



# **Board of Directors Report National Petrochemical Company (Petrochem)**

**31/12/2021**

## **Word of the Chairman of the Board of Directors**

### **In the name of Allah, the Merciful**

Dear honorable shareholders of the National Petrochemical Company

Peace, mercy and blessings of Allah:

On behalf of myself and my fellow members of the Board of Directors, I am pleased to present to you the annual report for the fiscal year ending 31/12/2021, which presents the company's most significant achievements in 2021.

The year 2021 has witnessed the achievement of a number of records for the company, thanks to God first, and thanks to the continuous improvement of work performance in the company's project (Saudi Polymers Company SPCo), and exceeding the design capacity for many units. Moreover, the third and fourth quarters of this year witnessed a remarkable improvement in the company's product prices.

The company's project was able to achieve the highest annual sales value since its establishment, due to the increase in the company's product prices, and the team's ability to maintain high levels of production capacity, which was reflected in the company's results, and the achievement of the highest net profit for Petrochem since its establishment worth (1,367) million Saudi Riyals in 2021. Additionally, the project was able to operate the factory safely and securely during the year 2021, thankfully with no serious injuries. As for the process of studying the merger with SIIG, we have received CMA approval and currently are waiting for the General Assembly to vote in this deal.

Moreover, the company will continue to improve performance plans, enhance production efficiency, and develop capabilities, in God's will, which will contribute to advancing growth, achieving higher returns for the company's shareholders, and overcoming the challenges it faces in various petrochemical markets in the region due to the COVID-19 pandemic, global competition, increasing production capacities, and oil and finished-products price fluctuations.

Finally, on behalf of myself and the members of the Board of Directors, I would like to extend my sincere thanks and appreciation to His Royal Highness – the Custodian of the Two Holy Mosques King Salman bin Abdulaziz - may God protect him - and his trusted Crown Prince, His Royal Highness Prince Muhammad bin Salman bin Abdulaziz, may God protect him, and to our noble government, for continuously supporting the industrial sector in the Kingdom of Saudi Arabia.

May God grant us success.

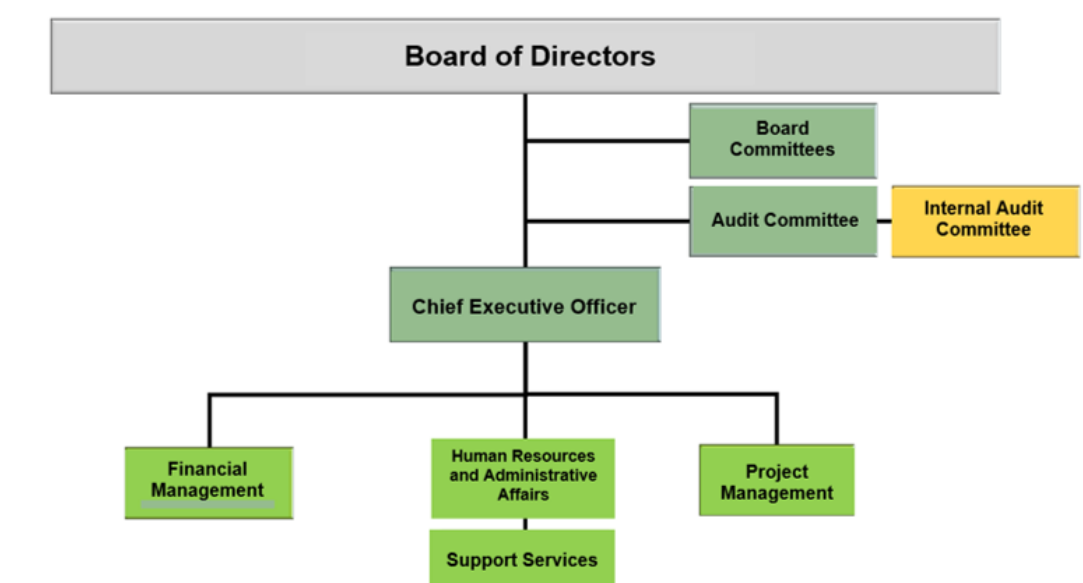
**Chairman of the Board of Directors**

**Hamad bin Saud Al-Sayari**

## **First: The Company's Activity:**

The National Petrochemical Company (Petrochem) was established as a joint stock company, registered in Al Riyadh in the Kingdom of Saudi Arabia with Commercial Registry No. (1010246363) dated 8 Rabi' Al Awwal 1429H corresponding to (16/March/2008). It is headquartered in the city of Riyadh, with a capital of (4,800) million Saudi Riyals. Petrochem's activity is based on the development and establishment, operation, management and maintenance of petrochemical factories, gas, oil and other industries, in addition to wholesale and retail trade in petrochemical products and materials and their derivatives. Petrochem's current activity covers investing in its joint ventures: Saudi Polymers Company, which produces petrochemical products, and Gulf Polymers Distribution Company, which distributes these products.

### **Petrochem's Organizational Structure**



## **Second: Joint ventures**

### **A) Saudi Polymers Company:**

The Saudi Polymers Company (SPCo) is the company's first project. It is a limited liability company with a capital of (1,406) million Saudi Riyals and Commercial Registry No. 2055008886 issued in Al-Jubail on 29/11/1428H (corresponding to 9/12/2007), and is located in Al-Jubail Industrial City. The project's activity is based on the production and selling of ethylene, propylene, hexene, high- and low-density polyethylene, polypropylene and polystyrene. Petrochem owns 65% of Saudi Polymers Company and the remaining 35% is owned by Arabian Chevron Phillips Chemical Company. Saudi Polymers Company started production in the last quarter of 2012, and operates with the following production capacities:

Material	Design Capacity (Thousand tons per year)
Ethylene	1,220
Propylene	440

<b>Hexene-1</b>	100
<b>Polyethylene</b>	1,100
<b>Polypropylene</b>	400

The total sales of the Saudi Polymers Company during 2021 amounted to 8,201 million Saudi Riyals, compared to 5,532 million Saudi Riyals in 2020. The Saudi Polymers Company earned a net profit of 1,763 million Saudi Riyals during 2021, compared to a net profit of 259 million Saudi Riyals for the year 2020. The average production capacity during the year 2021 was around 98%.

