PLANS AND INVESTMENT

## CONTINUED

### PROJECTS IN SAUDI ARABIA

No.	Project name	Brief description	Classification	Capacity	Location	Expected completion date	Status
23	Yanpet Cracker	The project is to increase the cracking capacity to enable consumption of Propane, and increase the production capacity.	Efficiency/ debottlenecking (DBN) / improvement	increment of 115 KTA of additional Olefins to be total capacity of 1276 KTA Olefins	Yanbu, KSA	-	Under feasibility
24	Yanpet EG1	The project is to reduce energy intensity, Co2 consumption and to optimize the selectivity of EO catalysts utilizing High Selectivity Catalyst (HSC). This will help Yanpet to achieve SABIC 2025 sustainability target and SEEC mandate for EG1 plant.	Sustainability/ SEEC	352 MEG, 32 DEG, 1.7 TEG KTA	Yanbu, KSA	-	Under feasibility
25	HCIS Security Compliance	Upgrading Plant Security Systems for all SABIC Affiliates over 19 sites in Jubail and Yanbu Regions to comply with HCIS SEC Directives 2017.	HSE compliance	-	KSA	-	Under feasibility
26	SABIC Behavioral Care Specialist Hospital	This project is to affirm SABIC's commitment and social responsibility towards the community and to support the Ministry of Health (MOH) efforts to elevate the level of health care services in Saudi Arabia. It aims to establish a state of the art mental health and drug treatment hospital in KSA.	CSR	Land area: 62,500 sq. meters Built-up area: 26,400 sq. meters	Riyadh, KSA	Q2 - 2021	Under construction
27	SABIC Halfway Home	The project is to affirm SABIC's commitment and social responsibility toward the community and to support the Ministry of Health's (MOH) efforts to elevate the level of health care services in Saudi Arabia. It aims to build three residential buildings to accommodate 126 residents in addition to a main building with a reception, clinic, pharmacy, auditorium, main kitchen, and gym.	CSR	Land area: 8,226 sq. meters Build-up area: 10,000 sq. meters	Riyadh, KSA	Q2 - 2021	Under construction

We continue to launch new projects at our global sites. They include signing of a number of strategic agreements to enhance our competitiveness in line

with our strategy, especially in the diversification of feedstock sources from traditional ones. Among these projects and agreements are:

### REST OF WORLD

No.	Project name	Brief description	Classification	Capacity	Location	Expected completion date	Status
28	US petrochemicals joint venture	The project aims to construct a petrochemicals manufacturing facility along the US Gulf Coast, a joint venture (GCGV) between SABIC and ExxonMobil. It would support our goal of diversifying our feedstock sources and establishing a petrochemical manufacturing presence in North America for a wide range of products that would help us expand our market presence in the region, across different products.	Growth	1.8 MTA of Ethylene, 1 MTA of Monoethylene Glycols, 800 KTA of Polyethylene	Texas, USA	Q3 2022	Under construction

### REST OF WORLD

No.	Project name	Brief description	Classification	Capacity	Location	Expected completion date	Status
29	Memorandum of understanding with the Fujian Provincial Governmen	SABIC signed a memorandum of understanding (MoU) with the Fujian Provincial Government, laying down a framework of cooperation for the creation and operation of a world-class mega petrochemical complex with a total investment of US\$ 5.7 billion in Fujian Province, China.	Growth	-	China	-	Under feasibility
30	Polycarbonate expansion	SABIC joint venture project (SINOPEC SABIC Tianjin Petrochemical Co. Ltd) with Sinopec to build a polycarbonate plant.	Growth	260 KTA	China	Q2 2021	Under construction
31	ULTEM™ resins	The project aims to increase global capacity for SABIC high-performance engineering thermoplastic materials, ULTEM™ resins, in response to customer needs.	Growth	50% over a 2018 baseline	Singapore	Q1 2022	Under construction
32	TRUCIRCLE™ semi-commercial plant	The project aims to build a demonstration plant at the 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 feed-stock, known as pyrolysis oil, is created by converting the plastic waste that would otherwise be incinerated for energy recovery or end up in landfills. The feedstock will then be refined and upgraded at the new demonstration plant.	Sustainability/ SEEC	18 KTA	Geleen, Netherlands	2022	Detailed engineering
33	Teesside improvement project	The project aims to convert the Teesside Olefin 6 cracker into 100% ethane, and improve the operating margin of the plant by rationalizing the logistics costs and increasing the use of ethane, which has an advantageous cost position versus other feedstock that will make overall capacity 450-550 KTA.	Improvement	450-550 KTA	Teesside, United Kingdom	Q2 2022	Detailed engineering
34	Polyphenylene Ether	The project aims to recommission SABIC's plant in Bergen op Zoom facility in order to expand the capacity of NORLY™ resins. PPE is the base resin for SABIC's line of NORLY™ resins and oligomers.	Growth	Adding more than 40% global capacity over a 2017 baseline	Bergen op Zoom, Netherlands	Q3 2021	Under construction
35	Memorandum of understanding with RDIF and ESN group	The memorandum is a preliminary step toward exploring the cooperation between the three parties to evaluate building and operating a methanol plant.	Growth	2 MTA	Amur Region, Russia	-	Under feasibility
36	Mauritania Saudi Mining and Steel Company	A joint venture between SABIC and the National Mining Company of Mauritania (SNIM) aimed at producing High Grade Direct Reduction Pellets (HGDRP) at 67-68% Fe & Silica less than 2% level using 35% - 38% Fe magnetite iron ore.	Growth	10.0 MTA	Mauritania	-	Under feasibility
37	Africa fertilizer project	This project involves a new plant for the production and export of urea fertilizer, which is to be constructed in Africa.	Growth	3850 MTPD (Urea)	Africa	Q2 2025	Under feasibility
38	MtV Membrane Conversion	This project will convert the existing 124 diaphragm cell lines with new membrane cell technology to improve plant reliability and reduce energy intensity.	Improvement/ Sustainability	-	Mount Vernon, Indiana, USA	Q1 2021	Under construction

## OUTLOOK FOR 2021

The path to global recovery will remain significantly uncertain and will depend mostly on the world's success in controlling the pandemic and developing and distributing effective vaccines for COVID-19. Assuming availability of effective vaccines in the first half of 2021, the global economy is likely to begin experiencing a recovery.

Governments and central banks around the globe are expected to continue providing more fiscal and monetary stimuli to reduce uncertainty, improve liquidity, and harness growth. In particular, major central banks will keep extraordinary policy support in place until economic recoveries are well established. The support includes actions such as asset purchases, credit facilities, liquidity programs, and regulatory forbearance. Policy rates of the US Federal Reserve, European Central Bank, Bank of Japan, and Bank of England are expected to remain near zero in 2021, thus providing liquidity and a boost to recovery.

After experiencing a deep contraction in 2020, Saudi real GDP growth will improve moderately in 2021.

### ADVANCED AND EMERGING ECONOMIES

Economic growth of both advanced economies and emerging economies is projected to recover in 2021, as the world is likely to develop a COVID-19 vaccine. The wide-ranging deterioration seen in all major economic sectors including fixed investment, consumption, trade and industrial production in 2020 is expected to reverse in 2021 – back to 2019 levels – with all these sectors making positive contributions to economic growth in 2021.



Vision 2030 will continue to provide a broad framework to help transform Saudi Arabia during 2021 and in the following years.



The ongoing sharp decline in the unemployment rate in the US is expected to continue in 2021, providing a boost to consumer spending and fixed investment.

### REGIONAL ECONOMIES

Like other oil and commodity exporters, Saudi Arabia will not have the benefit of a sharp recovery in oil prices as in the past and will need to address internal and external imbalances from reduced income through fiscal adjustment and reforms. In this context, the Vision 2030 program will continue to provide a broad framework to help transform Saudi Arabia during 2021 and in the following years. In terms of economic diversification, Vision 2030 relies on diverse initiatives to develop a thriving private sector and promote greater investment opportunities, while fostering greater activity in underdeveloped sectors of the economy such as mining, defense industries, retail services, and renewable energy. As a result, after experiencing a deep contraction in 2020, Saudi real GDP growth will improve moderately in 2021.

In the US, a successful coronavirus inoculation campaign is likely to allow the economy to transition from a recession in 2020 to an expansion in 2021. The ongoing sharp decline in the unemployment rate is expected to continue in 2021, providing a boost to consumer spending and fixed investment. The overall improvement in the global economy is likely to spur international trade. The Fed will continue resurrecting several credit facilities from 2008-2009 and creating new ones to support the economy and ensure normal functioning of financial markets. It is expected that these credit facilities will be utilized, and will prove effective in narrowing credit spreads, and that the Fed will expand its holding of term Treasuries by nearly \$2 trillion. In addition, based on recent Fed communication, it is expected the Fed will tolerate inflation modestly above 2% in order to establish its 2% objective as an average rather than a ceiling.

# OUTLOOK FOR 2021

## CONTINUED

China's economic growth is expected to recover in 2021, with the likely commercialization of a vaccine for COVID 19. The government's fiscal and monetary policies will remain accommodative to spur consumer and investor sentiment and support growth. As a result, consumer spending and fixed investment will improve considerably. Under Jo Biden's presidency in the US, it is likely that there will be a return to a multilateral approach to trade policy, which will help China in expanding its international trade. As soon as the Chinese economy returns to normalcy, the country will re-embark on its transformation from an export and investment-led model to a private consumption-led model.

The weakness of the Eurozone economy is likely to reverse in 2021, with the Eurozone and all major economies of the Eurozone recording an economic recovery. Private consumption, fixed investment and exports will recover. Among the larger member states, economic recovery will be the most pronounced in France, Spain, and Italy, partly reflecting their comparatively severe declines in 2020. Fiscal policy support will be extended into 2021. Disbursements from the European Union's Recovery and Resilience Facility will continue in 2021. Given post-GFC lessons, underlying fiscal tightening is not expected until 2022. The European Central Bank will continue providing policy stimulus. The Pandemic Emergency Purchase Program will remain the preferred policy instrument, and there will also be a EUR500-billion uplift in asset purchases.



China's economic growth is anticipated to recover in 2021.

### GLOBAL INDUSTRIAL PRODUCTION

The world's global industrial production growth is expected to recover in 2021 after recording a recession in 2020. The improvement will likely be somewhat broad based, with industrial production growth increasing in most advanced economies and emerging economies in 2021. Among major economies, the US, the Eurozone, Japan, China and India will likely see a significant improvement in industrial production growth.

The world's global industrial production growth is expected to recover in 2021 after recording a recession in 2020.

### PETROCHEMICALS MARKETS

The World Health Organization is not expecting a full end to the pandemic before 2024, based on the global capacity to produce vaccines and distribute two billion doses/year. As a result, the petrochemicals industry is expected to continue to be challenged in 2021. In addition to the pandemic, the industry is facing other major challenges such as over-capacities, trade tensions and environmental sustainability.

Excess supply is expected for most products, many new Chinese plants start during 2021. A shrinking global economy and weak automotive and durable goods sectors is expected to suppress demand in 2021 for some products. Localized lockdowns around the globe in response to the second and third waves will add to the pressure on demand and limit prices improvement. The ethylene chain (SABIC's major business) is expected to be the most challenged chain. Supply growth will surpass demand growth in 2021 because of additions across the chain supported by low US natural gas prices. As a result, petrochemicals prices are expected to remain under pressure during 2021.

Low global demand for methanol and additional supplies from US will continue to weigh in on prices. Plenty of US PE exports, plus new Chinese capacities, are expected to maintain pressure on prices. The US is also expected to maintain its new ethylene glycol exports to the world, while China drives for higher self-sufficiency in ethylene glycols. These two factors along with an already weaker global demand, will add more pressure on prices. Demand from most of the derivatives is expected to be weak in all regions, and will be heavily impacted by production cutbacks among Chinese PET producers due to weak market, high inventory and poor operating economics.

The petrochemicals industry is facing major challenges such as over-capacities, trade tensions and environmental sustainability.

### FEEDSTOCK MARKET

Oil prices are under pressure while supply remains abundant and demand remains weak mainly because of slow recovery in travel and transportation. Global naphtha price is expected to slightly increase with slightly better demand. US natural gas and ethane prices are expected to slightly increase as a result of better demand and tighter supply.



The world's global industrial production growth is likely to recover in 2021 after recording a recession in 2020.

# RISK FACTORS

SABIC's Enterprise Risk & Data Management is designed to safeguard the interests of SABIC stakeholders, including customers and employees, and to manage SABIC's risks in a way that promotes our strategy of becoming the world's preferred leader in chemicals.

All functions regularly provide coordinated reports to SABIC's Executive Risk Management Committee. The SABIC Board of Directors & Risk and Sustainability Committee oversees the activities of the Enterprise Risk & Data Management department in assessing key business risks for the company.

**Our risk management policy** is to proactively identify assets and manage risks facing the company. In addition, we seek to evaluate their impact on our performances and take preventive measures to manage them. At the same time, we are leveraging opportunities in pursuit of our goals to meet our strategic objectives. The policy covers all our operations worldwide.

The responsibility of implementing our risk management policy rests with the Chief Executive Officer (CEO), whilst the responsibility for monitoring the implementation of this policy lies 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 management by developing detailed reports on the risks facing the company for the Risk and Sustainability Committee, which monitors these reports on a regular basis. The Risk and Sustainability Committee then makes recommendations to the Board of Directors on the efficiency of measures taken to minimize the impact of all risks. In addition, it recommends the same measures to be taken if needed, or take additional measures to control these risks. Principally, we are exposed to inherent risks, such as strategic risks, limiting our ability to achieve our strategic objectives. Operational risks derived from the nature of our operations and financial risks affect our profitability. Simultaneously, we are exposed to several risk factors.

Below are the main risks relating to our business and detailed description of the main risk factors.

## OPERATIONAL RISKS

- Insurance policies may not be sufficient to cover all risks that we face.
- Oil and gas price fluctuations and a substantial or extended decline in cracking margins would negatively influence our financial results.
- The industries in which we operate are highly competitive.

- The cyclical nature of the petrochemicals industry may have a material and adverse impact on our business.
- Exposure to risks in connection with projects under development.
- Conditions affecting transportation of products may adversely affect the performance of our operations.
- Exposure to risks associated with the use of information technology.

## SUSTAINABILITY RISKS

- Exposure to risks relating to EHSS liabilities.
- Risks of an increase in pricing of greenhouse gas emissions.
- Exposure to risks arising from defective products.
- Risks arising from accidents involving SABIC's products

## POLITICAL AND SOCIAL RISKS

- Our Agri-Nutrients business is dependent on weather conditions and agricultural policies.
- Exposure to risks arising from international trade controls.
- Changes in laws or regulations, or a failure to comply with any laws and regulations, may materially and adversely affect our business.
- Exposure to risks resulting from disputes and/or litigation.
- Exposure to risks associated with the use of intellectual property and technology licenses.
- We are highly dependent on our personnel and management teams.
- Risks related to political and social instability in the MENA region

## FINANCIAL AND ECONOMIC RISKS

- We are subject to global economic market conditions.
- Exposure to potential difficulties in fulfilling our financial obligations or funding our planned capital expenditure.
- Exposure to customer credit risk.
- Exposure to interest rate risk and foreign exchange risk.
- Reliance on the performance of, and dividend distributions and other revenue flows from, our subsidiaries, joint ventures and affiliates.
- Exposure to risks arising from pension obligations.

