

CHEMISTRY THAT MATTERS™

سابك  
sabik

# TOWARD A VIBRANT FUTURE

ANNUAL REPORT 2019



رؤية  
2030  
المملكة العربية السعودية  
KINGDOM OF SAUDI ARABIA



**King Salman bin Abdulaziz Al Saud**

The Custodian of the Two Holy Mosques

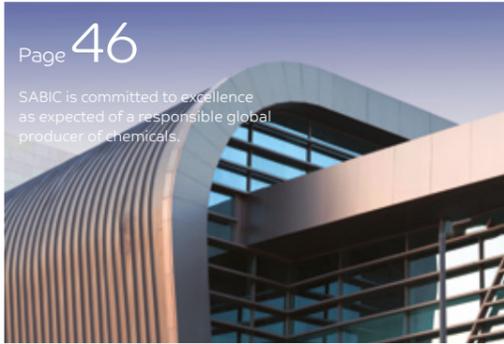


His Royal Highness

**Prince Mohammed bin Salman bin Abdulaziz Al Saud**

Crown Prince, Deputy Premier and Minister of Defense

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# AT A GLANCE

Headquartered in Riyadh, Saudi Arabia, SABIC employs more than 33,000 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



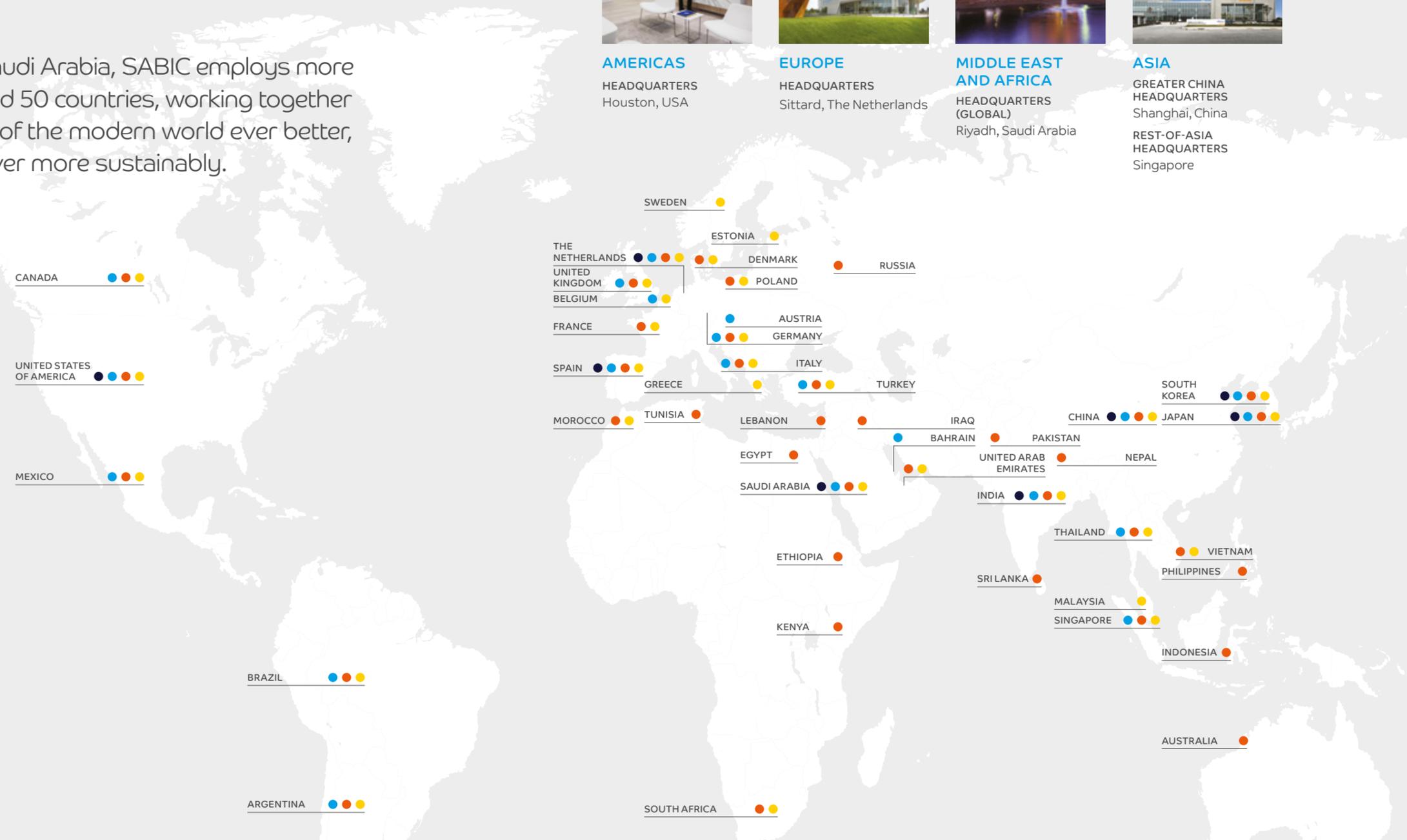
**EUROPE**  
HEADQUARTERS  
Sittard, The Netherlands



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



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



NET INCOME (SAR)

5.6 bln

ASSETS (SAR)

310 bln

SALES (SAR)

140 bln

PRODUCTION (METRIC TONS)

72.6 mln



33,000+

employees around the world



12,540

patent portfolio



A+/stable/A1

highest standalone credit rating



Top 3

chemical brand value

## INSIGHTS FROM LEADERSHIP



Through sound strategic planning and a strong commitment to excellence from our management, our global employees, and all other stakeholders, we continued to maintain profitability and sustain the pace of our global transformation.

**DR. ABDULAZIZ SALEH ALJARBOU**  
Chairman

Being part of a cyclical industry, we faced a challenging market landscape in 2019. However, such challenges are not new to SABIC. Our strategy is geared towards stable and long-term growth, and enables us to remain resilient to the headwinds.

Our annual performance demonstrates our long-standing ability to respond to market uncertainties, while we continue to plan ahead for the future, with the strength of our global scale and our customer-focused investments that help drive sustainability and innovation.

Our transformation program is designed to make substantial contributions to our bottom line, while delivering our 2025 ambitions with optimal levels of capital investment. To achieve this, we continued developing our leadership and talent, building our global brand, and helping advance Saudi Arabia's development agenda.

To sustain our winning formula into the future, we understand the need to invest smartly to help us become more competitive. That is why we have been pursuing this strategy across our global operations.

In the US, we have broken ground on our Gulf Coast Growth Ventures joint venture project with ExxonMobil.

In Europe, we have placed an increased focus on our assets, enhancing our structural competitiveness and improving operational performance.

In Asia, we have carefully reshaped and recalibrated our operations to better address customers' current and future needs. Our two dedicated hubs – Greater China and Rest of Asia – can now deliver more intuitive and localized services.

All in all, we are investing across our business to leverage the advances of global digitalization technologies and ensure we remain competitive.

We are also responding to the structural challenges in the global marketplace by restructuring our businesses, driving cost discipline and increasing growth.

SABIC is already seeing the positive gains of change – for instance, through the successful reorganization project for our Agri-Nutrients business. This has effectively streamlined operations, maintenance and project execution.

SABIC has also maintained its momentum to enable Saudi Vision 2030 by helping stimulate the national economy and local content. Our Nusaned™ program is our local content initiative designed to promote growth, diversification and job creation toward achieving the Vision. Our global partnerships and presence in more than 50 countries around the world helps attract investments and bring in international expertise. These efforts contribute to enhancing the capabilities of local industries to compete and grow globally. SABIC is also helping raise the level of exports, achieve trade balance, and drive GDP growth.

Acknowledging our excellence in Investor Relations activities, Institutional Investor recognized us for “Best Investor Relations Program in Chemicals” covering the emerging Europe, Middle-East and Africa regions.

We launched a global brand campaign in 2019, connecting our vision and purpose to real world benefits. Earlier in the year, Brand Finance magazine ranked our brand as the third most valuable among the world's chemical companies, making us among the top 500 global brands – a matter of tremendous pride to all of us.

As SABIC's future growth and development is largely dependent on creating solutions for the major issues facing society today and tomorrow, we remain committed to providing successful, sustainable solutions that create value for global communities as well as generate growth for our business. We have developed circular solutions with chemically recycled mixed plastic waste, and in January 2019, we joined the newly formed global organization, Alliance to End Plastic Waste, as a founding member.

SABIC also maintained its pace of investments in people and talent development to help our customers and partners navigate the shifting and unpredictable global macroeconomic environment, help solve society's challenges, and drive sustainable development – as we move **toward a vibrant future**.

We have adopted a realistic approach for 2020 in the face of a slowing global economy and volatility in oil and petrochemical product prices. As our history has demonstrated time and again, we are confident of growing our brand and shaping our future growth and competitiveness – and continue delivering ‘**Chemistry that Matters™**’.

Our transformation program is designed to make substantial contributions to our bottom line, while delivering our 2025 ambitions with optimal levels of capital investment. To achieve this, we continued developing our leadership and talent, building our global brand, and helping advance Saudi Arabia's development agenda.

## INSIGHTS FROM LEADERSHIP CONTINUED



We have demonstrated once again that we can maintain our position as a successful and leading global player in the chemical industry, and continue to drive performance for our shareholders.

**YOUSEF ABULLAH AL-BENYAN**

Vice Chairman and Chief Executive Officer

Our success in 2019 can be attributed to the strong support from our key stakeholders, loyalty of our customers, and commitment to excellence by our global employees.

We posted a net income of SAR 5.6 billion in 2019, sales of SAR 139.7 billion, while production reached 72.6 million metric tons.

The petrochemical industry, including SABIC, was impacted in 2019 by additional new supply in key products coming on-stream, coupled with a moderation in global growth which resulted in lower profitability compared to 2018. However, our strong focus on safe and reliable operations and cost controls mitigated some of these challenges in 2019. This is evident by the 4% reduction in our SGA (Selling, General & Administrative Expense) in 2019 compared to 2018.

We maintained our third position among global diversified chemical companies in the Forbes annual ranking of the world's biggest companies. This ranking is a strong reflection of our continued emphasis on executing objectives against our robust transformation program to further streamline our operating model, increase portfolio focus, boost competitiveness, and accelerate growth.

We are proud of the growing strength of our global brand, demonstrating the success of our long-term brand strategy. Our brand value increased by 9.3% from US\$ 3.96 in 2019 to US\$4.33 billion this year reflecting the increasing perception of SABIC among our customers and other stakeholders. This recognition from the independent brand valuation consultancy, Brand Finance, came at a time when we launched our first-ever global brand advertising campaign, as part of our strategic effort to raise brand awareness and perception of SABIC amongst relevant global target groups.

We continue to believe that innovation is indispensable to our success. That is why in 2019, we initiated changes in our Technology and Innovation organization to make it more focused, lean, and agile, and become one of the main drivers of our growth. The organization will continue to support profitable innovation by developing the right portfolio, including processes, assessments, and metrics, toward becoming a market-focused innovation powerhouse.

We remain committed to support Saudi Vision 2030. Our Nusaned™ local content program advanced in 2019 with the qualification of 40 entrepreneurs to invest in the Saudi market. The sixth meeting of the Nusaned Executive Council announced a series of projects that will contribute about SAR 6.1 billion to the GDP and create 3,149 job opportunities.

Saudi Aramco's agreement to acquire a 70% stake in SABIC from the Public Investment Fund, pending regulatory approvals, will help foster strategic synergies between the two companies, taking us closer to our vision of becoming the preferred world leader in chemicals. I would like to assure our shareholders that their interest in SABIC is only expected to grow, as we continue to strengthen our presence in key markets around the world.

Effective 2019, key global equity and debt indices upgraded Saudi Arabia's stock exchange, Tadawul, from a standalone or frontier market, to an emerging market. Following this, we have further increased our level of disclosures, with even more proactive engagement with local, regional and international investors. The reclassification of Saudi Arabia as an emerging market is a big milestone for Saudi Arabia, recognizing Tadawul's efforts to improve transparency, disclosures and governance over the stocks listed on the Saudi Stock Exchange.

Our transformation program, which was first launched in 2015, has gone beyond being an undertaking, project, or task, and is becoming an entrenched competitive advantage, hardwired in the way we do business.

Our partnership with ExxonMobil on Gulf Coast Growth Ventures in Texas is well on track with the construction phase of the petrochemicals complex launched in September. We expect the project to start up in 2022.

In 2019, we agreed to defer discussions on the possible merger of our specialties business with Clariant AG because of market conditions. We will resume discussions with Clariant once stability returns to the market as we maintain our strategy to become one of the leading players in the specialties business globally.

Another strategic move in 2019 was our share-purchase agreement with SAFCO, under which it will acquire the newly formed SABIC Agri-Nutrients Investment Company in exchange for shares, thus increasing our shareholding in SAFCO to 50.1%.

We also merged two of our manufacturing affiliates, Sadaf and Petrokemya, to create a more efficient platform to optimize assets and utilize the full potential from the synergies between their product streams. The move is also expected to create more effective and streamlined operations, maintenance and project execution.

The success of our Environmental, Social and Governance performance was reflected in the key initiatives we took in 2019. In April, our global headquarters in Riyadh was certified as a carbon-neutral site. SABIC was also among the global chemical industry's first to achieve the British Standards Institute's PAS 2060 carbon neutrality standard. Our investment in carbon offsets covered the nearly 44,000 metric tons p.a. of greenhouse gas emissions from our Riyadh global headquarters. UN-issued carbon offsets for efficiency projects at our Jubail manufacturing facility helped make SABIC the only Saudi company to achieve UN carbon credits.

Our strong ethical culture won recognition when we were accorded the prestigious Compliance Leader Verification from the Ethisphere Institute. We were also recognized for our inclusive, open and safe work culture when we were ranked the "Top Employer Asia Pacific 2020." We were also honored as the "Top Employer 2020" in five of our key Asian markets – China for the tenth year, and India, Japan, Singapore, and South Korea for the seventh consecutive year.

We continued to combine sustainability and innovation to respond to the dynamic needs of our customers and help create new solutions. As a founding member of the Alliance to End Plastic Waste, we have scaled up the chemical recycling of plastic waste back to the original polymer. Under our newly launched TRUCIRCLE™ initiative, we are also focusing on advanced circular products such as certified renewable polyethylene and polypropylene.

SABIC's strategy of creating growth through its talent has long been one of our priorities. Our leaders are expected to take personal responsibility to develop the next generation. Toward this direction, in 2019, we maintained the pace of our "SABIC Leadership Way" journey through a series of interactive sessions with our leaders across 50 global sites, looking at how we could further develop our people and help them thrive, along with our business.

Safety remains the mainstay of our work culture. It is independent of any cyclical business environment or financial performance. Realizing that safety has assumed a new dimension in this new world of hyper-information, we have sought to reinforce the sense of responsibility in our workforce. Our intense cyber security campaign in 2019 advised employees on how best to secure SABIC data and be the first line of defense against any possible cyberattack.

Additionally, we are leveraging advances in global digitalization technologies, to help us become more competitive by creating a digital work environment for employees, with automated solutions to increase productivity. Our corporate digitalization strategy aims to improve our commercial capabilities considerably in many areas including pricing, manufacturing, supply chain and innovation by capitalizing on artificial intelligence, machine learning, and by becoming a more data-driven company.

Besides digitalization, we initiated two new programs in 2019: Manufacturing Fixed Cash Cost Optimization (MFCCO) and @Europe. While MFCCO is driving more efficient, safe and reliable production, @Europe addresses asset repositioning and improvement in industry and cost positioning in the face of ongoing challenges in Europe. We are earnestly advancing these ambitious programs.

For the coming year and beyond, we will continue to maintain capital discipline and invest in our people and safe and reliable operations while supporting profitable long-term growth as we move **toward a vibrant future** and strengthen our purpose of **'Chemistry that Matters'™**.

## 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 in the fabric of our organization to be a reference point for our business practice and to ensure successful implementation of our strategy.



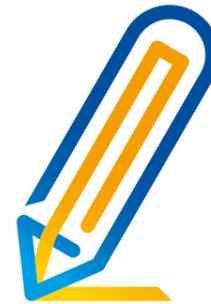
### INSPIRE

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 and we are always challenging conventional thinking and seek new ways to uncover opportunities in both product and process to find the next innovative solution.



### DELIVER

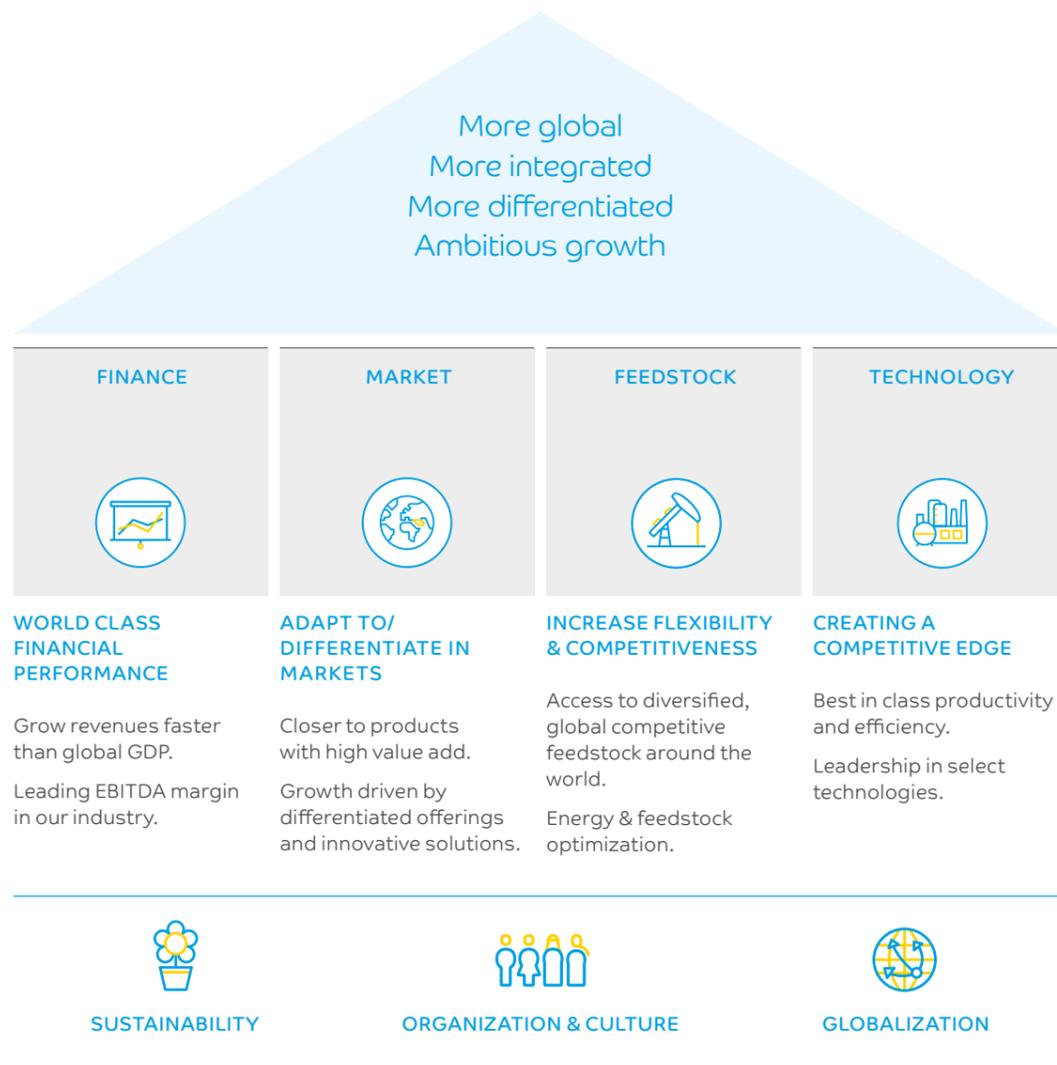
We lead by developing extraordinary breakthroughs for our customers and our unwavering focus on flawless execution drives our success.

# OUR STRATEGY

SABIC's strategy sets forth a roadmap for the company to realize its vision of becoming the preferred world leader in chemicals and a true global powerhouse in the industry by delivering 'Chemistry that Matters™'.

## OUR VISION

TO BE THE PREFERRED WORLD LEADER IN CHEMICALS



We aim to deliver on our strategy by transforming SABIC into a leading global diversified chemical company that is able to deliver sustainable profitable growth.

As part of this strategy, we are focused on providing differentiated products to support our customers' growth and working hard to improve productivity and efficiencies. We will continue to invest in innovation while building and strengthening businesses where we see superior growth and sector-leading returns.

### STRATEGIC PORTFOLIO STRENGTH AND DIVERSITY

In our core Petrochemicals and Agri-Nutrients businesses, we are investing to drive superior growth and increase the resilience of these differentiated commodity-based businesses. We strive to become the leading global, fully integrated Chemicals, Plastics and Agri-Nutrients company.

In our Specialties business, we aim to build a position of strength over the medium term by building scale and innovative product offerings that can create a new growth platform for the group that is independent of feedstock dynamics that can support Saudi Vision 2030 designed to reduce Saudi Arabia's dependence on hydrocarbon exports.

### STRATEGIC PILLARS

Our strategic ambitions rest on seven pillars that are critical to who we are: Customer Focus, Market Focus, Operational Excellence, Innovation, Portfolio Management, Transformation and Localization Engine.

#### 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 MEAF markets.

#### Operational excellence

We aim to improve efficiencies in our core areas of manufacturing, commercial, supply chain and cost management.

#### 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.

#### 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 further catalyze local content growth in Saudi Arabia through a structured program of leveraging SABIC capabilities.

# OUR BUSINESS MODEL

## STRATEGIC PILLARS



## BUSINESS PORTFOLIO

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



## DIVERSIFIED GLOBAL FOOTPRINT



# ENABLING SAUDI VISION 2030

SABIC remains committed to being a key enabler of Saudi Vision 2030: a bold and ambitious drive to reduce Saudi Arabia's dependence on hydrocarbon exports, and build a broad-based economy for a sustainable future.

SABIC is developing programs to help the creation and development of small and local businesses, leveraging its core strengths in technology and intellectual property, providing skills, materials and access to financial support, and helping disseminate global best practice. We also continue to work on developing mutually-beneficial partnerships with governments in Saudi Arabia and overseas, foreign investors, financial institutions, and complementary commercial organizations.

Leveraging our global networks, industry-leading performance, innovation, and creativity in the design and execution of programs to deliver real, effective support where it's needed, we will continue to play a central role in transforming Saudi Vision 2030 into reality.



### NUSANED™

NUSANED™ is a SABIC initiative that has become a national platform, bringing together public and private sector institutions to help small businesses get started and assist established ones to grow. In 2019, we continued to support business initiatives, increase local procurement, and generally help the small and medium business sector to reduce unemployment, build local capabilities, and boost national GDP.

The NUSANED™ Council, the program's executive arm, brings together leaders from SABIC and the Ministry of Labor, Ministry of Industry and Mineral Resources, Saudi Arabian General Investment Authority (SAGIA), Small and Medium Enterprises General Authority (Monshaat), and the Local Content and Government Procurement Authority. It meets three times per year, during which it reviews progress, sets new targets, and devises strategies for their achievement. It also plays a key role in enabling partnerships, creating new initiatives, and evaluating entrepreneurs' eligibility for local investment.

NUSANED™ this year received 882 investee registrations. 453 were approved and moved to the pre-feasibility stage; 205 were moved on to the next stage; 132 were approved, having completed their full feasibility studies; and 62 graduated with full support packages, addressing 8 out of 12 targeted clusters of Saudi Arabia's national industrial strategy.

The NUSANED™ Executive Council has signed a number of agreements under its ExSABIC initiative, which seeks to create jobs for Saudi youth by providing on-job training from three to seven months at SABIC sites and affiliates in Saudi Arabia. The initiative aims to qualify national talents to support local companies that contribute to increasing local content in order to meet the objectives of Vision 2030.

NUSANED™ is a SABIC initiative that has become a national platform, bringing together public and private sector institutions to help small businesses get started and assist established ones to grow.

# ENABLING SAUDI VISION 2030 CONTINUED

Muahal, the workforce development arm of NUSANED™, focuses on creating new jobs, localizing current ones, and enhancing local employers' capabilities. In 2019, it helped create 2,215 jobs for Saudi workers, while enhancing the capabilities of 85 women and qualifying them for rubber technology industries. Besides, 70 Saudi entrepreneurs have been qualified to start their own ventures with their business ideas – from inception to implementation.

Besides Muahal, NUSANED™ has three other pillars: Entema – an opportunity gate to invite, receive and analyze investor opportunities, evaluate them and determine their feasibility; Da'aem – facilitates SABIC support for approved investment opportunities; and Investment Funds – identifies and facilitates financing solutions for commercially feasible projects.

## OPERATIONAL EXCELLENCE INITIATIVE

A NUSANED™ event in September saw the launch of a new program – NUSANED™ for Excellence. The program's incubation phase aims to establish and prove an Operational Excellence methodology that can help improve Saudi industrial efficiency and productivity.

In a later phase, the initiative will look to support small and medium businesses' drive for Operational Excellence, connecting them with expertise from universities, freelance innovators, consulting firms and others, backed up by targeted financial support from donors, government programs and large firms.



Above and top right: Our global technology centers are supporting the drive for a strong national economy.

Right: Riyadh city – over the coming years, SABIC will maintain the momentum of support for Saudi Vision 2030.

Far right: A new SABIC initiative seeks to boost the employment of women in the industrial sector.

## IMPORT SUBSTITUTION

In support of differentiated local industries and to replace imported products, SABIC has successfully secured and delivered the first and second batches of butadiene to Global Downstream Industries (GDI) to produce sulfolane. The deal will enable GDI to set up a world-scale complex for the production of a wide-range of downstream specialty chemicals in Jubail Industrial City. The deal is expected to make a number of currently imported products available locally to various industries such as aromatic industries, pharmaceutical industries and agriculture.

## EMPLOYMENT OF WOMEN

SABIC, led by its Local Content and Business Development Unit (LCBDU) and Corporate Human Resources, launched a new initiative in November 2019 to boost the employment of women in the industrial sector.

The program aims to provide small and medium enterprises – including companies benefiting directly from NUSANED™ – with qualified female recruits whose skills have been built up by training and on-the-job experience in relevant roles within SABIC, with support and guidance from senior colleagues.



Women participating in the program are offered the chance to work in SABIC or one of its affiliates for between 4 and 12 months, gaining skills and expertise that will help them compete in the local labor market, and ultimately apply them to the benefit of their new employer.

## MAINTAINING MOMENTUM

Over the coming years, we will continue to leverage our resources, including the Home of Innovation™ in Riyadh and our global technology centers, in support of the drive for a strong, growing and sustainable national economy that can provide jobs for Saudis, and meet their needs into the future.