The Saudi Polymers Company markets its products inside the Kingdom of Saudi Arabia, while sales outside the Kingdom of Saudi Arabia are handled by the "Gulf Polymers Distribution Company". Chevron Phillips Chemical International (CPCIS) also provides marketing support, through global marketing services for all of the company's products, in accordance with the sales agreement signed between Gulf Polymers Distribution Company and (CPCIS).

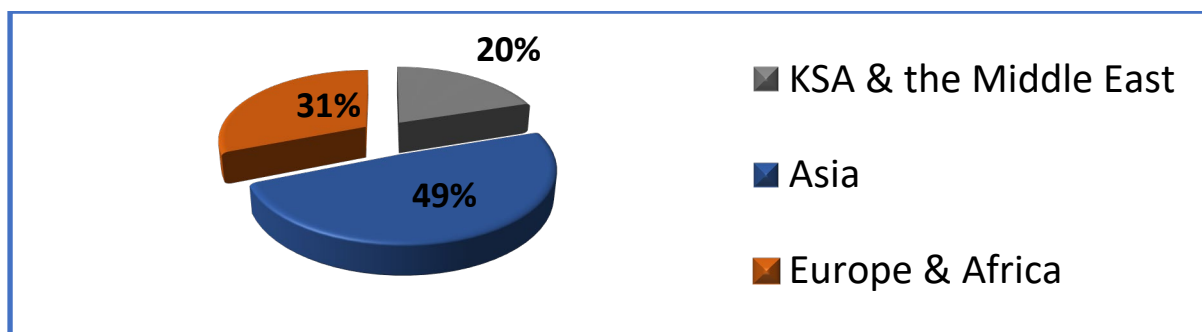
Note: During the year 2019, the partners agreed to reduce the capital of the Saudi Polymers Company from (4,800) million Saudi Riyals to (1,406) million Saudi Riyals, considering the lack of need, and the Ministry of Commerce approved the reduction of capital on 29, April, 2021, where this was announced on Tadawul website. This reduced amount will be returned to the partners based on the availability of liquidity in the company in the coming years, and Petrochem's share of this reduction will amount to (2,206) million Saudi Riyals.

#### **B) Gulf Polymers Distribution Company:**

Gulf Polymers Distribution Company is owned by the same percentage as the Saudi Polymers Company (65% by Petrochem and 35% by Arabian Chevron Phillips Chemical Company). It is registered in the United Arab Emirates and located in the Dubai Airport Freezone. Its activity is limited to storing, selling and distributing the Saudi Polymers Company products globally. The company was established on 15/2/2011 as a limited liability company, with a capital of 2 million UAE Dirhams. The total sales of Gulf Polymers Distribution Company during 2021 amounted to 7,583 million Saudi Riyals, compared to 4,945 million Saudi Riyals in 2020, and it earned a net profit of 223 million Saudi Riyals in 2021, compared to a net profit of 147 million Saudi Riyals in 2020.

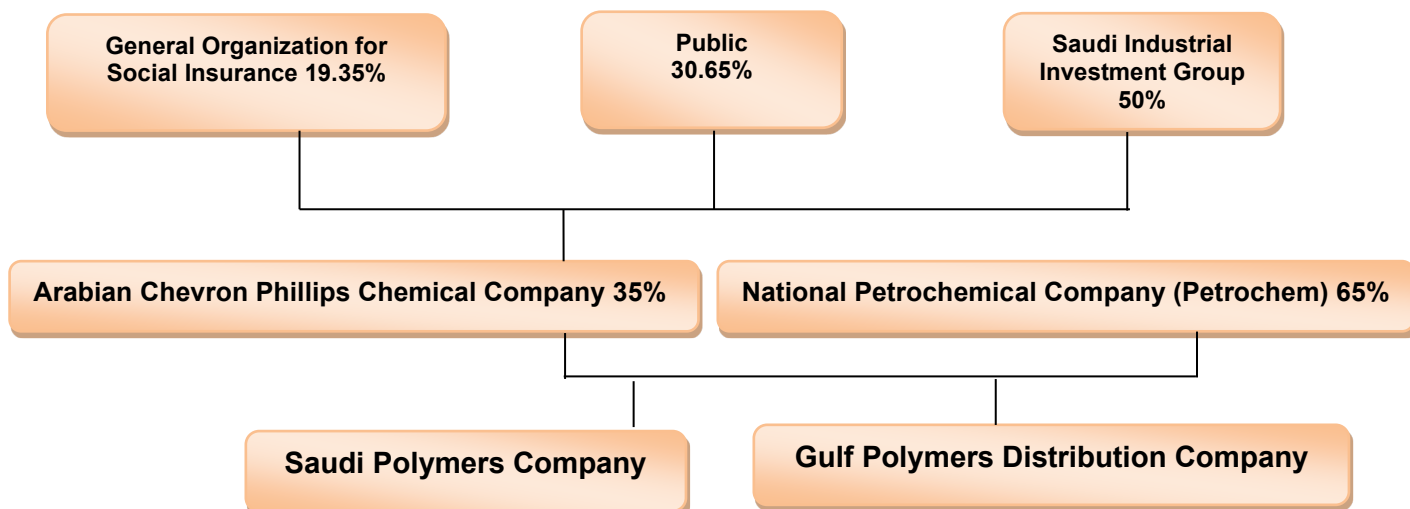
Geographical distribution of the joint ventures products:

The geographical distribution of sales in 2021 was as follows:



### Petrochem's ownership in joint ventures:

The organizational chart below shows Petrochem's ownership percentage in the joint ventures, as well as the percentage of major shareholders in Petrochem.