## CURRENT EMERGING RISKS

- Impact of coronavirus disease (COVID-19)

## OPERATIONAL RISKS

### 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, refining and petrochemicals 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, environmental risks, mechanical failure of equipment at SABIC's facilities, war, terrorism, sabotage and natural disasters. In addition, many of these risks may cause personal injury and loss of life, severe damage to or destruction of SABIC's properties and the properties of others including environmental pollution which may result in the suspension of operations and the imposition of civil or criminal penalties.

SABIC maintains insurance coverage in amounts that are consistent with relevant industry practice, including coverage for 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 SABIC may incur in future periods, or that the liability imposed on such company will not exceed its total assets. SABIC could be subject to a material loss 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.

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

Net margins within the petrochemical sector tend to be driven mostly on a combination of supply-demand dynamics and the rising cost of raw materials.

Therefore, 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 its 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 feedstock in Saudi Arabia (methane and ethane) are based on prices set by the Minister of Energy, Industry and Mineral Resources in Saudi Arabia. The rest of SABIC's feedstock, both gas and liquid, are subject to various fluctuations in feedstock prices. SABIC's petrochemicals 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. The significant decline in oil prices during the first half of 2020 had a significant adverse effect on SABIC's sales as prices for (almost all) of SABIC's chemical products fell during that period while a significant amount of the cost of production of SABIC's operations in Saudi Arabia, which are mostly based on gas, did not change.

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 comparative 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 low 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 low oil prices.

### 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 productions) and therefore may be able to manufacture products more economically than SABIC can.

In addition, some of SABIC's competitors have greater technical, research and technology or marketing resources. The competitive landscape in which SABIC operates may also change in a manner currently unanticipated by SABIC – for instance, existing competitors may commit more resources to the markets in which SABIC operates and/or raw material suppliers may expand their value chains and/or worldwide and regional refining capacity expansions may result in refining production capability exceeding refined product demand. Such events may, in turn, lead to short- or long-term downward pricing pressures. Competition and innovation in the industries in which SABIC operates may put pressure on the product prices SABIC is able to charge customers. For instance, the products manufactured by SABIC may be subject to the risk of product substitution as a result of technological advancements or change in consumer preferences.

# RISK FACTORS

## CONTINUED

The implementation of SABIC's strategy to remain competitive may require continued technological advances and innovation in its operations. Most of SABIC's operations are based on licenses on process technologies from third party licensors. While such licensors provide SABIC with process and product improvements on their technology licenses, there can be no assurance that SABIC will have access to the most advanced technology developments from its licensors in the future or that it will have the ability to reach adequate and competitive technology advances based on its own research and development capabilities.

A key component of SABIC's strategy is to introduce new products and applications that offer distinct value to 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 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 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 PETROCHEMICAL 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 swings in the supply and demand of petrochemicals products and volatility in the prices of feedstock as well as finished petrochemical products. Due to this cyclical nature, historically the international petrochemical markets have experienced alternating periods of limited supply (which has caused prices and margins to increase), followed by an expansion of production capacity (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.

### EXPOSURE TO RISKS IN CONNECTION WITH PROJECTS UNDER DEVELOPMENT

SABIC has a number of significant capital-intensive 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-intensive 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. If any of these risks materializes, 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.

### CONDITIONS AFFECTING TRANSPORTATION OF PRODUCTS MAY ADVERSELY AFFECT THE PERFORMANCE OF OUR OPERATIONS

SABIC's operations rely on the transportation of materials, primarily exports of finished products, by sea and by railcars and trucks overland. Although SABIC seeks cost efficiencies in the distribution of its finished products, there can be no assurance that these transportation costs will not significantly increase in the future, which may reduce SABIC's competitive advantage compared to regional producers.

Any issue affecting cargo transportation by sea, such as special taxes, dangerous conditions or natural disasters, among others, could adversely affect SABIC's results of operations or financial condition. Further, some of the products that are required for transportation are classified as hazardous. SABIC's production facilities in Saudi Arabia are reliant on cargo transportation from the Arabian Gulf. SABIC's operations elsewhere around the world also rely on various forms of transportation to get the finished products to customers. Geopolitical issues, acts of war, trade blockades and piracy affecting these transportation routes could adversely affect SABIC's business, results of operation and financial condition.

### EXPOSURE 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. With 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 cyber-crimes that are sophisticated 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.

### SUSTAINABILITY RISKS

#### EXPOSURE TO RISKS RELATING TO EHSS LIABILITIES

Companies within SABIC must comply with all environment, health, safety and security (EHSS) related laws and regulations which are applicable to our 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.

### RISKS OF AN INCREASE IN PRICING OF GREENHOUSE GAS EMISSIONS

The costs associated with carbon dioxide emissions could significantly increase SABIC's costs.

SABIC expects continued political attention to issues concerning climate change and adaptation or mitigation through regulation that could materially affect SABIC's operations. Internationally, the United Nations Framework Convention on Climate Change and the Paris Agreement address greenhouse gas emissions. Carbon dioxide (CO<sub>2</sub>) is a by-product of the burning of fuels (including oil and gas) and is considered a greenhouse gas. SABIC's operations result in the emission of carbon dioxide which in 2019 were 3.4 million metric tons (mmt). Saudi Arabia is a signatory of the Paris Agreement and has ratified it. Compliance with the Paris Agreement may require the reduction of CO<sub>2</sub> emissions in Saudi Arabia, and the responsibilities of Saudi companies may change following the implementation of any CO<sub>2</sub> mitigation regulations. Such regulations could result in, for example, increased costs to operate and maintain SABIC's manufacturing facilities and/or costs to install new emission controls and administer and manage any potential greenhouse gas emissions. These increased operating and compliance costs could have a material and adverse effect on SABIC's business, results of operations or financial condition.

### EXPOSURE TO RISKS ARISING FROM DEFECTIVE PRODUCTS

A number of products manufactured by SABIC companies are developed from highly complex and technical manufacturing processes and, accordingly, there is a risk that defects may occur in any of such products. Such exposure increases when customers integrate SABIC's products into consumer products, which are then sold to consumers. While SABIC limits its liability to its customers for product defects under sale and purchase agreements, the legal systems in a number of countries impose a strict liability on the manufacturer or the importer of products, which cannot be limited. Defects in products manufactured by SABIC can give rise to significant costs, including expenses related to recalling end-use products by downstream customers or their own customers, replacing defective items, recording defective inventory and loss of potential sales. In addition, the occurrence of such defects may give rise to product liability and warranty claims, including liability for damages caused by such defects. Any or all of such events could have a material and adverse effect on SABIC's business, results of operations or financial condition as well as its reputation.

# RISK FACTORS

## CONTINUED

### RISKS ARISING FROM ACCIDENTS INVOLVING SABIC'S PRODUCTS

Accidents involving SABIC's products could cause severe damage or injury to property, the environment and human health, which could materially 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:

- Fire/explosions at SABIC's production or logistics facilities
- Discharges of toxic gases into the atmosphere
- 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 revenues and profits and significant additional cost to replace or repair SABIC's assets, and depending on the nature of the incident SABIC may not be fully insured, or not insured at all, all of which could result in a material adverse effect on SABIC's business, results of operations and financial condition.

In addition, certain environmental laws applicable to SABIC impose strict liability, without regard to fault, for clean-up costs on those who have disposed of or released hazardous substances into the environment. As a result, given the nature of SABIC's business, it may incur environmental clean-up liabilities in respect of its current or former facilities, adjacent or nearby third-party facilities or offsite disposal locations. Pollution risks and related clean-up costs are often impossible to assess unless environmental audits have been performed and the extent of liability under environmental laws is clearly determinable. The costs associated with future clean-up activities that SABIC may be required to conduct or finance may be material. Additionally, SABIC may become liable to third parties for damages, including personal injury and property damage, resulting from the disposal or release of hazardous substances into the environment.

Furthermore, SABIC's properties have a long history of industrial operations and its plants generate large amounts of waste materials. SABIC incurs substantial costs to manage and dispose of such waste materials. SABIC's properties generally have not been subject to comprehensive environmental audits to fully assess whether contamination is present. Any findings of contamination could require removal and reclamation action and result in other liabilities that could have a material adverse effect on SABIC's business, results of operations and financial condition.

### POLITICAL AND SOCIAL RISKS

#### OUR AGRI-NUTRIENTS BUSINESS IS DEPENDENT ON WEATHER CONDITIONS AND AGRICULTURAL POLICIES

The agricultural industry is heavily influenced by local weather conditions. Significant deviations from typical weather patterns of a given region, variations in local climates or major weather-related disasters may reduce demand for the products of the SABIC's Agri-Nutrients business, particularly in the short term, if agricultural products or the land on which they grow are damaged or if such deviations, variations or disasters reduce the incomes of growers and thus their ability to purchase the SABIC's products. The effects of adverse weather conditions, in particular, can be very significant, resulting in delays or intermittent disruptions during the planting and growing seasons, which may, in turn, cause agricultural customers to use different forms of fertilizer, because fertilizers are applied at specific times. Similarly, adverse weather conditions following harvest may delay or eliminate opportunities to apply fertilizer in the autumn, which is the season when fertilizers are applied in certain geographies. Weather can also have an adverse effect on crop yields, which lowers the income of growers and could impair their ability to purchase fertilizers.

In a number of markets, SABIC benefits from government policies that support the agricultural industry. These include: policies and commodity support programs that provide subsidies to farmers for the purpose of purchasing agri-nutrient products; export duties on agri-nutrient products; government policies affecting prices of raw materials used in agri-nutrient production; and other policies such as those restricting the number of hectares that may be planted, requiring a particular type of crops to be grown and limiting the use of agri-nutrient products in certain areas or for certain types of agricultural products. As a result of such policies (which often include direct or indirect fertilizer purchase subsidies), farmers and growers are often able to spend more on agri-nutrient products than in the absence of such policies.

Furthermore, governmental policies may regulate the amount of land that can be used for growing crops, the mix of crops planted or crop prices, any of which could adversely impact the demand for SABIC's products. A change in government policies due to these or other factors may result in a decrease in demand and prices for agri-nutrient products, which could have a material adverse effect on SABIC's business, results of operations and financial condition.

International treaties and agreements, including those promulgated by the World Trade Organization, may also result in reductions in subsidies for agricultural producers or in other adverse changes to agricultural state support programs, which could undermine the growth of, or cause a decline in, demand and prices for agri-nutrient products.

In addition, a number of jurisdictions, including the European Economic Area, are considering and may adopt limitations on the use and application of agri-nutrient products due to concerns about the impact of these products on the environment and/or may impose limits on the content of cadmium and other heavy metals in fertilisers due to health concerns of harmful effects from these elements. Statutory limitations on agri-nutrient products use, if adopted, could materially adversely affect agri-nutrient products demand and prices, including demand and prices for agri-nutrient products produced by SABIC.

#### EXPOSURE TO RISKS ARISING FROM INTERNATIONAL TRADE CONTROLS

SABIC exports products to countries which have adopted trade control measures such national security export controls and economic sanctions laws, and follows their applicable laws. Failure to comply with such laws and regulations may result in penalties or loss of export privileges.

SABIC considers that the use of trade defense measures such as anti-dumping and anti-subsidy cases by some countries is likely to increase in the future. For example, prior to a trade deal with China in January 2020, the U.S. had increased restrictions on international trade and significantly increased tariffs on certain goods imported into the U.S. and China responded with similar measures on goods imported from the U.S.. SABIC serves the U.S. market primarily through exports but it also imports raw materials and exports products manufactured in the U.S. and may therefore be adversely affected should additional protectionist measures be adopted by the U.S. administration and countermeasures adopted by other countries, in particular China, which is a significant export market for SABIC. On the other hand, SABIC benefits from trade barriers in markets where it sells domestically produced products. The worsening of such trade relations, in particular between the U.S., China and the European Union, could result in negative repercussions in these countries and have a knock-on effect on global trade and the economic environment. SABIC is exposed to such measures since its main products (plastics and chemicals) may be a target of such instruments and certain of SABIC's main export markets (such as China) are affected by such measures. Any trade defense measures or duties imposed on exports or imports from SABIC, its suppliers or customers could have a material and adverse effect on SABIC's business, results of operations or financial condition.

#### CHANGES IN LAWS OR REGULATIONS, OR A FAILURE TO COMPLY WITH ANY LAWS AND REGULATIONS, MAY MATERIALLY AND ADVERSELY AFFECT OUR BUSINESS

SABIC is subject to various laws and regulations related to licensing requirements, EHSS obligations, asset and investment controls, marketing guidelines, climate change trends/pressures and a range of other requirements. In particular, SABIC's petrochemicals are subject to a variety of laws and governmental regulations regarding the use, discharge and disposal of toxic or otherwise hazardous materials used by such businesses. Compliance with such laws and regulations can be costly, and SABIC incurs and will continue to incur costs, including capital expenditures, to comply with these requirements. Furthermore, failure to observe such regulations or any changes thereto, including the introduction of additional regulations, could have a material and adverse effect on SABIC's business, results of operations or financial condition.

SABIC uses and manufactures hazardous chemicals that are subject to regulation by many national, provincial and local governmental authorities in the countries in which SABIC operates. In order to obtain regulatory approval of certain new products and manufacturing processes, SABIC must, among other things, demonstrate to the relevant authorities that the product or process is safe for its intended uses and that SABIC is capable of manufacturing the product in accordance with applicable rules. The process of seeking such regulatory approvals can be time-consuming and subject to unanticipated and significant delays. Any delay in obtaining, or any failure to obtain or maintain, these regulatory approvals would adversely affect SABIC's ability to introduce new products, to continue distributing existing products and to generate revenue from those products, which in turn could have a material adverse effect on its business, results of operations or financial condition. In addition, new laws and regulations may be introduced in the future that could result in additional compliance costs, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of SABIC's products. The regulation or re-classification of any of the SABIC's raw materials or products could adversely affect the availability or marketability of such products, resulting in a ban on its import, purchase or sale, or require SABIC to incur increased costs to comply with notification, labelling or handling requirements, each of which could adversely affect SABIC's business, results of operations or financial condition.



SABIC's future success depends in part on its continued ability to hire, integrate and retain highly skilled employees

# RISK FACTORS

## CONTINUED

Additionally, many of SABIC's products are used in the production of other consumer goods, such as plastic packaging. Negative public perceptions or bans, restrictions or disincentivations from regulators relating to the use of plastic, due to environmental concerns with respect to the production and disposal of plastic, could reduce demand for SABIC's products. In addition, some jurisdictions have introduced legislation (or in some cases, more stringent legislation) to ban, restrict or disincentivize the use of certain types of plastic packaging or products, such as single use plastic bags. For instance, number of countries have introduced regulations to ban the use of polyethylene-based lightweight non-biodegradable plastic bags, while others have imposed taxes on their use. Further legislative action could lead to a reduction in demand for SABIC's products and could adversely affect its business, results of operations or financial condition.

Laws and regulations and their interpretation and application may change from time to time. Any such change of law, regulation or interpretation (or divergence of views by any authority from that of SABIC's) could have a material and adverse effect on SABIC's business, results of operations or financial condition.

### EXPOSURE TO RISKS RESULTING FROM DISPUTES AND/OR LITIGATION

SABIC is subject to risks related 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 regarding product liability, competition and antitrust law, export control, data protection, patent law, procurement law, tax legislation and environmental protection. 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 fully 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.

### EXPOSURE TO RISKS ASSOCIATED WITH THE USE OF INTELLECTUAL PROPERTY AND TECHNOLOGY LICENSES

SABIC depends upon a wide range of intellectual property to support its businesses and has obtained licenses for certain technologies which are used in its manufacturing facilities. SABIC's petrochemical operations in Saudi Arabia are primarily based on technology process licenses from joint venture partners and other third parties. Any termination of a material technology license 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 license, which is the subject of a sub-license 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 favorable 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 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.