Our Local Content initiative will be key to attracting investments in innovation and technology, procurement and manufacturing, and in helping create thousands of new jobs for Saudis, to maintain our momentum and our progress toward meeting the objectives embodied in Saudi Vision 2030.

We will continue to leverage our resources in support of the drive for a strong, growing and sustainable national economy that can provide jobs for Saudis, and meet their needs into the future.



# MARKET REVIEW

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## 2019 BUSINESS ENVIRONMENT

The global economy experienced a synchronized slowdown in 2019 with many advanced and emerging economies contributing to the global economic slowdown.

The latest boom in global investment, trade and industrial production faded in 2019 under the impact of capacity constraints in advanced economies, rising global protectionism and high global debt. In particular, the trade conflict between the US and China hurt business and investor sentiment around the world. As a result, global economic growth, which was somewhat robust in 2018, became moderate in 2019.

In response to the declining economic growth, policymakers in many countries started providing more monetary and fiscal stimulus. Economic risks remained elevated in 2019, but not high enough to trigger a global recession. In fact, uncertainties surrounding global trade and Brexit started subsiding at the end of 2019 after increased likelihood of a phase-one trade deal between the US and China and a conclusive victory of the conservative government in the UK election in December 2019.

### ADVANCED AND EMERGING ECONOMIES

Advanced economies grew at a modest pace in 2019, after recording a moderate growth rate in 2018. Their economic slowdown in 2019 reflected a deterioration in fixed investment, industrial production – particularly manufacturing – and global trade, as well as ageing demographics. Emerging economies also recorded a broad-based slowdown in real GDP growth in 2019. The key reasons for the weaker growth were the impact of the US-China trade conflict on supply chains, soft oil and commodity prices, and the lack, or poor implementation, of structural reforms.

The Saudi government's reforms to diversify and transform the economy under Vision 2030, along with greater public spending and investment, boosted Saudi non-oil sector growth in 2019.

### REGIONAL ECONOMIES

The Saudi government's reforms to diversify and transform the economy under Vision 2030, along with greater public spending and investment, boosted Saudi non-oil sector growth in 2019. However, the Vienna Alliance's decision to cut OPEC and non-OPEC productions quotas to stabilize oil prices worked as a major drag on the economy. There were also some production losses from the attack in September 2019 on oil facilities, though oil production was restored earlier than expected. Consequently, Saudi Arabia experienced only modest economic growth in 2019, down from the moderate economic expansion recorded in 2018.

In the US, economic growth eased in 2019 relative to 2018. A sharp decline in capital spending growth, partly stemming from the prolonged trade policy uncertainty, diminishing fiscal stimulus, and a fall in exports caused by new tariffs on US-China trade flows contributed to the slowdown in US economic growth in 2019. Capacity constraints also remained a drag on economic growth. The US Federal Reserve Bank reversed its monetary policy stance in 2019 and cut interest rates three times in response to the slowing domestic and global economic growth and elevated downside risks. As a result, financial conditions improved in the US in 2019.

China's long-term, structural economic slowdown continued in 2019. Almost all major sector of the economy including industrial production, private consumption, exports, construction activity and auto sales slowed in 2019. The slowdown was driven primarily by the government's deleveraging drive that dampened domestic demand, as well as the trade conflict with the US that hit exports and heightened uncertainty for businesses. The Chinese government implemented a stimulus package dominated by tax and business fees cuts and shifted bank lending to small and medium-sized private firms. The stimulus package partially offset the adverse impact of the US-China trade conflict on the Chinese economy.

The Eurozone recorded a slowdown in economic growth in 2019, after growing above its potential growth rate in 2018. All major economies of the Eurozone experienced a decline in economic growth in 2019. Exports and manufacturing were the principal source of weakness, struggling in the face of multiple headwinds, including global trade protectionism, the chaos around Brexit and Italy's political issues. High uncertainty also depressed private consumption growth. However, investment proved surprisingly resilient to high uncertainty, possibly because of a highly accommodative monetary policy of the European Central Bank (ECB) and somewhat easy financial conditions.

### INDUSTRY TRENDS

Global industrial production expanded at a meager pace in 2018 after growing at a fairly robust rate in 2018. Both advanced and emerging economies contributed to the global industrial slowdown in 2019. Among major advanced economies, industrial production growth decelerated significantly in the US and became negative in the Eurozone and Japan. China, the largest emerging economy, also recorded a slowdown in industrial production growth in 2019.

### PETROCHEMICAL INDUSTRY TRENDS

Global petrochemical capacity continued to grow during 2019, driven mainly by expansions in the US and China. Increasing availability of highly competitive US feedstock led to increases in production and market share for US exports around the globe. These increases in capacity led to more supply and higher competition with negative impact on prices. Global operating rates were also impacted as it retreated from above 80% level to slightly below this level. On the other hand, global demand grew at lower pace due to persistent low global GDP growth and uncertainty from the trade dispute, geopolitical tensions and Brexit.

The US Federal Reserve Bank reversed its monetary policy stance in 2019 and cut interest rates three times, resulting in improved financial conditions.

Global petrochemical capacity continued to grow during 2019, driven mainly by expansions in the US and China.

### UPSTREAM TRENDS

Compared to 2018, oil prices declined by approximately 10% and averaged around mid-60s per barrel for Brent. Naphtha prices also witnessed declines by around 15% compared to 2018 due to weak global demand and weaker oil prices. US Ethane declined by more than 30% as a result of improving supply and the end of major logistic bottlenecks, and natural gas prices declined by around 15% compared to 2018. Liquefied petroleum gas in Asia declined by around 17% 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 for 2019 was SAR 139,737 million, a decrease of SAR 29,391 million or 17%, compared to SAR 169,128 million in 2018. This decrease was mainly attributable to sharply lower average sales prices by 20% which was partially offset by an increase in sales volume by 3%.

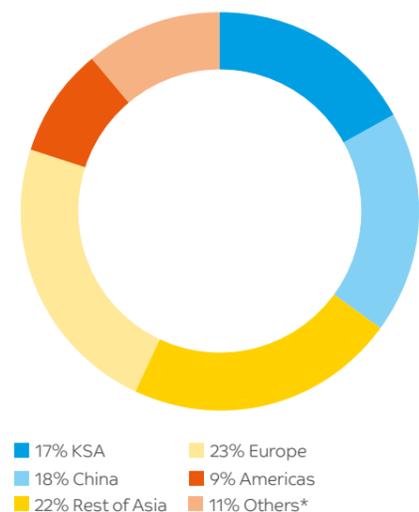
The sales revenue for Petrochemicals and Specialties SBUs amounted to SAR 121,829 million, which represents 87% of total SABIC revenues, had decreased by SAR 28,594 million or 19% compared to 2018. The sales revenues for Agri-nutrients SBU, amounted to SAR 7,118 million, had also decreased by SAR 820 million or 10% in 2019. The sales revenues of Hadeed, amounted to SAR 10,790 million, had increased by SAR 22 million or 0.2% compared to 2018.

SABIC's sales volume for 2019 slightly increased by 3%. The sales volume of Petrochemicals and Specialties SBUs increased by 3%, whereas the sales volume of Agri-nutrients SBU and Hadeed decreased by 3% and 2% respectively.

SALES (BILLION)



2019 SALES BY GEOGRAPHY (%)



\* Includes sales made by certain subsidiaries to their foreign shareholders and sales in other countries.

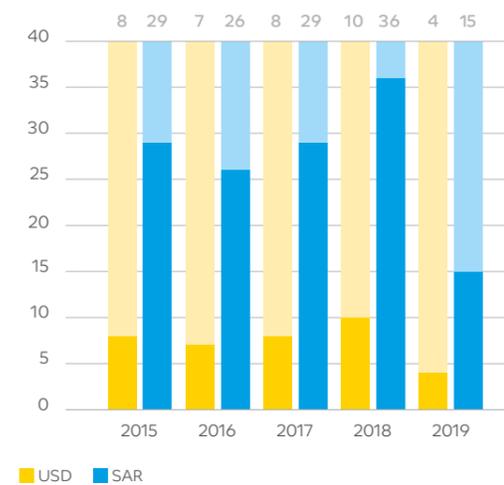
## INCOME FROM OPERATIONS

SABIC's income from operations for 2019 was SAR 14,833 million, a decrease of SAR 21,447 million or 59%, compared to SAR 36,280 million in 2018. The decrease was mainly attributable to lower average sales prices partially offset by lower cost of goods sold by SAR 7,070 million or 6%, lower general and administrative expenses by SAR 484 million or 4%, and lower selling and distribution expenses by SAR 390 million or 4% compared to 2018.

Cost of sales for 2019 was SAR 104,217 million, a decrease of SAR 7,070 million or 6%, compared to SAR 111,287 million in 2018. The decrease was mainly resulted from the decrease in feedstock prices, partially offset by impairment charges amounted to of SAR 3,669 million.

Selling, general and administrative expenses for 2019 were SAR 20,687 million, a decrease of SAR 874 million compared to SAR 21,561 million in 2018. The decrease was mainly resulted from the continued focus on our cost structure.

INCOME FROM OPERATIONS (BILLION)



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

## NET INCOME FOR THE YEAR

SABIC net income for 2019 was SAR 5,563 million, a decrease of SAR 15,958 million or 74%, compared to SAR 21,520 million in 2018. The decrease was mainly attributable to a lower operating income from operations and the share of loss of associates and joint ventures.

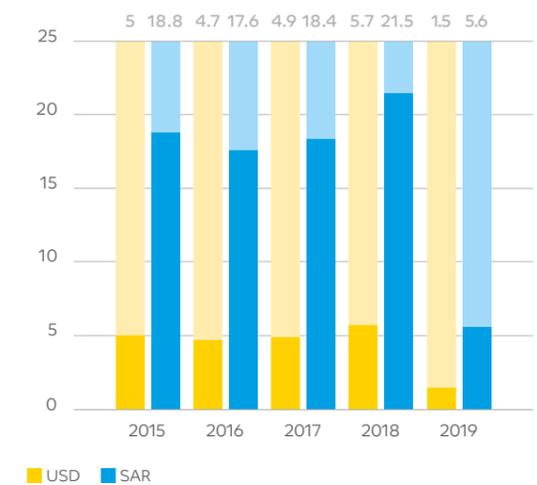
Share of results of associates and joint ventures for 2019 was a loss of SAR (1,595) million compared to a profit of SAR 1,050 million in 2018. This was mainly resulted from an impairment charge for the investment in Clariant AG amounted to of SAR 1,515 million due to the drop in fair value of the investment, in addition to lower results from our joint ventures mainly from SSTPC and other associates resulted due to the lower average sales prices of petrochemical products.

Finance costs, net for 2019 was SAR 1,427 million, which increased by SAR 204 million or 17%, compared to 2018. It is mainly due to the decrease in finance income resulted from the lower income from fixed time deposits.

Zakat expenses for 2019 was SAR 2,100 million, which is lower by SAR 500 million compared to SAR 2,600 million in 2018 due to a lower zakat base and a review of the overall Zakat provision.

Income tax expenses for 2019 was SAR 1,119 million, a decrease of SAR 79 million or 7%, compared to SAR 1,198 in 2018, primarily resulted from the lower profits partially offset by movements in the deferred tax position and uncertain tax provisions.

NET INCOME FOR THE YEAR (BILLION)



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

# BUSINESS PERFORMANCE

## CONTINUED

### ASSETS

**Total assets** for 2019 reached SAR 310,366 million, a decrease of SAR 9,345 million or 3%, compared to 2018. The decrease was mainly attributable to a decrease in current assets by SAR 12,627 million, partially offset by an increase in non-current assets of SAR 3,281 million. The decrease in current assets is mainly due to a decrease in cash and cash equivalents and short-term investments by SAR 8,535 million as a result of the lower cash from operation in line with the declining profits and certain debt repayments. Also, inventories and account receivables decreased by SAR 1,831 million and SAR 3,499 million, respectively, as a result of the lower feedstock prices and lower average sales prices for petrochemicals.

Non-current assets increased mainly due to the adoption of IFRS 16 'Leases', resulting in a balance of SAR 7,295 million due to the capitalization of "right of use" assets. This was partially offset by a decrease in property, plant and equipment by SAR 829 million and intangible assets by SAR 569 million mainly due to the impairments and write-offs charges, amounted to SAR 3,876 million. Also, a decrease in investments in associates and joint ventures of SAR 2,430 million, mainly due to the impairment for the investment in Clariant AG by SAR 1,515 million, and lower results and cash dividends from associates and joint ventures.

### ASSETS (BILLION)



■ USD ■ SAR

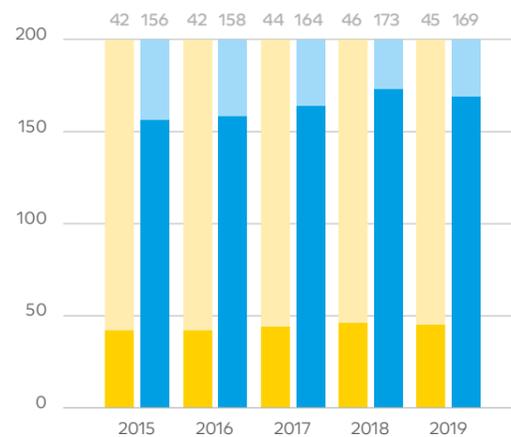
### EQUITY AND LIABILITIES

**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+ / stable / 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 2019 reached SAR 168,761 million, a decrease of SAR 4,322 million or 2%, compared to 2018. The decrease is mainly attributable to cash dividends amounted to SAR 13,200 million, and other comprehensive loss by SAR 1,921 million mainly as a result of the re-measurement on employee benefits and foreign currency translation movements. This was partially offset by the 2019 net income generated amounted to SAR 5,563 million, and the acquisition of an additional ownership interest in Saudi Methanol Company ("Ar-Razi") by SAR 5,220 million. Considering this transaction is related to the acquisition of

### EQUITY (BILLION)



■ USD ■ SAR

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

an additional ownership interest in a subsidiary without a change of control, accordingly, it has been accounted for as an equity transaction and excess consideration over the carrying amount of the non-controlling interests is recognised in equity attributable to the Parent.

**Liabilities** for 2019 reached SAR 99,114 million, an increase of SAR 840 million or 1%, compared to 2018. The increase was attributable to the increase in non-current liabilities by SAR 1,273 million partially offset by a decrease in current liabilities by SAR 433 million. Non-current liabilities increased due to an increase in employee benefits mainly resulted from the decrease in the discount rate in and outside

the kingdom and the increase in lease liabilities by SAR 5,114 million due to the adoption of IFRS 16 "Leases". This was partially offset by a decrease in long term debt due to repayments and reclassification of SAR 7,232 million.

The decrease in current liabilities resulted from the decrease in trade payables and other current liabilities mainly due to the lower feedstock prices, lower dividends payable and zakat payments. Short term debt and current portion of long term debt increased due to long term debt becoming due, and the adoption of IFRS 16.

Below is an overview of the total debt portfolio as of 31 December 2019:

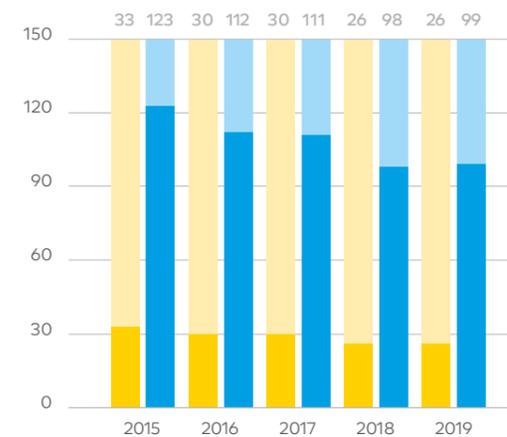
Item (SAR '000)	Original loan amount	Beginning balance	Additions during the year	Repayments during the year	Non-cash*	Ending balance	Period of the loans (years)
Long Term and Financial Lease	49,845,828	35,461,703	10,517,682	-15,073,886	6,902,093	37,807,593	2-15
Short Term	7,500,000	1,167,589	179,408	0	-	1,346,996	1
Bonds	10,590,094	10,633,950	0	0	-52,983	10,580,968	5-7
<b>Total</b>	<b>67,935,922</b>	<b>47,263,242</b>	<b>10,697,090</b>	<b>-15,073,886</b>	<b>6,849,111</b>	<b>49,735,557</b>	

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

The total debt portfolio as of 31 December 2019 can be broken down by lending party as follows:

Lending party	Amount in SAR '000	%
Banks and Export Credit Agencies	27,334,223	55%
Bonds	10,580,968	21%
Public Investments Fund	1,298,609	3%
Industrial Development Fund	1,380,574	3%
Related parties	2,102,277	4%
Finance Leases	7,038,906	14%
<b>Total</b>	<b>49,735,557</b>	<b>100%</b>

### LIABILITIES (BILLION)



■ USD ■ SAR

# BUSINESS PERFORMANCE

## CONTINUED

Below is a statement of the value of any paid during 2019 and outstanding statutory payment on account of any zakat, taxes, fees or any other charges that have not been paid until the end of the annual financial period with a brief description and the reasons therefor.

Item (SAR '000)	2019	2018	%
Zakat	4,940,080	5,219,140	-5%
Income Taxes	2,751,360	3,385,686	-19%
Others	610,315	588,194	4%
<b>Total</b>	<b>8,301,755</b>	<b>9,193,020</b>	<b>-10%</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)	2019	2018	%
End of Service Benefits	15,525,826	12,825,267	21%
Thrift Plan	926,064	801,650	16%
Early Retirement Program	32,150	37,311	-14%
Others	1,564,808	1,335,797	17%
<b>Total</b>	<b>18,048,848</b>	<b>15,000,025</b>	<b>20%</b>

## CASH FLOWS

**Net cash generated from operating activities** for 2019 was SAR 35,573 million, a decrease of SAR 9,198 million or 21%, compared to 2018. The decrease was mainly attributable to lower income before zakat and income tax by SAR 24,001 million in 2019.

**Net cash used in investing activities** for 2019 was SAR 13,690 million, a decrease of SAR 15,914 million or 54% compared to 2018. This is mainly attributable to the lower cash outflow in investments in associates and joint ventures by SAR 10,617 million and the cash inflow from sale and maturities of short-term investments by SAR 4,860 million, compared to a cash outflow by SAR 5,280 million in 2018. This was partially offset by higher spending on capital expenditure during 2019 by SAR 5,453 million.

**Net cash used in financing activities** for 2019 was SAR 26,287 million, a decrease of SAR 5,389 million or 17%, compared to 2018. The decrease was mainly due to lower net debt payments by SAR 6,421 million. In addition, a net consideration received from "JSMC" the partner in Ar-Razi, of SAR 1,125 million in relation to an additional 25% of shares in Ar-Razi and to renew JVA for 20 years. These were offset against the additional lease payments of SAR 1,534 million as a result of adoption of IFRS 16 – Leases.

**Cash and cash equivalent at the end of the year** 2019 was SAR 36,966 million, a decrease of SAR 4,457 million or 11%, compared to 2018, mainly due to lower cash generated from operations.

**Free cash flow** for 2019 was SAR 15,718 million, a decrease of SAR 14,817 million or 49%, compared to 2018.

Note:

- Details of affiliates, joint ventures and associated companies in the financial statements, where appropriate, are listed in the Appendix.
- Details of stocks and debt instruments issued by each affiliate are listed in the Appendix.
- Financial numbers before 2016 are based on SOCPA.
- USD/SAR Rate: 3.75.
- Certain prior period figures have been re-classified to confirm with the presentation in the current period.

# BUSINESS SEGMENT ANALYSIS



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## ANALYSIS

SABIC operates through three Strategic Business Units (SBUs) and Metals (Hadeed), a fully owned SABIC affiliate.

- 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.
- Metals (Hadeed): manufacturing, distribution and sale of long and flat metal products.

### FINANCIAL METRICS

SAR Billion	Petrochemicals and Specialties			Agri-Nutrient			Hadeed			Consolidated		
	2019	2018	% change	2019	2018	% change	2019	2018	% change	2019	2018	% change
Revenue	121.8	150.4	-19	7.12	7.9	-10	10.79	10.76	0.2	139.7	169.1	-17
Income from operations	13.8	33.7	-59	2	2.3	-13	-1	0.3	-130	14.8	36.3	-59
Assets	281	290.2	-3	11.7	10.9	7	17.7	18.6	-5	310.4	319.7	-3

### NON-FINANCIAL METRICS

Metrics (000 Mt)	Petrochemicals and Specialties			Agri-Nutrient			Hadeed			Consolidated		
	2019	2018	% change	2019	2018	% change	2019	2018	% change	2019	2018	% change
Production volume	60,178	61,343	-2	7,726	8,411	-8	4,671	5,124	-9	72,575	74,878	-3
Sales volume	37,116	35,943	+3	6,448	6,660	-3	4,844	4,923	-2	48,408	47,526	+2

Note: Specialties SBU's Non-Financials are separately disclosed in the Specialties SBU section.

## PETROCHEMICALS

Petrochemicals is SABIC's largest business unit, responding to the demands of our global customers for improved performance and sustainability. Its product portfolio covers the essential building blocks for a wide range of chemicals, polymers, and other materials used in various industries – from automotive to healthcare, from construction to household goods – besides sustainable solutions for the packaging industry. Its products include olefins, methanol, MTBE, aromatics, glycols, linear alpha olefins, polyethylene, polypropylene, polyethylene terephthalate, polyvinyl chloride, polystyrene, polycarbonate, and engineering thermoplastics and its blends. As an industry leader in multiple petrochemical segments, our ambition is to continue providing innovative solutions for our customers' growth, and further grow our leadership position.

2019 continued to be another year of transformation for Petrochemicals, in line with SABIC's overall global transformation process.

Production enhancements continue to boost efficiency and productivity while strengthening our sustainability commitment. New formulations offer better performance and ever-greater flexibility to our customers, helping them create new and improved products in every industry we support, from transportation to packaging to medical devices; new end products emerging from collaboration testify to the benefits of mutually beneficial commercial relationships in delivering solutions that truly meet consumers' needs; delivery improvements continue to extend our ability to get product where it's needed, when it's needed, to ever more parts of the world.

Wherever we produce, innovate, partner and supply, we continue to deliver innovative products to meet the world's growing needs ever better, and develop circular solutions to minimize any environmental impact.

### FINANCIAL HIGHLIGHTS

Revenue in 2019 was SAR 121.8 billion (including Specialties SBU), a decrease of SAR 28.6 billion, -19%, compared to SAR 150.4 billion in 2018. The decrease was attributed to a drop in overall average selling price.

Income from operations was SAR 13.8 billion (including Specialties SBU), a decrease of SAR 19.9 billion, -59%, compared to SAR 33.7 billion in 2018. The decrease was also attributable to lower average selling prices in addition to the recording of SAR 2.8 billion impairment provision in Ibn Rushd. SABIC's share amounted to SAR 1.3 billion.

### OPERATING HIGHLIGHTS

#### PROCESS OPTIMIZATION, SUSTAINABILITY SOLUTIONS

**Model Based Production Planning and Optimization**  
SABIC this year continued to work on turning our established olefins crackers production planning process into a world-class solution built on state-of-the-art technology that is expected to contribute to achieving our strategic growth objectives.

The Model Based Production Planning and Optimization (MBPPO) initiative, based on value-driven planning, encompasses a site-wide planning-optimization model covering feedstock selection, product mix, and plant conversion. The design's modular architecture enables plant/global cross-fertilization, with affiliates' individual planning models feeding into the evolving global corporate model, and vice versa, enabling comprehensive optimization, and ultimately maximization of overall gross margins.

# PETROCHEMICALS

## CONTINUED

### NON-FINANCIAL METRICS

Million MT	Production volume		Sales volume	
	2019	2018	2019	2018
Chemicals	44.8	45.4	21.2	20.4
Polyethylene (PE)	8.1	8.2	8.7	8.4
Performance Polymers and Industrial Solutions (PP and IS)	7.2	7.6	6.9	6.8
<b>Total</b>	<b>60.1</b>	<b>61.2</b>	<b>36.8</b>	<b>35.6</b>

Further advancements this year include:

- **Chemical recycling for feedstock** – we are investing in infrastructure and equipment that upgrades pyrolysis oil made from post-consumer mixed plastic waste into a suitable feedstock for our European crackers, which will be extended gradually to our other global assets. We are the first in the industry committed to scale up chemical recycling of mixed plastic waste to the original polymer – thus playing a leading role globally in turning plastic waste into feedstock and helping grow circular economy solutions. Under our TRUCIRCLE™ sustainability-focused product portfolio launched in 2019, we have developed advanced circular products from chemically recycled plastic waste to enable the circular re-use and recycling of packaging.
- **Glycols plants** – targeting 25% reduction in GHG, energy, and water intensities and 50% in material effectiveness by 2025, compared with 2010 baselines, with projects across glycols plants. These projects will eventually lead to an improved glycols asset footprint toward fulfilling our 2025 strategy.

### IMPROVED PRODUCTS

#### Low Density Polyethylene (LDPE) antioxidant-free additive

SABIC LDPE antioxidant-free additive is a safe and sustainable solution for the food packaging industry, offering compliance with certain food regulations while boosting SABIC's social responsibility credentials.



We are constantly expanding our pipe portfolio with new offerings.

#### Expanding polypropylene (PP) portfolio

PP5271K is a high crystallinity polypropylene homopolymer grade developed for in-line and off-line thermoforming applications, which scores very high for stiffness, clarity, heat distortion temperature, dimensional stability, processability and fast molding cycle. A high stiffness Biaxially Oriented Polypropylene film grade PP 5212P for label application was developed which helps enable downgauging and supports the recyclability of packaging to meet circular economy goals with improved performance in stiffness, toughness, balance, barrier properties and hot fill requirement.

#### Expanding our pipe portfolio

SABIC launched a new anti-abrasive polyolefins compound pipe grade, a new polyolefin compound pipe grade, SABIC® P1600A, for slurry transportation for mining industries, offering significant anti-abrasion advantages over conventional materials such as steel, ceramic, and regular polyethylene, enabling significantly lower maintenance and extended service life. SABIC also this year launched PE100 – Orange – a new HDPE pressure pipe grade for city gas pipe networks.

#### First certified renewable Benzene for polycarbonate production

SABIC's Geleen plant delivered the world's first certified renewable Benzene from renewable cracker feedstocks. SABIC also launched the ISCC+ (International Sustainability and Carbon Certification plus) certified value chain for phenol and polycarbonate. The new material reduces both fossil feedstock use and CO<sub>2</sub> emissions, and exemplifies the benefits of cooperation between our Benzene & derivatives and polycarbonate businesses.