### **Third: The Petrochemical Industry and Future Challenges:**

The Kingdom of Saudi Arabia is considered to be among the top 10 largest exporters of chemicals in the world, and the petrochemical sector is a major player in the Vision 2030, especially in terms of its contribution to diversifying sources of income, revitalizing the economy and diversifying revenues. This sector also contributes to the development of human resources in addition to the high qualification of workers, in which Saudization rate is as high as 70%. Moreover, this sector has an important role in transforming the Kingdom of Saudi Arabia into a global center and a commercial forum for the three continents: Europe, Africa, and Asia.

The reason behind the success of this industry in the Kingdom of Saudi Arabia is the government's support in establishing a strong and diversified infrastructure and achieving a good comparative advantage by providing feedstock at competitive and attractive prices for investment. In addition, the petrochemical industry has witnessed global competition in the past few years, with competitors entering the market and offering feedstock at prices that are the lowest globally, especially after the discovery of shale gas, which resulted in changes in the distribution of market shares around the world.

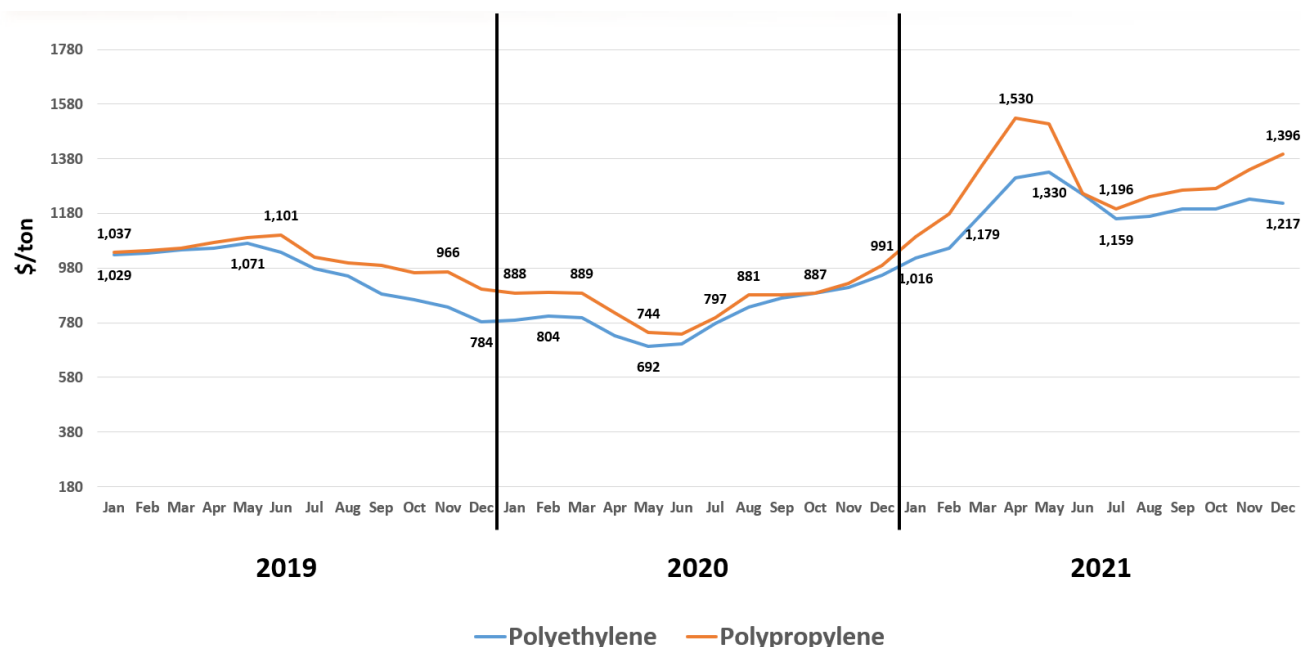
During the year 2021, the impact of the COVID-19 pandemic on the petrochemical industry persisted, especially on shipping operations, but the third and fourth quarters of this year witnessed a noticeable increase in the prices of polyethylene and polypropylene, the company's two most important products, and this led to an increase in the results of the petrochemical companies this year. Furthermore, according to the expectations of specialists, the results of the next year 2022 will be highly affected by the increase in shipping costs (resulting from the intensification of precautionary measures), and the decrease in the prices of petrochemical products as a result of the expectation of lower future prices of oil.

### **Fourth: The Company's Future Expectations:**

With regard to the year 2022, the company's project (Saudi Polymers Company) will halt for 55 days in the fourth quarter of this year to conduct scheduled periodic maintenance operations that take place every six years, and this will significantly affect the company's results,

alongside the difficulty of predicting the demise of the COVID-19 pandemic globally during this year. Reference to the aforementioned, it may be difficult to predict the company's future results, and the company will continue to work on regulating operations, production and sales to mitigate the negative impact of these factors.

The following chart shows the prices of the company's main products over the past three years:



## **Fifth: The Company's Financial Results:**

### **A- Summary of the Company's Business Results for the Fiscal Year 2021:**

The following table shows the company's business results for the past five years, according to the external auditor's report:

#### **\*Statement of Financial Position**

Statement of Financial Position (million Saudi Riyals)	International Standards				Local Standards
	2021*	2020*	2019	2018	2017
<b>Assets</b>					
Total Current Assets	2,285	386	4,660	5,871	5,428
Total Noncurrent Assets	7,150	8,091	14,384	15,148	16,185
<b>Total Assets</b>	<b>9,435</b>	<b>8,477</b>	<b>19,043</b>	<b>21,019</b>	<b>21,613</b>
<b>Liabilities &amp; Shareholders' Equity:</b>					
Total Current Liabilities	297	354	2,539	3,891	2,693
Total Noncurrent Liabilities	8	7	4,255	5,739	9,085
<b>Total Liabilities</b>	<b>305</b>	<b>361</b>	<b>6,766</b>	<b>9,630</b>	<b>11,778</b>
<b>Total Equity</b>	<b>9,130</b>	<b>8,116</b>	<b>12,250</b>	<b>11,389</b>	<b>9,834</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>9,435</b>	<b>8,477</b>	<b>19,043</b>	<b>21,019</b>	<b>21,613</b>