### RISKS RELATED TO POLITICAL AND SOCIAL INSTABILITY IN THE MENA REGION

SABIC is centrally located in a region that is strategically important and parts of this region have been subject to political and security concerns, especially in recent years. Several countries in the region are currently subject to armed conflicts and/or social and political unrest, including conflicts or disturbances in Yemen, Syria, Libya and Iraq. Instability within the Middle East region may have a material adverse effect on Saudi Arabia's attractiveness for foreign investment and capital, its ability to engage in international trade and, subsequently, its economy and financial condition.

In addition, unrest and conflict in the Middle East and North Africa remains a significant concern with regard to business operations and it may cause continued uncertainty in forecasting performance in the near- to mid-term future. Further, important SABIC shipping line routes have been recently compromised. For example, the Strait of Hormuz is a key passageway for import and export of products to and from Saudi Arabia, and in particular into and out of the Port of Jubail where SABIC maintains large-scale manufacturing operations. Any shutdown or compromise of shipping routes via this Strait would substantially impede SABIC's ability to transport products.



A number of products manufactured by SABIC companies are developed from highly complex and technical manufacturing processes

### FINANCIAL AND ECONOMIC RISKS

#### 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 affected 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 SABIC's 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.

An extended recession in any of the geographies that SABIC operates (or globally) could substantially decrease the demand for SABIC's products. Accordingly, adverse conditions in the global economy could adversely affect SABIC's business, results of operations or financial condition. In addition, changes in global trade policies may limit our ability to competitively operate in targeted markets and achieve our growth targets.

#### EXPOSURE TO POTENTIAL DIFFICULTIES IN FULFILLING OUR FINANCIAL OBLIGATIONS OR FUNDING OUR 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 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.

# RISK FACTORS

## CONTINUED

External funding may not be available to SABIC on acceptable terms. 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 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.

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

### EXPOSURE 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 and continuously monitors customers' credit limits and risk associated with it, 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.

### EXPOSURE TO INTEREST RATE RISK AND FOREIGN EXCHANGE RISK

SABIC is subject to interest rate risks in the ordinary course of business, primarily because 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 US dollar and SABIC's business is primarily conducted in US dollars; SABIC does not have any significant exposure to US 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.

In response to the declining price of crude oil since June 2014, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the US dollar have faced pressure to remove these foreign exchange "pegs". Kazakhstan, Nigeria and Azerbaijan have chosen to unwind the US Dollar peg of their domestic currencies. While the likelihood of the GCC states pursuing a similar course of action is unclear, there remains a risk that any such future de-pegging by the GCC states could result in a devaluation of any such de-pegged currency against the US. dollar and could impact open cross-currency positions leading to currency fluctuations. Any change to the existing exchange rate policy that results in a significant depreciation of the Saudi riyal against the US dollar or other major currencies could have a material and adverse effect on SABIC's business, results of operations or financial condition.

### RELIANCE 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 depend upon the profitability and cash flows from its subsidiaries, joint ventures and affiliates. This includes 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 (such as the sale of their products, providing/sub-licensing 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 the respective 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.

### EXPOSURE TO RISKS ARISING FROM PENSION OBLIGATIONS

SABIC has defined benefit pension plans in various countries (the largest of which are in the United States and the United Kingdom). In the United States, certain SABIC companies also have post-retirement plans that provide certain medical benefits and life insurance for retirees and eligible dependents. The relevant SABIC companies have funding and other obligations with respect to such pension, benefit plans in accordance with the rules applicable to the respective pension, or benefit plan. The accounting for these plans requires that management make 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. Unfavorable changes of those 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.

## CURRENT EMERGING RISKS

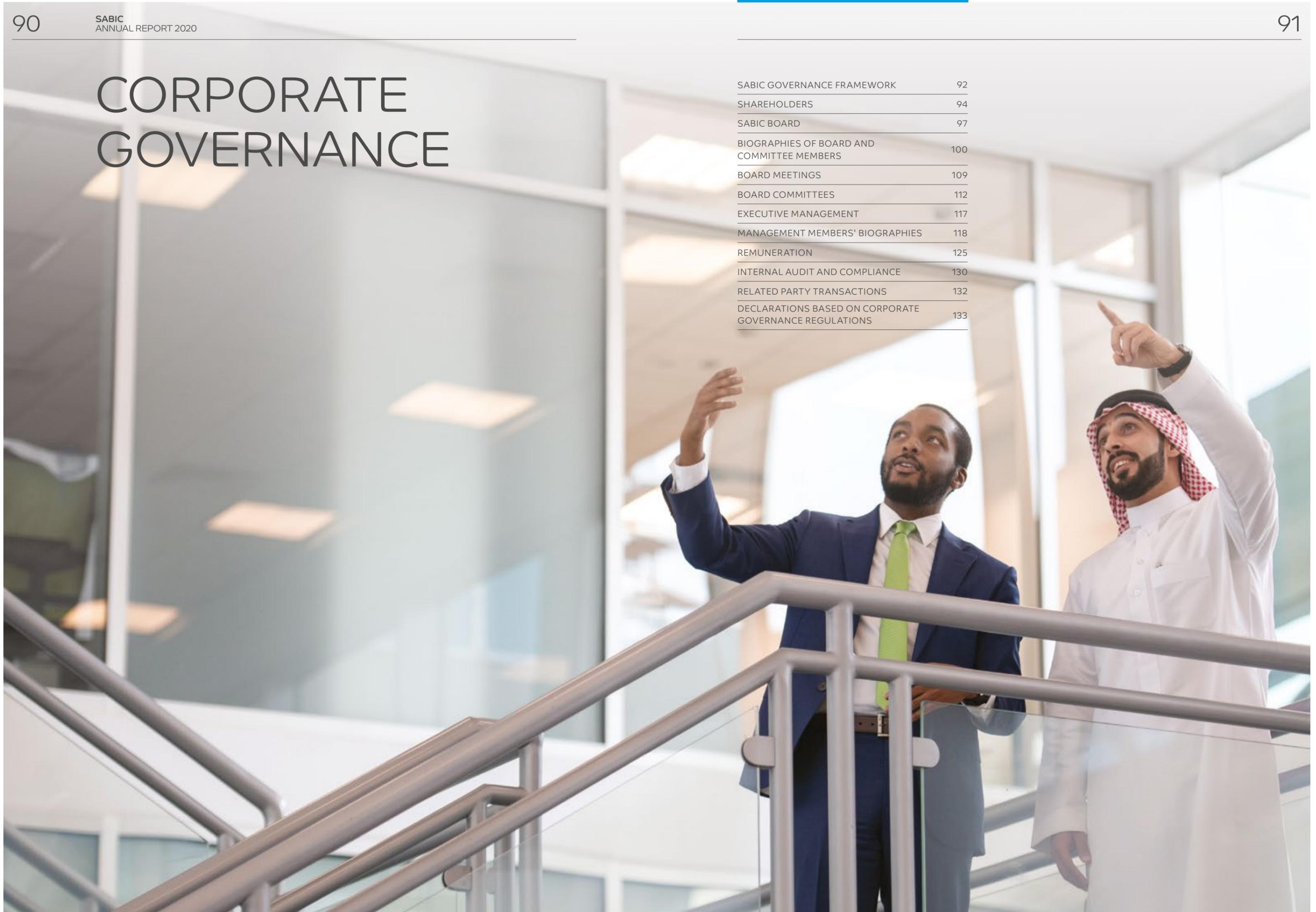
### IMPACT OF CORONAVIRUS DISEASE (COVID-19)

The outbreak of communicable diseases on a global scale, including COVID-19, the disease caused by coronavirus that has spread rapidly across the world and was declared a pandemic by the World Health Organization on March 11, 2020, has affected investment sentiment, resulted in volatility in global capital markets and impacted demands and prices in many industrial sectors in which SABIC sells its products. Throughout 2020, COVID-19 outbreak resulted in restrictions on travel and public transport, restrictions on trade and transportation of goods, prolonged closures of workplaces and also contributed to declines in global bond and stock valuations. While some countries have reduced or eliminated restrictions, others continue to implement restrictions or are forced to reinstate them after experiencing resurgences in the number of cases or deaths reported. In addition to the aforementioned impacts, the outbreak of COVID-19 has severely disrupted the global economy, resulted in high levels of unemployment, negatively impacted the global demand and is expected to have a material negative impact on global growth rates, which are likely to negatively impact the GDP of Saudi Arabia and other regions in which SABIC operates and, specifically, the demand in the product markets where SABIC and its customers operate. On the supply side, there was a dramatic increase in feedstock volatility, while in addition the operational performance of the industry was negatively impacted by the disruption of supply chains and the inability to operate assets normally due to social distancing considerations. The COVID-19 pandemic is ongoing and the duration, impact and severity of the outbreak cannot be predicted and may be significant, particularly in the short-term, although the vaccine may start containing further spread.

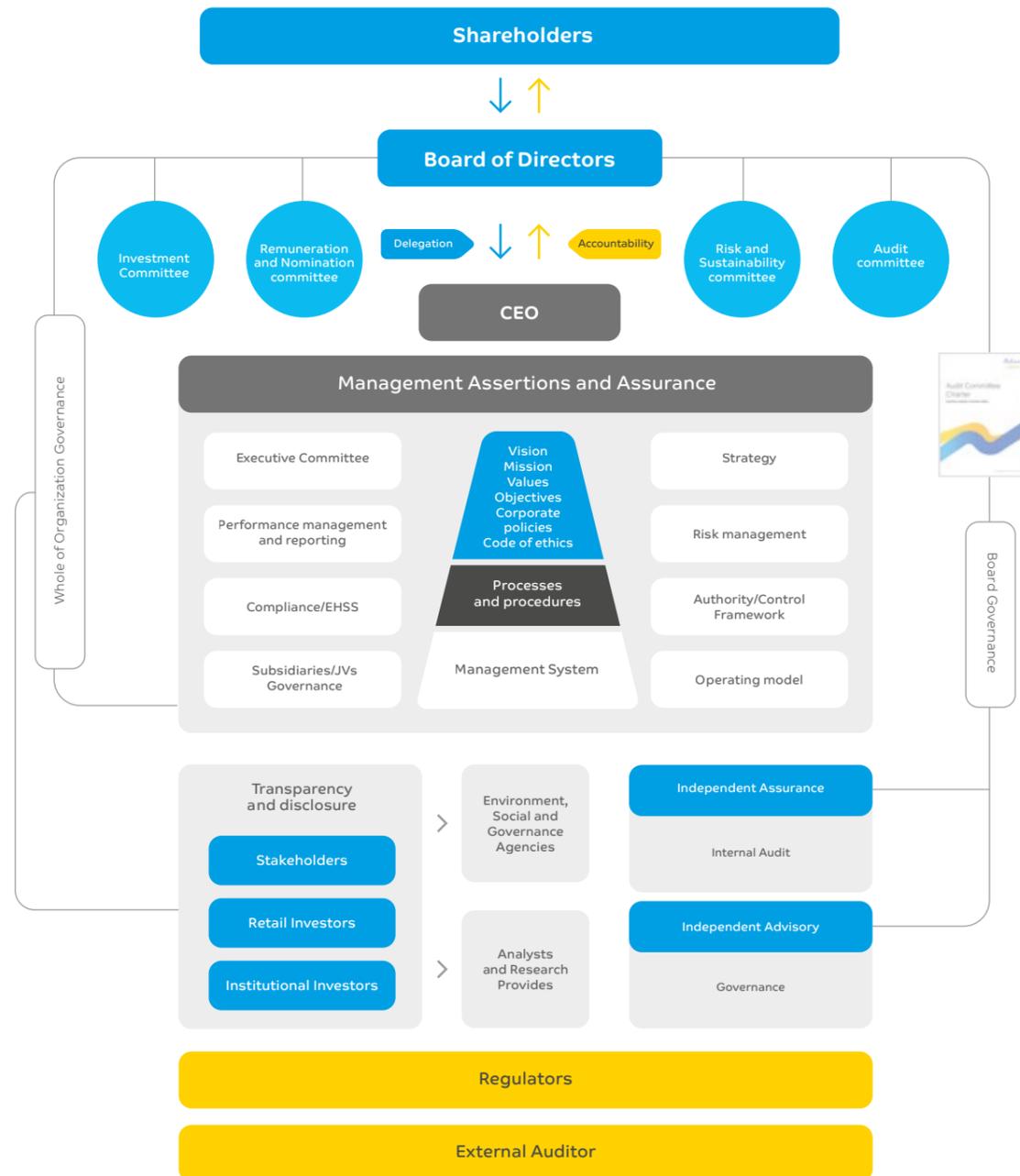
In particular, while the vast majority of SABIC's products are considered essential during this time of crisis, demand for many of SABIC's products declined, particularly products that serve the automotive and other durable-related end markets. The chemical sector is designated as critical infrastructure in many of the worlds' largest economies, therefore SABIC's manufacturing sites were and are widely excluded from governmental shutdown orders. As a result, most of SABIC's plants around the world remained and remain in operation, albeit operating under increased health and safety standards aligned with government measures, and in some cases at reduced operation rates to reflect decline in demand, both of which had an increase on costs. In addition, SABIC is committed to capital discipline and maintaining a strong balance sheet and has suspended all capital expenditures, except for non-discretionary capital expenditures for safe and reliable operations and late stage projects.

# CORPORATE GOVERNANCE

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# SABIC GOVERNANCE FRAMEWORK – TO ACHIEVE STRATEGIC GOALS AND ENHANCE SUSTAINABILITY



## CORPORATE GOVERNANCE STRUCTURE

SABIC adheres to the corporate governance principles and best practices, and believes in the effect of such adherence on enhancing the Company's added value. In addition, the Company adheres to the Corporate Governance Regulations issued by the Capital Market Authority.

SABIC has developed its own corporate governance framework, which sets out roles, responsibilities, and methods of decision-making, putting into action and following-up. It also includes the main governance bodies of the Company, and clarifies the relationships among them and how they are integrated and their activities are coordinated. SABIC believes that governance, through its Corporate Governance Framework and its governance bodies is a key enabler towards achieving its goals and enhancing its ability to sustain, and to build and maintain strategic relationships with various stakeholders.

The structure of SABIC's Board of Directors includes four committees helping the Board to fulfill its prescribed duties. These are, the Audit Committee, the Nomination and Remuneration Committee, the Risk and Sustainability Committee and the Investment Committee. The performance of the Board and these committees is subject to periodic review and assessment in order to enhance their effectiveness in achieving the targeted goals.

The SABIC Governance Framework also embodies the shareholders' rights and the manner of enabling them to exercise such rights in accordance with the relevant regulatory provisions and the global best practices of governance. This includes enhancing communication with shareholders through the Shareholders Management, as well as providing tools that aim to enhance the effectiveness of such communication.

# SHAREHOLDERS

## OWNERSHIP STRUCTURE

SABIC was established by the Government of Saudi Arabia as a 100% state-owned company. Its shares were listed on the Saudi Stock Exchange in 1984, at which time the Government divested 30% of its shareholding in SABIC. On March 27, 2019 (corresponding to 20 Rajab 1440H), the Public Investment Fund (PIF) and Saudi Aramco signed a share purchase agreement, pursuant to which Saudi Aramco agreed to acquire all of the Government stake in SABIC. The transaction was completed on June 16, 2020 (corresponding to 24 Shawwal 1441H). As of December 31, 2020, SABIC had issued and paid up share capital of SAR 30,000,000,000 consisting of 3,000,000,000 shares of SAR 10 Par value per share. The following entities hold more than 5% of SABIC-issued shares:

Name	No. of shares	Percentage of ownership
Aramco chemical company	2,100,000,000	70%

The remaining 30% SABIC shares are floated in the Saudi stock exchange and 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 Aramco chemical company, SABIC is not aware of any shareholder that, directly or indirectly, owns or could exercise control over SABIC. In addition, SABIC has not been informed by persons (other than the Board, Senior Executives and their relatives) who own SABIC shares, for their holdings, together with any change to such interests during 2020.