#### Cooperating for cleaner marine fuel

We signed a Memorandum of Understanding with Billion Miles (Singapore) Pte. Ltd. (BM) to verify emission reductions resulting from a switch from diesel to methanol, in response to the International Maritime Organization's anticipated new regulations banning marine fuels with a sulfur content above 0.5%. SABIC's role in the venture, which is endorsed and co-funded by the Maritime and Port Authority of Singapore, involves supplying methanol fuel and related expertise, while BM develops the technology and executes the shipboard trials.

#### Innovative materials for better packaging

SABIC's new LLDPE BX202 polymer for producing biaxially oriented polyethylene films on tenterframe lines supports recyclability by using mono-material PE structures in multilayer films. The new film also offers very good printability and mechanical properties including toughness, has exceptional sealing integrity to prevent leakage and waste, and is available as certified circular and certified renewable polymer. COHERE™ S Series polyolefin plastomer, produced using NEXLENE™ technology, offers excellent heat-sealing properties, clarity, toughness and elasticity, for integrity during transportation and storage.

#### Personal care

SABIC launched new grades of glycerin-refined grade for skin care, hair care and shaving gel applications, building our presence in this large and healthy global market.

#### Innovative automotive solutions

The faces of next-generation vehicles are changing. Front panels will replace traditional grilles and come with new aesthetic and functional requirements. To help drive development, we are collaborating with a worldwide leader in thin film technology, and other partners on innovative surface designs for this emerging application space. This is just another example of SABIC's efforts to help our customers prepare for and shape the future of automotive design.

### BETTER APPLICATIONS

#### Better for water packaging

SABIC's Nexlene products offer alternative solutions to non-sustainable water bottles by eliminating a washing step during re-filling. SABIC's double water pouch solution combines high performance, high purity and reduced washing water requirements.

#### Breakthrough material for Powder Bed Fusion technology

SABIC has developed first ever high temperature polyester-based MATEENSINT™ powder for Powder Bed Fusion technology, such as selective laser sintering. The material offers superior thermal, chemical and mechanical properties, expanding the space for 3D printed applications. To exemplify our strong commitment to sustainability, the beta version of MATEENSINT™ powder has higher recyclability compared to the solution available in the market enabling the potential for manufacturing cost waste reduction. By working with industry partners, SABIC can ensure that its powder material addresses industry and application requirements.

#### Polyolefin-based solar panel

After two years of joint development with partner Solarge, lightweight polypropylene-based solar panels were installed on office buildings in the Netherlands. The system contains a UV stabilized

### ECO-FRIENDLY OCTANE-BOOSTER



Sustainability being of significant corporate value for SABIC, we have been promoting MTBE (methyl tertiary butyl ether), an octane-booster that enhances engine efficiency, cuts emissions and prevents engine knocking – helping to reduce the adverse environmental impact of transport. In 2019, we maintained our position as the world's largest producer of the gasoline additive. Bio-MTBE – a second-generation biofuel and a SABIC world's first – continues to be a success in Europe.

PP random cover film and a stiff PP sandwich panel, with the potential to incorporate recycled material. Besides, the excellent environmental stress crack resistance of solar panels made from another common polyolefin, SABIC's B1054 high density polyethylene, makes them a long-service life solution, enabling floating solar fields to be built on lakes, enabling power generation with no loss of land resources.

### LOOKING AHEAD

With the launch of two new hubs in Asia Pacific in 2019, Greater China and Rest of Asia, we look forward to responding to local demands with ease and flexibility, responding rapidly to market volatilities, and further deepening our collaborative partnerships with customers and other stakeholders in this key marketplace.

Across our regions, we will continue to focus on better serving our customers through innovative thinking, and enhanced production and process control. We will continue to pursue our objectives and work toward SABIC's vision: to be the preferred world leader in chemicals.

# SPECIALTIES

The Specialties business creates value by pushing the boundaries of our materials' physical properties to address important and highly complex thermal, mechanical, optical and electrical performance requirements: our customers' most difficult – and often one-of-a-kind – challenges. Specialties' portfolio of high performance materials, collaborative mind-set, and engineering and application development expertise help our customers to achieve differentiation, sustainability or speed to market objectives required to create a competitive advantage.

Specialties' 'Growing Unique' strategy, centered on innovation and customization and geared to achieving a leadership position among global peers, continued to build momentum in 2019, with its unerring focus on one key driver: generating value for customers.

Key to this strategy, and to future organic and inorganic development, is establishing Specialties as a stand-alone organization, with its own financials and assets. Progress has been strong, with completion anticipated for 2020, set to bring financial transparency, increased agility, and an ever-deeper focus on customer-centricity.

## NON-FINANCIAL HIGHLIGHTS

Specialties sales volume also decreased due to the trade tensions between the US and China, which led to a slowdown in the major industries that use specialty products, such as automotive, electronics, and electric appliances. This led to a change in the behavior of consumers who began buying on-demand that resulted in decreased sales.

## NON-FINANCIAL METRICS

Million MT	Production volume		Sales volume	
	2019	2018	2019	2018
Specialties SBU*	106	120	270	296

\* Some of the Specialties products have been commodities and moved to Petrochemicals SBU.

## OPERATING HIGHLIGHTS

2019 saw Specialties continue to focus on creating value for our customers by helping them solve their most challenging problems, through our expertise in materials, engineering and service, global reach and a personal, collaborative approach.

As a business focused on helping customers address the challenges and seize the opportunities of the fourth industrial revolution – artificial intelligence, renewable energy and electric transportation, 5G communications, smart electronics, healthcare and robotics – a clear grasp of our customers' perspectives and needs is crucial.

Recent proprietary research highlighted customers' enthusiasm for personal interaction, notwithstanding the proliferation of online information. Sparked by a significant anniversary of the launch of LNP™ product line, we organized technical summits in 19 major centers throughout Asia-Pacific, the United States and Europe, where more than 2,300 customers joined us to learn more about our innovations, material capabilities, application design and processing best practices.

In 2019, Specialties also increased its focus on customer service, not least by extending its distribution network. Already strong in Asia and Europe, the emphasis for 2019 was on North America. Two new distributors

now augment our in-house reach in the US, Canada and Mexico, with the product knowledge, application design, technical expertise and materials access to support customers in key industries.

Increased production also aids our customers' speed to market. Recommissioning of the PPE (polyphenylene ether) plant in Bergen op Zoom, the Netherlands, with go-live planned for 2020, should boost global NORYL™ resin supply by 40%. Construction has also begun on a new ULTEM™ resin facility in Benoi, Singapore, scheduled for completion by 2021, and improving access for our customers in Asia.

Specialties' portfolio of flagship products – NORYL™, ULTEM™, EXTEM™ and SILTEM™ resins, a vast range of LNP™ compounds and copolymers, and a variety of thermosets and additives – helps meet complex thermal, mechanical, optical and electrical performance and sustainability requirements.

Specialties has also been hard at work developing new ways to help our customers meet the demands of the circular economy. LNPTM ELCRIN™ iQ polybutylene terephthalate (PBT) compounded resins, produced from recycled polyethylene terephthalate (rPET) waste, reduce cradle-to-gate environmental footprint compared with virgin PBT resin, as assessed by both cumulative energy demand and global warming potential.

The introduction of 5G infrastructure and the burgeoning growth of 5G-compatible devices is another major driver. Sales of NORYL™ oligomers, a key component in new circuit board products for high-speed servers, base stations and wireless antennae, are up 130% year on year. Significant capacity expansions initiated in 2019 are set to be increased in 2020 and beyond, as global 5G rollouts continue to expand.

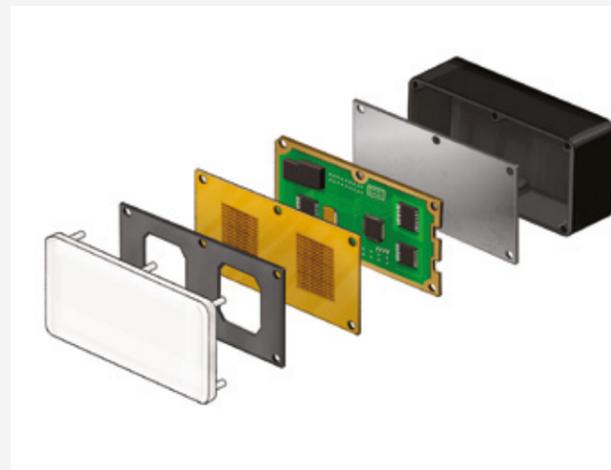
Advanced Driver Assistance Systems (ADAS) for conventional and autonomous vehicles are bringing a host of opportunities across the Specialties portfolio. ADAS rely on cameras, radar, LiDAR (Light Detection and Ranging) and other sensing systems, each with its own performance challenges.

For camera lenses, barrels and spacers, ULTEM™ resins offer infrared transparency, and heat and chemical resistance; NORYL™ resins' dimensional stability and low moisture uptake make them ideal for protective covers; and LNP™ compounds bring key attributes such as EMI (electro-magnetic-interference) shielding, thermal management, and rigidity.

ADAS radar systems, which enable features such as adaptive cruise control, autonomous emergency braking and forward collision warning, need multi-component devices with a range of capabilities, from EMI shielding to impact protection, radar absorption to radar transparency. PCB antennas and control chips use NORYL™ SA resin, an oligomer that provides low dielectric loss, while back covers benefit from NORYL™ and LNP™ compounds' rigidity, moisture resistance and thermal management.

LiDAR systems which can be built into vehicles' front and rear fascias, or within the headlights, demand durability and optical clarity. Specialties materials offer

## ENABLING ADAS



A host of Specialties materials is enabling a variety of Advanced Driver Assistance Systems (ADAS), Light Detection and Ranging (LiDAR) and other sensing systems for conventional and autonomous vehicles. The materials offer greater design freedom and environmental protection vs. conventional glass and epoxy, with assembly advantages that are especially important in miniaturized or fusion-based systems. Pictured here is a radar sensor system supported by a range of SABIC Specialties materials.

greater design freedom, environmental resistance and infrared transparency than conventional glass and epoxy, as well as assembly efficiency advantages.

The Internet of Things and the increasing trend toward real time communications demand data speed, density and low latency; the electronics industry is forecasting demand for sensor and lens units running at millions per week. ULTEM™ and EXTEM™ resins are ideally positioned to address the need. Zemax, the software standard for optical systems design, added four Specialties materials to their OpticStudio® tool database, as used by designers for analysis, simulation and optimization of prospective components and systems, helping them fully understand SABIC thermoplastic optical materials' capabilities. The ULTEM™ resin, EXTEM™ resin, and two grades of LEXAN™ CXT high-temperature copolymer, offer options with tangible advantages over traditional glass and epoxies.

## LOOKING AHEAD

SABIC's business plans for Specialties reflect its strategic importance, and will move the unit toward a multisector industry profile. Organically, the business will continue to focus on new opportunities in fast-growing and disruptive end-markets such as smart electronics, autonomous transportation, renewable energy and energy storage, robotics and artificial intelligence. Meeting its growth mandate will also demand inorganic additions to the portfolio; the prime focus will be on companies with clearly defined advantage-based technologies. Both organic and inorganic growth will be grounded in more efficient uses of natural resources and the minimization of environmental impacts in order to achieve enhanced sustainability objectives.

# AGRI-NUTRIENTS

SABIC Agri-Nutrients supplies customers throughout the Middle East, Far East, Africa and the US with a wide variety of fertilizers, from general to highly specific, helping address the world's ever growing demand for food. The business unit's product range includes urea, ammonia, and a comprehensive portfolio of nitrogen-based inorganic products.

This has been a year of scientific initiatives, new sales and territories, continuing to set the pace in helping meet the increasing global need for food, while also helping to safeguard the environment.

The European Union this year led the world in recognizing plant bio-stimulants as distinct agricultural inputs. They updated regulations on polymer coated controlled release fertilizers to introduce biodegradability of the polymer coating. Germany mandated the use of urease inhibitors. Australia and New Zealand enacted new nutrient loss prevention regulations. New emissions legislation in India brought new possibilities for SABIC TGU (technical grade urea) products.

All over the world, the challenges of feeding the world – sustainably – continued to grow. SABIC continued building our capabilities to address these challenges. Our strategy within Agri-Nutrients is to maintain our customer-focused approach, which includes broadening our global asset footprints in base fertilizers, downstream integration and distribution, and increasing our share of differentiated products to 20% of the total product portfolio. We strive to develop highly efficient products and provide agricultural solutions that suit different agricultural crops in differing climatic and soil conditions.



As the challenges of feeding the world sustainably continued to grow all over the world, we continued building our capabilities to meet them.

## FINANCIAL HIGHLIGHTS

Revenue in 2019 was SAR 7.12 billion, a decrease of SAR 0.82 billion, -10%, compared to SAR 7.94 billion in 2018 due to the implementation of the SAFCO-3 reliability project and performing of scheduled maintenance activities, besides non-availability of main products of Al-Bayroni due to a turnaround.

Income from operations for 2019 was SAR 2 billion, a decrease of SAR 0.3 billion, -13%, compared to SAR 2.3 billion in 2018. The decrease is attributed to lower average selling prices in addition to decrease in sales volume.

## OPERATING HIGHLIGHTS

SABIC innovation is at a premium. Our scientists continued to respond to current and anticipated market demands by improving existing formulations and developing new ones, not only to increase crop yields and quality but also to address other related challenges. In 2019, SABIC focused on producing the next generation of more environmentally conscious and economically sustaining fertilizers.

SABIC has already developed and patented the world's first biodegradable controlled release urea fertilizer, formulated to deliver synchronized nutrition at exactly the time and rate the growing crop needs it.

SABIC biodegradable polymer coated urea will have the thinnest coating in the market, allowing for maximum nutrient content per product unit weight and offering superior wear and tear resistance. The spent coatings, unlike those of competitor products, are certified biodegradable polymers.

Four patent families have been filed so far to protect this ground-breaking technology.

Post proof of concept conclusion, our team is currently engaged in multiple crop trials all over the world, to demonstrate the product value proposition.

Excellent progress has been achieved in developing the necessary design and project engineering to turn

biodegradable controlled release urea fertilizer into a marketable, world-leading sustainability innovation.

Another product developed by SABIC, Urea Calcium Sulphate (UCS), is the first of a kind that uses by-product calcium sulphate. UCS is a stable fertilizer, which delivers essential nutrients like nitrogen, calcium and sulfur to crops. Its key characteristic is that the release of the urea to soil is slowed, improving overall nitrogen efficiency compared to that of normal urea. The commercial trial of the product was successfully conducted at the Ibn Al-Baytar plant in 2019.

SABIC also developed Stabilized Nitrogen Urea (Seedcore®), a unique technology that will allow us to inject the urease inhibitors into the urea melt unlike other commercially available technologies. It has been scientifically proven to perform better than similar products.

We have also been successful in completing commercial trials at the Ibn Al-Baytar plant for the first water soluble NPK granules grade (Rasmadah) to address the growing demand for water-soluble fertilizers.

We continued our efforts to increase plant reliability, efficiency and production. In 2019, the SAFCO III ammonia plant's reliability improvement project was completed.

Our first direct MAP/urea shipment to Brazil represented an important milestone in our push for an increased South American presence. Our phosphate presence in Iraq was up 35% year on year, while overall global phosphate sales grew 7%, marking the first full year of commercial production at SABIC JV Ma'aden Wa'ad Al-Shamal Phosphate Company.

A new model 'Bulk in Container' offering targeted end/small users with a premium proposition, helped increase sales from 13KMT to 65KMT. Phosphate sales grew well in the US and in Brazil, where a 44% increase further strengthened our presence in this key South American market.

In our strategic partnership with the Saudi Ministry of Environment, Water and Agriculture, SABIC organized numerous activities including a field training day for farmers in Sajer, aiming to help drive improvements in farm management and optimize exploitation of SABIC products' full potential. We also sponsored key Saudi dates and fruit festivals.

SABIC was the largest exhibiting company at the Sahara International Agricultural Exhibition in Egypt – the largest industrialized agricultural exhibition in the entire MEA region. In coordination with the Arab Fertilizer Association in Cairo, SABIC helped to conduct a training course for employees of the Saudi Ministry of Agriculture on modern methods of fertilization – a first in the Arab world.

SABIC joined the Riyadh and Eastern Chambers of Commerce in the first joint cooperation on field days in Dawadmi province and AlQarih Alolia. Our field training schools continued to help raise crop productivity in Saudi Arabia. The training was extended to Oman for the first time, in cooperation with the Omani Ministry of Agriculture and the Arab Fertilizer Federation.

## SUSTAINABLE AGRICULTURE



The SABIC-supported National Research and Development Center for Sustainable Agriculture (Estidamah), based in Riyadh, maintained its institutional collaboration with the agriculture sector with its applied research and training programs on innovative farming techniques. With 2,400 hours dedicated to training 150 people in 2019, the center helped spread knowledge among Saudi Arabia's growers in sustainability-related fields such as integrated pest management, water and nutrient management, crop management and greenhouse climate control. For the years ahead, the center will continue to seek to provide practical solutions to public and private enterprises, to enhance farming efficiencies and effectiveness, and to help boost the national agriculture industry.

SABIC and SAFCO received the Industry Stewardship Champion gold medal at the International Fertilizer Association (IFA) Strategic Forum in Versailles, France. Industry Stewardship Champion recognizes companies that have participated in all IFA's most recent benchmarks related to employee safety, environmental performance, energy efficiency and CO<sub>2</sub> emissions.

## LOOKING AHEAD

We will build our lead in biodegradable controlled release urea fertilizer, capitalizing fully on our first-mover advantage, and fast track improved methodologies for inhibitor-treated urea products. We will leverage our core competencies to build our value added portfolio of multi nutrient fertilizers such as N+S compound fertilizer, micronutrient treated urea, and other grades combining secondary nutrients with nitrogen. We will institute new reliability improvement initiatives to further reduce production interruptions and increase output without raising feedstock consumption. We also plan massive expansions in our TGU capacity by converting to non-UF (urea formaldehyde) additives, and to begin fully leveraging our existing joint ventures to bring new NPK/NPS (phosphate) products to market.

Following our share-purchase agreement with SAFCO in December 2019, we are focusing on boosting shareholder value by enhancing capabilities, making breakthrough technological advances, and exploring growth opportunities through SABIC's wide reach across global markets.

## METALS (HADEED)

Metals products are supplied under the SABIC brand through Hadeed, a fully owned manufacturing affiliate of the company. As a leader in the Gulf region for steel production and manufacturing, we produce high-quality metals and supply some of the world's fastest growing economies. Hadeed is the biggest steel producer in the Arabian Gulf, manufacturing a range of Long and Flat products. With strong support from our talented employees, our objective within Hadeed is to manufacture and supply competitive and quality steel products and maintain best-in-class standards in Environment, Health, Safety, Security and Reliability, while sustaining maximum value for our stakeholders.

Hadeed's key product offerings include Long Products, which typically consist of Rebar and Rods, while Flat Products consist of various types of Rolled Coils, which are produced based on order requirements. These products are used in various industries such as construction. Most of Hadeed sales are in Saudi Arabia.

### FINANCIAL HIGHLIGHTS

Revenue in 2019 was SAR 10.79 billion, a decrease of SAR 0.03 billion, compared to SAR 10.8 billion in 2018. This was attributed to a decrease in sales volume by -2% compared to 2018, which is driven by steel demand that dropped as compared to 2018, partially offset by a slightly better average selling price and product mix.



Hadeed achieved remarkable improvement records by focusing on value-added products and cost optimization.

The loss of operations for 2019 was SAR 1 billion, a decrease of SAR 1.3 billion, compared to SAR 0.3 in 2018. This was attributed to the increase in variable cost and the decrease in sales volume.

### OPERATING HIGHLIGHTS

2019 proved to be another challenging year for the global and local steel-making industry, where several factors pushed down steel economic indicators.

Prices of raw material on the other hand experienced sharp increase mainly due to a force majeure incident at one of the largest global iron ore suppliers.

Adding to these challenges, were prices for imported material and tariffs imposed by regional countries and paired with limited infrastructure spending.

To face these industry economic headwinds throughout the year, we focused on key strategic areas, and continued to enhance our capabilities to achieve lean, efficient and sustainable results. Hadeed's strong economic fundamentals, strategic leadership, and manufacturing and human assets have supported us in moving ahead in 2019, and successfully surpassing over 8% of the target set by the transformation program for the year.

A key initiative in 2019 aimed at improving profit margins by gaining more business in the high quality, high value end of the market.

In addition, Hadeed achieved remarkable improvement records by focusing on value-added products and cost optimization. We have also improved our industrial processes. In addition, we explored new

markets with a wider range of products, consistent with the requirements of local and global markets.

Our transformation program, first initiated in 2017, has resulted in a successful turnaround performance, with the aim to achieve a sustainable first quartile competitive performance and profitability.

In 2019, our key strategic focus to fulfil our transformation objectives was on:

- Upstream investment in iron ore mining for further cost optimization of our principal raw material.
- Cost efficiency program to optimize fixed costs and maintain organization effectiveness.
- Synergies with domestic governmental and investment agencies to contribute to Saudi Arabia's localization drive.
- Synergies with internal manufacturing entities among SABIC corporate on common and shared interest projects consistent with our cost optimization program.
- Cooperation with local regulators to adopt fair market practices.

We conducted our annual analysis of environmental and safety performance, building on SABIC's critical organizational behavior and Leadership Way strategy, which guides every leader to help our business, including bettering EHSS performance.

Besides environmental and safety performance, other key issues addressed this year included plant reliability and organizational optimization, and improvements in resource-utilization and product waste reduction.

We initiated a Utilization of Hydrogen Tail Gas project at Hadeed Direct Reduction plants to synergize with SABIC affiliates by using hydrogen-rich streams, which these affiliates produce through our direct reduction process. This added considerable value to the use of these streams.

Hadeed also developed a novel process for graphite carbon production from natural gas and enhancement of the steelmaking process using CO<sub>2</sub> purging, giving us an edge over competitors as regards to intellectual property and production cost.

Improvements continued to be made in supply chain this year, as Hadeed introduced a "truck saddle" redesign, eliminating human intervention, enhancing employee-safety while increasing handling process efficiency by up to 37%. The drive for efficiency extended to our dealings with third parties, with a new land transport contracting strategy launched in August expected to cut logistics costs by around 7-13%.

We are the preferred supplier for a wide range of quality products in local and regional markets, further strengthening the Hadeed brand.

We were also successful in several identified capex initiatives related to energy efficiency, efficient use of raw material used, better material handling, and improved electric arc furnace processes. Sustained progress was also made on recycling waste water and waste heat recovery programs.

### NEW INITIATIVES TO INCREASE EFFICIENCY OF STEEL PRODUCTION



Global shortages in the availability of high quality iron ore made it imperative to find new suppliers who could provide the quality we needed at prices that made sense. After significant explorative efforts launched in early 2016, alternative grades have now been introduced that both widened our feedstock options and reduced costs, with the negative impacts of lower quality on plant operations mitigated through modification of process parameters and adjustments of the iron ore feed.

In another successful development, we addressed the problem of cluster-formation of Direct Reduced Iron pellets during direct reduction processes. This occurrence has always been of critical concern as it reduced gas penetration ability for iron ore pellets during the reduction process. Hadeed has now modified its coating conditions to cover the outer layer of the pellets and avoid sticking of pellets, thus enhancing productivity.

### LOOKING AHEAD

With the global economic outlook still uncertain, we expect the marketplace to continue presenting challenges for the steel industry in the near future. But we are committed to maintain the momentum of our transformation program, and continue addressing those challenges by maintaining our efforts to bear down on costs, improve production efficiencies and productivity, and invest in the skills and capabilities of our people. Our materials will continue to equip architects and builders in Saudi Arabia with the high performance they need to construct the planned mega projects under Vision 2030. We will apply foresight and technical expertise to move steadily up the value chain, gaining ever-greater access to export markets and to the high value-add end of the marketplace for metals.

# CORPORATE PERFORMANCE

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# HUMAN CAPITAL

At SABIC, we believe our people are our key enablers: driving performance, delivering growth, and building relationships rooted in trust and mutual benefit.

To become the preferred world leader in chemicals, SABIC aims to attract, build and develop high performing teams. SABIC's Human Resources (HR) helps build a vibrant work environment worldwide: continuous learning, excellent career opportunities, and competitive rewards for performance.

## EMPLOYEE VALUE PROPOSITION REFRESH

In 2019, we refreshed our Employee Value Proposition, to more accurately reflect the SABIC of today and the challenges of the journey ahead.

A Global Employee Survey with a participation level of around 19,000 employees saw an open and candid two-way dialogue: sharing ideas and perspectives, goals and ambitions, with a view to developing a greater common understanding between employees, workforce and leadership helped improve communication, build relationships, and establish a shared foundation for the future.

The refresh also saw the launch of HR One Platform – a project designed to integrate multiple global HR solutions into one, simplifying the system, enabling synergies, enhancing the entire process of recruitment, retention and development, and improving working life for all of our people.

The annual global CEO Dialogue Town Hall was held in January this year at our Riyadh corporate headquarters and live-streamed to sites throughout the Middle East, Europe, the Americas and Asia-Pacific, sharing our progress over recent years, the economic and environmental challenges we face today, and our plans to meet them and grow.

Since the 2016 launch of its Government Leadership Program, the SABIC Academy has delivered 11 sessions to more than 400 Saudi government officials.

## CONTINUOUS LEARNING

Continuous learning has always been key to SABIC. We are committed to continually improving our knowledge, ideas and capabilities, helping all our stakeholders achieve their ambitions, and empowering them to change the world for the better.

The SABIC Academy offers competency-based learning across 12 career lines via both classroom and online teaching, with a wide range of courses accessible to every one of our 33,000+ employees around the world, including programs leading to recognized certification in disciplines like Sales, Marketing, Finance, Manufacturing and Supply Chain.

Our leadership development processes support our SABIC Leadership Way: four priorities – Talent Champion, Collaboration Partner, Innovation Pioneer and Excellence Driver – to help identify, nurture and develop skills, behaviors and mindsets that drive meaningful innovations, inter-functional collaboration, and cost reductions throughout the business.



This year also saw the launch of SABIC Young Leadership Council – focused on SABIC's young leaders, and #Accelerate: a new platform to help talented and passionate employees accelerate their own development by joining critical projects or new initiatives, whether within their daily job scope or beyond it.

## VISION 2030

Since the 2016 launch of its Government Leadership Program, the SABIC Academy has delivered 11 sessions to more than 400 Saudi government officials – over 120 this year – developing key skills and mindsets, and enabling networking among business and government leaders.

In 2019, our annual Summer Innovation Program in Riyadh, Jubail and Yanbu emphasized three educational tracks – Manufacturing, Research & Development and Business – under the theme, “Our Youth: Vision and Aspiration.” Over 400 participants used innovative media such as virtual reality, artificial intelligence, gamification and fabrication in the program, which concluded with an exhibition in each region showcasing 69 projects linked to SABIC's business portfolio.