### \*Income Statement

Income Statement (million Saudi Riyals)	International Standards				Local Standards
	2021*	2020*	2019	2018	2017
Sales*	-	-	7,656	8,930	7,363
Cost of Sales*	-	-	(5,772)	(6,245)	(5,100)
<b>Total Profit (Loss)</b>	-	-	<b>1,883</b>	<b>2,685</b>	<b>2,264</b>
Shares of net profit of shared projects is paid for using the equity method	1,368	268	-	-	-
Sales and Marketing Expenditure	-	-	(422)	(472)	(420)
Administrative and General Expenditure	(31)	(25)	(175)	(205)	(217)
<b>Profit (Loss) from Primary Operations</b>	<b>1,337</b>	<b>244</b>	<b>1,286</b>	<b>2,008</b>	<b>1,626</b>
Investment and Other Income	6	10	98	232	157
Financing Expenditure	(0.1)	(0.2)	(228)	(309)	(274)
<b>Profit (Loss) before Non-controlling Equity and Zakat</b>	<b>1,342</b>	<b>253</b>	<b>1,156</b>	<b>1,931</b>	<b>1,509</b>
Share of Non-Controlling Equity in the Net Profit of Joint ventures	-	-	(341)	(535)	(408)
Net Profit (Loss) before Zakat	1,342	253	815	1,396	1,101
Zakat and Income Tax	25	(35)	(141)	(231)	(213)
<b>Net Annual Profit (loss)</b>	<b>1,367</b>	<b>230</b>	<b>674</b>	<b>1,165</b>	<b>888</b>
<b>Profit (Loss) per Share (in Saudi Riyals)</b>	<b>2,85</b>	<b>0.48</b>	<b>1.41</b>	<b>2.43</b>	<b>1.85</b>

\* The values in the statement of financial position and income statement for the years 2020 and 2021 are presented using the equity method, where the company does not combine with the values of managed companies, hence the companies' sales values, cost of sales, assets, and liability are not presented in Petrochem financials.

\*\* As a result of applying international accounting standards, the income tax imposed of foreign partners is listed under "Zakat and Income Tax" fore 2019 and before, where it doesn't appear in 2021 and 2020 as a result of applying the equity method.

\*\*\* The joint sales between the Saudi Polymers Company and the Gulf Polymers Distribution Company were deducted from the total sales and cost of sales.

### **B- Significant Differences in Operational Results compared to Last Year's Results:**

Items (million Saudi Riyals)	2021	2020	Changes	Percentage Change
Sales/Revenue	-	-	-	-
Cost of Sales/Revenue	-	-	-	-

Total Profit	-	-	-	-
Other Operational Revenue	1,368	268	1,100	410%
Operations Expenditure – Other	31	25	6	24%
Operational Profit (Loss)	1,337	244	1,093	448%
Net Profit	1,367	230	1,137	494%

The reasons behind the increase in the company's net profit during the year 2021, compared to the last year, are as follows:

- The prices of the project's products increased during the year 2021 compared to the year 2020.
- Shutting down the polystyrene unit in the second quarter of 2020, which lowered Petrochem's results by about 254 million Saudi Riyals.
- Reversal of the Zakat allocation totaling 94 million Saudi Riyals during the second quarter of 2021.

### **C- Accounting Financial Policies and Application of Standards:**

The accounting financial policies and standards applied in the company are the ones approved by the Saudi Authority of Certified Public Accountants.

### **Sixth: Dividend Distribution Policy:**

The company's annual net profits shall be distributed after deducting all general expenditures and other costs as follows:

1. Ten percent (10%) of the net profits shall be set aside to form the statutory reserve of the company, and the Ordinary General Assembly may decide to discontinue this deduction when the said reserve reaches (30%) of the paid-up capital.
2. The Ordinary General Assembly, based on the proposal of the Board of Directors, may set aside a portion of the net profits as it deems appropriate to form a consensual reserve and allocate it for a specific purpose or purposes.
3. The Ordinary General Assembly may decide to form other reserves, to the extent that achieves the interest of the company or guarantees the distribution of stable profits to the shareholders as much as possible.
4. After that, dividends shall be distributed to shareholders of no less than five percent (5%) of the paid-up capital.

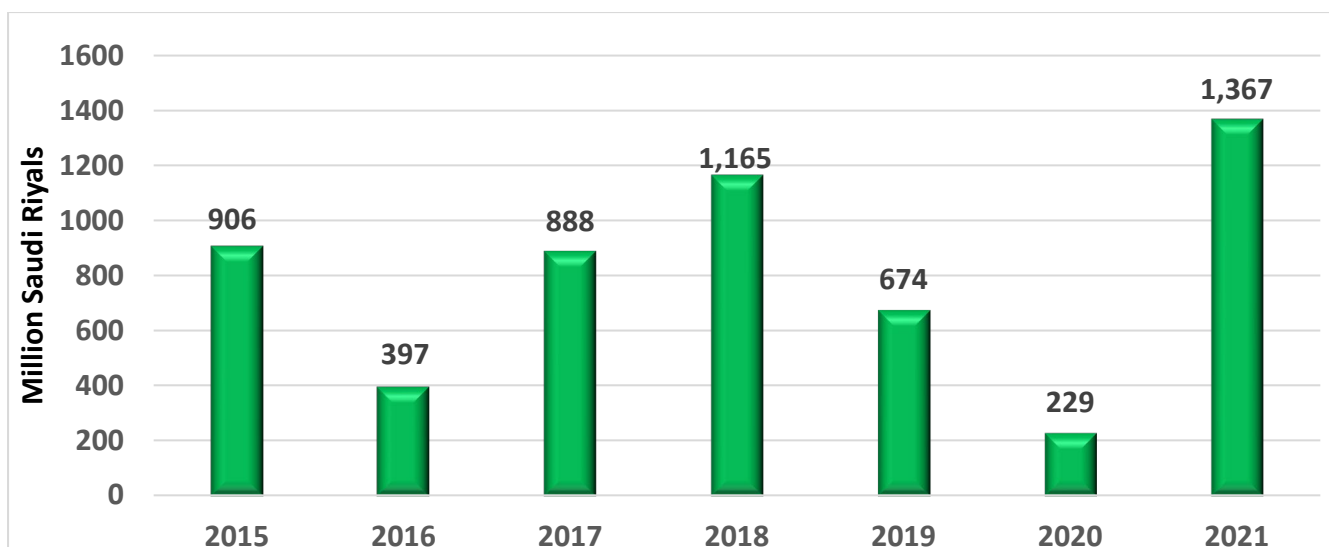
The company may also distribute interim dividends to its shareholders on a semi-annual or quarterly basis by a decision of the Board of Directors if the company's financial position permits and liquidity is available in accordance with the controls and procedures set by the competent authority.