Note that the Board of Directors had approved first half dividend and recommended second half to the General Assembly to distribute dividends for 2020 as follows:

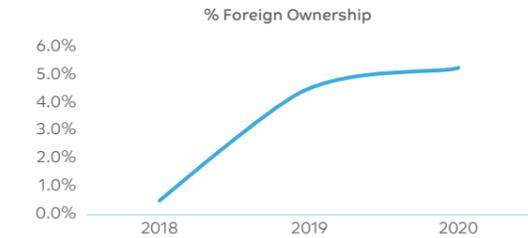
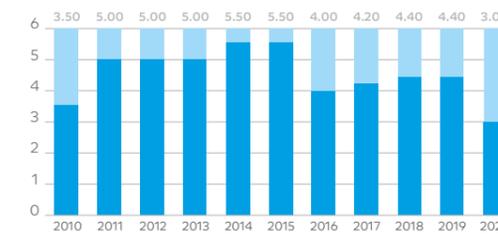
Dividends cycle	Dividend per share	Percentage of distribution to share nominal value	No. of shares	Total distributed dividends	Date of eligibility	Distribution date
Second half of 2019	SAR 2.2	22%	3 billion	SAR 6.6 billion	21st April 2020	12th May 2020
First half of 2020	SAR 1.5	15%	3 billion	SAR 4.5 billion	3rd September 2020	20th September 2020
Second half of 2020	SAR 1.5	15%	3 billion	SAR 4.5 billion	The end of the second trading day of the day of the General Assembly of the company, which will be announced later	Will be announced at the AGM invitation.

## 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 bylaws, 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 11 YEARS (SAR)



## SABIC IN CAPITAL MARKETS

### SABIC SHARE PERFORMANCE

Despite the challenges brought about by COVID-19, SABIC shares gained 8.92% in 2020, outperforming the Tadawul All Shares Index (TASI), which was up 3.96%. With a market capitalization of SAR 304.2 bln or US\$ \$81.12 billion as on December 31, 2020, SABIC remained the biggest constituent of TASI with a weight 12.92%.

SABIC's share price opened in 2020 at SAR 93.10 and it traded broadly in line with TASI, falling to the lowest level for the year on March 12, following the outbreak of COVID-19 outside China. Despite reaching lowest levels since early 2016, the share price recovered to the January 2020 levels early October and further rallied and passed the SAR 100 mark at the end of December for the first time since August 2019, reflecting sustained economic recovery, which translated into an improvement in earnings for SABIC.

### SAUDI BASIC INDUSTRIES CORPORATION SJSC (2010-SAU)

01/01/2020 to 12/31/2020 (daily) high: 109.56 low: 66.60 chg: 8.92%



## SABIC DIVIDEND AND CAPITAL ALLOCATION

Our global business model and supply chain continued to be our key strengths. They provide a platform for growth and shareholder returns by generating a sustainable free cash flow throughout the cycle.

Distributing competitive dividends to our shareholders continues to be paramount, and this is supported by our firm commitment to maintaining capital discipline, as well as our ability to uphold a strong balance sheet and credit rating.

## STRONG ENGAGEMENT WITH INVESTMENT COMMUNITY

Following the reclassification from Frontier Market to Emerging Market by several financial market indices starting mid-2018, the foreign ownership in Saudi companies has been consistently increasing. The year closed with 5.25% foreign ownership, with a mix of active, passive and ESG funds as new investors.

### INVESTOR ENGAGEMENTS FOCUS



### CONFERENCES FOCUS



We continue to have a world-class engagement with all participants of capital markets with continuous and open communications, including institutional, private investors and analysts. As the pandemic-enforced social distancing protocol continued throughout the year, the majority of the events turned virtual, bringing benefits, like increased participation in existing and new events, and also enabling us to reach out to several new investors.

To that effect, the Ordinary Annual General Meeting and Extraordinary General Meeting were held virtually in record time to allow all shareholders to participate and exercise e-voting – an action which represented an increased participation of +80% shareholders.

Over the course of the year, we held more than 130 meetings where we meet over 550 investors, participating in regional, emerging and international chemicals conferences. In addition, with a rising investor interest in sustainability, we participated in conferences focusing on Environmental, Social and Governance (ESG) issues.

## EARNINGS CALLS AND BEST-IN-CLASS DISCLOSURES

A step change event in 2020 in our world-class investor relations came with the going live of Earnings Calls for the Q4 2019 results. This coincided with one of the most challenging financial performances of the past years, but the SABIC management went ahead with the belief that transparency is paramount at both good and challenging times.

# SHAREHOLDERS

## CONTINUED

As part of enhancing disclosures, we started posting Earnings Release on Tadawul Stock Exchange, along with quarterly results starting from Q1 2019. This comprises explanations and full details of the quarterly results and outlook statements. The disclosures in the Earnings Release are best-in-class and similar to our top international peers.

It is 10 years since we published our first Sustainability Report. The sustainability report is posted on [www.sabic.com/en/sustainability](http://www.sabic.com/en/sustainability). It has substantially been evolving over the years to include broader Environmental, Social and Governance (ESG) disclosures.

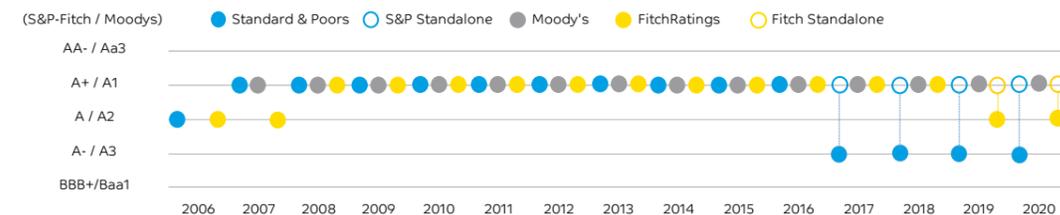
ESG disclosures have been embedded into the Earnings publications from the outset, acknowledging the need from investors to also understand the ESG performance and outlook.

We also merged the Annual report and the Board of Directors report for 2019 reporting within an integrated report. The Middle East Investor Relations Association (MEIRA) recognized it as the best 2020 Annual Report in Saudi Arabia and one of the best in the MENA region.

### DEBT INVESTORS AND CREDIT RATINGS

SABIC marketed a US\$ 1 billion dual-tranche bond offering in September 2020, with a dual listing in Dublin and Taipei at 10 and 30 years respectively. The 30-year tranche represented a debut bond listing in the Taiwan stock exchange by a Saudi firm, effectively a "Formosa" Bond. This issuance demonstrated SABIC's agility and robustness to adverse market conditions, and its attractiveness for a diverse investor base looking for different tenors, which stimulated demand and drove favorable prices, reflecting continued financial strength supported by a strong balance sheet and solid credit rating.

### SABIC CREDIT RATING HISTORY



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

No.	Application date	Application rational	No.	Application date	Application rational
1	20 April 2020	AGM	9	16 June 2020	Shareholder Data Analysis
2	20 April 2020	Dividend Entitlement	10	06 July 2020	Shareholder Data Analysis
3	31 May 2020	Shareholder Data Analysis	11	06 July 2020	Shareholder Data Analysis
4	10 June 2020	EGM	12	07 July 2020	Shareholder Data Analysis
5	16 June 2020	Shareholder Data Analysis	13	08 July 2020	Shareholder Data Analysis
6	16 June 2020	Shareholder Data Analysis	14	08 July 2020	Shareholder Data Analysis
7	16 June 2020	Shareholder Data Analysis	15	19 July 2020	Shareholder Data Analysis
8	16 June 2020	Shareholder Data Analysis	16	07 September 2020	Dividend Entitlement

Our standalone credit ratings have been consistently on the A+/A1 band, among the highest rated global chemical companies, demonstrating consistent resilience over the last decade versus some of our peers.

### ESG AT SABIC

We are determined to integrate ESG factors and disclosures into our core business strategy and processes and make them part of our DNA. This year, we formed a cross-functional and regional ESG Reporting Steering Committee to support the organization on the ESG reporting integration journey and mobilize employees to implement their strategies and roadmaps.

Two ESG targets were announced in the Q4 2020 earnings call for 2021:

- We are evaluating at all levels of the organization to be able to commit to the "Science Based Targets" (SBTs) during 2021, an initiative, which aims to achieve carbon emissions reduction.
- As we continue to drive excellence in environmental performance, we aim to expand our ESG-linked incentives to the leadership contributing to our Energy Efficiency and Carbon Management realization targets.

We have been participating in CDPs program to report on climate disclosures since 2013. We retained "B" score in 2020, which is one of the best scores in the Middle East and at par with the chemical sector average. Last year, we also joined the CDP Supply Chain Program to help suppliers disclose their own emissions.

We also have a BBB rating by MSCI, which is placing us in several MSCI ESG financial indices. Analysts highlighted, "SABIC has strong strategies to reduce carbon emissions, water use and waste in its operations with ISO14001 certification for most sites".

# SABIC BOARD

### BOARD OF DIRECTORS

The Board of Directors sets and reviews SABIC's corporate policies and procedures, including its main corporate objectives, strategic plans, and overall key performance indicators. 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 the overall responsibility for identifying the optimal capital structure for SABIC, major capital expenditures, and asset acquisition 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 right expertise for managing the Company's business.

The Board is comprised of the following members:

Name	Title	Expiry of term
Khalid Hashim Aldabbagh	Chairman – Non-Executive Member	April 2022
Yousef Abdullah Al-Benyan	Vice Chairman and CEO – Executive Member	April 2022
Abdullah Mohammed Alissa	Board Member – Non-Executive Member	April 2022
Calum MacLean	Board Member – Non-Executive Member	April 2022
Ziad Thamer Al-Murshed	Board Member – Non-Executive Member	April 2022
Olivier Gerard Thorel	Board Member – Non-Executive Member	April 2022
Dr. Khaled Hamza Nahas	Board Member – Independent Member	April 2022
Mohammed Talal Alnahas	Board Member – Independent Member	April 2022
Nader Ibrahim Al-Wehibi	Board Member – Independent Member	April 2022

During year 2020, the Board of Directors accepted the resignation of three Board members, as of June 16, 2020. The resignation was due to the completion of the acquisition by the Saudi Arabian Oil Company (Saudi Aramco) of the shares of the Public Investment Fund in SABIC. The following members resigned:

Dr. Abdulaziz Saleh Aljarbou – Chairman (Non-Executive Member): Dr. Aljarbou was appointed as Chairman of SABIC in October 2017. In addition, he is a board member of United Lube Oil Company Ltd. and Gulf Oil Industrial Company. He is also a member of the International Advisory Board of King Fahd University of Petroleum and Minerals (KFUPM). Dr. Aljarbou has been a Member of the Board of Directors of a number of companies, including Saudi Paper Manufacturing Company, Riyadh Bank, Philips Lighting Saudi Arabia, and Al-Bilad Catalyst. Dr. Aljarbou got his PhD in Chemical Engineering from the University of Colorado School of Mines, USA, in 1976. He also holds Master's and Bachelor's degrees in Chemical Engineering from the same university.

Mr. Rashid Ibrahim Sharif – (Non-Executive Member). Mr. Sharif is the Head of Local Holdings Investments Division, Public Investment Fund. In addition, he is a board member of STC, National Commercial Bank, Saudi Electricity Company, KAFD Development & Management Company, and AccorInvest. He earlier served as Chief Executive Officer of Riyadh Capital, Director of Registration and Listing Department at the Capital Market Authority, and Director of Customer Finance Relations at Al-Bilad Bank.

Eng. Roberto Gualdoni (Non-Executive Member), is a member of the boards of American Aerogel Corp and the Carmeuse Group, and Chairman of the board of Cabb. He is a board member at the Carmeuse Group.

They are elected by the Ordinary General Assembly for a term not exceeding three years, subject to renewal. The Board of Directors appoints – from among its members – a Chairman and a Vice Chairman who shall work on a full-time basis and act on behalf of the Chairman in case of his absence. The Ordinary General Assembly shall specify the remuneration and allowances of the members of the Board in compliance with Companies Law and the rules and instructions issued by the competent authority; whether such remuneration consists of a specified salary, meeting attendance allowance, or a percentage of profit. The remuneration may consist of a combination of two or more of these benefits. The Board annual report shall include a statement of the remuneration and allowances paid to the Board members.

He 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 Schwarzheide. 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.

The Board appointed the following members to replace the resigning members, to complete the Board current term (2019/2022). Their appointment will be presented to the first general meeting of shareholders for approval:

Eng. Khalid Hashim Aldabbagh – Chairman of the Board of Directors (Non-Executive Member)  
Eng. Ziad Thamer Al-Murshed – (Non-Executive Member)  
Mr. Olivier Gerard Thorel – (Non-Executive Member)

### BOARD TENURE

The average board tenure of all Board Members at the end of 2020 is six years. The average tenure of the Independent Board members is four years and eleven months.

### BOARD PERFORMANCE ASSESSMENT

The Board of Directors developed procedures for periodical assessing of its performance and that of the committees, and included them in the Board Charter and all Committees' charters. The Board established a comprehensive program to assess the Board performance, and contracted with COMPASS – an independent external agency specialized in this area – to implement it.

# BOARD OF DIRECTORS



**KHALID HASHIM  
AL-DABBAGH**

Chairman  
Non-Executive Member

**YOUSEF ABDULLAH  
AL-BENYAN**

Vice Chairman and CEO  
Executive Member



**ABDULLAH  
MOHAMMED  
AL-ISSA**

Board Member  
Non-Executive Member

**CALUM  
GRIGOR  
MACLEAN**

Board Member  
Non-Executive Member

**ZIAD  
THAMER  
AL-MURSHED**

Board Member  
Non-Executive Member

**OLIVIER  
GERARD  
THOREL**

Board Member  
Non-Executive Member

**DR. KHALED  
HAMZA  
NAHAS**

Board Member  
Independent Member

**MOHAMMED  
TALAL  
AL-NAHAS**

Board Member  
Independent Member

**NADER  
IBRAHIM  
AL-WEHIBI**

Board Member  
Independent Member

We look forward to further contributing to the global growth of the chemical industry while continuing to support Saudi Vision 2030.

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS



**KHALID HASHIM ALDABBAGH**  
Chairman  
Non-Executive Member

## CURRENT POSITION

– Eng. Al-Dabbagh is currently the Senior Vice President, Finance Strategy & Development at Saudi Aramco Oil Company (Saudi Aramco). In addition, he sits on the Board of Directors of the Saudi Aramco Development Company (SADCO); and also serves as a member of the Board of Wisayah Global Investment Company (WISAYAH).

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Eng. Al-Dabbagh assumed a number of senior roles in Saudi Aramco, including Financial Controller and Treasurer. In addition, he led the Joint Venture Development and Business Analysis with Corporate Planning departments. Prior to that, he held key positions in London, Tokyo and New York at Saudi Aramco-owned companies and became the CEO of Saudi Petroleum International, Inc. (US) and the Managing Director of Saudi Petroleum Company in Tokyo, Japan.