The Saudi HR Think Tank, launched in 2018 with the Ministry of Civil Service, gained an Advisory Board, with HR leaders and influencers from SABIC

and the government sector, along with a new online presence. SABIC also honored five winners of its Entrepreneurship Award – one of the programs of NUSANED™, a SABIC initiative to support local content and help Saudi entrepreneurs create and grow businesses in support of Vision 2030.

## STRATEGIC WORKFORCE PLANNING

Strategic workforce planning is about having the right people in the right job at the right time – and at the right cost.

2018 saw SABIC adopt, adapt, develop and execute best practice methodology, with a five year plan identifying critical capabilities, and establishing an evidence-based decision making process to aid employee retention, talent identification and development, gap assessments, all integrated with our operational business planning cycle. In 2019, the plan was updated through running a number of “what if?” scenarios, assessing potential projects in areas like automation and artificial intelligence, as well as regional gap-closing strategies and migration paths, for their financial and workforce implications for business units and corporate functions.



Left: Our aim is to attract, build and develop high performing teams.

Above: We are committed to continually improving our knowledge, ideas and capabilities.

# SUPPLY CHAIN

A continued focus on operational excellence and commitment to digital transformation helped deliver another year of strong performance for SABIC Global Supply Chain (GSC).

2019 produced another set of impressive performance figures: around 32 million tons of product delivered to almost 11,500 customers in over 140 countries; more than 18,000 stock keeping units flowing through around 200 distribution centers; and around 500 logistics service providers around the world helping process almost half a million outbound deliveries.

## STRATEGIC GOVERNANCE

2019 saw implementation of the Global Supply Chain Excellence Framework. The Framework consists of nine elements covering all aspects of the supply chain, from strategic governance to EHSS, from operational excellence to customer experience.

Digitalization is a key element, with initiatives aiming to exploit the full potential of the blockchain, robotic process automation and enhanced customer connectivity currently being implemented, assessed, fine-tuned and rolled out throughout all GSC functions and regions.

Embracing digitalization will help enable a seamless supply chain operation.

## CUSTOMER EXPERIENCE

SABIC GSC is always striving to enhance the customer experience by expanding our scope to address our customers' reach globally, embracing emerging technologies, and enriching our engagement with partners. Highlights from the last 12 months include:

- **Trade solution award** – SABIC Solids Supply Chain in MEAF beat 243 nominees from all over the world to win the coveted 2019 Adam Smith award for best trade solution, demonstrating best practice, innovation, collaboration, creativity, teamwork and determination. The winning solution, shipping documents to banks electronically, cut lead-times by up to 40%, as well as saving costs throughout the value chain.
- **Direct delivery to Vietnam** – SABIC Liquid Supply Chain overcame major infrastructural challenges

to make the first direct methanol deliveries from Saudi Arabia to Godau, Vietnam.

- **Enhanced liquid end-to-end supply chain** – SABIC expanded its end-to-end supply chain services to customers in China, increasing customer intimacy, on-time delivery, and competitiveness in the Chinese market.
- **E-commerce** – SABIC Supply Chain in Europe continues to enrich SABIC's e-commerce platform, enabling automatic, timely delivery of information, improving both customer service and our own internal efficiency.

## SUSTAINABLE SUPPLY CHAIN

Sustainable Supply Chain is one of our key focus areas to help drive the conservation of natural resources and reduce carbon emissions. Supply chain digitization is creating further visibility in our performance that has led to a number of newly launched projects this year improving our sustainability performance. They include:

- **E-vehicles** – GSC this year began trialing electrical delivery vehicles with one of its China affiliates, with raw materials delivered from the manufacturer to the on-site warehouse at the SABIC joint venture plant. GSC anticipates ever-increasing use of e-vehicles over the next 5–10 years, and has assigned them a key role in its long-term land transportation strategy.
- **Environmentally friendly shipping** – GSC is working with shipping lines to explore the potential of alternative fuels, with a view to minimizing the cost impact of compliance with the new, more demanding 2020 International Maritime Organization regulations.
- **Go-Green project** – as part of an ongoing America polymers import optimization project in the US, GSC ceased printing in favor of electronic transmission for key documents such as Certificate of Origin.

## PLANNING CAPABILITY

As part of the new Framework, GSC launched a new advanced modeling and optimization application at one of our Yanbu affiliates in Saudi Arabia. Related initiatives are in progress at various other affiliates. Such initiatives bring together GSC and the affiliates

to help maximize integrated margins by optimizing factors such as feed usages, production rates, cracker-operating conditions, product allocations and throughput rates.

Value chain planning helps GSC adapt to a complex and constantly changing environment, optimizing the entire value chain to continually improve cost efficiency, service delivery and ultimately profitability.

## NETWORK MODELING

GSC is steadily enhancing its network management capability, implementing a range of network-modeling tools to optimize its vast global distribution network, with modeling competencies developed in-house helping ensure continuity. Modeling assesses the efficiency of over 150 locations and 20,000 routes worldwide, and aids continual improvement of SABIC's supply chain models, helping improve service to customers, prepare for growth, optimize working capital, cut cost out of the supply chain and enhance sustainability.

Network modeling is set to transform the entire global supply chain; early benefits are particularly notable in:

- **Middle East/Africa** – where the SABIC team is working with Saudi Rail company to investigate the potential for greater use of rail to transport SABIC goods, to help streamline container

collection, reduce road transport, and improve customer service while reducing environmental impact. Recent improvements at Jubail's Petrochemicals Quay 2 are helping improve (peak period) loading efficiency and delivery reliability to customers served through SABIC's Number 1 global export gateway.

- **Europe** – where greater use of our Rotterdam hub, The Netherlands, is improving the service provided to customers for materials coming from Cartagena, Spain, helping reduce lead-times and operating cost, and cutting road use by 60%, delivering significant sustainability benefits.
- **America** – where enhancements to finished goods warehouses have improved customer service without adversely impacting cost, and reduced overall transport mileage by 55%.

## LOOKING AHEAD

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



A constant focus on operational excellence.

# TECHNOLOGY AND INNOVATION

In 2019, SABIC Corporate Technology and Innovation (T&I) comprised 1,533 employees working on 597 research projects – across short, medium and long-term horizons – at 21 research centers around the world.

This year we met our ambitious targets in technology delivery, strengthening our pipeline, and protecting our technology, with issued patents and patent applications rising to 12,540. In addition, we are actively driving increased market-in focus on our pipeline, value delivery from innovation, and collaboration across the SBUs, T&I, and Manufacturing to increase impact and accelerate time-to-market.

Over the year, SABIC T&I continued to focus on enhancing its portfolio, executing projects, delivering on multiple fronts including process and product innovation, application development, and technology licensing, and expanding technology-venturing initiatives to bring more disruptive innovation into the portfolio. Looking ahead, we will maintain this focus, as well as looking to acquire complementary technologies from third parties.

T&I was a key contributor to SABIC's success in 2019, and we anticipate T&I playing a lead role in SABIC's ambition for sustainable growth in the years ahead.

## PARTNERSHIPS FOR PROGRESS

In 2019, we continued to work with peers, customers, the broader value chain, and other external partners to develop new processes and products that help address emerging needs, from improved efficiency to performance enhancements to sustainability. Some innovations this year include:

### HELPING DEVELOP THE NEW DEFENDER

Automakers continue to seek lighter materials with no compromise in high strength and performance, for their fuel economy and environmental benefits. One such manufacturer is Land Rover, who worked with SABIC to develop their new model of the iconic Defender. This landmark vehicle now incorporates our thermoplastic solutions in more than 70 applications.

### ENABLING DIGITALIZATION

Responding to automotive customers' requests for materials data for engineering simulations, we developed the web-based SABIC Simulation Portal. With this data, our customers can model designs with our thermoplastics easily, more

reliably, and efficiently, potentially making possible significant time and cost savings.

### LIGHTWEIGHT SOLUTIONS FOR BMW

BMW won a second-place innovation award at the Society of Plastics Engineers Central Europe Automotive Awards with a hybrid cross car beam and glove box, co-developed with SABIC, whose STAMAX™ long glass fiber reinforced material fabrication delivers high stiffness and impact resistance while reducing weight.

### FORMULATIONS FOR THE FUTURE

New and improved formulations open up a world of new possibilities for SABIC and our customers.

### NEW HIGH HEAT RESIN FOR AUTOS

Today's electric vehicles manufacturers are looking to cut weight without compromising crash safety performance. Plastic-metal hybrids can combine plastic's lightness and stiffness with the strength of metal, but the plastics need to survive high priming/painting temperatures. SABIC this year launched XENOY™ HTX resin – a new resilient lightweight polymer – and is currently working with automakers on structural components that can fully exploit its capabilities.

### BETTER BATTERIES FOR A BETTER TOMORROW

The challenges of batteries for electric and next-generation vehicles include weight reduction, improved energy density and durability, and tough regulations. SABIC this year released a new set of flame retardant solutions for battery parts including housings, covers, bottom trays, modules, cell carriers and end plates, offering up to 30–50% weight savings over metals, for significant fuel economy and environmental benefits.

### NEW ETP RESIN DELIVERS SUSTAINABILITY ADVANTAGES

New CYCOLAC™ and CYCOLOY™ ABS resins, produced globally for many applications across a wide range of industries, have a new sustainable formulation, which improves product quality while reducing reaction cycle times around seven percent, cutting energy consumption and up to 100 tons per year equivalent of hazardous waste production.

### INDUSTRY-FIRST FOR PC-BASED CERTIFIED RENEWABLE FEEDSTOCK

SABIC officially announced the launch of LEXAN™ polycarbonate (PC) based on certified renewable feedstock – an industry first – at the K2019 tradeshow in Dusseldorf, Germany, extending SABIC's strategic sustainability pathway beyond polyolefins, with carbon footprint reduced by up to 50% compared with fossil-based PC production.

### XENOY™ HTX RESIN LAUNCH EXPANDS ETP OFFERINGS

SABIC's new XENOY™ HTX's high heat cycles and excellent impact and flow characteristics make it ideal for complex geometries and a wide range of temperatures, with moisture-resistance that suits it to applications from automotive to appliances, architectural structures to marine.

### IMPROVING PRODUCTION TECHNOLOGY

Better production technology makes for fewer shutdowns along with improvements to productivity and environmental performance.

### NEW ABS TECHNOLOGY CENTER

October saw the opening of the new ABS Technology Center at the Mount Vernon, Indiana site, enabling development and cost effective production of new chemistries, sustainable processes and diversified product portfolios for our US and Saudi customers.

### GLOBAL CRACKER TECHNOLOGY

Global cracker technology maximized feedstock utilization by improving olefins yield at four olefins plants, and yields through optimized hydrogenation reactors at another. Improved furnace firebox performance enabled full feedstock consumption at one Saudi cracker. Sustainability-driven energy reduction initiatives brought significant fuel savings, while a fouling mitigation program saw significant benefits including shutdown-prevention.

### OLEOCHEMICALS TECHNOLOGY

Pharma grade polyethylene glycol and glycerin meet key elements of the United States and European pharmacopoeia and Food Chemical Codex standards.

### OPTIMIZATION BRINGS BENEFITS

- Solutions implemented by a multi-disciplinary team reduced shutdowns at the linear alpha olefins plant from three to one in a year, delivering 100% on-stream production and a 3,300 ton year on year production increase, along with improvements to both product quality and plant carbon footprint.
- Successful implementation of plant optimization measures brought a 2,300 ton increase in 2-ethylhexanol production while reducing propylene feedstock consumption by 625 tons.
- A quick-wins exercise at the Ibn Zahr MTBE plant increased production by 11,500 tons up to September 2019.

- A methanol recovery from waste stream initiative at Arrazi reduced environmental impact with improved performance for greenhouse gases and energy and water intensity, while production to September was up 5,700 tons.
- An ongoing effort to maximize ethylene oxide catalyst selectivity in glycol plants improved performance resulting in less consumption of feedstock (ethylene) and reduced CO<sub>2</sub> emission.

### TECHNOLOGY LICENSING

Technology Licensing conducted robust technology assessments for several technologies with SABIC global growth initiatives potential. The key Sustainability Footprint assessment helps ensure compliance with SABIC/SEEC (Saudi Energy Efficiency Center) targets, and several studies have led to significant sustainability improvements to SABIC polyolefin technology process design packages.

Further studies in collaboration with affiliates helped maximize asset productivity, enhance efficiency and reduce energy intensity, delivering significant environmental benefits.

### TECHNOLOGY VENTURING

The company strengthened its Technology Ventures footprint in Europe, North America and China in close alignment with its strategic technology goals. The investment portfolio currently includes ten active companies, two technology licenses and four funds.

### FUTURE SCIENTISTS

People are central to developing our innovative ideas and culture, and their support is helping to make an impact on our bottom line. We lay emphasis on building the right competency across our global innovation centers toward being a global synergized organization. Many of our future scientists complete Masters and/or PhDs at elite universities in fields such as catalysis, engineering, and differentiated polymers/materials. We complement their advanced training with our early career development and on-the-job-learning programs at our manufacturing affiliates, as part of our 2025 competency roadmap.



Working toward new and improved formulations.

# MANUFACTURING

Manufacturing remains on course in its strategic pursuit of SABIC's targets. Improved risk discovery, calculated performance monitoring and a clear focus on prioritized objectives are key to SABIC performance.

Our Strategy Execution platform, incorporating enhanced alignment between Manufacturing and sites' priorities and improved engagement on strategy requirements, continues to make significant progress toward meeting defined objectives.

A challenging external environment presented major challenges over the course of 2019, with, for example, an increase in domestic feedstock curtailment. Despite such pressures, production performance was down just 3% year on year.

## RELIABILITY AND ASSET LIFE IMPROVEMENTS

In our ongoing pursuit of best quartile performance for all assets, the year saw a number of notable achievements. Increased production at Petrokemya, a new propane recycling process at Sharq, on-schedule commissioning of styrene butadiene rubber at Kemya, and completion of reliability improvement projects at SAFCO III (with a new 1,800 MTPD design capacity) and SAFCO IV assets are good examples of our pursuit of best quartile performance.

Meanwhile, the planned shutdown at Ibn Zahr (MTBE 2 and Polypropylene 3 units) was kept to a minimum, while taking advantage of some unplanned outages to undertake targeted maintenance that should significantly reduce future planned shutdowns at Petrokemya. Strategic feedstock management efforts have also paid off in providing a buffer against external pressures, with maximized methane, propane and naphtha use, generating above plan production for selected key focus products.

The Asset Integrity and Reliability (AIR) program, implemented at 21 operating sites this year, concluded its first cycle, launched in 2017. The plan is to implement the AIR program in a three-year cycle. The Asset Life Assessment (ALA) program, focusing on aging or obsolescence issues, is also in operation, looking to introduce operational changes, interventions and replacements to mitigate problems and extend asset life.

AIR, along with the Reliability-In-Design concept embedded in project gating process and Advanced Process Control Applications, are helping deliver steady progress against our reliability and asset lifetime targets.



Our global manufacturing networks offer access to diverse assignments and an extensive depth and breadth of experience.

## ENERGY OPTIMIZATION

Manufacturing continues its drive for optimum energy efficiency in support of SABIC's sustainability objectives.

Opportunity assessments identifying and evaluating potential conservation measures to reduce our overall footprint were carried out at four major sites in 2019. Such assessments also play an integral part in the evaluation process for any proposed mega projects, to ensure optimal sustainability performance.

The Site Energy Optimizers Program, which began in 2018, continued to deliver positive results, with comprehensive deployment at eight sites during 2019, both producing immediate energy savings from quick wins and enabling improved energy system operating strategies.

To support capability building and develop the human capital and internal talent key to enhancing our sustainability performance, our Certified Energy Expert training program – a comprehensive, interactive course focusing on key competencies – this year qualified 40 engineers from SABIC affiliates. In addition, 150 operators and technicians also received sustainability basics training in 2019.

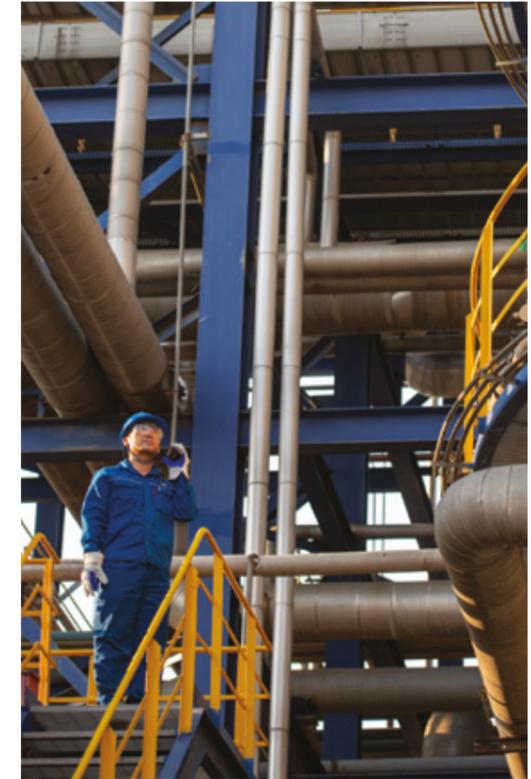
## SABIC OPERATIONS MANAGEMENT SYSTEM (OMS)

In 2018, Manufacturing launched the Operations Management Systems (OMS) initiative. Building on our legacy Safety, Health and Environment Management System, OMS integrates EHSS and Work Process Management systems in one framework to safely operate and optimize performance of SABIC assets. Key success factors were identified in the sites deployment phase. The main theme of the OMS is to ensure quality procedures and efficient embedding of changes at organizational levels, from management to frontlines.

The focus in 2019 was on developing site-specific Operating Management Systems, to reduce risk and increase productivity and efficiencies.

## WORKFORCE DEVELOPMENT

Growth opportunities for engineers saw programs like SABIC Engineers Early Development, Technical Ladder, and Jump Start for Leaders. Peer review panels with input from relevant stakeholders supported a focus on change management for the frontline, with a unique immersive, interactive environment: OMS Connect – The Frontline Experience. SABIC this year also graduated its first batch of Frontline Supervisors.



SABIC continues its drive for optimum energy efficiency in support of its sustainability objectives.

## OPERATIONS DISCIPLINE

SABIC continues to enhance performance drivers. The Operations Discipline program launched in late 2018 was completed this year at our Saudi sites. The program looks to ensure compliance with critical operational elements during manufacturing processes, capitalizing on best operational practices and complementing other corporate programs, such as SHEMS and OMS. Implementation is set for our European and Americas sites during 2020, with all sites tasked to plan gap closures by the end of 2020.

The program will lay the foundation for best in class standards, while creating an environment of empowerment within our manufacturing community to strengthen ownership and drive for results through commitment and innovation.

Over the long term, Manufacturing will continue to work on building and maintaining a working environment that empowers, inspires and connects, with our global networks offering access to diverse assignments and an extensive depth and breadth of experience. Full compliance with the new OMS standards is anticipated in 2020.

# ENVIRONMENT, HEALTH, SAFETY AND SECURITY

Environment, Health, Safety and Security (EHSS) continues to be a core value at SABIC, which remains committed to achieving industry-leading performance.

The global EHSS organization serves as a center of excellence supporting all manufacturing operations, business units and corporate functions in continually improving our EHSS performance at sites around the world.

This year we raised EHSS competencies, expanded forums and communication channels to improve global information-sharing, and continued working towards excellence in people development, digital transformation, and risk and operations management.

## MANAGEMENT SYSTEMS

### SAFETY, HEALTH & ENVIRONMENT MANAGEMENT (SHEM) STANDARDS AUDITS

The SHEM Maturity Level concept was developed and implemented, supplementing auditing as the primary means of assessing sites' SHEM performance and progress. This new risk-based assessment approach was successfully implemented at eight sites, and will be used going forward to assess performance at our facilities.

### EHSS INFORMATION ENABLEMENT (E-SHEM)

E-SHEM improves risk identification and management by making key EHSS information richer and more accessible through better aggregation and distribution via efficient web-based platforms and communications. Manufacturing this year introduced the electronic EHSS Risk Register, EHSS Audit Management and EHSS Calendar in Saudi Arabia to help register risk, capture findings, and track recommendations and mitigation actions.

### GLOBAL KEY PERFORMANCE INDICATORS (KPIs)

This year, we incorporated large construction and development ("mega") projects being carried out by our Engineering & Project Management function into our overall EHSS performance.

We also this year implemented a new set of leading and lagging KPIs to assess site and Company performance, along with:

- A new process for SABIC affiliate data collection via a uniform global KPI template.
- An applicability assessment process for small/non-operational sites.

- Quarterly reviews to monitor KPI awareness, data quality, trends, and alignment on actions, to aid continuous improvement.
- Feedback workshops with regional and affiliates to evaluate interactions, data quality and trends, with a view to refining or introducing new KPIs.

### RESPONSIBLE CARE®

Responsible Care® embodies the global chemical industry's commitment to continual improvement in EHSS. SABIC this year updated its Responsible Care® certification to RC14001:2015, as verified through third party audits, with no major non-conformances identified over the past five years. This standard is itself expected to be replaced by ISO 45001. 2019 saw a 30% improvement in corrective actions implementation.

### HEALTH, SAFETY & ENVIRONMENT

We strengthened our health, safety and environmental competency program with specific development and training pathways for operations, non-operations and specialists.

Our environmental initiatives have this year focused on digitization, competency and risk discovery tools to help our sites detect and analyze abnormal environmental control performance, and on updating and improving our training programs.

### PROCESS RISK MANAGEMENT

Our process risk management (PRM) this year continued to focus on high consequence/low likelihood risks, and we enhanced our performance in:

- Process safety knowledge and competency – with programs bringing training and qualification to ever-increasing numbers of the workforce.
- Risk discovery and management – using proven methodologies like facility siting, hazard and operability studies, fault tree analysis, transient operations, hazard analysis and layer of protection analysis to aid integrated prevention, discovery and management.
- Process safety metrics and SAFER (SABIC Assurance Program for EHSS Risks) assessments – to continue to monitor risk levels and further guide safer facility operation.

SABIC this year completed implementation of its four-tiered process safety metrics of leading and lagging indicators, based on American Petroleum Institute – Recommended Practice 754 (API RP 754).

## PREPAREDNESS AND SCENARIO MANAGEMENT

### EMERGENCY PREPAREDNESS

Pre Incident Planning (PIP) aims to improve our incident responsiveness. 90 scenarios devised by independent experts were undertaken this year; extension to all global sites scheduled by end-2020.

### SECURITY MANAGEMENT

This year we launched a project to ensure our Saudi Arabian affiliates' full compliance with new directives from the Saudi High Commission for Industrial Security; implemented a digital system for managing and documenting security programs; and continued to implement a competency-based development program equipping frontline site security officers to detect and prevent criminality.

In the United States, regulatory security inspections by the US Coast Guard and the Department of Homeland Security at four SABIC sites revealed no deficiencies. We also piloted a violence prevention project, and developed a new risk assessment process based on the American Petroleum Industry's methodology, with assessments at 15 sites.

### CRISIS MANAGEMENT

Crisis Management Leadership workshops were held for senior leaders in all regions. Improved crisis management plans and readiness exercises based on a variety of scenarios from natural disasters to IT outages, manufacturing mishaps and supply chain incidents strengthened our capabilities. We continued to develop and pilot new tools to improve communications during crisis incident management.

### PRODUCT STEWARDSHIP

Core programs were further built on key initiatives to develop and deploy product stewardship knowledge and competency, enhance product stewardship related communications, and improve risk discovery and management processes. This year we:

- Began building a new product stewardship certification program, and completed a competency guidance development.
- Identified 10 priority high risk chemicals to continue our value chain communication outreach to promote product safety management and information exchange.
- Completed additional risk characterizations to ensure Responsible Care® compliance by 2020 for SABIC's top 50 high priority chemicals.
- Implemented new monitoring processes for emerging regulatory environments such as Russia, Vietnam, Brazil, Thailand, Taiwan and Turkey.
- Rolled out new product stewardship SHEM OMS 3114 training materials in multiple formats.



The global EHSS organization supports continually improving our EHSS performance at sites around the world.

- Enhanced product stewardship incident metrics across all functions to better understand risk areas, root causes, and common cause solutions.
- Improved EHSS/product stewardship reviews of Technology & Innovation programs, aiding early hazard identification, risk management, and potential alternative measures.
- Partnered with trade groups to promote transparency of chemical and hazard data.
- Invested in tools and systems for key product stewardship operational activities, ensuring rapid, high quality support for customer inquiries, data sheets and labels.

## 2019 – EHSS IN NUMBERS

### ENGAGEMENT AND SUPPORT

- 24 EHSS networks were active across all regions.
- Eight security risk assessments were conducted for sites across the globe.
- Four incident learning sessions were conducted in the Americas region.
- Over 10,000 responses to customers were made for product stewardship inquiries.
- Over 84,000 safety data sheets were published.

### CAPABILITY BUILDING

- 589 security guards received firearms training.
- 296 engineers and other professionals were trained on Process Hazard Analysis leader qualification, facility siting, pre-incident planning, and Layer of Protection Analysis.
- 161 engineers graduated from process safety fundamentals training.
- 115 safety and environmental professionals were trained for NEBOSH (National Examination Board in Occupational Safety and Health) certification.
- 95 instructors were trained for new unified safe work permit and LOTO (lockout/tagout) across the regions.
- 10 crisis management awareness sessions were held for 140 leaders and key stakeholders.

# SUSTAINABILITY

2019 saw the launch of SABIC's Sustainability Development Goal Roadmap, aligned to the UN's Sustainable Development Goals (SDGs), outlining ambitious targets relating to resource efficiency, climate change, the circular economy, food security, sustainable infrastructure, and preservation of the environment.

The Roadmap, integral to SABIC's 2025 strategy and underpinning its sustainability program, encompasses the entire value chain from sustainable feedstock sourcing to energy efficiency, from sustainable product and process innovation to advocacy and multi-stakeholder collaboration.

SABIC this year received recognition as a leader in sustainability reporting for the second consecutive year by the World Business Council for Sustainable Development, whose Reporting Matters survey of 159 leading global companies commended the 2017 Making a Difference report for its strategic approach, materiality refresh process articulation, and corporate strategy alignment. In June SABIC also received recognition from the American Chemical Council, winning their first-ever sustainability leadership award in Environmental Protection and Circularity for its certified polymer initiative.

We were also among the global chemical industry's first to achieve the British Standards Institute's PAS 2060 carbon neutrality standard. Besides, SABIC's global headquarters was certified as a carbon-neutral site in 2019.

## MATERIALITY ASSESSMENT

SABIC has undertaken a comprehensive refresh of our 2013 materiality process, using hard data to build on 2013's qualitative approach and set new five year priorities.