The dividends distributed during the year 2021 for the year 2020 are as follows:



Maturity Date	20 April 2021
Payment Date	5 May 2021
Total Amount Distributed	360 million Saudi Riyals
Number of Mature Shares	480 million shares
Dividend per Share	Seventy-five Halalas
Percentage	7%
Total	360 million Saudi Riyals

The company's net profits earned during the previous years are as follows:



The petrochemical industry is a volatile industry, due to the change in global product prices. It is therefore difficult to predict the company's profits for the coming years, which in turn entails that the dividend policy must be reviewed periodically, and the following table shows the balance of retained earnings:

Statement	Balance (thousand Saudi Riyals)
Retained Earnings (Loss) Balance on 1/1/2021	2,877,752
Net Profit on 31/12/2021	1,366,802
Converted to Statutory Reserves of 10%	(136,680)
Comprehensive Income Items – Year End	6,884
Dividends for the Year 2020	(360,000)
Retained Earnings (Loss) Balance on 31/12/2021	3,754,758
Proposed Cash Distributions for the Year 2021	-
Retained Earnings (Loss) Balance after Proposed Cash Distributions	3,754,758

## **Seventh: Loans of the Company and its Joint ventures:**

Petrochem's project (Saudi Polymers Company) loans are as follows:

On 8, March, 2020, the National Petrochemical Company (Petrochem) announced that its joint venture (Saudi Polymers Company) has signed refinancing agreements with each of Samba Financial Group and Riyadh Bank, with a total amount of 3000 million Saudi Riyals for a period of four years, to be paid in 8 semi-annual installments, starting in June 2020 and ending in December 2023, with an interest rate based on the London Inter-bank Offered Rate (LIBOR) plus 0.9%, and secured by a principal bond, (for the record, the joint venture obtained the original loan before the project was launched, which imposed a number of conditions, the most important of which are the retention of cash amounts as a guarantee for the repayment of the loan. Given the regularity of the joint venture's operational business, the improvement of its financial capacity, and the repayment of the greater part of the loan, the company considered refinancing the original loan to obtain better financing terms, as the company was able to use the retained amounts of (1,762) million Saudi Riyals to pay off part of the original loan, and this contributed to reducing the total value of the new financing. Additionally, the refinancing aims to ease restrictions on the joint venture's future dividends, taking into consideration that this does not necessarily entail additional dividends from Petrochem to its shareholders in the short run. The original loan amounted to (13,458) million Saudi Riyals, provided by the Saudi Industrial Development Fund, the Public Investment Fund, and 19 commercial banks, 9 of which are local. The repayment started in 2013, the full repayment of the loan was planned by the end of 2023, and the original loan was settled during the year ending 31, December, 2020).

### **Value of Current Loans (million Saudi Riyals)**

<b>Lender</b>	<b>Original Loan Value</b>	<b>Loan Term</b>	<b>Loan Repayments made during the Year</b>	<b>Remaining Loan Amount</b>	<b>Total Debt of the Company and Joint ventures</b>
<b>Riyadh Bank</b>	<b>1,500</b>	<b>4 years</b>	<b>375</b>	<b>750</b>	<b>750</b>
<b>Al-Ahli Bank*</b>	<b>1,500</b>	<b>4 years</b>	<b>375</b>	<b>750</b>	<b>750</b>
<b>Total</b>	<b>3,000</b>		<b>750</b>	<b>1,500</b>	<b>1,500</b>

\* After the merger between Samba and Al-Ahli Bank, the new bank name became Al-Ahli Bank.

## **Eighth: Corporate Governance:**

On 20, April, 2021, the General Assembly agreed to update the company's Corporate Governance Regulation in accordance with the Corporate Governance Regulation issued by the Board of the Capital Market Authority, including the Board of Directors' regulation. The final amended version was distributed to the shareholders before and during the assembly, and their approvals on the amendments were taken. Furthermore, the company is continuously working on reviewing its Corporate Governance Regulation, in order to ensure that all the requirements of the Corporate Governance Regulation issued by the Capital Market Authority are met.

### **Ninth: The Provisions of the Corporate Governance Regulations that are not Implemented and the Reasons for that:**

The company implements all provisions included in the Corporate Governance Regulation issued by the Capital Market Authority, with the exception of the provisions listed below:

Article/Paragraph Number	Article/Paragraph Content	Reasons of Non-implementation
<b>Article Forty-One</b>	The means that the Board of Directors relied on in evaluating its performance, the performance of its committees and members, and the external party that carried out the evaluation and its relationship with the company.	Indicative, and the company will consider implementing this article in the future.
<b>Article Seventy</b>	Formation of a risk management committee	Indicative, the Audit Committee is currently assessing risks by appointing its internal auditor to study the company's risks. The company's internal auditor is also following up on the risk reports of the joint ventures.