## BOARD MEMBERSHIPS

### CURRENT BOARD MEMBERSHIP

Saudi Aramco Development Company (SADCO)  
Wisayah Global Investment Company (WISAYAH)

– He has also served as a member and chaired boards of several companies, including Sadara Chemical Company, Malaysian Pengerang Refining and Petrochemical Companies, the Dutch ARLANXEO Holding B.V, Showa Shell in Japan, both Chinese Fujian Refining and Petrochemical Companies and Aramco Trading Company.

## EDUCATIONAL QUALIFICATIONS

– He earned a Bachelor of Science in Industrial Engineering, University of Toledo. He has also completed a number of executive leadership programs, including the Senior Executive Program at the London Business School.

### PREVIOUS BOARD MEMBERSHIP

Sadara Chemical Company  
Pengerang Petrochemical Sdn Bhd  
Pengerang Refining Sdn Bhd  
ARLANXEO Holding B.V  
Showa Shell  
Fujian Refining and Petrochemical Companies  
Aramco Trading Company



**YUSEF ABDULLAH AL-BENYAN**  
Vice Chairman and CEO  
Executive Member

## CURRENT POSITION

– Mr. Al-Benyan is the Vice Chairman and CEO of SABIC. Other positions he holds include Chairman of the Gulf Petrochemicals and Chemicals Association (GPCA), Chairman of the boards of the SABIC Agri-Nutrients Company and the SABIC Investment and Local Content Development Company (Nusaned Investment). He is a board member of the Saudi Stock Exchange (Tadawul), and the Saudi Information Technology Company (SITE). He is also the Chairman of the Petrochemical Manufacturers Committee.

– In addition, he is a member of the International Business Council of the World Economic Forum and the Global Business Council of the Bloomberg Global Forum. He also sits on the board of directors of the Boao Forum for Asia (BFA), the International Council of Chemical Associations (ICCA), the Royal Commission for Jubail & Yanbu, and the Saudi Ports Authority. Mr. Al-Benyan is also a member of the King Saud University Advisory Board. He is a board member of the King Abdulaziz City for Science and Technology and the National Industrial Clusters Development Program, and a member of the Executive Committee, Riyadh Economic Forum, the Riyadh Chamber of Commerce.

– In 2020, Mr. Al-Benyan served as the Chairman of the B20, which was held as part of the G20 in Riyadh, Saudi Arabia.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Mr. Al-Benyan joined SABIC in 1987, just 11 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 USA and Latin America, based in Houston, Texas. In 2002, he was promoted to General Manager of SABIC Asia, headquartered in Singapore, where 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. In 2007, he took on the role of General Manager at Fiber Intermediates, before being named in February 2008 as EVP 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 responsive, transactional entity to a proactive, strategic global organization.

– In 2013, Mr. Al-Benyan was named as the EVP, Chemicals SBU, the largest Strategic Business Unit of SABIC, to help the Company achieve its goal of becoming the preferred global leader in chemicals.

– Prior to being named Vice Chairman and Chief Executive Officer, Mr. Al-Benyan served as Executive Vice President, Corporate Finance, and CFO.

## EDUCATIONAL QUALIFICATIONS

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

## BOARD MEMBERSHIPS

### CURRENT BOARD MEMBERSHIP

SABIC Agri-Nutrients Company  
SABIC Investment and Local Content Development Company (Nusaned Investment)  
Saudi Stock Exchange (Tadawul)  
Saudi Information Technology Company (SITE)

### PREVIOUS BOARD MEMBERSHIP

Saudi Yanbu Petrochemical Company (Yanpet)  
Al-Jubail Petrochemical Company (Kemya)  
Saudi Iron & Steel Company (Hadeed)  
Power and Water Utility Company for Jubail and Yanbu (Marafiq)  
SABIC Asia Pacific PTE  
Saudi Recycling Company  
Yanbu National Petrochemical Company (Yansab)

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

CONTINUED



**ABDULLAH MOHAMMED AL-ISSA**

Board Member  
Non-Executive Member

## CURRENT POSITION

- Mr. Al-Issa is a member of SABIC Board. He is also the Chairman of Asila Investment Company, the Chairman of Riyadh Bank, and the Chairman of Dur Hospitality. In addition, he is a member of the boards of Etihad Etisalat (Mobily), and Clariant Company.

## 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, and CEO of Asila Investment Co.

## BOARD MEMBERSHIPS

### CURRENT BOARD MEMBERSHIP

Riyad Bank

Mobily

Dur Hospitality

Asilah Investment Company

Clariant

## EDUCATIONAL QUALIFICATIONS

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

### PREVIOUS BOARD MEMBERSHIP

Arabian Cement

National Medical Care

Jadwa Investment

National Shipping Company of Saudi Arabia

National Chemical Transport NCCC

Saudi Arabian Mining Company (Ma'aden)



**CALUM MACLEAN**

Board Member  
Non-Executive Member

## CURRENT POSITION

- Mr. MacLean is a SABIC Board member. He is a member of the board and Chief Executive Officer of Synthomer, and a board member of Clariant.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- With 30 years' experience in the chemical industry, Mr. MacLean previously served as the Executive Chairman of the boards of Ineos Olefins, 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.

## BOARD MEMBERSHIPS

### CURRENT BOARD MEMBERSHIP

Synthomer

Clariant

## EDUCATIONAL QUALIFICATIONS

- Mr. MacLean holds a Bachelor's degree in Chemistry from Aberdeen University, United Kingdom.

### PREVIOUS BOARD MEMBERSHIP

Ineos Group

Petroineos Refining

Styrolution

Ineos Olefins and Polymers Europe

Ineos Phenol

Ineos ChiorVinyls

EVC

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

CONTINUED



**ZIAD THAMER AL-MURSHED**

Board Member  
Non-Executive Member

## CURRENT POSITION

– Eng. Al-Murshed is currently the Vice President, International Operations, Saudi Aramco Oil Company (Saudi Aramco) and is also Vice President, Downstream Growth and Integration, Saudi Aramco. In addition, he sits on the boards of a number of companies including: Aramco Chemicals Company (ACC), Aramco Services Company, ARLANXEO Holding B.V., Motiva Enterprises LLC, Saudi Refining, Inc, S-Oil Corporation, and Saudi Aramco Asia Company. He is also a board member of the Saudi Authority for Industrial Cities and Technology Zone (MODON).

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Eng. Al-Murshed occupied several leading roles at Saudi Aramco, including: the Executive Director, New Business Development; General Manager, Transaction Development; Director, Strategic Planning; Director, Economic & Energy Analysis; and Manager, Yanbu NGL Fractionation Department.

## BOARD MEMBERSHIPS

### CURRENT BOARD MEMBERSHIP

Aramco Chemicals Company (ACC)  
Aramco Services Company  
ARLANXEO Holding B.V.  
Motiva Enterprises LLC  
Saudi Refining, Inc.  
S-Oil Corporation  
Saudi Aramco Asia Company

– He also served as the Chairman of the Board of Directors of the Saudi Aramco Entrepreneurship Center (Wa'ed), Vice Chairman of Industrialization & Energy Services Company (Taqa), and a board member of both the Saudi Arabian Industrial Investment Company (DUSSUR) and Sadara Chemical Company (Sadara).

## EDUCATIONAL QUALIFICATIONS

– He received his Bachelor of Science in Chemical Engineering from Arizona State University, and a Master of Business Administration from Sloan School of Management of Massachusetts Institute of Technology. He is also a graduate of the General Management Program, Harvard Business School.

### PREVIOUS BOARD MEMBERSHIP

Saudi Arabian Industrial Investment Company (Dussur)  
Industrialization & Energy Services Company (Taqa)  
Sadara Chemical Company (Sadara).



**OLIVIER GERARD THOREL**

Board Member  
Non-Executive Member

## CURRENT POSITION

– Mr. Thorel is currently the Vice President, Chemicals, Saudi Aramco Oil Company (Saudi Aramco). He also serves as a member of the boards of Aramco Chemicals Company (ACC), Aramco Performance Materials LLC, Saudi Aramco Energy Ventures LLC, and Saudi Aramco Technologies.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Prior to that, Mr. Thorel was the Executive Director, Chemicals, Saudi Aramco; and he also held several leading positions in Shell including Vice President, Chemicals Asia, Ventures & New Business Development; ; Vice President, Global Intermediates, Shell, Singapore; and Vice President, Supply, Distribution, and Shell Pipeline, Shell - North America.

## BOARD MEMBERSHIPS

### CURRENT BOARD MEMBERSHIP

Aramco Chemicals Company (ACC)  
Aramco Performance Materials LLC  
Saudi Aramco Energy Ventures LLC  
Saudi Aramco Technologies

– He was earlier a board member of several companies, including Pengerang Petrochemicals and Pengerang Refining Companies, Fujian Refining and Petrochemical Company Limited, Sadara Chemical Company and Saudi Aramco Total Refining and Petrochemical Company (SATORP).

## EDUCATIONAL QUALIFICATIONS

– He holds a Master's degree in Finance from Paris-Dauphine University. He also completed an executive MBA degree at INSEAD. He also holds Master degree in Science and Economy from Ecole Polytechnique.

### PREVIOUS BOARD MEMBERSHIP

Pengerang Petrochemicals  
Pengerang Refining Companies  
Fujian Refining and Petrochemical Company Limited  
Sadara Chemical Company (Sadara).  
Saudi Aramco Total Refining and Petrochemical Company (SATORP)

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

CONTINUED



**DR. KHALED HAMZA NAHAS**

Board Member  
Independent Member

## CURRENT POSITION

- Dr. Nahas is a SABIC Board member. He is a businessman and a board member of Mithaq Holding Co. and Arsh Investment Co.

## 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 of the Chamber of Commerce and Industry, a Member of the Consultative Council, and Mayor of Makkah.

## BOARD MEMBERSHIPS

### CURRENT BOARD MEMBERSHIP

Mithaq Holding Co.  
Arsh Investment Co

- Dr. Nahas has previously served as the Chairman of the boards of the National Company for Spring Mattresses and Sponges and Tabuk Hotels Company as well as a member of the boards of the Military Industries Organization, National Commercial Bank (NCB), Riyadh Bank, Saudi Hotels Company, Saudi Investment Bank, Saudi Telecommunications Company (STC), Binladen Group, and Clariant.

## EDUCATIONAL QUALIFICATIONS

- Dr. Nahas holds a PhD in Engineering of Economic Systems from Stanford University, United States.

### PREVIOUS BOARD MEMBERSHIP

Riyad Bank  
National Water Company  
Saudi Investment Bank  
Saudi Hotels & Resorts Company  
Saudi Telecom Company (STC)  
National Commercial Bank (NCB)  
National Company for Spring Mattress & Sponges  
Tabuk Hotels Company  
Hassana Investment Company  
Binladen Group  
Clariant



**MOHAMMED TALAL AL-NAHAS**

Board Member  
Independent Member

## CURRENT POSITION

- Mr. Al-Nahas is currently the Governor of the Public Pension Agency in addition to being a SABIC Board member. He is also the Chairman of the boards of several companies including Al Raidah Investment Company, the Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO), Raza Cooperative Real Estate Company, Cooperative Real Estate Investment Company (CREIC), ASMA Capital, and Dammam Pharma. Mr. Al-Nahas is also a member of the boards of directors of Riyadh Bank, Saudi Telecom Company (STC), the International Company for Water, Power Projects (ACWA Power), and the Public Pension Agency. He is member of various committees as well including the General Committee for Housing Programs.

## BOARD MEMBERSHIPS

### CURRENT BOARD MEMBERSHIP

Riyad Bank  
Saudi Telecom Company (STC)  
Al Raidah Investment  
ACWA Power  
Al Taawuniyah Real Estate Investment Co  
Raza Cooperative Real Estate Company  
ASMA Capital  
Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO)  
Dammam Pharma

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- With an experience extending over more than 32 years, Mr. Al-Nahas previously held high-ranking banking, business development and managerial positions including General Manager, Branches, Al-Inma Bank, and Regional Manager, Central Region Branches, SAMBA Financial Group. He played a significant role in launching and operating the largest network of Islamic banking branches in Saudi Arabia and the Middle East for Al-Inma Bank and the Saudi Travelers Cheque Company. He was appointed Governor of the Public Pension Agency in 2016.

## 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 Program at the University of Michigan, United States.

### PREVIOUS BOARD MEMBERSHIP

Tibah Holding Company  
Saudi Travellers Cheque Company



# BOARD MEETINGS

## CONTINUED

### BOARD OWNERSHIP

As on December 31, 2020, Board members, their spouses and their minor children had the following shareholding in SABIC and/or its subsidiaries:

Board Member	Beginning of the year, no. of shares				End of the year, no. of shares				Net change			
	SABIC	SABIC AGRI-NUTRIENTS	Saudi Kayan	Yansab	SABIC	SABIC AGRI-NUTRIENTS	Saudi Kayan	Yansab	SABIC	SABIC AGRI-NUTRIENTS	Saudi Kayan	Yansab
Dr. Abdulaziz Saleh Aljarbou (1)	111,777	78,245										
Eng. Khalid Hashim Aldabbagh (2)												
Mr. Yousef Abdullah Al-Benyan		2,950	23,617	2,150	44,000	8,700	23,617	1,000	+44,000	+5,750		-1,150
Mr. Rashid Ibrahim Sharif (1)			300	65								
Eng. Roberto Gualdoni (1)												
Eng. Ziad Thamer Al-Murshed (2)								30				
Mr. Olivier Gerard Thorel (2)												
Mr. Abdullah M Al-Issa	300,000	22,500			300,000	22,500						
Mr. Calum MacLean												
Dr. Khaled bin Hamza Nahas	570,100	1,683,403			1,026,455	215,139			+456,355	-1,468,264		
Mr. Mohammed Ibn Talal Al-Nahas			200				200	25				+25
Mr. Nader Ibrahim Al-Wehibi	310		13,000	350	310		13,000	350				

1. Resigned membership in the Board of Directors on June 16, 2020
2. Joined membership in the Board of Directors on June 16, 2020

### BOARD PARTICIPATION IN THE GENERAL ASSEMBLY MEETING

The company held its Ordinary General Assembly Meeting on April 21, 2020. An Extraordinary General Assembly Meeting was held on June 10, 2020. The Board Charter requires a Board member to attend General Assembly meetings. By this mandate, the Board's aim is to meet with shareholders and receive their suggestions and observations about the company and its performance.

The following table lists Board members' participation in the General Assembly Meeting:

Name	Ordinary General Assembly Meeting 1 <sup>st</sup> meeting 21 April 2020	Extraordinary General Assembly Meeting 2 <sup>nd</sup> meeting 10 June 2020	Remarks
Dr. Abdulaziz Saleh Aljarbou	Attended	Attended	Resigned membership in the Board of Directors on June 16, 2020
Khalid Hashim Aldabbagh	-	-	Joined membership in the Board of Directors on June 16, 2020
Yousef Abdullah Al-Benyan	Attended	Attended	
Rashid Ibrahim Sharif	Attended	Attended	Resigned membership in the Board of Directors on June 16, 2020
Roberto Cialdoni	Attended	Attended	Resigned membership in the Board of Directors on June 16, 2020
Ziad Thamer Al-Murshed	-	-	Joined membership in the Board of Directors on June 16, 2020
Olivier Gerard Thorel	-	-	Joined membership in the Board of Directors on June 16, 2020
Abdullah Mohammed Al Essa	Attended	Attended	
Calum Maclean	Attended	Attended	
Dr. Khaled Hamza Ahmed Nahas	Attended	Attended	
Mohammed Talal Al Nahas	Attended		
Nader Ibrahim Al-Wehibi	Attended		

# BOARD COMMITTEES

## AUDIT COMMITTEE

According to its charter, the Audit Committee shall comprise three to five non-executive members of the Board, whether from shareholders or otherwise, provided one of whom shall be an independent Board member. These members are nominated by the Board and appointed by a resolution of the General Assembly of SABIC's shareholders.

