

# CONFLICT OF INTEREST POLICY

DECEMBER 2018

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## Preamble:

Saudi Basic Industries Corporation (SABIC) recognizes the probability that a direct or an indirect conflict may occur between the personal interests of a) the Board of Directors members, b) members of the Board of Directors committees c) Substantial Shareholders, d) the executive management or e) any other employees of the Company -while he/she is practicing any social or financial activities- and his/her objectivity and/or loyalty to the Company, which may create Conflicts of Interests.

Therefore, the Company aims at maintaining its Stakeholders' trust by limiting the cases of Conflicts of Interest in the businesses, transactions and contracts executed in favor of the Company by regulating the Company's relationship with the Related Parties. Moreover, the Company strives to control the use of its resources and assets for realizing its mission, achieving its objectives, and uncovering any case of conflict between Related Parties' personal interests and the interests of the Company.

Accordingly, the Company's Board of Directors has approved the Policy for dealing with the Conflicts of Interest and the Related Parties' transactions in compliance with the Companies' Law, Capital Market Authority (CMA) Law and all other relevant laws and regulations.

## Definitions:

The words and expressions mentioned in this Policy shall have the meanings set forth in the Corporate Governance Regulations issued by Saudi CMA. Furthermore, the words and expressions herein shall have the meanings appearing opposite to them unless it is otherwise required by the context:

**The Company:** Saudi Basic Industries Corporation (SABIC).

**Board of Directors:** SABIC Board of Directors.

**Audit Committee:** The Audit Committee appointed SABIC's General Assembly.

**Substantial Shareholders:** any person who owns (5%) or more of the shares of the Company or voting rights therein

**Policy:** This Conflicts of Interest Policy.

**CMA:** The Capital Market Authority in the Kingdom of Saudi Arabia.

**Conflicts of Interest:** The situations in which a person has or is likely to have a direct or indirect interest or relationship with any matter being looked into by such person for taking an action or decision on such matter. Whereby such interest or relationship prevents or is believed to prevent such person from expressing their opinion or taking an action independently, neutrally, impartially and without consideration to such interest or relationship. This concept also applies to all methods and ways of exploiting the property, information and opportunities of the Company (regardless of whether the Company intends or does not intend to benefit from such property, information and opportunities).

The concept of Conflicts of Interest may include, but not limited to, the following:

- Establishing a company or a sole proprietorship or owning shares or stocks in a company or any other enterprise engaged in business activities that are similar to the activities of the Company or its group.
- Accepting membership in the Board of Directors of a company or an enterprise of any form that is competing with the Company or its group; or managing the affairs of such competing company.

### Related Parties:

A) Substantial Shareholders of the Company.

B) Board members of the Company or any of its affiliates and their relatives.

C) Senior Executives of the Company or any of its affiliates and their relatives.

D) Board members and Senior Executives of Substantial Shareholders of the Company.

E) Entities, other than companies, owned by a Board member or any Senior Executive or their relatives.

G) Companies in which a Board member or a Senior Executive or any of their relatives is a partner.

I) Companies in which a Board member or a Senior Executive or any of their relatives is a member of its Board of directors or is one of its Senior Executives.

K) Joint stock companies in which a member of the Board or a Senior Executive or any of their relatives owns (5%) or more, subject to the provisions of paragraph (D) of this definition.

N) Companies in which a Board member or a Senior Executive or any of their relatives has influence on their decisions even if only by giving advice or guidance.

P) Any person whose advice or guidance influences the decisions of the Company, the Board and the Senior Executives.

R) Holding companies or affiliates.

Advice or guidance that is provided on a professional basis by a person licensed to provide such advice shall be excluded from the provisions of paragraphs (N) and (P) of this definition.

## Scope and Applicability:

This policy complements, and does not replace, the Saudi Arabian legislations and laws governing the Conflicts of Interest as well as the Bylaws of the Company and the Corporate Governance Regulations. This Policy applies to all Related Parties including the members of committees emanating from the Board of Directors (Board committees)

## General Provisions:

All parties governed by the provisions of this Policy shall adhere to the following:

- 1 To read this Policy and abide by its provisions, appendices and any updates thereto;
- 2 To read the Code of Ethics of the Company and abide by its provisions and any updates thereto;
- 3 To refrain from using the job position for achieving personal interests, undertake works and obligations towards the Company in an independent way that is free of any actual or potential conflict between his/her personal interest and the interest of the Company, and always give priority to the interests of the Company over any other interests, in accordance with the requirements of this Policy;
- 4 To avoid situations involving Conflicts of Interest;
- 5 Not to misuse the assets, facilities and properties of the Company;
- 6 To maintain confidentiality of non-public or confidential information and not to reveal such information or use them to achieve personal gains;
- 7 To refrain from benefiting (directly or indirectly) from any relations with the Company, or from the investment opportunities presented to the Company, for achieving any private interests or personal gains.
- 8 In accordance with CMA regulations, a Board Member may not have any direct or indirect interest in the transactions and contracts concluded in favor of the Company unless authorization is obtained from the Ordinary General Assembly of the Company prior to the commencement of any acts that may result in a Conflict of Interest. Such Board Member shall abstain from participating in the relevant deliberations and voting on the resolution adopted on the transaction or contract being looked into. The foregoing prohibition applies to resigning Board members who directly or indirectly take advantage of the investment opportunities that the Company intends to benefit from and which became known to the said resigning Board Member in his/her capacity as a member during the period of his/her membership in the Board;
- 9 The remaining Related Parties shall not have any direct or indirect interest in the transactions and contracts executed for the account of the Company unless prior authorization thereto is obtained from the Board of Directors. However, it is conditional that such authorization shall be renewed with

respect to any amendment or renewal occurring in such contracts and transactions and that the Related Parties shall not have any vote on the resolution adopted by the Company on the transaction or the contract being looked into;

A Related Party shall notify the Board in writing with the situations involving Conflicts of Interest, which are likely to affect that Party's impartiality or neutrality prior to the commencement of any acts that may result in a conflict of interest. Such notification shall be recorded in the Board meeting;

- 10 A Board Member shall not engage in a business that may compete with the Company. The Board Member shall not be a manager or a Board Member in a company competing with the Company or practicing the same business activity of the Company; nor shall the Board Member trade in a sub-branch of the Company's business activity unless an authorization thereto is obtained from the Ordinary General Assembly in accordance with the regulations set forth by (CMA) in this regard.
- 11 The remaining Related Parties shall not engage in a business that may compete with the Company and shall not be managers or Board Members in a company competing with the Company or practicing the same business activity of the Company. Moreover, they shall not trade in a sub-branch of the Company's business activity unless a prior authorization thereto is obtained from the Board of Directors provided that such authorization shall be renewed with respect to any amendment or renewal occurring in the relevant contracts and transactions.

### Overseeing the Implementation of the Conflicts of Interest Policy:

- 1 The Board of Directors shall construe, oversee and ensure the enforcement of this Policy and shall ensure compliance therewith and introduce required amendments thereto;
- 2 The Audit Committee shall review all the situations and transactions that the Company plans to undertake with any Related Parties, and shall provide its views and recommendations on such situations and transactions to the Board of Directors.
- 3 The Board of Directors may form ad hoc committees or assign a Board committee to look into the issues and situations involving probable Conflicts of Interest and shall observe the independence of such committees;
- 4 The Remuneration and Nomination Committee shall ensure on annual basis the independence of the Independent Directors;
- 5 The interests of a person shall not be deemed in conflict with the Company's interests unless the Company's Board of Directors decides that the person's case involves a Conflict of Interests with respect to the Company's transactions with third parties or the transactions of the members of the Company's Board and executive management. However, the interested member shall have no vote on the adopted resolution and the Chief Executive Officer (CEO) shall be the authorized signatory with respect to the decisions pertaining to the Company's employees;
- 6 The Board of Directors may take action appropriate to its own discretionary authority on a case-by-case basis for absolving a person from liability for the Conflicts of Interest which may occur by accident from time to time within the course of the person's usual activities and decisions, or which may occur within the course of the person's work at the Company; whether with respect to financial interests or issues preventing that person from carrying out his/her duties in the optimum manner and to the best interest of the Company;
- 7 When the Board of Directors determines that some situations involve a Conflict of Interest, the party with the conflicting interest shall correct his/her situation, comply with all procedures to be decided by the Board of Directors and abide by the relevant governing procedures;
- 8 The Company shall have the right to penalize any employee violating this Policy in accordance with the approved disciplinary policies. Additionally, the Company is entitled to report any violator of this Policy to the relevant authorities claiming compensation for any damages resulting from non-compliance with this Policy;

- 9 In compliance with the Companies' Law, the CMA Regulations and the Company's Disclosure Policy, the Company's Board of Directors shall notify the CMA and the public audience with the contracts or transactions executed by the Company with a Related Party.