### **Tenth: Names of the Members of the Board of Directors, Members of the Committees, and the Executive Management, their Current and Previous Occupations, Qualifications and Experiences:**

#### **A. Members of the Board of Directors:**

The Board of Directors of the National Petrochemical Company consists of eight members, who were elected on 7/4/2019 at the Extraordinary General Assembly meeting for a period of three years. Their membership started on 11/4/2019 and ends on 10/4/2022.

Name	Current Occupations	Previous Occupations and Experience	Qualifications
<b>Hamad Saud Al-Sayari</b>	-	Governor of the Saudi Arabian Monetary Agency "SAMA (1979-2009)" Director General of the Saudi Industrial Development Fund (1974 - 1979) Secretary General of the Public Investment Fund (1973-1974)	Master's Degree in Economics from the University of Maryland (USA) 1971

<b>Suliman Muhammad Al-Mandeel</b>	-	<p>Managing Director of the Saudi Industrial Investment Group (1995 - 2020)</p> <p>General Manager of Riyad Bank (1992 - 1995)</p> <p>Deputy of the Ministry of Finance and Secretary General of the Public Investments Fund (1980 - 1992)</p> <p>Marketing Manager at the Industrial Development Fund (1974 - 1980)</p>	<p>Bachelor's Degree in Economics from Western Washington University (USA) 1974</p> <p>Credit Training Program (Chase Bank Manhattan) 1975</p>
<b>Rasheed Rashed Al Owain</b>	Businessman, Co-founder and a Major Shareholder in Arqaam Investment Company (2006 - present)	<p>Assistant Research Professor at King Abdulaziz City for Science and Technology (1996 - 2006)</p> <p>Researcher at King Abdulaziz City for Science and Technology (1985 - 1996)</p> <p>Researcher at the National Center for Science and Technology (1982 - 1985)</p>	<p>Bachelor's Degree in Electrical Engineering (King Saud University) 1982</p> <p>Master's Degree in Nuclear Engineering (King Saud University) 1995</p> <p>PhD in Nuclear Engineering (University of Arizona) 1996</p>
<b>Khalid Muhammad Al-Araifi</b>	Financial Advisor to the Governor of the General Organization for Social Insurance (2021 - present)	<p>Assistant Governor of Financial Affairs - Public Pension Agency (2017 - 2021)</p> <p>Consultant and General Supervisor of the General Department of Internal Audit and Monitoring - Ministry of Civil Service (2015 - 2016)</p> <p>Director of the Internal Audit Department - Saline Water Conversion Corporation (1993 - 2015)</p>	<p>Bachelor's Degree in Accounting (King Abdulaziz University) 1992</p> <p>Master's Degree in Accounting (King Abdulaziz University) 2008</p> <p>Risk Management Certificate (International Institute of Internal Auditors) 2010</p> <p>Fraud Examiner Certification (International Association of Fraud Examiners) 2012</p>

<b>Ziyad Muhammad Al-Shiha</b>	CEO of the Saudi Investment Recycling Company "SIRC" (2021 - present)	<p>Managing Director of Al Widyan Real Estate Company (2018 - 2019)</p> <p>CEO of the Saudi Electricity Company (2014 - 2018)</p> <p>Saudi Aramco in several operational and executive positions inside and outside the Kingdom (1984 - 2014)</p>	<p>Bachelor's Degree in Electrical Engineering (King Fahd University of Petroleum and Minerals) 1988</p> <p>Master's Degree in Electrical Engineering (Rice University - USA) 1991</p> <p>Master of Business Administration (MIT University - USA) 2006</p>
<b>Abdullatif Ali Al-Seif</b>	Managing Director - Sabeen Investment Company (2021 - present)	<p>CEO - Raidah Investment Company (2017 - 2021)</p> <p>Executive Vice President - King Abdullah Humanitarian Foundation (2014-2017)</p> <p>Investment Portfolio Manager - MASIC (2012 - 2014)</p> <p>Investment Portfolio Manager - Saudi Aramco (2001 - 2012)</p>	<p>Bachelor's Degree in Business Administration (Boston University) 2001</p> <p>Master's Degree in Economics (Boston University) 2006</p> <p>Master of Business Administration (Boston University) 2006</p>
<b>Eiad Abdul Rahman Al-Hussain</b>	Assistant Governor of Financial Affairs - General Organization for Social Insurance (2014 - present)	<p>Director General of Financial Affairs - General Organization for Social Insurance (2009 - 2013)</p> <p>Director General of Financial Control - General Organization for Social Insurance (2007 - 2009)</p> <p>Financial Controller - General Organization for Social Insurance (2000 - 2007)</p>	<p>Bachelor's Degree in Accounting (King Saud University) 2000</p> <p>Master's Degree in Commerce and Financial Sciences (University of Adelaide - Australia) 2007</p>
<b>Abdul Rahman Saleh Al-Samael</b>	CEO - Saudi Industrial Investment Group (2021 - present)	<p>Managing Director - National Petrochemical Company (2008 - 2020)</p> <p>Project Manager - Saudi Industrial Investment Group (2004 - 2008)</p> <p>General Manager - Integrated Solutions Technology Company (2002 - 2004)</p>	<p>Bachelor's Degree in Financial Management - King Saud University 1994</p> <p>Master's Degree in Economics - Southern Illinois University 1997</p>

		Director of Investment Programs - Institute of Banking (SAMA) (1994 - 2002)	
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## **B. Committee Members:**

Name	Current Occupations	Previous Occupations and Experiences	Qualifications
1) Audit Committee:			
Eiad Abdul Rahman Al-Hussain	Mentioned in Clause (Tenth) Paragraph (A) of this report.		
Abdullatif Ali Al-Seif	Mentioned in Clause (Tenth) Paragraph (A) of this report.		
Khaled Salem Al-Ruwais (From outside the board)	-	Senior Executive Consultant – Maaden Company (2018 – 2020)  Vice President of the Phosphate and Industrial Minerals Unit - Maaden Company (2016 – 2018)  Vice President of Finance - Maaden Company (2012 - 2016)  Executive Director of Planning - Maaaden Company (2008 - 2012)  Treasury Manager - Maaden Company (2002 - 2008)  Director of the Financing Department - SABIC (1996 - 2002)  Banking Control - SAMA (1984 - 1996)	Bachelor’s Degree in Accounting - King Saud University - 1984.  CMA Certificate - 1990.
2) Nominations and Remunerations Committee:			
Rasheed Rashed Owain	Mentioned in Clause (Tenth) Paragraph (A) of this report.		
Ziyad Muhammad Al-Shiha	Mentioned in Clause (Tenth) Paragraph (A) of this report.		
Abdullatif Ali Al-Seif	Mentioned in Clause (Tenth) Paragraph (A) of this report.		
3) Executive Committee			
Hamad Saud Al-Sayari	Mentioned in Clause (Tenth) Paragraph (A) of this report.		
Suliman Muhammad Al-Mandeel	Mentioned in Clause (Tenth) Paragraph (A) of this report.		