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

Name	Membership	Attendance record							
		1 <sup>st</sup> meeting 28/01/2020	2 <sup>nd</sup> meeting 1/3/2020	3 <sup>rd</sup> meeting 3/5/2020	4 <sup>th</sup> meeting 14/6/2020	5 <sup>th</sup> meeting 25/7/2020	6 <sup>th</sup> meeting 5/8/2020	7 <sup>th</sup> meeting 22/10/2020	8 <sup>th</sup> meeting 23/12/2020
Abdulazi Habdan Al-Habdan	Chairman, Member from outside the Board of Directors	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Abdullah M. Al-Issa	Member	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Nader Ibrahim Al-Wehibi	Member	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Apologized
Khaled Dawood Al-Fadag	Member from outside the Board of Directors	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended

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 in terms of their 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 from 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 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 engagement; (ii) verifying the independence of the external auditor; (iii) reviewing the external audit plan and verifying its compliance with the applicable regulations; (iv) answering external auditor's queries and providing requisite support for conducting the external auditing; and (v) reviewing reports prepared by the external auditor and following up on the implementation of recommended action; and

- Oversight of compliance, including: (i) reviewing reports prepared by regulatory bodies in respect of the Company's compliance with the applicable regulations and following up on the implementation of recommended action; (ii) ensuring SABIC's compliance with relevant rules, regulations, 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 reported violation (including ensuring independence of such procedures), and, where relevant, making recommendations to the Board in respect of the foregoing.

## BIOGRAPHIES OF THE COMMITTEE MEMBERS WHO ARE NOT BOARD MEMBERS

- Mr. Abdulaziz Habdan Al-Habdan retired from the General Organization for Social Insurance where he served as the Assistant Governor for Insurance Affairs. In addition, he has previously served as a board member of several joint stock companies, including SABIC, 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 SABIC Agri-Nutrients Company and Saudi Fransi Capital as well as the chairman of SAFCO's Audit Committee. Mr. Al-Habdan holds a Master's Degree in Business Administration.
- Dr. Khaled Dawood Al-Fadag currently holds no position. He was a general auditor in Saudi Aramco. Previously, he was the Director of Facilities Planning, Saudi Aramco. He was also the CEO of Petron. Dr. Al-Fadag holds a Ph.D. in Applied Mechanical Engineering.

# BOARD COMMITTEES

## CONTINUED

### REMUNERATION AND NOMINATION COMMITTEE

According to its charter, the Remuneration and Nomination Committee shall comprise three to five non-executive members of the Board, whether from shareholders or otherwise, provided one of them 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 meeting number and date:

Name	Membership	Attendance record			
		1 <sup>st</sup> meeting 3/3/2020	2 <sup>nd</sup> meeting 15/6/2020	3 <sup>rd</sup> meeting 28/9/2020	4 <sup>th</sup> meeting 14/12/2020
Khaled bin Hamza Nahas	Chairman	Attended	Attended	Attended	Attended
Mohammed Ibn Talal Al-Nahas	Member	Attended	Attended	Attended	Attended
Roberto Gualdoni	Member	Attended	Attended	Resigned on June 16,2020	
Ziad Thamer Al-Murshed	Member	Joined the Committee on June 16, 2020		Attended	Attended

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 the remuneration 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, required skills and qualifications, 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 for assessing the Board and Board committees;

- Oversight of Board functioning, including: (i) ensuring independence of the independent Board members; (ii) recommending re-nominations/ dismissals of Board members and Board committee members; and (iii) overseeing the implementation of an orientation program 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 process in the event of any vacancy in the Executive Management and making necessary recommendations.

### RISK AND SUSTAINABILITY COMMITTEE

According to its charter, the Risk and Sustainability Committee shall comprise 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 meeting number and date:

Name	Membership	Attendance record		
		1 <sup>st</sup> meeting 3/3/2020	2 <sup>nd</sup> meeting 29/9/2020	3 <sup>rd</sup> meeting 15/12/2020
Calum MacLean	Chairman	Attended	Attended	Attended
Nader Ibrahim Al-Wehibi	Member	Attended	Attended	Attended
Mohammed Talal Al-Nahas	Member	Attended	Resigned from Committee on June 16,2020	
Olivier Gerard Thorel	Member	Joined Committee on June 16,2020	Attended	Attended

The Risk and Sustainability Committee's responsibilities include:

- Risk management functions, including: (i) working with the Executive Management to develop a corporate 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 corporate risk management policy periodically to ensure consistency with changes that may occur in the internal or external environments 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 business continuity and identifying risks facing SABIC annually; (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) verifying the independence of risk management personnel; (x) ensuring that risk management personnel understand the risks facing the Company, and working to increase awareness of the risk

culture; and (xi) 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 corporate 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 changes in the internal or external environments 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 relevant legislation and regulations, and the availability of the skills and expertise necessary for their management.

## BOARD COMMITTEES

### CONTINUED

#### INVESTMENT COMMITTEE

According to its charter, the Investment Committee shall comprise 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 meeting number and date.

Name	Membership	Attendance Record		
		1 <sup>st</sup> meeting 14/6/2020	2 <sup>nd</sup> meeting 29/9/2020	3 <sup>rd</sup> meeting 7/12/2020
Abdulaziz Saleh Al-Jarbou	Chairman	Attended	Resigned from Committee on June 16,2020	
Khalid Hashim Al-Dabbagh	Chairman	Joined Committee on June 16, 2020	Attended	Attended
Yousef Abdullah Al-Benyan	Member	Attended	Attended	Attended
Khaled bin Hamza Nahas	Member	Attended	Attended	Attended
Abdullah M. Al-Issa	Member	Attended	Attended	Attended
Rashid bin Ibrahim Sharif	Member	Attended	Resigned from Committee on June 16,2020	
Ziad Thamer Al-Murshed	Member	Joined Committee on June 16, 2020	Attended	Attended

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, the legislation regulating the business, or the 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, or 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;
- Prioritizing investment proposals.
- Reviewing the Executive Management's interim progress reports on approved investment opportunities.

## EXECUTIVE MANAGEMENT

#### EXECUTIVE MANAGEMENT

The day-to-day management of SABIC's business is led by its senior executives who together with the Vice-Chairman / CEO, represent the Company's Executive Management Team. As of December 31, 2020, the Executive Management Team comprises the following members:

Name	Title
Yousef Abdullah Al-Benyan	Vice Chairman and CEO
Abdulaziz Al Oudan	Executive Vice President, Corporate Human Resources
Samir Al Abdrabbuh	Executive Vice President, Agri-Nutrients
Anas Kentab	Executive Vice President, Europe Repositioning
Abdulrahman Al Fageeh	Executive Vice President, Petrochemicals
Timothy D. Leveille	Executive Vice President, Corporate Finance
Bob Maughon	Executive Vice President, Sustainability, Technology and Innovation
Abdulrahman Shamsaddin	Executive Vice President, Shared Services
Ahmad Al Shaikh	Executive Vice President, Manufacturing
Omar Al Amoudi	Executive Vice President, Engineering and Project Management
Ernesto Occhiello	Executive Vice President, Specialties

## BIOGRAPHIES OF MANAGEMENT MEMBERS



**YOUSEF ABDULLAH AL-BENYAN**  
Vice Chairman and CEO

### BIOGRAPHY OF MR. AL-BENYAN IS UNDER BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS



**ABDULAZIZ AL-ODAN**  
Executive Vice President  
Corporate Human Resources

#### CURRENT POSITION

- Mr. Al-Oudan is the Executive Vice President for Corporate Human Resources, and is the Chairman of Eastern Petrochemical Company (SHARQ).

#### 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.



**SAMIR AL-ABDRABBUH**  
Executive Vice President  
Agri-Nutrients

#### CURRENT POSITION

- Mr. Al-Abdrabbuh is the Executive Vice-President for Agri-Nutrients, and is Chairman of the Board of Directors of Al-Jubail Fertilizer Co. (Al-Bayroni), Chairman of the Board of Directors of SABIC Supply Chain Services Co. (SSCS), Vice Chairman of SABIC Agri-Nutrients Company, Chairman of the Transformation Board Committee for the same company, Vice Chairman of GPCA Fertilizers Committee, Board Member of Arab Fertilizers Association (AFA), Board Member of International Fertilizers Association (IFA), Member of the Board of Directors and Managing Director of Gulf Petrochemical Industries Corporation (GPIC) and Member of the Board of Directors of the National Sustainable Agricultural Research and Development Center (Estidamah).

#### WORKING EXPERIENCE AND PREVIOUS POSITIONS

- With over 35 years of experience in the petrochemicals industry, Mr. Al-Abdrabbuh has held a number of senior positions at SABIC, including Vice President, Global Supply Chain, 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 Methanol, MTBE, NDA, 2EH, DOP, IBAL, Normal Butanol, Iso-Butanol, ACN, NaCn, and MMA.
- Before that, he held the position of Vice President, Global Corporate Communications. As such, he led SABIC's Global Branding, Global Media, Internal Communications, 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 re-focus, 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 earlier the Chairman of the Board of Directors of SABIC affiliates Sabtank and Chemtank, and was Board member of Ibn Sina and Shrouq. He had also held the post of Chairman of the Board of Directors of the Asia Clean Fuels Association (ACFA), and Chairman of SABIC affiliate Saudi Organometallic Chemicals Company (SOCC) during its inception and set-up stages.

#### EDUCATIONAL QUALIFICATIONS

- He is 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.

# BIOGRAPHIES OF MANAGEMENT MEMBERS

CONTINUED



## ANAS KENTAB

Executive Vice President  
Europe Repositioning

### CURRENT POSITION

– Mr. Kentab is the Executive Vice President for Europe Repositioning. He is the Chairman of the Board of Petrokemya, United, and SOCC.

### WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Before assuming his present position, Mr. Kentab served as Executive Vice President of Crude Oil to Chemicals (COTC) project. Prior to that, he served as Executive Vice President of the Agri-Nutrients strategic 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 Sharq. 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 monoethylene glycol business.

– He was a member of the boards of Kemya, Sharq, Safco, Al-Bayroni, Sadaf, Yanpet and SSTPC.

### 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.



## ABDULRAHMAN AL-FAGEEH

Executive Vice President  
Petrochemicals

### CURRENT POSITION

– Mr. Al-Fageeh is the Executive Vice President for Petrochemicals. He is the Chairman of the boards of Kemya, Yanpet, and Gulf Coast Growth Ventures LLC.

### WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Before assuming his present position, he was the Executive Vice President of the Polymers and Performance Chemicals business units. 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 Yansab and Chairman of the Project Committee of Yansab.

– Previously, he was the Vice Chairman of the board of Saudi European Petrochemical Company and a member of the boards of Petrokemya and Ar-Razi.

### EDUCATIONAL QUALIFICATIONS

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



## TIMOTHY D. LEVEILLE

Executive Vice President  
Corporate Finance

### CURRENT POSITION

– Mr. Leveille is the Executive Vice President for Corporate Finance, and Chairman of the Board of SABIC Capital B.V.

### WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Before assuming his present position, Mr. Leveille 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 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 assumed the position of 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 US-certified public accountant (CPA), licensed by the state of New York.



## BOB MAUGHON, PHD

Executive Vice President  
Innovation and Business Development

### CURRENT POSITION

– Dr. Bob Maughon is the Executive Vice President, Sustainability, Technology & Innovation and Chief Technology and Sustainability Officer. He oversees SABIC's 20 research centers around the world. Additionally, Dr. Maughon has the responsibility for Corporate Sustainability, Product Stewardship, Technology Licensing and Technology Ventures.

### WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Dr. Maughon joined SABIC after a 21 year career at Dow, where he most recently served from 2013-2019 as the R&D Vice President for Packaging & Specialty Plastics and Hydrocarbons at Dow.

– Bob began his career with Dow in 1998, working in the Central Research laboratories on a variety of programs ranging from heterogeneous hydrogenation catalysis, ring opening

polymerization, homogeneous catalysis, and alternative feedstocks.

– In 2006, he was named the Director of Inorganic Chemistry & Catalysis, where he was responsible for leading inorganic chemistry, homogeneous and heterogeneous catalysis, and high-throughput research with responsibilities for the development of new technologies for chemical and renewable feedstocks and advantaged catalytic processes.

– From 2008-2010, he served as the lead R&D Director for the Hydrocarbons and Energy Business, and from 2010-2013, he served as the R&D director for Dow Pharma & Food Solutions in the Functional Materials Business Group.

### EDUCATIONAL QUALIFICATIONS

– Dr. Maughon earned a Bachelor's degree in Chemistry from Rice University and a PhD in organic chemistry from the California Institute of Technology.

# BIOGRAPHIES OF MANAGEMENT MEMBERS

CONTINUED



**ABDULRAHMAN SHAMSADDIN**

Executive Vice President  
Shared Services

## CURRENT POSITION

- Mr. Shamsaddin is the Executive Vice President for Shared Services. He is Chairman of Yansab, and also sits on other Boards and Committees.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Prior to his present posting, Mr. Shamsaddin held a number of senior positions at SABIC, including Vice President of Internal Audit.
- During his career, Mr. Shamsaddin played several operational and management roles, covering Process Safety Management, Reliability, Engineering/Project Management, Maintenance and Operations functions in refinery and petrochemical plants.
- He also took up the responsibility of the company's Enterprise Risk Management as General Manager, which encompassed Risk Management, Internal Controls, Business Continuity Management, Global Insurance and Credit Management.



**AHMAD AL SHAIKH**

Executive Vice President  
Manufacturing

## CURRENT POSITION

- Mr. Al-Shaikh is the Executive Vice President for Manufacturing. He is Chairman of the boards of Hadeed and SSTPC and Vice Chairman and board member of Marafiq.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Mr. Al-Shaikh has held a number of senior positions at SABIC, including Vice President of Manufacturing

- He was also a member of SABIC Risk Management's Executive Committee and the Secretary of the SABIC Board Risk & Compliance Committee. He was part of the Corporate Finance Leadership Team and led several projects and global initiatives. As the Company's Chief Audit Executive, he was accountable to the Board Audit Committee for the Corporate Internal Audit.

- In his early professional career, Mr. Shamsaddin served at Saudi Aramco-Exxon Mobil Refinery (SAMREF) with global secondment experiences at refinery and chemical sites. He then joined SABIC as Manufacturing Turnaround Senior Manager at SABIC Manufacturing and was promoted as Manufacturing Services/Planning General Manager. He also served as Operations General Manager at Ibn Rushd and Continuous Improvement General Manager at SABIC Manufacturing Center of Excellence.

## EDUCATIONAL QUALIFICATIONS

- Mr. Shamsaddin holds a Bachelor's Degree in Applied Mechanical Engineering (Hons) from King Fahd University of Petroleum & Minerals (KFUPM), Saudi Arabia.

Center of Excellence, President of Yanpet and President of United. With over 25 years of experience in the oil and petrochemical industries, he has also worked for Saudi Aramco Shell Refinery (SASREF).

## EDUCATIONAL QUALIFICATIONS

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



**OMAR AL-AMOUDI**

Executive Vice President  
Engineering and Project Management

## CURRENT POSITION

- Mr. Al-Amoudi is the Executive Vice President for Engineering and Project Management. He is the Chairman of the boards of Saudi Kayan and ALBA, and a member of the board of Gulf Coast Growth Ventures LLC.