Six core materiality areas and nine for developing step-change targets were defined, with materiality focused on priority areas, and supply chain, human capital, and product stewardship redesignated as continuous improvement, partly reflecting maturing programs that now meet business needs. New step-change key performance indicators now target opportunities in areas such as renewable energy and circular plastics, while reducing impacts through waste and flaring.

## A CIRCULAR MILESTONE

This year brought a major milestone in SABIC's groundbreaking project to turn mixed plastic waste into certified circular polymers. Launched in January, this key "market foundation stage" element saw pyrolysis oil feedstock produced by Plastic Energy Ltd from mixed plastic waste introduced at SABIC's Geleen site in The Netherlands.

SABIC also began production and commercialization of certified circular polyethylene and polypropylene, in preparation for the planned 2021 start-up of commercial plants to produce the alternative feedstock, accredited through the International Sustainability and Carbon Certification plus (ISCC+) scheme, which certifies circular content and standards from source to end product.

## SUSTAINABLE SOLUTIONS

This year, SABIC launched numerous ground-breaking ranges of sustainable solutions, in automotive & transportation, packaging, consumer goods & appliances, personal care & healthcare, and building & construction.

## AUTOMOTIVE & TRANSPORTATION

With vehicle weight reduction lowering CO<sub>2</sub> emissions and improving fuel economy or electric vehicle range, automakers continue to seek lighter construction materials that will not compromise high strength and performance.

## PACKAGING

Plastic packaging offers many benefits, from physical protection to extended shelf life. It can also play a crucial role in cutting waste in the global food supply, so long as it complies with stringent regulations on consumer safety and the environment. SABIC, having committed to make all its packaging recyclable or refillable by 2021, is at the forefront of developing greener solutions through scientific innovation and strategic collaborations.

Working with brand owners and customers, SABIC has developed four new circular packaging solutions, including the company's flagship certified circular polymers created from chemically recycled mixed plastic waste, and other advanced circular products such as certified renewable polyethylene and polypropylene, polymer resins made from mechanically recycled polymers, and products that produce minimum waste and increased recycling capabilities.

## CONSUMER GOODS & APPLIANCES

Plastics play an ever-increasing role in innumerable products which have become staples in the daily life of millions all over the world. Manufacturers seek materials that will enable them to create products that are strong, light and durable, with excellent functionality and performance. Many add sustainability to that want list, along with design and aesthetic flexibility.

SABIC's decades of experience deliver, in products like Trucircle™ and other solutions, as seen in a raft of products like:

### Tupperware® Eco Straw and drinking tumbler:

Portable and reusable, Eco Straw and a new drinking tumbler help reduce single-use plastic waste, through both the material used and the applications. Both are made from SABIC certified circular PP polymer, from a mixed plastic waste feedstock.

### Royal Philips Avent Natural Baby Bottles:

The SABIC certified circular PP polymer used in the prototype new iteration of this safe, transparent feeding bottle results in a reusable product that helps reduce plastic waste.

### Royal Philips Senseo® Quadrante coffee machine water reservoir:

With an aesthetically refined design, the SABIC certified circular PP polymer used for this prototype water container that could be recycled enables faster cycle times thanks to a lower processing temperature than standard materials, for energy savings of up to 15%.

### Calor steam iron:

High flow SABIC® PPA20 impact copolymer enables an advanced design for a lighter, high-gloss, high-strength and scratch resistant product, while supporting the potential for component recyclability.



Our sustainable materials are transforming pipe, energy, electrical and structural applications.

## Signature Pack cartons:

They are coated with plastic made from SABIC's certified renewable PE, uses a second-generation, animal free, bio-based feedstock such as waste from wood. It is an easy drop-in solution to current production processes.

SABIC's TRUCIRCLE™ initiative also includes our new polycarbonate (PC) based on certified renewable feedstock, and mechanical recycled polymers, besides our new Linear Low Density Polyethylene (LLDPE) polymer designed for creating biaxially oriented polyethylene (BOPE) films.

## PERSONAL CARE AND HEALTHCARE

The personal hygiene industry is constantly seeking advanced material solutions to extend the limits of safety and convenience, function, sustainability, and cost control. Growing, more prosperous populations, increasingly preoccupied with health and personal care, are also helping drive a continual stream of innovations.

As a strategic material solutions provider to the sector, SABIC works with its customers to develop new products that deliver personal care & healthcare applications that are lighter and safer, more efficient, comfortable and sustainable, and more aesthetically and emotionally engaging.

SABIC® Purecares polymer portfolio products such as new SABIC® PP 514M12 ultra-high melt flow resin enable lightweight, breathable fabrics for nonwoven items such as diapers, sanitary products and surgical gowns, while advanced spunbond PP materials help reduce environmental impact.

SABIC helped REN Clean Skincare implement new circular solutions with a transparent look and feel, while enabling complex assembly of tight-tolerance parts, such as for airless packaging systems. Certified circular PP polymers used for the container, closure and other parts of Evercalm™ day cream airless packaging, meet the needs with no compromise on performance or aesthetics.

## BUILDING AND CONSTRUCTION

The architectural, construction and water management industries constantly seek new materials to help meet the environmental challenges they face. As a leader in the development of lightweight, robust and energy efficient solutions, SABIC sustainable materials are quietly transforming pipe, energy, electrical and structural applications.

SABIC's ninth Sustainability Report details the company's performance and commitment to sustainable business practices, including its Environmental, Social and Governance (ESG) initiatives.

# CORPORATE SOCIAL RESPONSIBILITY

SABIC has a long established reputation for doing not only what is good for its business, its people and multiple other stakeholders, but also investing in the communities where we operate, creating social, environmental and economic value.

The company's Corporate Social Responsibility (CSR) efforts focus on four strategic priority areas: Science & Technology Education, Environmental Protection, Health & Wellness, and Water & Sustainable Agriculture – areas which contribute to 10 of the UN's Sustainable Development Goals – along with a commitment to community giving, providing assistance to people who need it most.

Wherever we operate, we look to develop long-term mutually beneficial partnerships with local communities, with a sustainable approach that delivers lasting value, and innovative programs to meet community needs.

In 2019, SABIC invested in several impactful CSR programs, totalling US\$ 15.6 million, which have enhanced our brand and turned our principles into action. We delivered seven global initiatives including 185 global programs in 103 cities and 22 countries. These programs engaged 2,531 SABIC volunteers who dedicated 10,874 volunteer hours for over 340,000 beneficiaries worldwide.

SABIC won three awards in 2019 in recognition of its effective CSR strategy. Ecovadis ranked us in the top 1% of best CSR and Sustainability performers. We were also the only chemical company to win the Public Welfare Practice Contribution Award from Yicai Group in China. In addition, SABIC won the Communities & Reputation award at the 2019 NEPIC Industry Awards in the UK.

## SCIENCE & TECHNOLOGY EDUCATION

Ensuring quality education for all and promoting lifelong learning is a prime focus for SABIC. Our goal is to foster innovation, particularly through quality science and technical education, as evident through our 45 educational programs and three educational initiatives.

SABIC launched the Global Initiative for Education & Innovation in partnership with Junior Achievement and INJAZ (a part of JA Worldwide) which reached 94,442 students and 1,678 schools in 10 countries. Among the initiative's programs are Connected with Tomorrow which prepares students for professional life, and Lights of Our Future which exposes students to urban sustainable development from an economic perspective, and encourages students to use critical thinking by applying the knowledge they acquired to create innovative solutions.

SABIC continued its Global Back-To-School Initiative in 2019, reaching 136,983 beneficiaries across 12 countries. It was tailor-made to suit each location: backpack programs in Argentina, educational programs in science technology in the USA, school renovation programs in India, and the Chemical Innovation Challenge in China. Our support for Mawhiba helped the Saudi team prepare for the coming International Chemistry Olympiad and the International Science and Engineering Fair.

SABIC Global Science Caravan toured the United Arab Emirates benefitting more than 2,000 students, continuing our previous years' efforts in Saudi Arabia that benefitted over 70,000 students, offering programs in technology, chemistry, space science, and mathematics.



185

global programs



103

cities in 22 countries reached



2,531

global employee volunteers

## ENVIRONMENTAL PROTECTION

As the circular economy accelerates its progress from visionary rallying cry to mainstream economic driver, SABIC maintains and redoubles its efforts to help safeguard the planet for future generations.

SABIC launched its Global Waste-Free Environment Initiative comprising 44 programs across 16 countries that aimed to sustain our oceans and marine life, besides tackling climate change and its impact.

Environmental awareness is a key component of our strategy. In China, SABIC held an environmental protection themed fair with waste-sorting workshops. In the UK, SABIC volunteers visited schools to emphasize the importance of reducing, reusing and recycling.

World Clean-Up Day was observed in several countries. In Mexico, our employees focused on cleaning a waterway that supplies water to the Altamira and Tampico populations. Over 150 children were engaged in clean-up activities in the Netherlands. In Brazil, 77 SABIC volunteers collected 200kg of garbage from streets near the Campinas site. Beach clean-up activities were also held in various locations.

Planting trees was another popular activity around the world. SABIC marked Arbor Day in Argentina where 18 employees participated in a tree-planting drive, and in South Korea with 22 employees planting four trees each.

## HEALTH & WELLNESS

Our Global Health Initiative, including 23 programs across eight countries benefitting 110,016 people this year, testified to SABIC's concern for the health and wellbeing of people in the communities in which we work, and society at large.

SABIC aims to motivate enterprises to initiate services that improve mental health and quality of life. In pursuit of this goal, SABIC signed a construction agreement for a specialist hospital in Riyadh for mental health and drug addiction treatment. In addition, SABIC honored winners of its National Mental Health Promotion Award where companies were recognized for helping change public perception towards mental health.

Meanwhile in the US, we organized a Race Against Violence fundraising event to assist those who have been impacted by domestic violence through counseling and shelter.

Other health-related programs include Ajwad Underprivileged Home Care to rehabilitate patients and help them become self-sufficient, and a medical insurance program for orphans in Saudi Arabia.

In India, SABIC's They See, They Learn program is in its fifth year working together with local government and NGO partners to raise awareness of eye-care, bringing screening, detection and correction services to those who need them, with over 100,000 children being screened.

We also supported the SABIC Eston Nab Challenge in the UK, with SABIC employees joining over 200 runners for the challenging 10km hill race.



Children participate in arts & crafts activities at a SABIC Global Waste-Free Environment Initiative event in Riyadh.

## WATER & SUSTAINABLE AGRICULTURE

SABIC believes that managing water sources and sanitation goes hand in hand with ensuring better food and energy production. We are working to help end hunger, achieve food security, and improve nutrition by promoting and supporting sustainable agriculture.

As part of an initiative to help disseminate knowledge in effective farming practices – beginning with two earlier phases of technical training and agricultural caravans – 2019 marked the next phase of this goal through three SABIC Agricultural Field Schools covering Al-Madinah and Al-Ula in Saudi Arabia. The collaborative program provides a forum for sharing experience between farmers and scientific research bodies.

SABIC has also been supporting Saudi Arabia's dates industry by participating in the Buraidah and Unaizah dates festivals, and Ajwah Forum, highlighting our recognition of the importance of dates as a strategic national crop that also brings health benefits.

## COMMUNITY GIVING

SABIC generates assistance for communities through economic stimulation resulting from our business activities, volunteerism and community programs. This year our Global Social Initiative totaled 65 engagements, and covered 17 countries.

Our Social Initiative targets the most vulnerable members of society. For example, volunteers from Argentina distributed 1,000 blankets to homeless people during the cold season. Impoverished children were provided warm school uniforms in South Africa.

SABIC Korea employees came together to give back to the less fortunate with a Sharing Love Bread event in Seoul. While in Singapore, employees volunteered to "grant" the wishes of 63 beneficiaries from the Children's Wishing Well.

We designed a play engaging adolescents in Brazil, stressing on the importance of empathy and human feelings. In Germany, employees demonstrated the importance of our arms and hands in an interactive presentation, serving as a reminder to be grateful for what we have.

# BUSINESS OUTLOOK AND RISK FACTORS

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## FUTURE PLANS AND INVESTMENT

SABIC continued its committed efforts throughout 2019 to achieve its strategy, focusing primarily on accelerating growth, transformation initiatives, expanding its product portfolio, and developing innovative technologies.

### DRIVING GROWTH

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

To maintain our growth momentum, we are further 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 position and market-driven focus, we are well positioned to support our customers to grow their business with our differentiated offerings and innovative solutions.

Based on our approach of evaluating various investment opportunities that contribute to achieving our objectives and strategic plans, we do not see it feasible to establish a joint venture with South Louisiana Methanol LP in the US to produce methanol, and to establish a petrochemical complex with the Chinese Shenhua Ningxia Coal Industry Ltd. to convert coal to chemicals in China.

### IMPROVING BUSINESS PORTFOLIO:

SABIC's business plans for Specialties reflect its strategic importance. We plan to move it toward a multisector industry profile. Organically, the business will continue to focus on new opportunities in fast-growing and disruptive end-markets.

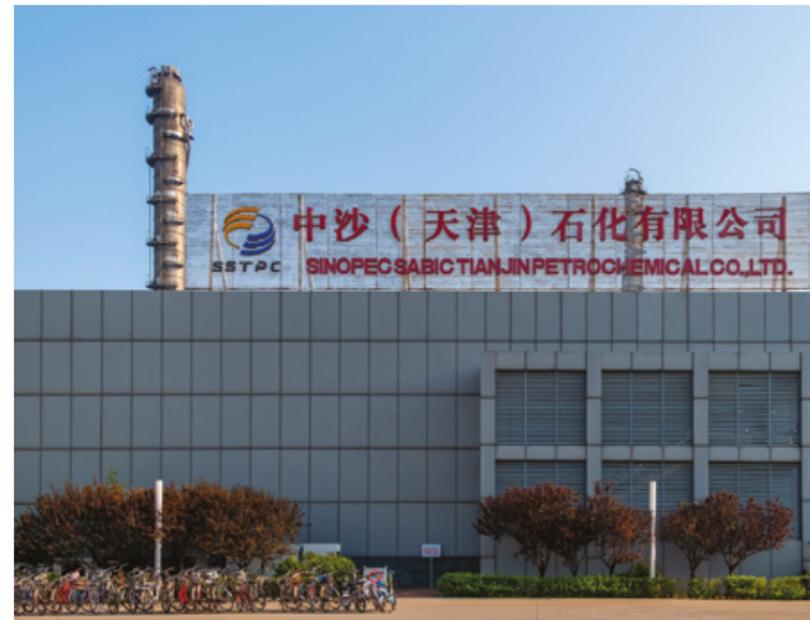
In a challenging competitive environment, SABIC Europe engages constantly in making business improvements, working closely with major OEMs and specifiers to better exploit technology and drive innovation, in compliance with stringent regulations and sustainability targets. We are playing a leading role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

In 2019, we signed a share-purchase agreement with SAFCO, under which we will acquire the newly formed SABIC Agri-Nutrients Investment Company in exchange for shares, thus increasing our shareholding in SAFCO to 50.1%. Completion of the transaction is subject to regulatory approvals and SAFCO's shareholders' approval at its extraordinary general assembly.

### LEVERAGING INNOVATION

Innovation is key to maintain a competitive edge, achieve growth and drive success. We work closely with each business unit and 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 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 manufacturing affiliates in Saudi Arabia are fully committed to complying with the first cycle targets set by the government-led Saudi Energy Efficiency Program (SEEP). Over the last five years, they have taken several initiatives to meet these targets, which will be measured by the SEEP Audit Committee early 2020.

Despite several challenges and difficulties, our affiliates successfully reduced approximately 80% of the overall gap from targets based on the latest 2018 performance report issued by Saudi Energy Efficiency Center (SEEC), which is driving the program.

We have so far completed more than 170 initiatives and projects with a total investment of SAR 4.6 billion. We have also invested in building our competencies and capabilities by certifying more than 100 engineers through our certified energy expert courses, besides providing awareness sessions to more than 250 frontline staff. As part of the capability building, we have developed smart enablers such as Advanced Simulation tools.

Some of the challenges faced by the affiliates were the continued use of some outdated assets at the plants as well as old technologies that required upgrading to comply with SEEP targets. This required huge investments and game-changing technologies that were unattractive from the business perspective. However, after careful evaluation, the affiliates now have more than six new ongoing mega projects with the potential investment of SAR 3.2 billion, besides the already-spent investment.

Our manufacturing affiliates in Saudi Arabia are fully committed to complying with the first cycle targets set by the Saudi Energy Efficiency Program.

The affiliates are also considering similar initiatives to comply with future targets, including investing in breakthrough technology, renewable energy, integrated cogeneration, digitalization, etc.

SABIC is continuing to interact closely with SEEC on potential credits for their consideration toward meeting the first cycle target. If we fall short of the target, we will explore solutions with SEEC to mitigate any possible consequences.



Above: A project to expand ethylene glycols production is underway at United in Jubail.

Left: The SINOPEC SABIC Tianjin Petrochemical Co. Ltd is building a polycarbonate plant in China.

# 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 housing.

The following is a summary of the key projects and agreements:

## 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	Q4 2020	Under construction
2	GAS 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	2020	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	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	–	Under evaluation
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 evaluation
6	Petrokemya Olefins	The project aims to increase the production capacity of the first Olefins plant for Ethylene, which was established in 1981 at Arabian Petrochemical Company (Petrokemya).	Efficiency/ debottlenecking (DBN)/Improvement	Increase 180% of the original capacity	Jubail, KSA	–	Under evaluation
7	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 evaluation
8	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.	Growth	3.0 Kilo-tons	KSA	–	Under preliminary engineering design

## PROJECTS IN SAUDI ARABIA (CONTINUED)

No.	Project name	Brief description	Classification	Capacity	Location	Expected completion date	Status
9	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	–	Under preliminary engineering design
10	SABIC and Marafiq Cogeneration 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 evaluation
11	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 (Arrazi) 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 evaluation
12	Crude Oil to Chemicals	This project is designed to enable the production of refined products and chemicals directly from crude oil. SABIC and Saudi Aramco are committed to develop full range of technologies related to the conversion of crude oil to chemicals.	Growth	9 MTA of chemicals and base oils	Yanbu, KSA	2025	Under feasibility
13	Merge Sadaf in Petrokemya	SABIC has obtained the relevant regulatory approvals to merge its wholly owned affiliate Saudi Petrochemical Company (Sadaf) with all the assets, rights, liabilities and obligations in its wholly owned affiliate Arabian Petrochemical Company (Petrokemya).	Efficiency/ debottlenecking (DBN)/Improvement	–	Jubail, KSA	–	Completed
14	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	66,400 square meters	Jubail, KSA	2021	Under construction
15	SABIC Technology Center Jubail 2	The project aims to build a new research center in the existing SABIC Technology Center at Jubail. The new technology center is to be a world class research center for the portfolios of Petrochemicals & Agri-Nutrients. The center will be a replacement for lab1 and lab2 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
16	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	2022	Engineering stage
17	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	2020	Under construction

# FUTURE PLANS AND INVESTMENT

## CONTINUED

### PROJECTS IN SAUDI ARABIA (CONTINUED)

No.	Project name	Brief description	Classification	Capacity	Location	Expected completion date	Status
18	Yanpet Sustainability	The project aims to improve the energy utilization intensity of EG2 plant.	Sustainability/ SEEC	-	Yanbu, KSA	-	Under evaluation
19	Ibn Sina Sustainability	The project aims to reduce the energy intensity for Methanol plant based on Saudi Energy Efficiency Center (SEEC) requirement.	Sustainability/ SEEC	-	Jubail, KSA	2022	Under evaluation
20	SABIC Techno Valley Center	The project aims to build a state-of-the-art world-class research center in 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 preliminary engineering design
21	Al Matrafiya Housing	A housing project for Saudi employees at Jubail Industrial City. It is occupying an area of 4.4 square kilometers, comprising (2701) housing units, designed according to the latest structural specifications and features, alongside condominiums, several facilities.	Housing	2,701 housing units	Jubail, KSA	2020	Under construction
22	Al Jaar Housing	It is a housing project for Saudi employees at Yanbu Industrial City, occupying an area of 42.5 hectares.	Housing	550 housing units	Yanbu, KSA	2021	Under construction
23	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	-	Under evaluation

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
24	US Petrochemicals Joint Venture	The project aims to construct a petrochemicals manufacturing facility along the US Gulf Coast, a joint venture between SABIC and the ExxonMobil affiliate. This project would assist our goal of diversifying our feedstock sources and establish a petrochemical manufacturing presence in North America for a wide range of products to expand our market presence in the region across different products.	Growth	1.8 MTA of ethylene, 1 MTA of monoethylene glycols, 800 KTA of polyethylene	Texas, USA	2022	Under construction
25	US Petrochemicals Standalone	It is SABIC's first standalone Greenfield project in the Americas Region. In addition, the project will play an important role to enhance SABIC's footprint in Chemicals and Polymers production in America market and enhance customer relationships.	Growth	-	USA	-	Under feasibility

### REST OF WORLD (CONTINUED)

No.	Project name	Brief description	Classification	Capacity	Location	Expected completion date	Status
26	Memorandum of Understanding with the Fujian Provincial Government	SABIC signed a Memorandum of Understanding (MoU) with the Fujian Provincial Government, laying down a framework of cooperation for the development of a world scale petrochemical complex.	Growth	-	China	-	Under preliminary engineering design
27	Polycarbonate Expansion	SABIC joint venture project (SINOPEC SABIC Tianjin Petrochemical Co. Ltd) with Sinopec to build Polycarbonate plant.	Growth	260 KTA	China	2021	Under construction
28	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	2021	Under construction
29	TRUCIRCLE™ Semi-Commercial Plant	The project aims to build a demonstration plant in Geleen facility to transform waste plastic into feedstock for its crackers as part of SABIC's strategy to further advance its circular economy model for the business of 'Certified Circular Polymer'. The plant would target the chemical recycling of low quality, contaminated mixed plastic waste streams into a feedstock suitable for the company's crackers in Europe. The feedstock, known as pyrolysis oil, is created by converting the plastic waste that would otherwise be incinerated for energy recovery or ends up in landfills. The feedstock will then be refined and upgraded at the new demonstration plant.	Sustainability/ SEEC	18 KTA	Geleen, Netherlands	2021	Under engineering design
30	Polyphenylene Ether (PPE)	The project aims to recommission SABIC plant in Bergen op Zoom facility in order to expand the capacity of NORYL™ resins. PPE is the base resin for SABIC's line of NORYL™ resins and oligomers.	Growth	Adding more than 40% global capacity over a 2017 baseline	Bergen op Zoom, Netherlands	2020	Under construction
31	Memorandum of Understanding with RDIF and ESN Group	The Memorandum is a preliminary step towards exploring the cooperation between the three parties to evaluate building and operating a methanol plant.	Growth	2 MTA	Amur Region, Russia	-	Under feasibility
32	Mauritania Saudi Mining and Steel Company	A joint venture (JV) between SABIC & the National Mining Company of Mauritania (SNIM) aimed to produce 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
33	Africa Fertilizer Project	This project involves a new plant for the production and export of urea fertiliser, which is to be constructed in Africa.	Growth	-	Africa	-	Under evaluation
34	kGas	SABIC and ENI S.p.A. signed an agreement to jointly develop kGas, a new short contact time catalytic partial oxidation technology for generating synthesis gas, an essential chemicals production building block, potentially delivering lower CAPEX and OPEX, higher energy efficiency, lower CO <sub>2</sub> footprint and wide feedstock flexibility.	Corporate research	-	Italy	2021	Demo plant phase
35	SABIC America Regional Hub (Houston)	In line with SABIC's strategic plans to enhance its presence and growth in the U.S., SABIC has decided to design and build a new office along with T&I research and technology centers near Katy, Texas, which will provide world class workplace attracting talent and customers in order to support the company's competitiveness and research/development capabilities to serve as the regional hub for the Americas.	Regional hub	-	Texas, USA	Q2 2023	Under preliminary engineering design

# 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 for 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 the Risk and Sustainability Committee. We have 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:

- Insurance policies may not be sufficient to cover all risks that we face.
- We are exposed to customer credit risk.

- We need to maintain high capacity utilization rates in manufacturing facilities in order to maintain profit margins.
- We are exposed to risks relating to EHSS liabilities.
- We are exposed to risks in connection with projects under development.
- Oil and gas price fluctuations and a substantial or extended decline in cracking margins would negatively influence our financial results.
- We may experience difficulties in fulfilling our financial obligations or funding our planned capital expenditure.
- We are exposed to interest rate risk and foreign exchange risk.
- We are reliant on the performance of, and dividend distributions and other revenue flows from, our subsidiaries, joint ventures and affiliates.
- We are subject to global economic market conditions.
- 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.
- Conditions affecting transportation of products may adversely affect the performance of our operations.
- Our Agri-Nutrients business is dependent on weather conditions and agricultural policies.
- We are subject 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.
- We are exposed to risks resulting from disputes and/or litigation.
- We are exposed to risks associated with the use of intellectual property and technology licenses.

- We are exposed to risks associated with the use of information technology.
- We are highly dependent on our personnel and management teams.
- We are exposed to risks arising from pension obligations.

## 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. 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.

If SABIC's companies suffer large uninsured losses or if any insured loss suffered by any such company significantly exceeds its insurance coverage, the business, results of operations or financial condition of such companies may be materially and adversely affected. This would in turn affect the ability of the portfolio companies within SABIC to pay dividends and make other distributions to SABIC and could have a material and adverse effect on SABIC's business, results of operations or financial condition.

## WE ARE EXPOSED TO 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. SABIC has procedures in place to monitor credit risk on their receivables and continuously monitors customers' credit limits and risk associated with it.

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

Earnings in the petrochemicals business are closely tied to global demand, industry inventory

levels and plant capacity utilization. As higher production rates enable it to allocate fixed costs across larger production volumes and consequently impact profit margins, maximizing production rates is key to the profitability of SABIC's petrochemicals operations.

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

## WE ARE EXPOSED TO RISKS RELATING TO EHSS LIABILITIES

SABIC companies must comply with all EHSS related laws and regulations, which are applicable to their operations. These laws and regulations set various standards regulating certain aspects of EHSS. In addition, special provisions may be applicable in environmentally sensitive areas of operation.

Accidents involving SABIC's products could cause severe damage or injury to property, the environment and human health, which could adversely affect SABIC's business. SABIC's business is inherently subject to the risk of spills, discharges or other releases of hazardous substances into the environment. SABIC uses feedstock for production, 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; and
- Discharge of hazardous chemicals on land or in waterways.

Accidents involving these or other substances could result in fire, 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, any 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.