<b>Abdul Rahman Saleh Al-Samael</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Khalid Muhammad Al-Araifi</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>4) Social Responsibility Committee:</b>	
<b>Hamad Saud Al-Sayari</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Suliman Muhammad Al-Mandeel</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Eiad Abdul Rahman Al-Hussain</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Abdul Rahman Saleh Al-Samael</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>5) Governance Committee:</b>	
<b>Rasheed Rashed Owain</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Ziyad Muhammad Al-Shiha</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Khalid Muhammad Al-Araifi</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>6) Merger Committee:</b>	
<b>Ziyad Muhammad Al-Shiha</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Eiad Abdul Rahman Al-Hussain</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Abdullatif Ali Al-Seif</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Khaled Salem Al-Ruwais</b> (From outside the board)	Mentioned in Clause (Tenth) Paragraph (B) of this report.
<b>7) Investment Committee:</b>	
<b>Ziyad Muhammad Al-Shiha</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Eiad Abdul Rahman Al-Hussain</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Abdullatif Ali Al-Seif</b>	Mentioned in Clause (Tenth) Paragraph (A) of this report.
<b>Fahed Abdullah Al-Thiban</b>	Mentioned in Clause (Tenth) Paragraph (C) of this report.

### **C. Executive Management:**

<b>Name</b>	<b>Current Occupations</b>	<b>Previous Occupations and Experiences</b>	<b>Qualifications</b>
<b>Fahad Abdullah Al-Thiban</b>	CEO Designate - National Petrochemical Company (2021 - present)	<p>Marketing General Manager - National Petrochemical Company (2011 - 2020)</p> <p>General Manager of Gulf Polymers Company (2011-2020)</p> <p>Additionally, Mr. Fahed Al-Thiban worked in several positions during his work at SABIC:</p> <p>General Manager of SABIC Turkey (2010 - 2011)</p> <p>Methanol Business Manager (2007 - 2010)</p> <p>Regional Director at SABIC Asia Pacific Company - Singapore (2003 - 2006)</p>	Bachelor's Degree in the Statistics Department, Faculty of Science, King Saud University 1994
<b>Ali Abdullah Al-Begmi</b>	Projects Manager, and Board Secretary - National Petrochemical Company (2009 - present)	<p>Business Development Manager at the Saudi Industrial Investment Group (2008 - 2009)</p> <p>Mr. Ali Al-Begmi also worked at several positions in the Saudi Industrial Development Fund, which are as follows:</p> <p>Lead Marketing Consultant (2006 - 2008)</p> <p>Marketing Consultant (2003 - 2006)</p> <p>Technical Consultant (2002 - 2003)</p>	<p>Bachelor's Degree in Chemical Engineering from King Saud University 1997</p> <p>Higher Diploma in Design, Manufacturing and Management from the University of Cambridge, UK 1998</p> <p>Master's Degree in International Marketing from the University of Strathclyde in Scotland 2004</p>



		Assistant Technical Analyst (1997 - 1998)	
<b>Marzouq Mubarak Al-Shamri</b>	Financial Manager - National Petrochemical Company (Petrochem) (2020 - present)	Mr. Marzouq Al-Shamri has more than eleven years of experience in the field of accounting and financial management. He started working as an accountant in 2004, joined the Financial Management team of the National Petrochemical Company (Petrochem) in 2011, and currently holds the position of Financial Manager.	Bachelor's Degree in Accounting, King Saud University 2004 Master of Business Administration in Financial Management - 2010 from Oklahoma City University, USA.
<b>Saud Muhammad Abu Haimed</b>	Human Resources Manager- National Petrochemical Company (2008 - present)	Mr. Saud Abu Haimed has 15 years of experience in the field of human resources. He started working in the Arabian Vinyl Company as an auditor in 2004, then a senior auditor in 2006, and joined the National Petrochemical Company (Petrochem) team in 2008.	Bachelor's Degree in English Language - Faculty of Languages and Translation - Imam Muhammad bin Saud Islamic University 2003 Higher Diploma in Human Resources Management - Al Yamamah University 2007

**Eleventh: Names of the Companies Inside or Outside the Kingdom of Saudi Arabia where a Member of the Company's Board of Directors is a Member of its Current or Former Board of Directors or a Manager.**

Name	Names of the Companies where Member of the Company's Board of Directors is a Member of its Current or Former Board of Directors or a Manager.	Inside the Kingdom / Outside the Kingdom	Legal Entity	Names of the Companies in which he is a Former Member of its Board of Directors or an Executive Manager.	Inside the Kingdom / Outside the Kingdom	Legal Entity
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<b>Hamad Saud Al-Sayari</b>	Saudi Polymers Company	Inside the Kingdom	Limited Liability Company	Chairman of the Board of Directors of the Saudi Industrial Investment Group	Inside the Kingdom	Joint Stock Company
				Saudi Chevron Phillips Company	Inside the Kingdom	Limited Liability Company
				Al-Jubail Chevron Phillips Company	Inside the Kingdom	Limited Liability Company
				Chairman of the Board of Directors of the Saudi Arabian Monetary Agency	Inside the Kingdom	Governmental Institution
				Member of the Supreme Economic Council.	Inside the Kingdom	Governmental Institution
				Member of the Board of Directors of the Public Investment Fund in the Kingdom	Inside the Kingdom	Governmental Institution
				General Manager of the Saudi Industrial Development Fund	Inside the Kingdom	Governmental Institution
<b>Suliman Muhammad Al-Mandeel</b>	Saudi Polymers Company	Inside the Kingdom	Limited Liability Company	Member of the Board of Directors of the Saudi Industrial Investment Group	Inside the Kingdom	Joint Stock Company
	Gulf Polymers Distribution Company	Outside the Kingdom	Limited Liability Company	Saudi Chevron Phillips Company	Inside the Kingdom	Limited Liability Company