## 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 Petrokemya 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 Ibn Rushd and National Plastic Company.



**ERNESTO OCCHIELLO**

Executive Vice President  
Specialties

## CURRENT POSITION

- Ernesto Occhiello is the Executive Vice President for Specialties.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Mr. Occhiello previously led SABIC Technology & Innovation as its Executive Vice President. He later joined Clariant as Chief Executive Officer.
- Prior to joining SABIC, he served as Global R&D Director of Dow Chemical 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.

## EDUCATIONAL QUALIFICATIONS

- A former professor from the University of Turin in Chemistry of Materials, Mr. Occhiello has co-authored two books, more than 100 scientific papers, and communications to congresses. He is responsible for more than 45 patents and has more than 120 citations in SciFinder. Mr. Occhiello holds a Laurea in Chemistry cum laude from University of Turin.

## EXECUTIVE MANAGEMENT

### EXECUTIVE OWNERSHIP

As at 31 December 2019, the Executive Management had the following shareholdings in SABIC and/or its subsidiaries:

Board Member	Beginning of the year, no. of shares				End of the year, no. of shares				Net change			
	SABIC	SABIC AGRI-NUTRIENTS	Saudi Kayan	Yansab	SABIC	SABIC AGRI-NUTRIENTS	Saudi Kayan	Yansab	SABIC	SABIC AGRI-NUTRIENTS	Saudi Kayan	Yansab
Omar Abdullah Abdulrahman Al-Amoudi			214,200				214,200					
Abdulrahman Saleh Abdulrahman Al-Fageeh				5,000				12,421				+7,421
Samir Ali Al-Abdrabbuh												
Awadh Mohamed Saleh Al-Maker <sup>(1)</sup>												
Abdulrahman Shamsaddin <sup>(2)</sup>												
Abdulaziz Ali Abdulaziz Al-Oudan			70				70					
Ahmad Terais Saad Al-Sheikh			100,000				110,000	6,000				+10,000
Anas Yusuf Kentab	9,000	3,000	10,000	5,000	15,000	12,000	10,000	12,000	+6,000	+9,000		+7,000
Timothy Leveille												
Bob Maughon												
Ernesto Occhiello												

1. Exited the list of senior executives on June 1, 2020.
2. Joined the list of senior executives on June 1, 2020.

## REMUNERATION

The Board, based on the recommendation of the Remuneration and Nomination Committee, shall determine the remuneration of Board members, committee members (both who are and who are not members of the Board), and Senior Executives. In addition, the remuneration is determined according to the conditions set by the Board and in the Remuneration Policy of the Board Members, Committees Members and Executive Management approved by the General Assembly of SABIC's shareholders. A member shall be entitled to the remuneration granted to him according to the foregoing conditions and principles.

### REMUNERATION POLICY

#### OBJECTIVE

The objective of this Policy is to organize remuneration in a manner that attracts board and committee members having appropriate scientific, technical, and managerial expertise; and enable 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 its vision. This is maintained through the Company's remuneration framework for Executive Management that is consistent with the relevant regulations, legislation, and best practices.

#### REMUNERATION PRINCIPLES

Considering the provisions governing the remuneration of members of the Board of Directors and board committees – as stipulated in Companies Law, the Corporate Governance Regulations, the “Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies”, and the Company's By-Laws – remuneration of the members of the Board of Directors, its committees and senior executives, shall be in accordance with the following principles and rules:

##### A. Board and Committee members

- The Board, based on the recommendation of the Remuneration and Nomination 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, act as an incentive for the members to achieve these objectives, and enhance the company's ability to develop and sustain its business.

- The remuneration shall 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 right expertise and qualifications to enhance the company's ability to achieve its objectives.
- The Board of Directors, based on the recommendation of the Remuneration and Nomination Committee, determines the remuneration of the Chairman and its members in the manner it deems appropriate, provided the total remuneration, financial or in-kind benefits and rewards that a member of the Board of Directors receive does not exceed an amount of one million eight hundred thousand (1,800,000) Saudi riyals annually. If the amount exceeds that limit, it must be presented to the General Assembly to decide as it deems appropriate.
- A member of a Board committee (including the Audit Committee), who is not a member of the Board, is entitled to an annual remuneration of SR200,000
- The Company is entitled to claim compensation for damage to its reputation, and recover any paid remuneration, compensation, or other costs it incurred, in the event that the member:
  - Commits an act of dishonesty or breach of trust, forgery, or violation of the laws and regulations of the Kingdom of Saudi Arabia or any other country.
  - Fails to carry out his/her responsibilities and duties resulting in damage to the interest of the company.
  - Membership is terminated by a decision of the General Assembly – for being absent from three consecutive meetings within one year without a legitimate excuse acceptable to the Board.

# REMUNERATION

## CONTINUED

### B. Executive Management

– Based on the recommendation of the Remuneration and Nomination Committee, the Board specifies Executive Management's remuneration according to the following principles:

- 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.

- Should be commensurate with the nature of the company's business and size as well as with the required skills and experience.
- Enables the Company to attract senior executives with skills and qualifications necessary to enable the Company to meet its objectives.
- Should not cause conflict of interest which may adversely impact the Company's interest and ability to achieve its objectives.

### REMUNERATION PAID DURING 2020 (IN SAR)

The aggregate total remuneration paid by SABIC to the members of the Board (including their chairmanship and/or membership Board committees) for the year ended December 31, 2020 is set out below:

Name	Fixed remunerations						Variable remunerations						Total	End of service award	Grand total	Expenditure allowance
	Specific amount <sup>(1)</sup>	Total attendance allowance for Board meetings	Total attendance allowance for Committee meetings	In-kind benefits	Remuneration of technical, administrative and consulting works	Remuneration of the Chairman of the Board, the Managing Director or the Secretary of the Board of Directors	Total	Profit rate	Periodic bonuses	Short-term incentive service	Long-term incentive service	Shares awarded (enter value)				
<b>FIRST: INDEPENDENT MEMBERS</b>																
Dr. Khaled bin Hamza Nahas	400,000	30,000	20,000	0	0	0	450,000	0	0	0	0	0	0	0	450,000	0
Mohammed Ibn Talal Al-Nahas	400,000	30,000	20,000	0	0	0	450,000	0	0	0	0	0	0	0	450,000	0
Nader Ibrahim Al-Wehibi	400,000	30,000	20,000	0	0	0	450,000	0	0	0	0	0	0	0	450,000	0
<b>Total</b>	<b>1,200,000</b>	<b>90,000</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,350,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,350,000</b>	<b>0</b>
<b>SECOND: NON-EXECUTIVE MEMBERS</b>																
Dr. Abdulaziz Saleh Al-Jarbou <sup>(2) &amp; (3)</sup>	291,530	30,000	5,000	0	0	0	326,530	0	0	0	0	0	0	0	326,530	0
Khalid Hashim Al-Dabbagh <sup>(4)</sup>	108,470	15,000	10,000	0	0	0	133,470	0	0	0	0	0	0	0	133,470	0
Rashid bin Ibrahim Sharif <sup>(2) &amp; (3)</sup>	237,283	27,000	5,000	0	0	0	269,283	0	0	0	0	0	0	0	269,283	0
Roberto Gualdoni <sup>(2) &amp; (3)</sup>	291,530	30,000	10,000	0	0	0	331,530	0	0	0	0	0	0	0	331,530	0
Calum MacLean <sup>(2)</sup>	400,000	42,000	15,000	0	0	0	457,000	0	0	0	0	0	0	0	457,000	0
Abdullah M. Al-Issa	400,000	30,000	20,000	0	0	0	450,000	0	0	0	0	0	0	0	450,000	0
Ziad Thamer Al-Murshed <sup>(4)</sup>	108,470	15,000	20,000	0	0	0	143,470	0	0	0	0	0	0	0	143,470	0
Olivier Gerard Thorel <sup>(4)</sup>	108,470	15,000	10,000	0	0	0	133,470	0	0	0	0	0	0	0	133,470	0
<b>Total</b>	<b>1,945,753</b>	<b>204,000</b>	<b>95,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,244,753</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,244,753</b>	<b>0</b>
<b>THIRD: EXECUTIVE MEMBERS</b>																
Yousef Abdullah Al-Benyan <sup>(2)</sup>	400,000	45,000	15,000	0	0	0	460,000	0	0	0	0	0	0	0	460,000	0
<b>Total</b>	<b>400,000</b>	<b>45,000</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>460,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>460,000</b>	<b>0</b>

Important Note:

1. The Specific amount is the annual remuneration determined for membership of the Board of Directors for the years 2019 and 2020. The amount for the year 2019 was disbursed after the approval of the General Assembly held in April 21, 2020.
2. Members of the Board of Directors representing the government will have their annual remuneration amounts – covering their membership of the Board of Directors and the allowance for attending the Board meetings – paid to the account of the Public Investment Fund for the period of their representation. The allowance for their attendance of the Board meetings covers that of 2019 and 2020.
3. Members who resigned from Board on June 16, 2020.
4. Members who joined the Board on June 16, 2020

# REMUNERATION

## CONTINUED

Remuneration of committee members for the year ended December 31, 2020 is set out below:

Committee	Fixed remunerations (excluding session attendance allowance)	Meeting attendance allowance	Total
<b>AUDIT COMMITTEE MEMBERS</b>			
Abdulaziz Habdan Alhabdan (Member from outside the Board of Directors)	200,000	40,000	240,000
Abdullah M. Al Issa	0	15,000	15,000
Nader Ibrahim Al-Wehibi	0	15,000	15,000
Khaled Dawood Al Fadag (Member from outside the Board of Directors)	200,000	40,000	240,000
<b>Total</b>	<b>400,000</b>	<b>110,000</b>	<b>510,000</b>
<b>REMUNERATIONS AND NOMINATIONS COMMITTEE MEMBERS</b>			
Khaled bin Hamza Nahas	250,000	15,000	265,000
Mohammed Ibn Talal Al-Nahas	250,000	15,000	265,000
Roberto Gualdoni <sup>(5)</sup>	114,413	10,000	124,413
Ziad Thamer Al-Murshed <sup>(6)</sup>	135,587	10,000	145,587
<b>Total</b>	<b>750,000</b>	<b>50,000</b>	<b>800,000</b>
<b>INVESTMENT COMMITTEE MEMBERS</b>			
Abdulaziz Saleh Al-Jarbou <sup>(5)</sup>	114,413	5,000	119,413
Khalid Hisham Al-Dabbagh <sup>(6)</sup>	135,587	10,000	145,587
Yousef Abdullah Al-Benyan	250,000	15,000	265,000
Abdullah M. Al-Issa	250,000	5,000	255,000
Khaled bin Hamza Nahass	0	5,000	5,000
Rashid bin Ibrahim Sharif <sup>(5)</sup>	114,413	5,000	119,413
Ziad Thamer Al-Murshed <sup>(6)</sup>	0	10,000	10,000
<b>Total</b>	<b>864,413</b>	<b>55,000</b>	<b>919,413</b>
<b>RISK AND SUSTAINABILITY COMMITTEE MEMBERS</b>			
Calum MacLean	250,000	15,000	265,000
Mohammed Ibn Talal Al-Nahas <sup>(5)</sup>	0	5,000	5,000
Nader Ibrahim Al-Wehibi	250,000	5,000	255,000
Olivier Gerard Thorel <sup>(6)</sup>	135,587	10,000	145,587
<b>Total</b>	<b>635,587</b>	<b>35,000</b>	<b>670,587</b>

Important Note:

5. Members who resigned on June 16, 2020.

6. Members who joined the Committee on June 16, 2020.

The aggregate total remunerations paid by SABIC to five executives who received the highest remuneration, including the CEO and CFO, for the year ended December 31, 2020 are as below:

Senior Executives	Fixed remunerations				Variable remunerations							Total	End of service benefits	Total remunerations for Board	Total aggregate amount
	Salaries	Allowances	In-kind Benefits	Total	Periodic Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)							
<b>Total (SAR)</b>	13,899,874	5,504,793	407,472	19,812,139	-	-	7,076,119	12,116,906	-	19,193,025	-	445,000	<b>39,450,164</b>		

**Note:** SABIC discloses the remuneration of the executives in accordance with paragraph B of Article 60 of the Rules on the Offer of Securities and Continuing Obligations.

# INTERNAL AUDIT AND COMPLIANCE

## INTERNAL AUDIT

The Internal Audit Department carried out planned audits in accordance with the agreed schedule and changes required during the year, as approved by the Board Audit Committee to evaluate, objectively and independently, the adequacy and effectiveness of Internal Control Systems. Furthermore, Internal Audit participated in some special assignments, including, for instance, reviews of compliance with company's policies with the Compliance Team.

SABIC's Internal Audit Department reports functionally to Board Audit Committee and administratively to Vice Chairman/Chief Executive Officer. In carrying out its duties, the Department has full access to SABIC's sites around the world, information, documents and employee-related issues. The Internal Audit Department operates in accordance with International Internal Auditing Standards (IIA Standards) as confirmed by External Quality Assurance & Improvement assessment. Furthermore, Internal Audit maintains an internal quality assurance and improvement program, covering all aspects of the internal audit activities, to evaluate and continuously improve these activities.

- Throughout 2020, Internal Audit Department regularly issued audit progress reports the Board Audit Committee during the year covering the audit plan progress, audit activities / observations, progress on internal audits' outcome and overall update / view on internal controls effectiveness and related subjects. During 2020, the Internal Audit continued its significant progress made in closing and verifying audit findings along with strengthening the follow-up / closure process.
- The Internal Audit Department continued to pursue the IA Strategy in 2020, with impactful outcome. The four strategic pillars of the IA Department are Audit Functional Excellence, Stronger 3-Lines of Assurance, Broader Technology / Data Analytics; and Talents Focus, which enabled conducting deeper, smarter and faster audits with tangible influence on Governance, Internal Controls & Risk Management across SABIC's Corporate Functions and Regions. The Department is committed to continuous improvement through the role of dedicated Audit Expertise Center.

- The Internal Audit Department's focus on human capabilities remains to be top priority; attracting and developing talents and equip them with required skills and qualifications to perform the audit activities in effective manner. In 2020, pronounced progress was made in the area of IIA Certifications, whereby a number of auditors added more certifications through a structured preparation program with technical coaching through a third party organization.
- Promoting the 3 Lines of Assurance (3 LOA) model across the company; the IA Leadership team initiated structured engagement sessions with the Company Leadership teams proactively sharing key risks and focus internal control themes to watch for and enhance.
- The Certified External Auditor, Ernst & Young was assigned to audit the accounts of the company for 2020 in addition to reviewing the Internal Control System within the scope of its review of the final financial statements of the company. SABIC Internal Audit kept an active collaboration with the External Auditor, in line with the recognized audit standards, to help fulfilling both missions and adding greater value to the organization.

## AUDIT COMMITTEE OPINION

As on December 31, 2020, based on the Executive Management submissions and the auditor's reports, the Committee is of the opinion that the Executive Management has maintained an effective internal control system that provides appropriate assurances, and that the results of the auditing and the Audit Committee meeting's discussions, have provided reasonable grounds 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. The SABIC Code of Ethics governs how all employees interact with business partners, officials, colleagues and the community. The Code of Ethics can be found at <https://www.sabic.com/en/about/our-compliance-culture/sabic-codeof-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 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, and special training 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, with training materials and formats being updated regularly.

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

We encourage employees to report any compliance concerns, and we encourage them to inquire and ask for guidance if there is any doubt. Employees can report to their manager, human resources, the legal department, communicate with global compliance support lines, or through a 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.