# RISK FACTORS

## CONTINUED

### WE ARE EXPOSED TO RISKS IN CONNECTION WITH PROJECTS UNDER DEVELOPMENT

SABIC has a number of significant capital projects (such as investment in new production plants, expansion of existing plants and the upgrading of existing plants) under development or in the planning stages. Other additional capital projects may be undertaken during the term of the Report. Each of these projects entails a number of risks during construction such as the risk of investment cost over-run, the risk of delayed or incomplete start-up, the risk of any default by any appointed contractor or sub-contractor or their ability to comply with their contractual obligations, shortages or increases in the costs of equipment, breakdown or failure of equipment, processes or technology, difficulties in connecting any related upstream or downstream facility, timely availability of the required feedstock at the time of commencement of commercial operations, start-up or commissioning problems, problems with effective integration of operations, increased operating costs, exposure to unanticipated liabilities, changes in taxes or duties, difficulties in achieving projected efficiencies, synergies and cost savings, and changes in market conditions. 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.

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

SABIC's financial results are significantly impacted by the margin between the prices at which SABIC sells products and the prices at which SABIC purchases feedstock for use, particularly in 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 feedstocks 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 feedstocks 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.



SABIC intends to continue devoting a substantial amount of expenditure to the research and development functions of its business.

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.

### WE MAY EXPERIENCE 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.

In addition, SABIC is engaged in a number of significant projects, which will require significant capital expenditure to complete. The ability of SABIC to obtain external financing and the cost of such financing depends on numerous factors, including the general economic and market conditions, international interest rates, credit availability from banks or other financiers, investor sentiment towards emerging markets, investor confidence in SABIC and the credit rating and financial condition of the relevant borrower. External funding may not be available to SABIC on acceptable terms.

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.

### WE ARE EXPOSED TO INTEREST RATE RISK AND FOREIGN EXCHANGE RISK

SABIC is subject to interest rate risks in the ordinary course of business, primarily 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.

# RISK FACTORS

## CONTINUED

A key component of SABIC's strategy is to introduce new products and applications that offer distinct value for customers.

### **WE ARE RELIANT ON THE PERFORMANCE OF, AND DIVIDEND DISTRIBUTIONS AND OTHER REVENUE FLOWS, FROM OUR SUBSIDIARIES, JOINT VENTURES AND AFFILIATES**

SABIC conducts its operations principally through, and derives most of its revenues from, its subsidiaries, joint ventures and affiliates, and has limited revenue-generating operations of its own. Consequently, SABIC's cash flows and ability to meet its cash requirements, including its obligations 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.

### **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.

Any downturn in regional or worldwide economies, market crisis or prolonged periods of instability could have a material and adverse effect on SABIC's business, results of operations or financial condition. In particular, a worsening economic climate can result in decreased industrial output and decreased consumer demand for products including automotive products, consumer goods, packaging, industrial goods, textiles and agricultural goods, all of which incorporate SABIC's products globally or in some regions where SABIC conducts its business.

### **THE INDUSTRIES IN WHICH WE OPERATE ARE HIGHLY COMPETITIVE**

The markets for most of SABIC's products are highly competitive. SABIC is exposed to the competitive characteristics of several different geographic markets and industries. SABIC's principal competitors vary from product to product and range from large global petrochemical companies to numerous smaller regional companies. Some of SABIC's competitors are larger and more vertically integrated than SABIC (in terms of their upstream and/or downstream productions) and therefore may be able to manufacture products more economically than SABIC.

A key component of SABIC's strategy is to introduce new products and applications that offer distinct value for customers. SABIC intends to continue to devote substantial resources to the development of new technologically advanced products and processes and to continue to devote a substantial amount of expenditure to the research and development functions of its business.

SABIC's financial condition and results of operations may be adversely affected if competitors develop or acquire intellectual property rights to technology specially if SABIC's innovation lags behind the rest of the industry or if SABIC fails to innovate and introduce successful new products.

### **THE CYCLICAL NATURE OF THE PETROCHEMICALS INDUSTRY MAY HAVE A MATERIAL AND ADVERSE IMPACT ON OUR BUSINESS**

The petrochemicals industry is subject to the cycles of expansion and contraction in line with movements in the global economy, which create 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).

### **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.

### **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.

### **WE ARE SUBJECT TO RISKS ARISING FROM INTERNATIONAL TRADE CONTROLS**

SABIC exports products to countries, which have adopted trade defense instruments such as anti-dumping and anti-subsidies laws and regulations. Failure to comply with such laws and regulations may result in anti-dumping or anti-subsidies duties being imposed on imports of products into such countries. Moreover, SABIC's imports and exports are affected by discretionary import duties that may be imposed by some governments.

SABIC considers that the use of trade defense measures and other forms of trade controls by some countries is likely to increase in the future. Any trade defense measures or duties imposed on exports or imports from SABIC's, its suppliers or customers could have a material and adverse effect on SABIC's business, results of operations or financial condition.

### **WE ARE SUBJECT TO RISKS ARISING FROM DEFECTIVE PRODUCTS**

A number of products produced 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 is increased when customers integrate SABIC's products into consumer products, which are then on-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

## RISK FACTORS CONTINUED

of products, which cannot be limited. Defects in products manufactured by SABIC can give rise to significant costs, including expenses relating to recalling end-use products by downstream customers or their own customers, replacing defective items, writing down 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.

### **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. Such laws and regulations may relate to licensing requirements, EHSS obligations, asset and investment controls, marketing guidelines and a range of other requirements. In particular, SABIC's petrochemicals are subject to a variety of laws and governmental regulations relating to 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 comply with such regulations or any changes to such regulations, 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 the EU and 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 production processes, SABIC must, among other things, demonstrate to the relevant authorities that the product is safe for its intended uses and that SABIC is capable of manufacturing the product in accordance with applicable regulations. The process of seeking such regulatory approvals can be time-consuming and subject to unanticipated and significant delays. Regulatory approvals may not be granted to SABIC on a timely basis, or at all. 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 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 reclassification of any of the SABIC's raw materials or products could adversely affect the availability or marketability of such products, result 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.

### **WE ARE EXPOSED TO RISKS RESULTING FROM DISPUTES AND/OR LITIGATION**

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

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

### **WE ARE EXPOSED TO RISKS ASSOCIATED WITH THE USE OF INTELLECTUAL PROPERTY AND TECHNOLOGY 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 EXPOSED TO RISKS ASSOCIATED WITH THE USE OF INFORMATION TECHNOLOGY**

SABIC relies on a number of information technology (IT) systems in order to carry out its day-to-day operations. 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.



### **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.

### **WE ARE EXPOSED TO RISKS ARISING FROM PENSION OBLIGATIONS**

SABIC has defined benefit pension plans in various countries (the largest of which are in the US and the United Kingdom). In the US, 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.

SABIC relies on a number of information technology systems in order to carry out its day-to-day operations.

## OUTLOOK FOR 2020

Global economic growth is expected to continue to decelerate in 2020, with the weakness in economic growth attributed to falling growth in major advanced economies and China and the adverse impact of the recent outbreak of novel coronavirus in China.

Similar to 2019, global policymakers will likely continue implementing monetary and fiscal stimulus to support growth in 2020. While the global economy will keep on facing some major risks and headwinds in 2020 – such as new trade conflicts, geopolitical tensions, and high debt levels – a phase-one trade agreement between the US and China signed on 15 January 2020 and the UK's orderly exit from the EU on 31 January 2020 have reduced uncertainties related to global trade protectionism and a disorderly Brexit.

### ADVANCED AND EMERGING ECONOMIES

Economic growth of advanced economies is projected to continue deteriorating in 2020. The predicted fall in economic growth of advanced economies will likely stem from an ongoing decline in investment growth, which will outweigh positive effects of improvements in global trade. In contrast to advanced economies, emerging economies are expected to experience a modest improvement in economic growth in 2020 over 2019. Their economic growth in 2020 is likely to be supported by improvements in investment, consumption and trade growth.

In contrast to advanced economies, emerging economies are expected to experience a modest improvement in economic growth in 2020 over 2019.

### REGIONAL ECONOMIES

The Saudi government will continue to implement its reform agenda while supporting near-term growth. Targeted infrastructure and development projects are expected to stabilize and strengthen the construction, manufacturing and transportation sectors. Authorities will also continue to make progress with structural reforms targeting education, labor, and housing. While the economy may face headwinds in 2020 due to the Vienna Alliance's decisions to cut OPEC and non-OPEC production quotas, fixed investment, and private consumption will likely recover slightly in 2020. Solid non-oil activity will also continue to underpin headline economic growth, which will likely improve significantly in 2020.



In the US, an increase in federal spending under the 2019 Budget Act, an accommodative monetary policy, easing financial conditions, an improvement in trade relations with China, robust private consumption and solid employment and income growth are expected to support economic growth, whereas weaker fixed investment growth, capacity constraints, a strong dollar and decelerating global economic growth will weigh on growth. On balance, US real GDP growth is projected to continue softening in 2020. The US Federal Reserve Bank is also expected to maintain its highly accommodative monetary policies to support growth, though the marginal impact of its policy on US economic growth will keep on waning.

China's economic growth is expected to continue decelerating in 2020, reflecting slowing domestic demand growth in the wake of the government's measures to rein in the country's high private-sector debt and to accelerate China's transformation from an export- and investment-led model to a private consumption-led model, as well as the negative impact of the recent outbreak of novel coronavirus in China. However, the Chinese government is expected to continue to provide measured fiscal and monetary stimulus in 2020, thereby ensuring that China's economic growth decelerates at a more moderate pace. The phase-one trade deal with the US signed in January 2020 will also provide some support to growth.



Left: Saudi Arabia will continue implementing its reform agenda while supporting near-term growth.

Above: The Chinese government is expected to continue to provide measured fiscal and monetary stimulus in 2020.

The weakness of the Eurozone economy will further increase in 2020, with the Eurozone and all major economies of the Eurozone recording a slowdown in economic growth. Moderation of investment and consumption and unfavorable export prospects will be the major reasons for the softening economic growth. The ECB is expected to deliver additional monetary policy stimulus in 2020, although its accommodative monetary policy will continue to produce diminishing marginal benefits.

Authorities in Saudi Arabia will continue to make progress with structural reforms targeting education, labor, and housing.

# OUTLOOK FOR 2020

## CONTINUED

Unlike the automotive industry, the construction industry is expected to improve in 2020 driven by growth in Asia Pacific.

### INDUSTRY TRENDS

The world's global industrial production growth is expected to improve in 2020 after bottoming out in 2019. The improvement will likely be somewhat broad based, with industrial production growth increasing in most advanced economies and emerging economies in 2020. Among major economies, the Eurozone and Japan will likely see an improvement in industrial production growth, whereas the US and China are expected to experience a decline in industrial production growth.

### INDUSTRY SEGMENT TRENDS

The world's industrial production growth is expected to witness lower growth in 2020, with the US, EU and Asia economies experiencing slower growth in addition to the disruptions to industries supply chains caused by coronavirus. The petrochemicals dependent industry sectors are expected to witness diverse trends. The automotive industry is expected to remain in contraction mode during 2020 as a result of slowdown in the US, China and Europe. Unlike the automotive industry, the construction industry is expected to improve in 2020 driven by growth in Asia Pacific. The textile and electronic industries are expected also to grow in 2020 as demand for these two sectors less affected by global economic slowdown. Healthcare sectors are expected to benefit from governments' efforts to fight coronavirus.



### PETROCHEMICAL INDUSTRY TRENDS

The global petrochemical industry is expected to continue to grow during 2020 with the US and Asia leading this growth. The ethylene chain is expected to be the most challenged chain as supply surpass demand growth with additions across the chain supported by low US natural gas price that expected to hit record low, as a result, petrochemicals prices expected to remain under pressure during 2020.

Low global demand for methanol especially in the US, China and India and more cheap supply from US and Iran will continue to weigh on prices. Low prices in EU are expected to be maintained by the ongoing suspension of duty on methanol arriving into the EU implemented by the European Commission, which was extended until further notice. Margins for 2020 are expected to slightly decline in most regions.

Weak global demand for PE and additional US exports, plus new Chinese capacities, are expected to maintain pressure on prices. US now already doubled its exports to the world during 2019, selling at historical low prices. Sustainability efforts by governments around the globe are expected to trim demand for virgin resins via bag



Among major economies, the Eurozone and Japan will likely see an improvement in industrial production growth.

bans, which is also driven by consumer preferences. Slightly lower margins are expected during 2020 for most regions. Margins for Asian naphtha-based producers expected to remain close to or even below breakeven thresholds.

The US is also expected to increase ethylene glycol exports to the world, and China is adding more capacities that are leading to higher availability and less imports on top of weak global demand, adding more pressure on prices and margins. Demand from all 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 as a result of lengthy

supply. Profit margins for 2020 are expected to slightly decline compared to previous year. Margins for Asian naphtha-based producers are expected to remain close to or even below breakeven thresholds.

### UPSTREAM TRENDS

Weak demand for oil and plenty of supply is expected during 2020, driven by strong US production amid slower global economy growth, lower demand for jet fuel due to movement restrictions imposed by governments around the world to trips to and from Asia due to coronavirus will add to the pressure on prices. Global naphtha price expected to decline with crude weakness amid expectation of soft demand. US natural gas price is expected to hit record low as a result of continuous strong production and stagnated demand. A plentiful surplus of ethane in the US will keep pressure on prices. Tracking naphtha price, liquefied petroleum gas prices are expected to show a downward trend driven by strong production and weak demand.

### SABIC OUTLOOK FOR 2020

SABIC's performance in 2020 is expected to be in line with global petrochemical industry trends. In 2020, SABIC will further increase focus on "self-help" initiatives to maximize profitability. The focus will particularly be on optimization of low-profitability products and assets in the portfolio, and further curtailment of non-discretionary spend. While benefits from previous optimization initiatives will assist in dampening the impact of market headwinds, SABIC's plans for profitable and sustainable growth will continue. SABIC will also continue to invest in innovation, actively seek opportunities, and bring optimization through transformation.

The global petrochemical industry is expected to continue to grow during 2020, with the US and Asia leading this growth.

Far left: The electronic and textile industries are expected to grow in 2020.

Left: The world's global industrial production growth is expected to improve in 2020.

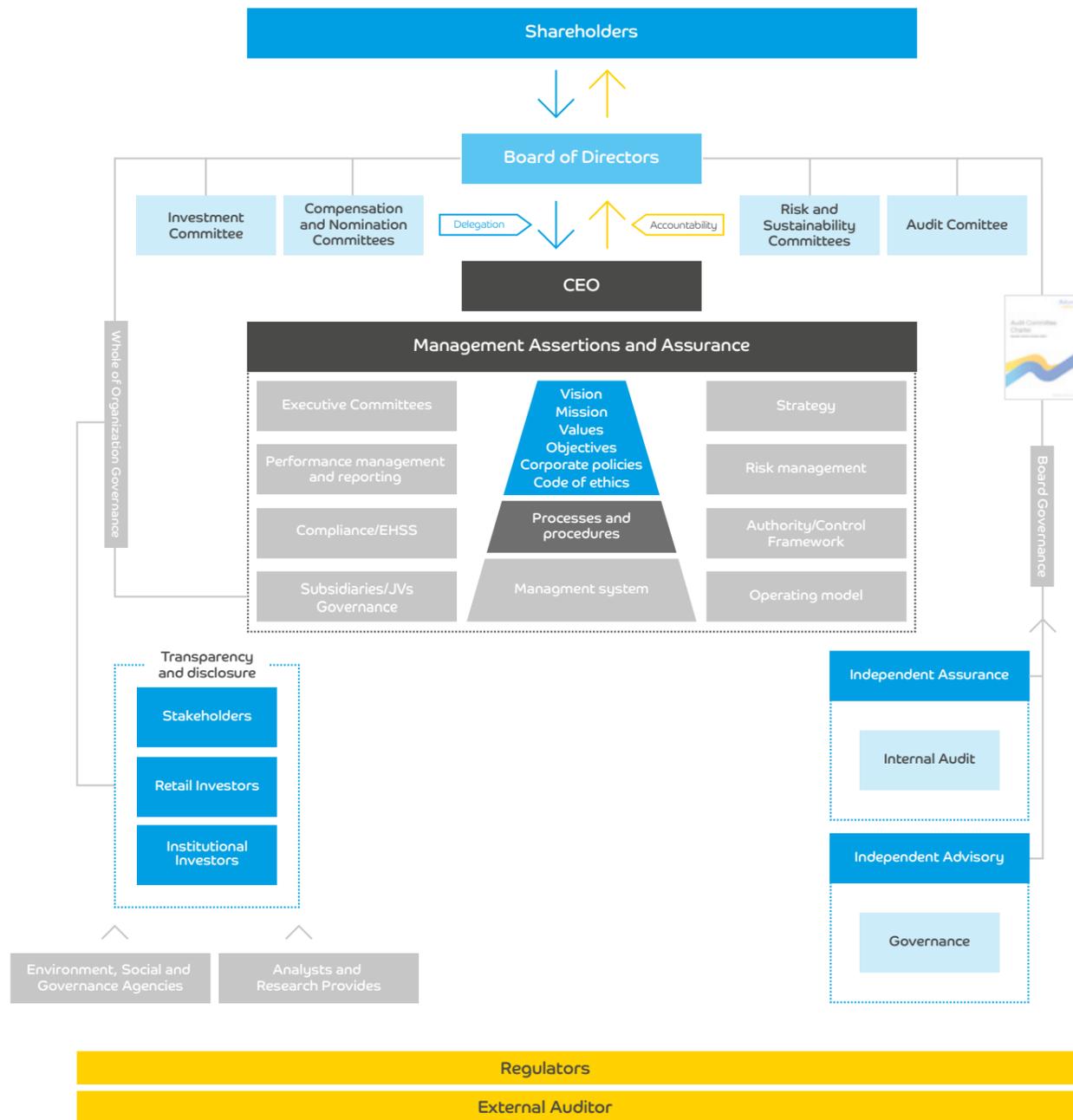
# CORPORATE GOVERNANCE

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# SABIC GOVERNANCE FRAMEWORK – TO ACHIEVE STRATEGIC OBJECTIVES

SABIC’s governance framework aligns each governance element to the organization’s purpose and objectives.



## CORPORATE GOVERNANCE STRUCTURE

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

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

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

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

The company’s Articles of Association ensure shareholders’ participation in the deliberations and discussions at General Assembly Meetings. In addition, to enhance communication with shareholders, the Board has adopted Disclosure Policy and Procedures including processes to ensure that shareholders have the right to inquire and request information, and have queries answered, in a manner that does not harm the interests of the company.

# SHAREHOLDERS

## OWNERSHIP STRUCTURE

SABIC was established by the Government of Saudi Arabia as a 100% state-owned company. SABIC's shares were listed on the Saudi Stock Exchange in 1984, at which time the Government divested 30% of its shareholding in SABIC. As at 31 December 2019, SABIC had issued and paid up share capital of SAR 30,000,000,000 consisting of 3,000,000,000 shares of SAR10 par value per share. The following entity holds more than 5% of SABIC's issued shares:

Name	No. of shares	Percentage of ownership
Public Investment Fund – wholly-owned by the Government	2,100,000,000	70%

The remaining SABIC shares are owned by other investors, including certain institutions and private investors. Certain shares are also held by SABIC's Board of Directors and Senior Executives. Other than the Government, SABIC is not aware of any shareholder that, directly or indirectly, owns or could exercise control over SABIC. In addition, SABIC 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 the last fiscal year.

On March 27, 2019, the Public Investment Fund (PIF) and Saudi Aramco signed a share purchase agreement, pursuant to which Saudi Aramco has agreed to acquire all of PIF's stake in SABIC. Completion of the transaction is subject to customary closing conditions, including regulatory approvals. Upon completion of the transaction, Saudi Aramco will own 70% of SABIC's outstanding share capital.

## DESCRIPTION OF DIVIDEND POLICY

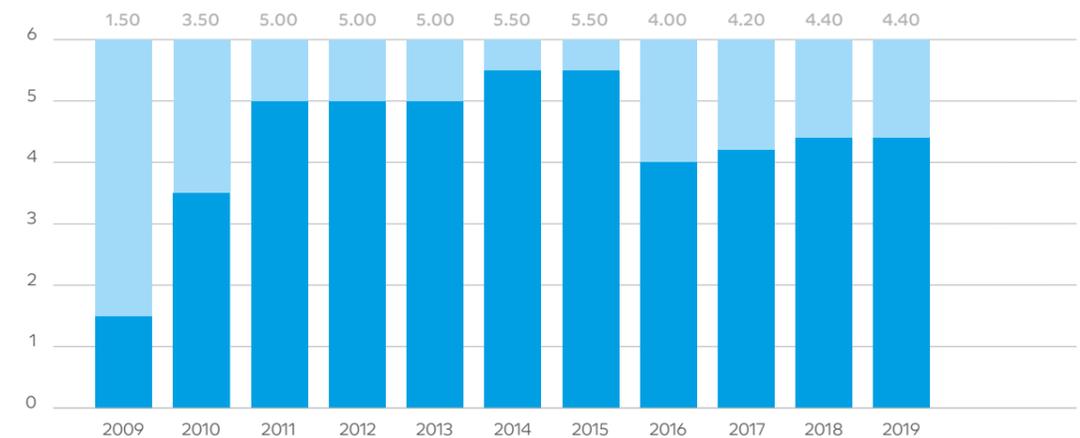
Dividend is subject to realized net income and free cash flow during the year and according to Article (41) of the Company Bylaw, which reads as follows:

1. Annually, the Corporation shall set aside ten percent (10%) of the net profits to form the statutory reserve. The Ordinary General Meeting may decide to stop this deduction whenever the said reserve amounts to thirty percent (30%) of the capital of the Corporation. If in any year, the reserve falls below thirty percent (30%) of the capital, the Corporation shall again set aside until the reserve amounts to thirty percent (30%) of the capital. The Ordinary General Meeting has the authority to decide other kinds of reserves.
2. After deducting the statutory reserve and any other reserve that may be decided by the Ordinary General Meeting, five percent (5%) of the paid-up capital shall be distributed from the annual net profits of the Corporation, to the shareholders as initial dividend.
3. With due regard to the provisions of the Companies Law, the required amount shall be allocated for the Board members' remunerations approved by the Ordinary General Meeting in compliance with Article (15) of this Bylaws provided that entitlement for such remuneration shall be proportional to the number of sessions attended by the member and the member's jurisdictions and responsibilities. Thereafter, the balance shall then be distributed to the shareholders as an additional dividend or carried over to the subsequent years.

Note that the Board of Directors had approved 1st half dividend and recommended 2nd half to the General Assembly to distribute dividends for 2019 as follows:

Dividends cycle	Dividend per share	Percentage of distribution to share nominal value	No. of shares	Total distributed dividends	Date of eligibility	Date of eligibility
Second half of 2018	SAR 2.2	22%	3 billion	SAR 6.6 billion	9th April 2019	30th April 2019
First half of 2019	SAR 2.2	22%	3 billion	SAR 6.6 billion	16th September 2019	30th September 2019
Second half of 2019	SAR 2.2	22%	3 billion	SAR 6.6 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

## DIVIDEND PER SHARE FOR THE LAST ELEVEN YEARS (SAR)



# SHAREHOLDERS

## CONTINUED

### ENGAGEMENT WITH CAPITAL MARKETS

We aim to have a world-class engagement with all participants of Capital Markets. Our approach is to build sustainable relationships with all Capital Markets participants to communicate the SABIC investment story, growth strategy and how SABIC will build value over time. We aim to implement our approach structurally and consistently.

Saudi Arabia was reclassified from Frontier Market to Emerging Market by several financial market indices starting mid 2018. Since then, international investors have shown increased interest in SABIC. Along with the reclassification, over the last two years we have increased our investor engagement substantially. We engaged with more than 300 participants in the Capital Markets, including institutional investors and sell side analysts, 50% more than the previous year, through numerous one-on-one meetings non-deal roadshows and conferences worldwide.

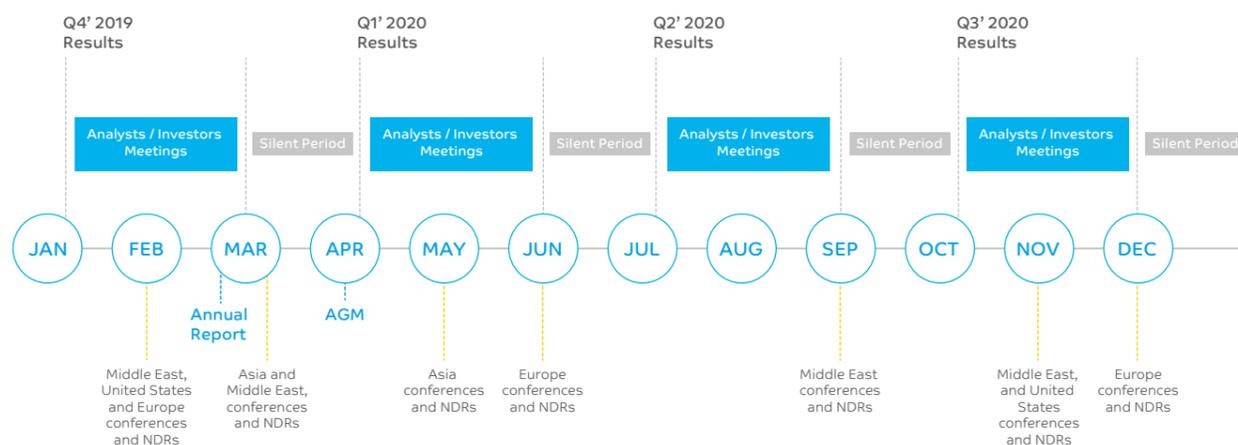
Foreign ownership represented less than 0.5% of the total shareholding at the beginning of 2019. The year closed with 4.5%, with a mix of passive, active and sovereign wealth funds as new investors.

Our increased engagement has been recognized with the “Best Investor Relations Program in Chemicals” covering the emerging EMEA region. This recognition is based on a global survey conducted every year during March and April by Institutional Investor.

Earlier in the year, Investor Relations received two more nominations: Most improved Investor Relations team in MENA region – Bluechip (above USD10bn); and Leading Corporate for Investor Relations – Saudi Arabia, certifying that we are walking in the right direction.

As we head into 2020, we are working hard to introduce regular quarterly investor earning calls, increase business leaders’ exposure with investors, integrate our strong Environment, Social and Governance (ESG) story into the investment story and many more engagements.

Below is our Investor Relation Calendar for 2020.



### 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	14 January 2019	Shareholder Analysis	7	08 August 2019	Shareholder Analysis
2	08 April 2019	Shareholder Analysis	8	18 September 2019	Dividend Entitlement
3	08 April 2019	Annual General Meeting	9	06 November 2019	Shareholder Analysis
4	14 April 2019	Dividend Entitlement	10	03 December 2019	Shareholder Analysis
5	30 May 2019	Shareholder Analysis	11	30 December 2019	Shareholder Analysis
6	01 July 2019	Shareholder Analysis	12	30 December 2019	Shareholder Analysis

# SABIC BOARD

### BOARD OF DIRECTORS

The Board of Directors sets and reviews the overall policies and procedures of SABIC, 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 overall responsibility for identifying the optimal capital structure for SABIC, major capital expenditures, and asset ownership and disposal decisions. The Board also oversees the implementation and monitoring of internal control systems.

SABIC is managed by a Board of nine members with the expertise required for managing the business. Five members nominated by the Public Investment Fund (“PIF”) shall represent the Government share,

and shall include both the Chairman and the Vice Chairman who shall also be the CEO. The Vice Chairman and CEO shall work on a full-time basis and shall act in lieu of the Chairman in case of his absence. The Board members shall be elected by an ordinary general meeting for a renewable term not exceeding three years. Moreover, the ordinary general meeting shall specify the remunerations and allowances of the members of the Board in compliance with Companies Law and the rules and instructions issued by the competent authority; whether such remuneration consists of a specified salary, an attendance allowance for the meetings, or a percentage of profits. The remuneration may consist of a combination of two or more of these benefits. The annual report of the Board shall include an illustration of the remunerations and allowances paid to the Board members.

The Board is comprised of the following members:

Name	Title	Expiry of term
Dr. Abdulaziz Saleh Aljarbou	Chairman – Non-Executive Member	April 2022
Yousef Abdullah Al-Benyan	Vice Chairman and CEO – Executive Member	April 2022
Rashid Ibrahim Sharif	Board Member – Non-Executive Member	April 2022
Roberto Gualdoni	Board Member – Non-Executive Member	April 2022
Calum MacLean	Board Member – Non-Executive Member	April 2022
Mohammed Talal Al-Nahas	Board Member – Independent Member	April 2022
Dr. Khaled Hamza Nahas	Board Member – Independent Member	April 2022
Abdullah Mohammed Al-Issa	Board Membe – Non-Executive Member	April 2022
Nader Ibrahim Al-Wehibi	Board Member – Independent Member	April 2022

During 2019, the election of the members of the Board of Directors (including representatives of the government of Saudi Arabia) was approved for another term, which started from 10 April, 2019, for a period of three years ending on 09 April, 2022.

Dr. Fahad Abdullah Al-Mubarak, was a Non-Executive Member in SABIC and his membership ended on 10 April, 2019. He has previously served as the Governor of the Saudi Arabian Monetary Agency, the Chairman of the board of the Saudi Stock Exchange (Tadawul) and a member of the Consultative Council. He was also a part of the Saudi negotiating team established to discuss participation in gas projects in Saudi Arabia with international oil companies. Dr. Al-Mubarak also previously served as a member of the board of a number of companies, including Al Alamiya Insurance, Al Malaz Group, Mobily, Saudi

Hollandi Bank, National Industrialization, and Saudi Telecommunications Company. He was also the Chairman of the board of Morgan Stanley Saudi Arabia and the General Manager of Rana Investment Company. He holds a PhD in Business Administration.

### BOARD EVALUATIONS

The Board of Directors has set forth procedures for evaluating the work of the Board and Committees periodically in both the Board Charter and all Committees Charters. The Board established a comprehensive program to evaluate the work of the Board, and contracted with COMPASS – an independent external agency specialized in this area – for implementation. In addition, the company is implementing the program through the use of applicable systems for program implementation.

## BOARD OF DIRECTORS

**DR. ABDULAZIZ  
SALEH ALJARBOU**Chairman  
Non-Executive Member**YOUSEF ABDULLAH  
AL-BENYAN**Vice Chairman and CEO  
Executive Member**RASHID  
IBRAHIM  
SHARIF**Board Member  
Non-Executive Member**ROBERTO  
GUALDONI**Board Member  
Non-Executive Member**CALUM  
MACLEAN**Board Member  
Non-Executive Member**MOHAMMED  
TALAL  
AL-NAHAS**Board Member  
Independent Member**DR. KHALED  
HAMZA  
NAHAS**Board Member  
Independent Member**ABDULLAH  
MOHAMMED  
AL-ISSA**Board Member  
Non-Executive Member**NADER  
IBRAHIM  
AL-WEHIBI**Board Member  
Independent Member

We will continue to invest in our people and business for long-term growth and competitiveness without compromising on our safety culture.

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS



**DR. ABDULAZIZ SALEH ALJARBOU**

Chairman  
Non-Executive Member

## CURRENT POSITION

- 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).

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- 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.
- He was Chairman of the Board of Directors of the Industrialization and Energy Services Company, 2003-2011, and Sharq, 2001-2007.
- Dr. Aljarbou is well-known in Saudi Arabia's industrial sector. He served as a Member of the Advisory Board of the Supreme Economic Council from 1999 to 2010. He was also a Member of the Board of Directors of Saudi Arabian Mining Company (Ma'aden), 1997-2011; Malath Cooperative Insurance Company, 2007-2010; Chamber of Commerce and Industry, 1997-2000; and the Royal Commission for Jubail and Yanbu, 1995-2002.
- He served as Chairman of the Board of Directors of Kemya, 1989-2001, and as a member of the Board of Directors of Saudi Aramco, 1989-1995.
- Dr. Aljarbou was Managing Director and CEO of Amiantit Group, 1988-1996, and Chairman of the Board of Directors of Ibn Al-Baytar, 1985-1987.
- As Chairman, Dr. Aljarbou returns to SABIC after more than 40 years, having been with the company as General Manager, Projects Execution, from 1977 to 1987.

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

## EDUCATIONAL QUALIFICATIONS

- Dr. Aljarbou holds a 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 (1973 and 1971, respectively) from the same university.

## CURRENT BOARD MEMBERSHIP

- United Lube Oil Company Ltd (UNILUBE)
- Gulf Chemicals and Industrial Oils Co

## PREVIOUS BOARD MEMBERSHIP

- Riyadh Bank
- Industrialization & Energy Services
- Saudi Arabian Mining Company (Maaden)
- Saudi Aramco
- National Chemical Fertilizers Company (IBN AL-BAYTAR)
- Al-Jubail Petrochemical Company (KEMYA)
- Malath Cooperative Insurance Co
- SHARQ
- Philips Lighting Saudi Arabia
- Al Bilad Catalyst Company
- Saudi Paper Manufacturing Company
- Hudoud Alteqnia Company
- Saudi Arabian Amiantit 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 at Yanbu National Petrochemical Company (Yansab), the Saudi Arabian Fertilizer Company (SAFCO) and SABIC Investment and Local Content Development Company, and Chairman of the Petrochemical Manufacturers Committee.
- In addition, he is a member of the International Business Council of the World Economic Forum and 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 an Executive Committee member of the Riyadh Economic Forum at the Riyadh Chamber of Commerce.
- In addition, during 2019 Mr. Al-Benyan was appointed as the Chairman of the B20 Saudi Summit.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Mr. Al-Benyan joined SABIC in 1987, just eleven years after the company's formation. His first role was as a business development specialist before joining Corporate Communications. Mr. Al-Benyan relocated to Stamford, Connecticut as Operations Manager. In 1994, he became Commercial Manager for SABIC in the 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 growth in Asia, especially in China.

- Mr. Al-Benyan returned to Houston in the fall of 2005 as the General Manager of SABIC Americas. Then, in 2007, he took on the role of General Manager at Fiber Intermediates, before being named in February 2008 to head Corporate Human Resources.
- As Chairman of the '1 SABIC' global unification initiative, he reorganized the company's business structure with a new, single, global organization and operating model, moving from a responsive, transactional entity to a proactive, strategic global organization.
- In 2013, Mr. Al-Benyan was named to head SABIC's Chemicals business, the company's largest unit, to help SABIC achieve its goal of becoming the preferred global leader in chemicals by 2025.
- Prior to being named Vice Chairman and Chief Executive Officer, Mr. Al-Benyan also served as Executive Vice President, Corporate Finance, and CFO.

## EDUCATIONAL QUALIFICATIONS

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

## CURRENT BOARD MEMBERSHIP

- Yanbu National Petrochemical Company (YANSAB)
- Saudi Arabian Fertilizer Company (SAFCO)
- SABIC Investment and Local Content Development (NUSANED)

## 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

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

CONTINUED



**RASHID IBRAHIM SHARIF**

Board Member  
Non-Executive Member

#### CURRENT POSITION

- Mr. Sharif, is a Board Member of SABIC. He 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.

#### WORKING EXPERIENCE AND PREVIOUS POSITIONS

- 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.

#### EDUCATIONAL QUALIFICATIONS

- Mr. Sharif holds a Master's degree in Business Administration from Prince Sultan University (2009), and a Bachelor's degree in Financial Management from King Fahd University of Petroleum and Minerals (1998).

#### CURRENT BOARD MEMBERSHIP

- Saudi Telecom Company
- National Commercial Bank
- Saudi Electricity Company
- KAFD Development & Management Company
- AccorInvest

#### PREVIOUS BOARD MEMBERSHIP

- Rua Al Madinah Holding Company (Saudi Real Estate Development and Investment Company – previously known as Dar Al-Hijra)
- Tahakom Investment Company



**ROBERTO GUALDONI**

Board Member  
Non-Executive Member

#### CURRENT POSITION

- Mr. Gualdoni is a Board Member of SABIC. He is a member of the boards of American Aerogel Corp and the Carmeuse Group, and Chairman of the board of Cabb.

#### WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Mr. Gualdoni is a German industrialist with over 20 years' experience in the plastics and petrochemicals industry, and has previously served as CEO of Styrolution and as a member of the boards of a number of companies, including BIT AG, Zug/Switzerland, FIW Munich, Plastics Europe and Plastic Recovery Consulting Tecpol. He was also previously the Chairman of the supervisory board of BASF GE Schwarzheide.

#### EDUCATIONAL QUALIFICATIONS

- Mr. Gualdoni holds a Master of Business Administration from INSEAD in France, and a Bachelor's Degree in Industrial Engineering from Universidad de Buenos Aires in Argentina.

#### CURRENT BOARD MEMBERSHIP

- Carmeuse
- American Aerogel Corp
- Cabb

#### PREVIOUS BOARD MEMBERSHIP

- BIT AG, Zug/Switzerland
- Tecpol (Plastic Recovery Consulting)
- BASF-GE Schwarzheide
- FIW – Munich
- EXIBA – Brussels
- Plastics Europe
- Outokumpu Oyj
- Styrolution

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

CONTINUED



**CALUM MACLEAN**

Board Member  
Non-Executive Member

## CURRENT POSITION

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

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- With 30-years' experience in the chemical industry, Mr. MacLean has previously served as the Chairman of the boards of Ineos Olefins (where he was also the Chief Executive Officer), Petroineos (a PetroChina Group joint venture), Polymers Europe (where he was also the Chief Executive Officer) and Styrolution (a BASF Group joint venture). He was also a member of the board of Ineos Group and has, at various times, served as the Chief Executive Officer of EVC, Ineos ChlorVinyls and Ineos Phenol.

## EDUCATIONAL QUALIFICATIONS

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

## CURRENT BOARD MEMBERSHIP

- Synthomer
- Clariant

## PREVIOUS BOARD MEMBERSHIP

- Ineos Group
- Petroineos Refining
- Styrolution
- Ineos Olefins and Polymers Europe
- Ineos Phenol
- Ineos ChlorVinyls
- EVC



**MOHAMMED TALAL AL-NAHAS**

Board Member  
Independent Member

## CURRENT POSITION

- Mr. Al-Nahas is a Board Member of SABIC. He is the Governor of the Public Pension Agency. In addition, he is the Chairman of the board of Al Raidah Investment Company, and Chairman of Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO). He is also a member of the boards of International Company for Water and Power Projects, Riyadh Bank and Saudi Telecommunications Company, Raza, Cooperative Real Estate Investment Company and Asma Capital.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

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

## EDUCATIONAL QUALIFICATIONS

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

## CURRENT BOARD MEMBERSHIP

- Riyadh Bank
- Saudi Telecom Company (STC)
- Al Raeda Investment
- ACWA Power
- Al Taawuniyah Real Estate Investment Co
- Raza
- ASMA Capital
- Saudi Pharmaceutical Industries & Medical Appliances Corporation (SPIMACO)

## PREVIOUS BOARD MEMBERSHIP

- Tibah Holding Company
- Saudi Tourist Checks Company

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

CONTINUED



**DR. KHALED HAMZA NAHAS**

Board Member  
Independent Member

## CURRENT POSITION

- Dr. Nahas is a Board Member of SABIC. He is a businessman and a board member of Clariant, 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 in the Chamber of Commerce and Industry, Member of the Consultative Council, and the Mayor of Makkah.
- Dr. Nahas has previously served as the Chairman of the boards of National Company for Spring Mattresses and Sponges and Tabuk Hotels Company as well as a member of the boards of Military Industries Organization, National Commercial Bank, Riyadh Bank, Saudi Hotels Company, Saudi Investment Bank, Saudi Telecommunications Company and Binladen Group.

## EDUCATIONAL QUALIFICATIONS

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

## CURRENT BOARD MEMBERSHIP

- Clariant
- Mithaq Holding Co.
- Arsh Investment Co

## PREVIOUS BOARD MEMBERSHIP

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



**ABDULLAH MOHAMMED AL-ISSA**

Board Member  
Non-Executive Member

## CURRENT POSITION

- Mr. Al-Issa is a Board Member of SABIC. He is the Chief Executive Officer of Asila Investment Company. In addition, he is the Chairman of Dur Hospitality and Riyadh Bank. He is also a member of the boards of Etihad Etisalat (Mobily), Saudi Arabian Mining Company (Ma'aden) and Clariant.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Mr. Al-Issa is a prominent businessman and has previously served as Chief Executive Officer of Asila Investment Co, and as a board member of several joint stock companies.

## EDUCATIONAL QUALIFICATIONS

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

## CURRENT BOARD MEMBERSHIP

- Riyadh Bank
- Maaden
- Mobily
- Dur Hospitality
- Asilah Investment Company
- Clariant

## PREVIOUS BOARD MEMBERSHIP

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

# BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS

CONTINUED



**NADER IBRAHIM AL-WEHIBI**

Board Member  
Independent Member

## CURRENT POSITION

– Mr. Al-Wehibi is a Board Member of SABIC. He is the Assistant Governor for Insurance Affairs, General Organization for Social Insurance. In addition, he is associated with Riyadh Bank as a member of the board of directors, member of the executive committee, and member of the nominations and compensations committee.

## WORKING EXPERIENCE AND PREVIOUS POSITIONS

– Mr. Al-Wehibi held several positions at the General Organization for Social Insurance, including General Manager of Planning and Development. He was previously a member of the board of directors of the National Medical Care Company, and Jarir Marketing Company.

## EDUCATIONAL QUALIFICATIONS:

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

## CURRENT BOARD MEMBERSHIP

– Riyadh Bank

## PREVIOUS BOARD MEMBERSHIP

– National Medical Care  
– Jarir Marketing

# BOARD MEETINGS

## BOARD MEETINGS

The Board meets at least twice every year at the Chairman's invitation. The Chairman also convenes a meeting if requested by two members of the Board, the external auditor, the internal audit department, or the CEO. The quorum for Board meetings is five members, of whom at least three should be government representatives and at least one an independent member. During the year ended 31 December 2019, the Board met five times.

Member name	Title	Attendance record					Total
		1 <sup>st</sup> meeting 12 March 2019	2 <sup>nd</sup> meeting 11 April 2019	3 <sup>rd</sup> meeting 23 May 2019	4 <sup>th</sup> meeting 26 Sept 2019	5 <sup>th</sup> meeting 17 Dec 2019	
Dr. Abdulaziz Ibn Saleh Aljarboo	Chairman	Attended	Attended	Attended	Attended	Attended	5
Yousef Abdullah Al-Benyan	Vice Chairman and CEO	Attended	Attended	Attended	Attended	Attended	5
Dr. Fahad Abdullah Al-Mubarak	Board Member	Attended	His membership of the Board of Directors ended on 10 April, 2019				1
Rashid Ibrahim Sharif	Board Member	Joined membership of the Board of Directors on 10 April, 2019	Attended	Attended	Attended	Attended	4
Calum MacLean	Board Member	Attended	Apologized	Attended	Attended	Attended	4
Roberto Gualdoni	Board Member	Attended	Attended	Attended	Attended	Attended	5
Mohammed Talal Al-Nahas	Board Member	Attended	Apologized	Attended	Attended	Attended	4
Dr. Khaled Hamza Nahas	Board Member	Attended	Attended	Attended	Attended	Attended	5
Abdullah Ibn Mohammed Al-Issa	Board Member	Attended	Attended	Attended	Attended	Attended	5
Nader Ibrahim Al-Wehibi	Board Member	Attended	Attended	Attended	Attended	Attended	5

# BOARD MEETINGS

## CONTINUED

### BOARD OWNERSHIP

As at 31 December 2019, Board members, their spouses and their minor children had the following shareholding in SABIC and/or its subsidiaries:

Name	Beginning of the year, no. of shares				End of the year, no. of shares				Net change			
	SABIC	SAFCO	Saudi Kayan	Yansab	SABIC	SAFCO	Saudi Kayan	Yansab	SABIC	SAFCO	Saudi Kayan	Yansab
Dr. Abdulaziz Ibn Saleh Aljarbou	90,120	78,245			111,777	78,245			+21,657			
Mr. Yousef Abdullah Al-Benyani		2,950	19,677	2,500		2,950	23,617	2,150			+3,940	-350
Dr. Fahad Abdullah Ibn Abdullatif Al Mubarak <sup>(1)</sup>				28,000								
Rashid Ibrahim Sharif <sup>(2)</sup>							300	65				
Mr. Calum MacLean												
Mr. Roberto Gualdoni												
Mr. Mohammed Ibn Talal Al-Nahas							200				+200	
Dr. Khaled bin Hamza Naha	20,000	1,765,417			570,100	1,683,403			+550,100	-82,014		
Mr. Abdullah M Al-Issa	300,000	22,500			300,000	22,500						
Nader Ibrahim Al-Wehibi	310		13,000	350	310		13,000	350				

1. His membership in the Board of Directors ended on 10 April, 2019.
2. Joined membership in the Board of Directors on 10 April, 2019.

### BOARD PARTICIPATION IN THE GENERAL ASSEMBLY MEETING

The company held one General Assembly Meetings last year. It was on 9 April 2019. The Board Charter requires that "the Board member must attend General Assembly Meetings". By this mandate, the Board aims is to meet with Shareholders and receive their suggestions and observations about the company and its performance. The following table lists Board members' participation at the General Assembly Meeting.

Name	1 <sup>st</sup> meeting 9 April 2019	Remarks
Dr. Abdulaziz Saleh Aljarbou	Attended	
Yousef Abdullah Al-Benyani	Attended	
Dr. Fahd Abdullah Al-Mubarak	Attended	His membership of the Board of Directors ended on 10 April 2019
Calum Maclean	Attended	
Roberto Cialdoni	Attended	
Dr. Khaled Hamza Ahmed Nahas	Attended	
Abdullah Mohammed Al Essa	Attended	
Mohammed Talal Al Nahas	Apologized	
Nader Ibrahim Alwehibi	Attended	
Rashid Ibrahim Sharif	-	Joined membership in the Board of Directors on 10 April 2019

# BOARD COMMITTEES

## AUDIT COMMITTEE

According to its charter, the Audit Committee shall comprise three to five non-executive members of the Board, at least one of whom shall be an independent 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 Committee meetings, as well as the number and date of the meetings.

Name	Membership	Attendance record						
		1 <sup>st</sup> meeting 26/01/2019	2 <sup>nd</sup> meeting 05/03/2019	3 <sup>rd</sup> meeting 27/04/2019	4 <sup>th</sup> meeting 25/07/2019	5 <sup>th</sup> meeting 26/09/2019	6 <sup>th</sup> meeting 24/10/2019	7 <sup>th</sup> meeting 17/12/2019
Abdulaziz Habdan Al-Habdan	Chairman Member from outside the Board of Directors	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Khaled bin Hamza Nahas	Member	Attended	Attended	His membership of the Committee ended on 10 April, 2019				
Abdullah M. Al-Issa	Member	Attended	Attended	Attended	Attended	Attended	Attended	Attended
Nader Ibrahim Al-Wehibi	Member	Joined the Committee on 10 April, 2019		Attended	Attended	Attended	Attended	Attended
Abdul Rahman Ibrahim Al-Humaid	Member from outside the Board of Directors	Attended	Attended	His membership of the Committee ended on 10 April, 2019				
Khaled Dawood Al-Fadag	Member from outside the Board of Directors	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 being in compliance with the regulatory requirements;
  - (iii) examining unusual transactions in the financial statements;
  - (iv) verifying accounting estimates;
  - and (v) reviewing financial and accounting policies of the Group;
- Oversight of internal control systems, including:
  - (i) reviewing internal and financial control and risk management systems and ensuring their effectiveness through regular reports prepared by the Internal Audit Department (or External Auditors) and following up on the implementation of recommended action; and (ii) reporting to the Board in respect of the adequacy of internal control systems;
- Oversight of internal audit, including: (i) supervising the Internal Audit Department and verifying its effectiveness in carrying out its roles and responsibilities; (ii) reviewing and approving the annual audit plan; (iii) reviewing reports prepared by the Internal Audit Department and following up on the implementation of recommended action; (iv) ensuring the independence of the Internal Audit Department; and (v) evaluating the performance of the head of the Internal Audit Department;
- Oversight of the external auditor, including:
  - (i) recommending the appointment or dismissal of the external auditor and determining their fee after assessing their performance, independence, scope of work and terms of employment; (ii) verifying the independence of the external auditor; (iii) reviewing the external audit plan and verifying the compliance of this plan with applicable regulations; (iv) answering the external auditor's queries and providing requisite support for the performance of an external audit; and (v) reviewing reports prepared by the external auditor and following up on the implementation of recommended action; and

- Oversight of compliance, including: (i) reviewing reports prepared by regulatory bodies in respect of compliance with applicable regulations and following up on the implementation of recommended action; (ii) ensuring SABIC's compliance with relevant regulations, by-laws and policies; (iii) reviewing proposed related party transactions; (iv) establishing appropriate procedures for internal reporting of violations of internal control (including ensuring independence of such procedures), and, where relevant, making recommendations.

## BIOGRAPHIES OF COMMITTEE MEMBERS WHO ARE NOT BOARD MEMBERS

- Mr. Abdulaziz Habdan Al-Habdan retired from General Organization for Social Insurance. He was the Assistant Governor for Insurance Affairs, General Organization for Social Insurance. 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 Saudi Arabian Fertilizer Company (SAFCO) 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. Abdul Rahman Ibrahim Al-Humaid's membership of the Audit Committee ended on 10 April, 2019. He is the Chairman of Bank Al Bilad. He was a University Professor. He is the Founder and Chairman of the National Advisory House. He was a member of the Board of Trustees of the International Financial Reporting Standards. In addition he is a member of several Audit Committees in a number of companies and banks. Mr. Al-Humaid holds a Ph.D. in Accounting.
- Dr. Khaled Dawood Al-Fadag currently holds no position. He was a General Auditor of Saudi Aramco. He was a Director of Facilities Planning at Saudi Aramco and a CEO of Petron. 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, at least one of whom shall be an independent director. These members are appointed by the Board.

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

Name	Membership	Attendance record		
		1 <sup>st</sup> meeting 11/03/2019	2 <sup>nd</sup> meeting 26/9/2019	3 <sup>rd</sup> meeting 17/12/2019
Abdullah M. Al-Issa	Chairman	Attended	His membership of the Committee ended on 11/04/19	
Khaled bin Hamza Nahas	Chairman	Joined the Committee on 11/04/19	Attended	Attended
Mohammed Ibn Talal Al-Nahas	Member	Attended	Attended	Attended
Roberto Gualdoni	Member	Attended	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 remunerations granted to the Board members, Board committee members and Executive Management members; and (v) specifying and recommending types of incentives for employees;
- Oversight of appointments of Board members, including: (i) developing a Board membership policy and recommending it to the Board for approval by the general assembly of SABIC's shareholders; (ii) reviewing such policy regularly to ensure its consistency with the changes in the relevant legislation and regulations, SABIC's strategic objectives, skills and qualifications required, and recommending proposed changes to the Board; (iii) conducting an annual review of the required skills for Board membership and preparing

a description of the required capabilities and qualifications; (iv) recommending individuals for Board membership in accordance with the Board membership policy; (v) reviewing conflicts of interest for Board nominees, and making appropriate recommendations to the Board; (vi) reviewing the Board structure and recommending changes, if required or appropriate; (vii) establishing processes for addressing vacancies in the Board or Board committees; and (viii) recommending performance measures to evaluate the Board and the Board committees;

- Oversight of Board functioning, including: (i) ensuring independence of the independent 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 processes in the event of the vacancy of any member of the Executives Management and making the required recommendations.

### RISK AND SUSTAINABILITY COMMITTEE

According to its charter, the Risk and Sustainability Committee shall comprise three to five members of the Board. These members are appointed by the Board.

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

Name	Membership	Attendance record		
		1 <sup>st</sup> meeting 12/03/2019	2 <sup>nd</sup> meeting 26/9/2019	3 <sup>rd</sup> meeting 17/12/2019
Khaled bin Hamza Nahas	Chairman	Attended	His membership of the Committee ended on 11/04/19	
Calum MacLean*	Chairman	Attended	Attended	Attended
Mohammed Ibn Talal Al-Nahas	Member	Attended	Attended	Attended
Nader Ibrahim Al-Wehibi	Member	Attended	Attended	Attended

\* Chaired the Committee effective from 26 September, 2019.

The Risk and Sustainability Committee's responsibilities include:

- Risk management functions, including: (i) working with the Executive Management to develop a comprehensive risk management policy in accordance with SABIC's business and activities and pursuant to SABIC's objectives and strategy, and recommending such policy to the Board; (ii) reviewing the overall risk management policy periodically to ensure consistency with changes that may occur in the internal or external environment in which SABIC operates, the legislation governing its business or strategic objectives, or otherwise, and recommending proposed changes to the Board; (iii) recommending to the Board an acceptable level of risk to SABIC and how to maintain it, and monitoring that this level is not exceeded; (iv) verifying the business continuity and annually identifying risks facing SABIC; (v) overseeing the risk management systems and assessing their effectiveness and mechanisms of identifying, measuring and monitoring risks; (vi) re-evaluating the ability to take, or be exposed to, risks regularly (for example through stress testing); (vii) preparing a report to the Board containing detailed risk-exposure and proposed steps to manage these risks; (viii) providing recommendations to the Board on risk management issues; (ix) 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.