We continued this activity in 2020 through our support to the B20 Integrity and Compliance Taskforce developing key recommendations for enhanced programs and initiatives combatting anti-corruption worldwide. In 2020, one of the B20 policy recommendations to the G20 is to pursue a culture of high integrity in the public and private sectors, including through empowering women to more fully participate in the fight against corruption. SABIC brought this recommendation to life by developing anti-corruption training and mentoring specifically tailored to women in multinational companies (MNCs), Small and Medium Enterprises (SMEs) and female entrepreneurs. This project drew upon the substantial expertise of B20 member companies to build capacity amongst women in their supply chains to contribute to the mitigation of corruption-related risks. By adding our voice to 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.

At the end of 2019, SABIC was awarded the prestigious Compliance Leader Verification status by Ethisphere Institute, a global leader in defining and advancing standards of ethical business practices. The recognition follows Ethisphere's comprehensive independent review, evaluation, and validation of SABIC's Ethics and Compliance program. This permits SABIC to display the Ethisphere Compliance Leader Verification logo through 2021 as a recognition of the excellence of SABIC's Ethics and Compliance program and its work in building a Culture of Integrity.

## RELATED PARTY TRANSACTION

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 our Shared Services function, provides accounting, human resources, information technology, and engineering services to affiliates under an agreement signed with them.

SABIC's Legal Affairs, Enterprise Risk Management and Internal Audit departments are designed to safeguard the interests of all SABIC stakeholders, including customers, employees and shareholders, and to manage SABIC's risks in a way that promotes our 2025 goal of becoming the world's preferred leader in chemicals.

The SABIC Legal Department, protects the 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 in the jurisdictions where we operate. .

Enterprise Risk Management focuses on ensuring a risk mindful culture, addressing key business interruption risks, ensuring a comprehensive consolidated insurance program and improving our data and process governance structure.

Internal Audit performs operational review of all aspects of activities in sectors and departments of SABIC and affiliates inside and outside Saudi Arabia. In addition, our 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 relevant laws and regulations.

## DECLARATIONS BASED ON CORPORATE GOVERNANCE REGULATIONS

### BOARD OF DIRECTORS DECLARATIONS

The Board of Directors acknowledges the following:

- The accounting records were properly prepared.
- The internal control system was founded on a sound basis and implemented effectively.
- There are no doubts about the company's ability to continue business.

### COMPANY DECLARATIONS

The company acknowledges the following:

- The Company applies all the provisions contained in the Corporate Governance Regulations issued by the Capital Market Authority (CMA), except the provisions quoted below (1) :

Article /Clause no.	Provision of Article/Clause	Reason
Article 54: Audit Committee Formation, Clause B	The chairman of the audit committee shall be an independent member	The Board of Directors is of the opinion that the formation of the Audit Committee from four members, including one independent member of the Board of Directors and two members from outside the Board, is capable to achieve the 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 charter.
Article 95: Formation of a Corporate Governance Committee	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 once annually.	Based on Article 50 of the Corporate Governance Regulations, which stipulates that the Board of Directors shall form specialized committees, based on the need and circumstances of the company, in a manner that enables it to perform effectively, the Board of Directors does not see a need to form a specialized committee on "corporate governance". When the Board and all its existing committees, carry out their duties and achieve their objectives, they do inherently realize the corporate governance function and objectives.

- 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 2020.
- Financial Statements 2020 are prepared according to the standards approved by the Saudi Organizations 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 is no 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.

# APPENDIX



DETAILS OF AFFILIATES, JVS, ASSOCIATED  
COMPANIES IN THE FINANCIAL STATEMENTS 136

## DETAILS OF AFFILIATES, JOINT VENTURES AND ASSOCIATED COMPANIES IN THE FINANCIAL STATEMENTS, WHERE APPROPRIATE

### AFFILIATES

No.	Affiliate Name	Percentage of ownership Direct or indirect	Main activity	Country of operation	Country of foundation	capital in SAR
1	SABIC Industrial Investments Co. (SIIC) and its subsidiaries	100%	Establishment of metal, petrochemical, chemicals and fertilizer plants	Middle East and North Africa	Saudi Arabia	300,000,000
2	SABIC Luxembourg S. A. R. L. its subsidiaries	100%	Operation of major petrochemical complexes, production and sale of hydrocarbon products, innovative plastics, polymers and chemicals	Europe, America and Asia	Luxembourg	34,387,500
3	Arabian Petrochemical Company (PETROKEMYA)	100%	Operation of complex to produce olefins, derivatives and polymers	Saudi Arabia	Saudi Arabia	1,955,540,000
4	Saudi Iron & Steel Company (HADEED)	100%	Manufacture of long and flat steel products	Saudi Arabia	Saudi Arabia	1,070,000,000
5	SABIC Investment and Local Content Development (NUSANED)	100%	Involve in promoting local business and provides financial and non-financial support.	Saudi Arabia	Saudi Arabia	10,000,000
6	SABIC Agri-Nutrients Investment Company (SANIC)	100%	Facilitate the restructuring transaction of Agri-Nutrients business.	Saudi Arabia	Saudi Arabia	25,000
7	SABIC Supply Chain Services Limited Company (SSCS)	100%	Carry out all works and operations related to logistics, transport, distribution, warehousing, shipping, export, unloading and loading networks.	Saudi Arabia	Saudi Arabia	500,000
8	Saudi European Petrochemical Company (IBN ZAHR)	80%	Operation of a Complex for manufacture of methyltethyl butyl ether (MTBE) and polypropylene	Saudi Arabia	Saudi Arabia	1,025,666,000
9	Jubail United Petrochemical Company (UNITED)	75%	Operation of a major petrochemical complex for the production of ethylene, polyethylene, ethylene glycol and linear alpha olefins	Saudi Arabia	Saudi Arabia	2,495,620,000
10	National Chemical Fertilizers Company (IBN AL-BAYTAR)	71.50%	Production of chemical fertilizers	Saudi Arabia	Saudi Arabia	494,700,000
11	National Industrial Gases Co (GAS)	70%	Production of industrial gases and supply to different industries	Saudi Arabia	Saudi Arabia	248,000,000
12	Yanbu National Petrochemical Company (YANSAB)	51.95%	Operation of petrochemical complex for the production of ethylene, propylene, polyethylene LDPE, HDPE, glycol ethylene, polypropylene, and methyl tertiary butyl ether, and a mixture of aromatic compounds, butane 1, butane 2, thermal gasoline, styrene and methanol	Saudi Arabia	Saudi Arabia	5,625,000,000

### AFFILIATES (CONTINUED)

No.	Affiliate Name	Percentage of ownership Direct or indirect	Main activity	Country of operation	Country of foundation	capital in SAR
13	Saudi Methanol Co (AR-RAZI)	75%	Processes for developing, creating, owning and operating chemical methanol complex industry	Saudi Arabia	Saudi Arabia	259,000,000
14	Al Jubail Fertilizer Co (AL-BAYRONI)	50%	Build, develop and operate petrochemical complex, which produces urea, ammonia gas, ethyl hexanol, and Dioctyl phthalate	Saudi Arabia	Saudi Arabia	671,500,000
15	National Methanol Company (IBN SINA)	50%	Operation of petrochemical complex, to produce methanol, methyl tertiary-butyl ether (MTBE)	Saudi Arabia	Saudi Arabia	558,000,000
16	Saudi Methyl Acrylate Company (SAMAC)*	50%	Production of methyl methacrylate and polymethyl methyl methacrylate	Saudi Arabia	Saudi Arabia	1,350,000,000
17	Arabian Industrial Fibers Company (IBN RUSHD)	48.07%	Production of aromatic components and derivatives and a pure terephthalic acid, acetic acid, polyethylene terephthalate	Saudi Arabia	Saudi Arabia	2,000,000,000
18	SABIC Agri-Nutrients Company	42.99%	Manufacturing and marketing of urea and ammonia	Saudi Arabia	Saudi Arabia	4,166,666,660
19	Saudi Kayan Petrochemical Company (SAUDI KAYAN)	35%	Investment in industrial projects, including petrochemicals, owning and constructing supporting industrial ventures feeding raw materials to company activities and facilities	Saudi Arabia	Saudi Arabia	15,000,000,000
20	Saudi Speciality Chemicals Company (SPCHEM)	100%	Manufacturing and selling of Thermo Plastic Olefins and engineering Thermo Plastic.	Saudi Arabia	Saudi Arabia	220,000,000
21	Saudi Organometallic Chemicals Company (SOCC)	100%	Produces and markets Tri-Ethyl Aluminum and Diethyl aluminum Chloride and Ethyl aluminum Sesqui chloride and other products formed by blending of these products.	Saudi Arabia	Saudi Arabia	90,000,000
22	SABIC Industrial Catalyst Company (SABCAT)**	100%	Develop, build, own, operate and maintain plants to produce polymers, methanol, ethylene glycol, butene and other products	Saudi Arabia	Saudi Arabia	500,000
23	Saudi Carbon Fiber Company (SCFC)**	100%	Development, construction, ownership, operation and maintenance of plants to produce carbon fiber and acrylic fibers.	Saudi Arabia	Saudi Arabia	500,000
24	Saudi Japanese Acrylonitrile Company (SHROUQ)**	100%	Production of ACN and sodium cyanide	Saudi Arabia	Saudi Arabia	171,227,500

\*SAMAC accounted as a Joint Operation.

\*\* SABCAT, SCFC and SHROUQ are under liquidation.

## DETAILS OF AFFILIATES, JOINT VENTURES AND ASSOCIATED COMPANIES IN THE FINANCIAL STATEMENTS, WHERE APPROPRIATE

CONTINUED

### JOINT VENTURES AND ASSOCIATED COMPANIES

No.	Name of associate	Percentage of ownership	Main activity	Country of operation	Country of foundation	Capital in SAR
1	Gulf Petrochemical Industries Company (GPIC)	33.33%	Manufacturing of petrochemical products	Bahrain	Bahrain	600,000,000
2	Gulf Aluminium Rolling Mills Company (GARMCO)	30.40%	Manufacturing and production of aluminum	Global	Bahrain	386,843,998
3	Ma'aden Phosphate Company (MPC)	30%	Operation of complex for the production of phosphate and fertilizers	Saudi Arabia	Saudi Arabia	6,208,480,000
4	Power and Water Utility Company in Jubail and Yanbu (Marafiq)	24.81%	Maintenance, management and implementation of saline water cooling and treatment systems	Saudi Arabia	Saudi Arabia	2,500,000,000
5	Bahrain Aluminum Company (Alba)	20.62%	manufacturing and production of Aluminum	Bahrain	Bahrain	1,420,000,000
6	National Chemical Carrier Company (NCC)	20%	Purchase, chartering and operation of petrochemical carriers (carriers and ships)	Saudi Arabia	Saudi Arabia	610,000,000
7	Ma'aden Wa'ad Al Shamal Phosphate Company (MWSPC)	15%	Operation of complex for the production of phosphate and fertilizers	Saudi Arabia	Saudi Arabia	7,942,501,875
8	Saudi Arabian Industrial Investment Company (Dussur)	25%	Investment in downstream industries	Saudi Arabia	Saudi Arabia	2,000,000,000
9	Clariant AG (CLARIANT)	31.50%	Manufacturing of specialty chemical products	Global	Switzerland	4,680,069,491
10	Cosmar Inc.	50%	Manufacturing of petrochemical products	USA	USA	910,994,588
11	ARG mbH & Co KG	25%	exploration of an Ethylene pipeline	Germany, The Netherlands, Belgium	Germany	28,585,875
12	Saudi Acrylic Butanol Company (SABUCO)	33.33%	Production of butanol and Isobutanol	Saudi Arabia	Saudi Arabia	486,000,000
13	SABIC Plastic Energy Advanced Recycling BV	50%	plastic waste to pyoil demonstration plant	the Netherlands	the Netherlands	2,305,312.5
14	Sinopec SABIC Tianjin Petrochemical Co., Ltd.	50%	Production and sale of petrochemical products	China	China	5,342,884,154
15	SABIC SK NEXELIN ltd.	50%	Operation of complex to produce low linear density polyethylene	Singapore	South Korea	1,125,037,500
16	Saudi Yanbu Petrochemical Company (YANPET)	50%	Operation of petrochemical complex to produces ethylene, glycol ethylene, polyethylene, polypropylene, propylene, thermal gasoline	Saudi Arabia	Saudi Arabia	4,596,000,000
17	Eastern Petrochemical Company (SHARQ)	50%	Operation of petrochemical complex to produce glycol ethylene, linear low density, high density polyethylene, and olefins plant	Saudi Arabia	Saudi Arabia	1,890,000,000
18	Al-Jubail Petrochemical Company (KEMYA)	50%	Operation of ethylene cracker and polyethylene, propylene, rubber plants	Saudi Arabia	Saudi Arabia	2,149,200,000

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

(Note: Debt instruments do not include internal loans among companies that were excluded for consolidating the financial statements)

No.	Affiliate name	No. of shares and nominal value	Debt instruments in SAR '000
1	SABIC Industrial Investments Co. (SIIC) and its affiliates	300,000 shares, SR 1,000 each	1,863,823
2	SABIC Luxembourg S. A. R. L. and its affiliates	262,000 shares, SR 131.25 each	17,739,317
3	Arabian Petrochemical Company (PETROKEMYA)	195,554 shares, SR 10,000 each	702,997
4	Saudi Iron & Steel Company (HADEED)	1,070,000 shares, SR 1,000 each	654,695
5	Saudi-European Petrochemical Company (IBN ZAHR)	1,025,666 shares, SR 1,000 each	93,045
6	Jubail United Petrochemical Company (UNITED)	2,495,620 shares, SR 1,000 each	631,054
7	National Chemical Fertilizers Company (IBN AL-BAYTAR)	494,700 shares, SR 1,000 each	128,706
8	National Industrial Gases Co (GAS)	248,000 shares, SR 1,000 each	845,262
9	Yanbu National Petrochemical Company (YANSAB)	562,500,000 shares, SR 10 each	140,453
10	Al Jubail Fertilizer Co (AL-BAYRONI)	13,430 shares, SR 50,000 each	43,665
11	National Methanol Company (IBN SINA)	5,580 shares, SR 100,000 each	889,933
12	Arabian Industrial Fibers Company (IBN RUSHD)	200,000,000 shares, SR 10 each	3,323,693
13	Saudi Arabian Fertilizer Company (SAFCO)	416,666,666 shares, SR 10 each	113,318
14	Saudi Kayan Petrochemical Company's (SAUDI KAYAN)	1,500,000,000 shares, SR 10 each	16,849,772
15	Saudi Methyl Acrylate Company (SAMAC)	135,000,000 shares, SR 10 each	994,712
16	SABIC Supply Chain Services Limited Company (SSCS)	50,000 shares, SR 10 each	28,963
17	Saudi Speciality Chemicals Company (SP.CHEM)	2,200,000 shares, SR 100 each	4,676
18	International Shipping and Transportation Co. (ISTC)	40,000 shares, SR 1,000 each	516,505
19	SABIC Terminal Services Company (SABTANK)	300,000 ordinary shares, SR 100 each	41,577
20	Sabic Investment and Local Content Development Company (NUSANED)	1,000,000 shares, SAR 10 each	1,333
21	Saudi Methanol Company (AR-RAZI)	25,900,000 shares of SR 10 each	115,586



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Global Headquarters  
PO Box 5101  
Riyadh 11422  
Saudi Arabia  
T +966 (011) 225 8000  
F +966 (011) 225 9000  
E [info@SABIC.com](mailto:info@SABIC.com)

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