- Sustainability management functions, including: (i) working with the Executive Management to develop a comprehensive sustainability strategy and policies (such as EHSS) that are commensurate with the nature of SABIC's activities and business; (ii) reviewing the sustainability strategy and policies periodically to ensure their consistency with changes to the internal or external environment in which SABIC operates, the legislation regulating its business or strategic objectives, or otherwise, and recommending proposed changes to the Board; and (iii) supervising SABIC's EHSS systems and ensuring they are in compliance with 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 number and date of the meetings.

Name	Membership	Attendance record	
		1 <sup>st</sup> meeting 23/04/2019	2 <sup>nd</sup> meeting 19/09/2019
Abdulaziz Saleh Aljarbou	Chairman	Attended	Attended
Yousef Abdullah Al-Benyan	Member	Attended	Attended
Khaled bin Hamza Nahas	Member	Attended	Attended
Abdullah M. Al-Issa	Member	Attended	Attended
Rashid bin Ibrahim Sharif	Member	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, legislation regulating business, or strategic objectives or otherwise, and recommending proposed changes to the Board;
- Overseeing investment activities and establishing appropriate processes for measuring and assessing investment performance;
- Evaluating the investment opportunities proposed by the Executive Management (such as mergers or acquisitions of companies, businesses or assets; termination, sale, 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; and
- Reviewing the Executive Management's progress reports in respect of 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 31 December 2019, 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
Awadh Al Maker	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

## MANAGEMENT MEMBERS BIOGRAPHIES



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

**BIOGRAPHY OF MR. AL-BENYAN ON PAGE 91 UNDER BRIEF BIOGRAPHIES OF THE BOARD OF DIRECTORS AND COMMITTEE MEMBERS**



**ABDULAZIZ AL-UDAN**  
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 currently Chairman of the Board of Directors of SABIC affiliate Al-Jubail Fertilizer Co. (Al-Bayroni), 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 National Research and Development Center for Sustainable Agriculture (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 Company and SHROUQ Company. 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

- 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.

## MANAGEMENT MEMBERS BIOGRAPHIES 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 Saudi Organometallic Chemicals Company (SOCC), Chairman of the board of United Petrochemical Company United and a member of the boards of SAFCO and SINOPEC SABIC Tianjin Petrochemical Company.

### WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Before assuming his present position, Mr. Kentab served as Executive Vice President of the Agri-Nutrients business unit. He has held a number of senior positions at SABIC, including the Vice President of a number of business units (including polyethylene, polypropylene and olefins and industrial gases) and the General Manager of Intermediate Operations and Planning.



**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 Al-Jubail Petrochemical Company (KEMYA), Saudi Yanbu Petrochemical Company (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 Unit. He has held a number of senior positions at SABIC, including Vice President of the Polyethylene Business Unit, General Manager of Operations and Planning of the Basic Chemicals Business Unit, General Manager of the Oxygenates Business Unit, President of Yansab and Chairman of the Project Committee of Yansab.

- 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 mono-ethylene glycol business.
- He was a member of the boards of Kemya, Sharq, United, Sadaf and Yanpet.

### EDUCATIONAL QUALIFICATIONS

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

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

### EDUCATIONAL QUALIFICATIONS

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



**TIMOTHY D. LEVEILLE**  
Executive Vice President  
Corporate Finance

### CURRENT POSITION

- Mr. Leveille is the Executive Vice President for Corporate Finance and is 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 the Chevron Corp., with oversight over global cash management and financing activities for Chevron's operating companies worldwide.
- He has worked for the public accounting firm of PricewaterhouseCoopers, and in 1987, joined

Caltex, an international joint venture between Texaco and Chevron that was formed originally in 1936 to market oil from the newly discovered fields in Saudi Arabia.

- Mr. Leveille served in various overseas finance roles in Asia and Africa for roughly 17 years with Caltex, including as country Chairman and chief financial officer of Caltex Philippines. In 2007, he became vice president of finance for Chevron's global gas business, and in 2009 senior director of international finance in corporate treasury.

### EDUCATIONAL QUALIFICATIONS

- Mr. Leveille holds a Bachelor's Degree in Accounting and Computer Science from Boston College and a Master's of Business Administration in Finance from Columbia University School of Business, United States. He is a US certified public accountant (CPA), licensed by the state of New York.



**BOB MAUGHON, PHD**  
Executive Vice President  
Sustainability, Technology & Innovation

### CURRENT POSITION

- Dr. Bob Maughon is the Executive Vice President for Sustainability, Technology & Innovation.

### WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Dr. Maughon joins SABIC after an extensive career in various executive transformational positions within the petrochemicals industry.
- 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 graduated with a Bachelors in Chemistry from Rice University (USA) and holds a Chemistry PhD from Caltech, USA.

## MANAGEMENT MEMBERS BIOGRAPHIES CONTINUED



**AWADH AL-MAKER**  
Executive Vice President  
Shared Services

### CURRENT POSITION

- Mr. Al-Maker is the Executive Vice President for Shared Services. He is Chairman of the boards of National Methanol Company (IBN SINA), Saudi Methacrylates Company (Samac), and Scientific Design (Delaware – USA).

### WORKING EXPERIENCE AND PREVIOUS POSITIONS

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

### EDUCATIONAL QUALIFICATIONS

- Mr. Al-Maker holds a Bachelor's Degree in Chemical Engineering from King Saud University, Saudi Arabia.



**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 SINOPEC SABIC Tianjin Petrochemical Company (SSTPC), and a board member of Arabian Petrochemical Company (Petrokemya).

### WORKING EXPERIENCE AND PREVIOUS POSITIONS

- Mr. Al-Shaikh has held a number of senior positions at SABIC, including Vice President of Manufacturing Center of Excellence, President of Yanpet and President of Jubail United Petrochemical Company. With over 25 years of experience in the oil and petrochemical industries, he has also previously worked for Saudi Aramco Shell Refinery.

### EDUCATIONAL QUALIFICATIONS

- Mr. Al-Shaikh holds a Bachelor's 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 Petrochemical Company (Saudi Kayan) and Aluminium Bahrain B.S.C. (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.

### 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.



**ERNESTO OCCHIELLO**  
Executive Vice President  
Specialties

### CURRENT POSITION

- Ernesto Occhiello is the Executive Vice President for Specialties business.

### 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 The Dow Chemical Company.

### EDUCATIONAL QUALIFICATIONS

- A former professor at 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:

Name	Beginning of the year, no. of shares				End of the year, no. of shares				Net change			
	SABIC	SAFCO	Saudi Kayan	Yansab	SABIC	SAFCO	Saudi Kayan	Yansab	SABIC	SAFCO	Saudi Kayan	Yansab
Omar Abdullah Abdulrahman Al-Amoudi			214,200				214,200					
Abdulrahman Saleh Abdulrahman Al-Fageeh				5,000				5,000				
Awadh Mohamed Saleh Al-Maker	13,400		30,000	29,000	0		0	0	-13,400		-30,000	-29,000
Abdulaziz Ali Abdulaziz Al-Oudan							70					+70
Uwaidh Khalaf Hassan Al-Harethi <sup>(1)</sup>												
Ahmad Terais Saad Al-Sheikh			100,000				100,000					
Anas Yusuf Kentab	9,000	3,000	10,000	5,000	9,000	3,000	10,000	5,000				
Timothy Leveille												
Bob Maughon <sup>(2)</sup>												
Ernesto Occhiello <sup>(3)</sup>												
Samir Al-Abdrabbuh												

Important Note:

1. Exited the list of senior executives on 31 August, 2019.
2. Joined the list of senior executives on 23 April, 2019.
3. Joined the list of senior executives on 1 September, 2019.

# REMUNERATION

The Board shall, based on the recommendation of the Remuneration and Nomination Committee, determine the remuneration of Board members, Senior Executives, and Committee members. In addition, the remunerations are determined according to the conditions set by the Board and the Remuneration Policy (for the Board members and Board committees) approved by the General Assembly of the Company. Accordingly, the member shall be entitled to the remuneration granted to him.

## REMUNERATION POLICY

### OBJECTIVE

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

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

### REMUNERATION PRINCIPLES

Considering the provisions governing the remuneration of the Board of Directors and board committees as stipulated in Companies Law, the Corporate Governance Regulations, the organizational controls and procedures issued in implementation of the Companies Law of the listed joint stock companies, and the Company's Articles of Association, the 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 recommendations of the Remuneration and Nominations Committee, determines the remuneration of Board members and Committee members based on the following principles:
  - The remuneration shall be consistent with the company's strategic objectives and an incentive factor for the members to achieve these objectives and enhance the company's ability to develop and sustain its business.
  - Remunerations should be based on the nature of the company's business and its size as well as the skills and experience required.

- The remunerations should be a means to attract Board members with the relevant expertise and qualifications to enhance the company's ability to achieve its objectives.
- Board members are entitled to an annual remuneration not exceeding SAR 200,000 for their membership of the Board. The Board may determine different amounts of such remuneration based on recommendations from the Remuneration and Nominations Committee.
- Board members who are participating in Board committees (including the Audit Committee) are entitled to annual remuneration not exceeding SAR 300,000, whether the member is participating in one or several Committees. The Board may decide otherwise based on the recommendations of the Remuneration and Nominations Committee.
- Committee members (including the Audit Committee) from outside the Board are entitled to annual remuneration of SAR 200,000.
- The company is entitled to claim compensation for damage to its reputation and should take any compensation, or other costs incurred by the company, in the event of:
  - Committing an act of dishonesty, forgery, or violating the laws and regulations of the Kingdom of Saudi Arabia or any other country.
  - Failure to carry out responsibilities and duties resulting in damage to the interests of the company.
  - Termination of membership 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.

#### B. Executive Management

- Based on the recommendation of the Remuneration and Nominations Committee, the Board specifies Executive Management's remuneration according to the following principles: Remuneration and compensation should:

# REMUNERATION

## CONTINUED

- Be commensurate with the company's strategic objectives and be a motivating factor for Executive Management to meet these objectives and enhance the company's ability to grow and sustain its business.
- Be commensurate with the nature of the company's business and size as well as with the required skills and experience.
- Enable the company to attract senior executives with skills and qualifications necessary to enable the company to meet its objectives.
- Not cause conflict of interest which might adversely impact the company's interests and ability to achieve its objectives.

### REMUNERATIONS PAID DURING 2019

The annual remuneration of the Board is disbursed after the approval of the general assembly of SABIC's shareholders. Annual remuneration amounts for the Board members representing the Government (through PIF) are paid to PIF as decided by the Council of Ministers. The aggregate total remuneration paid by SABIC to the members of the Board (including for their membership and/or chairing of Board committees) for the year ended 31 December 2019 is set out below (in SAR):

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	Profit rate	Periodic bonuses	Short-term incentive plans	Long-term incentive plans	Shares awarded (enter value)						
<b>FIRST: INDEPENDENT MEMBERS</b>																	
Khaled bin Hamza Nahas	200,000	15,000	21,000	0	0	0	236,000	0	0	0	0	0	0	0	0	236,000	0
Mohammed Ibn Talal Al-Nahas	200,000	12,000	18,000	0	0	0	230,000	0	0	0	0	0	0	0	0	230,000	0
Nader Ibrahim Alwehibi <sup>(2)</sup>	141,370	15,000	24,000	0	0	0	180,370	0	0	0	0	0	0	0	0	180,370	0
<b>Total</b>	<b>541,370</b>	<b>42,000</b>	<b>63,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>646,370</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>646,370</b>	<b>0</b>
<b>SECOND: NON-EXECUTIVE MEMBERS</b>																	
Abdulaziz Saleh Aljarbou <sup>(3)</sup>	200,000	15,000	6,000	0	0	0	221,000	0	0	0	0	0	0	0	0	221,000	0
Fahad Abdullah Al-Mubarak <sup>(3) (4)</sup>	200,000	15,000	0	0	0	0	215,000	0	0	0	0	0	0	0	0	215,000	0
Rashid bin Ibrahim Sharif <sup>(3) (5)</sup>	0	0	6,000	0	0	0	6,000	0	0	0	0	0	0	0	0	6,000	0
Calum MacLean <sup>(3)</sup>	200,000	15,000	9,000	0	0	0	224,000	0	0	0	0	0	0	0	0	224,000	0
Roberto Gualdoni <sup>(3)</sup>	200,000	15,000	9,000				224,000									224,000	
Abdullah M. Al-Issa	200,000	15,000	30,000	0	0	0	245,000	0	0	0	0	0	0	0	0	245,000	0
<b>Total</b>	<b>1,000,000</b>	<b>75,000</b>	<b>60,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,135,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,135,000</b>	<b>0</b>
<b>THIRD: EXECUTIVE MEMBERS</b>																	
Yousef Abdullah Al-Benyan <sup>(3)</sup>	200,000	15,000	6,000	0	0	0	221,000	0	0	0	0	0	0	0	0	221,000	0
<b>Total</b>	<b>200,000</b>	<b>15,000</b>	<b>6,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>221,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>221,000</b>	<b>0</b>

#### Important Note:

1. The Specific amount is the annual remuneration for membership of the Board of Directors for the year 2018. It was disbursed after the approval of the General Assembly in April 2019. The annual remuneration for membership of the Board for 2019 will be disbursed after the approval of the General Assembly scheduled in April 2020.
2. Member joined the Board of Directors on 18 April, 2018.
3. For the members representing the Government in the Board of Directors, the annual remuneration amounts for the membership of the Board of Directors and the attendance allowance of the Board sessions related to them shall be paid to the Public Investment Fund annually on the basis of the decision of the Council of Ministers.
4. Member ended his membership of the Board of Directors and Committees on 10 April 2019.
5. Members joined membership of the Board of Directors and Committees on 10 April 2019.

# REMUNERATION

## CONTINUED

The aggregate total remuneration paid by SABIC to the Committee members for the year ended 31 December 2019 is set out below (SAR):

Name	Fixed remunerations (excluding session attendance allowance)	Session attendance allowance	Total
<b>AUDIT COMMITTEE MEMBERS</b>			
Abdulaziz Habdan Alhabdan (Member from outside the Board of Directors)	200,000	21,000	221,000
Khaled bin Hamza Nahas <sup>(6)</sup>	0	6,000	6,000
Nader Ibrahim Alwehibi <sup>(7)</sup>	0	15,000	15,000
Abdullah M. Al-Issa	0	21,000	21,000
Abdul Rahman Ibrahim Al Humaid (Member from outside the Board of Directors) <sup>(6)</sup>	54,247	6,000	60,247
Khaled Dawood Al Fadag (Member from outside the Board of Directors)	200,000	21,000	221,000
<b>Total</b>	<b>454,247</b>	<b>90,000</b>	<b>544,247</b>
<b>REMUNERATIONS AND NOMINATIONS COMMITTEE MEMBERS</b>			
Abdullah M. Al-Issa <sup>(8)</sup>	0	3,000	3,000
Khaled bin Hamza Nahas <sup>(9)</sup>	250,000	6,000	256,000
Mohammed Ibn Talal Al-Nahas	250,000	9,000	259,000
Roberto Gualdoni	250,000	9,000	259,000
<b>Total</b>	<b>750,000</b>	<b>27,000</b>	<b>777,000</b>
<b>INVESTMENT COMMITTEE MEMBERS</b>			
Abdulaziz Saleh Aljarbou	250,000	6,000	256,000
Yousef Abdullah Al-Benyan	250,000	6,000	256,000
Abdullah M. Al-Issa	250,000	6,000	256,000
Khaled bin Hamza Nahas	0	6,000	6,000
Fahad Abdullah Al-Mubarak <sup>(10)</sup>	67,808	0	67,808
Rashid bin Ibrahim Sharif <sup>(11)</sup>	181,507	6,000	187,507
<b>Total</b>	<b>999,315</b>	<b>30,000</b>	<b>1,029,315</b>
<b>RISK AND SUSTAINABILITY COMMITTEE MEMBERS</b>			
Khaled bin Hamza Nahas <sup>(12)</sup>	0	3,000	3,000
Calum MacLean	250,000	9,000	259,000
Mohammed Ibn Talal Al-Nahas	0	9,000	9,000
Nader Ibrahim Alwehibi	250,000	9,000	259,000
<b>Total</b>	<b>500,000</b>	<b>30,000</b>	<b>530,000</b>

Important Note:

6. Member ended his membership of Audit Committees on 10 April 2019.

7. Joined the Audit Committee on 10 April 2019.

8. Member ended his membership of the Remunerations and Nominations Committee on 11 April 2019.

9. Joined the Remunerations and Nominations on 11 April 2019.

10. Member ended his membership of the Investment Committee on 10 April 2019.

11. Joined the Investment Committee on 11 April 2019.

12. Member ended his membership of the Risk and Sustainability Committee on 11 April 2019.

The aggregate total remunerations paid by SABIC to five Executives who have received the highest remuneration, including the CEO and CFO, for the year ended 31 December 2019 set out below (SAR):

Senior Executives	Fixed remunerations				Variable remunerations					Total	End of service benefits	Total remunerations for Board	Total aggregate amount
	Salaries	Allowances	In-kind Benefits	Periodic Total remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)					
<b>Total (SAR)</b>	13,324,719	5,643,175	407,472	19,375,366	–	–	10,069,675	11,711,579	–	21,781,254	–	215,000	<b>41,371,620</b>

# 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, and 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 2019, Internal Audit Department regularly issued audit progress reports to 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 2019, 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 2019, 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 its top priority; attracting and developing talents and equipping them with required skills and qualifications to perform the audit activities effectively. In 2019, 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 by SABIC IA experts.
- 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 highlighting internal control themes to watch for and enhance.
- The Certified External Auditor, Ernst & Young, was assigned to audit the accounts of the company for 2019 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 31 December 2019, and based on the Executive Management reports and the content of the external and internal auditors' reports issued during the year, in our opinion, the Company's Executive Management has maintained an effective internal control system; and the scope and extent of the audit processes in conjunction with the Audit Committee meeting discussions, have provided reasonable ground for the Committee to formulate this opinion.

## COMPLIANCE

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

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

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

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

SABIC's Chief Compliance Counsel is responsible for managing the implementation of the compliance program, supported by a team of compliance lawyers 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 as well as on any significant results.

We encourage employees to report any compliance concerns, and we encourage them to enquire and ask for guidance if there is any doubt. Employees can report to their manager, 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 of 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 2019 when SABIC hosted a major compliance conference in Riyadh, joined by business and industry leaders. Under the theme 'Promoting Integrity and Transparency for Growth', the event provided the Saudi and global business community members in attendance a unique opportunity to connect in the interest of inspiring corporate integrity and compliance practices. More than 400 participants from international and local corporations, government, academia and NGOs joined together to advance governance and compliance practices that can secure business opportunities and investment.

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.

SABIC was also 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 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.

## DECLARATION BASED ON CORPORATE GOVERNANCE REGULATION

### BOARD OF DIRECTORS DECLARATIONS

The Board of Directors acknowledges the following:

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

### COMPANY DECLARATIONS

The company acknowledges the following:

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

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 consists of four members, including one independent member of the Board of Directors, and two members from outside the Board, which can achieve independence that enhances the efficiency of the Committee's work. It should be noted that the Committee chose a member from outside the Board as its Chairman based on its approved regulations.
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 annually.	Based on Article 50 of the Corporate Governance Regulations, which stipulates that the Board of Directors shall form specialized committees in accordance with the needs of the company and its conditions to enable it to perform effectively, the Board of Directors does not consider it necessary to form a specialized committee on corporate governance. All the other Board committees formed, in carrying out their duties and achieving their objectives, do inherently realize the corporate governance function and objectives. Therefore, reducing the duty of "governance" to a single Committee on Governance, contravenes the proper governance application and realization.

- 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, which included the appointment of the Auditor of the Company and the determination of his fees for the fiscal year 2019.
- Financial Statements 2019 are prepared according to the standards approved by the Saudi Organization for Certified Public Accountants.
- The company did not issue or grant any convertible debt instruments, contractual securities, preemptive rights or similar rights during the fiscal year 2019.
- 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 did not redeem, purchase or cancel any redeemable debt instruments.
- The company has not concluded any works or contracts of substantial interest to a member of the Board of Directors, or the Senior Executives, or any person related to any of them.
- There are no arrangements or waiver agreements of any salary or compensation by one of the Board members or Senior Executives.
- There are no arrangements or agreements 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 toward 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 126



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

### AFFILIATES

No.	Affiliate name	% of ownership direct or indirect	Main activity	Country of operation	Country of foundation	Capital in SAR
1	SABIC Industrial Investments Co. (SIIC) and its affiliates	100	Establishment of metal, petrochemical, chemicals and fertilizer plants.	Middle East & North Africa	Saudi Arabia	300,000,000
2	SABIC Luxembourg S. A. R. L. its affiliates	100	Operation of major petrochemical complexes, production and sale of hydrocarbon products, innovative plastics, polymers and chemicals.	Europe, America & 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
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	Saudi Yanbu Petrochemical Company (Yanpet)	50	Operation of petrochemical complex to produce ethylene, glycol ethylene, polyethylene, polypropylene, propylene, thermal gasoline.	Saudi Arabia	Saudi Arabia	4,596,000,000

### AFFILIATES (CONTINUED)

No.	Affiliate name	% of ownership direct or indirect	Main activity	Country of operation	Country of foundation	Capital in SAR
16	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
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
19	Saudi Methyl Acrylate Company (SAMAC)	50	Production of methyl methacrylate and polymethyl methyl methacrylate.	Saudi Arabia	Saudi Arabia	1,350,000,000
20	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
21	Saudi Arabian Fertilizer Company (SAFCO)	42.99	Manufacturing and marketing of urea and ammonia.	Saudi Arabia	Saudi Arabia	4,166,666,660
22	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
23	Saudi Specialty Chemicals Company (Specialty Chem)	100	Manufacturing and selling of Thermo Plastic Olefins and engineering Thermo Plastic.	Saudi Arabia	Saudi Arabia	220,000,000
24	Saudi Organometallic Chemicals Company (SOCC)	50	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
25	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
26	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
27	Saudi Petrochemical Company (Sadaf)***	-	Operation of petrochemical complex to produce ethylene, raw industrial ethanol, ethylene dichloride, styrene, caustic soda, and methyl tertiary-butyl ether (MTBE).	Saudi Arabia	Saudi Arabia	-
28	Saudi Japanese Acrylonitrile Company (Shrouq)**	100	Production of ACN and sodium cyanide.	Saudi Arabia	Saudi Arabia	171,227,500

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

### JOINT VENTURES AND ASSOCIATED COMPANIES

No.	Name of associate	% 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	Electricity 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 Aluminium Company (Alba)	20.62	Manufacturing and production of aluminum.	Bahrain	Bahrain	1,420,000,000
6	National Chemical Transportation 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)	24.99	Manufacturing of specialty chemical products.	Global	Switzerland	4,680,069,491
10	Cosmar Inc.	50	Manufacturing of petrochemical products.	USA	USA	989,500,568
11	Saudi Acrylic Butanol Company (SABUCO)	33.33	Production of butanol and Isobutanol.	Saudi Arabia	Saudi Arabia	486,000,000
12	Sinopec SABIC Tianjin Petrochemical	50	Production and sale of petrochemical products.	China	China	5,342,884,154
13	SABIC SK Nexeline Ltd.	50	Operation of complex to produce low linear density polyethylene.	Singapore	South Korea	1,125,037,500

## DETAIL OF STOCKS AND DEBIT INSTRUMENTS ISSUED BY EACH AFFILIATE\*\*\*\*

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, SAR 1,000 each	2,816,780
2	SABIC Luxembourg S. A. R. L. and its affiliates	262,000 shares, SAR 131.25 each	14,369,024
3	Arabian Petrochemical Company (Petrokemya)	195,554 shares, SAR 10,000 each	782,922
4	Saudi Iron & Steel Company (Hadeed)	1,070,000 shares, SAR 1,000 each	748,690
5	Saudi-European Petrochemical Company (Ibn Zahr)	1,025,666 shares, SAR 1,000 each	102,948
6	Jubail United Petrochemical Company (United)	2,495,620 shares, SAR 1,000 each	166,526
7	National Chemical Fertilizers Company (Ibn Al-Baytar)	494,700 shares, SAR 1,000 each	29,613
8	National Industrial Gases Co (Gas)	248,000 shares, SAR 1,000 each	376,687
9	Yanbu National Petrochemical Company (Yansab)	562,500,000 shares, SAR 10 each	159,437
10	Saudi Methanol Co (Ar-Razi)	25,900 shares, SAR 10,000 each	96,562
11	Al Jubail Fertilizer Co (Al-Bayroni)	13,430 shares, SAR 50,000 each	49,842
12	Saudi Yanbu Petrochemical Company (Yanpet)	4,596 shares, SAR 1,000,000 each	225,198
13	National Methanol Compa (Ibn Sina)	5,580 shares, SAR 100,000 each	1,083,701
14	Eastern Petrochemical Company (Sharq)	189,000 shares, SAR 10,000 each	177,951
15	Al-Jubail Petrochemical Company (Kemya)	21,492 shares, SAR 100,000 each	3,812,844
16	Arabian Industrial Fibers Company (Ibn Rushd)	200,000,000 shares, SAR 10 each	3,479,888
17	Saudi Arabian Fertilizer Company (SAFCO)	416,666,666 shares, SAR 10 each	109,122
18	Saudi Kayan Petrochemical Company's (Saudi Kayan)	1,500,000,000 shares, SAR 10 each	18,345,987
19	Saudi Methyl Acrylate Company (SAMAC)	135,000,000 shares, SAR 10 each	2,363,066
20	SABIC Supply Chain Services Limited Company (SSCS)	50,000 shares, SAR 10 each	31,044
21	Saudi Speciality Chemicals Company (Specialty Chem)	2,200,000 shares, SAR 100 each	107,812
22	Saudi Organometallic Chemicals Company (SOCC)	900,000 shares, SAR 100 each	6,401
23	SABIC Investment and Local Content Development NUSANED™	1,000,000 shares, SAR 10 each	-
24	SABIC Agri-Nutrients Investment Company (SANIC)*	2,500 share, SAR 10 each	-
25	SABIC Industrial Catalyst Company (SABCAT)**	5,000 share, SAR 100 each	-
26	Saudi Carbon Fiber Company (SCFC)**	500 shares, SAR 1,000 each	-
27	Saudi Japanese Acrylonitrile Company (Shrouq)**	17,122,750 shares, SAR 10 each	-

#### Notes:

\* NUSANED™ and SANIC are newly established entities. NUSANED™ is involved in promoting local business in Saudi Arabia and provides financial and non-financial support. SANIC is established to facilitate the restructuring transaction of Agri-Nutrients business.

\*\* Sabcat, SCFC and Shrouq are in liquidation and controlled by the Liquidator, and Sukuk has been liquidated.

\*\*\* Effective 1 October 2019, Sadaf merged with Petrokemya.

\*\*\*\* Among companies that were excluded for consolidating the financial statements.



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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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[www.sabic.com](http://www.sabic.com)