				Al-Jubail Chevron Phillips Company	Inside the Kingdom	Limited Liability Company
				Deputy of the Ministry of Finance, and Secretary General of the Public Investment Fund	Inside the Kingdom	Governmental Institution
				General Manager of Riyadh Bank	Inside the Kingdom	Joint Stock Company
<b>Rasheed Rashed Owain</b>	Member of Al-Jouf Agricultural Development Company	Inside the Kingdom	Joint Stock Company			
	Member of the United Wire Factories Company	Inside the Kingdom	Joint Stock Company			
	Member of Arqaam Investment Company	Inside the Kingdom	Limited Liability Company			
<b>Khalid Muhammad Al-Araifi</b>	Member of the Board of Directors of Al-Jouf Company	Inside the Kingdom	Joint Stock Company	Member of Raza Real Estate Company	Inside the Kingdom	Closed Stock Company
				Member of the Board of Directors of the Saudi Association of Internal Auditors	Inside the Kingdom	
				Member of the Board of Directors of the Saudi National Shipping Company	Inside the Kingdom	Joint Stock Company

<b>Ziyad Muhammad Al-Shiha</b>	Arkad Group Consultant Member	Inside the Kingdom	Closed Stock Company	Member of the Gulf Interconnection Authority	Inside the Kingdom	Closed Stock Company
	Chairman of the Board of Directors of Al Arkan for Engineering Overseas	Italy	Closed Stock Company	Member of Pixa company	Inside the Kingdom	Closed Stock Company
	Chairman of the Board of Directors of Strategic Minds Corporation	Inside the Kingdom	Closed Stock Company	Member of Al Widyan Company	Inside the Kingdom	Closed Stock Company
				Member of the Riyadh Development Authority	Inside the Kingdom	
				Member of Modon Authority	Inside the Kingdom	
				Member of the Capital Market Investment Authority	Inside the Kingdom	
				Member of the Faculty of Management - Prince Sultan University	Inside the Kingdom	
<b>Abdullatif Ali Al-Seif</b>	Sabeen Investment Company	Inside the Kingdom	Closed Stock Company	Member of the leading investment company	Inside the Kingdom	Closed Stock Company
	AlOthaim Investment Co	Inside the Kingdom	Closed Stock Company			
	Riva Investment Company	Inside the Kingdom	Limited Liability Company	Member of the Board of Directors of HSBC Saudi Arabia	Inside the Kingdom	Closed Stock Company

	Al-Nahdi Medical Company	Inside the Kingdom	Closed Stock Company	Joint Vision Co., Ltd.	Inside the Kingdom	Limited Liability Company
	Wisaya International Investment Company	Inside the Kingdom	Limited Liability Company			
	Member of Al Rajhi Bank	Inside the Kingdom	Joint Stock Company			
	Member of Arab Cement	Inside the Kingdom	Joint Stock Company			
	Arab Telecom and Internet Services Company (Solutions)	Inside the Kingdom	Closed Stock Company			
<b>Eiad Abdul Rahman Al-Hussain</b>	Saudi Polymers Company	Inside the Kingdom	Limited Liability Company	Member of Samba Financial Group	Inside the Kingdom	Joint Stock Company
				Member of the Board of Directors of AlAwwal Bank	Inside the Kingdom	Joint Stock Company
				Chairman of the Board of the National Medical Care Company	Inside the Kingdom	Joint Stock Company
				Member of the Financial Supervisory Board of the Saudi Sand Brick Company	Inside the Kingdom	Limited Liability Company
<b>Abdul Rahman Saleh Al-Samael</b>	Saudi Chevron Phillips Company	Inside the Kingdom	Limited Liability Company	Member of the Board of Directors of the Saudi Industrial Investment Group	Inside the Kingdom	Joint Stock Company
	Al-Jubail Chevron	Inside the Kingdom	Limited Liability Company			

	Phillips Company					
	Saudi Polymers Company	Inside the Kingdom	Limited Liability Company			
	Gulf Polymers Distribution Company	Inside the Kingdom	Limited Liability Company			
	Higher Institute of Plastic Manufacturing	Inside the Kingdom	Non-profit Organization			

### **Twelfth: Composition of the Board of Directors and Classification of its Members**

#### **Petrochem's Board Members During 2020**

<b>Name</b>	<b>Position</b>	<b>Status</b>
<b>Hamad Saud Al-Sayari</b>	Chairman of the Board of Directors	Non-executive
<b>Suliman Muhammad Al-Mandeel</b>	Vice Chairman of the Board of Directors	Non-executive
<b>Rasheed Rashed Al Owain</b>	Member of the Board of Directors	Independent
<b>Khalid Muhammad Al-Araifi</b>	Member of the Board of Directors "Representing the Public Pension Agency"	Non-executive
<b>Ziyad Muhammad Al-Shiha</b>	Member of the Board of Directors	Independent
<b>Abdullatif Ali Al-Seif</b>	Member of the Board of Directors	Independent
<b>Eiad Abdul Rahman Al-Hussain</b>	Member of the Board of Directors "Representing the General Organization for Social Insurance"	Non-executive
<b>Abdul Rahman Saleh Al-Samael</b>	Member of the Board of Directors	Non-executive

### **Thirteenth: Committee Specialties, Duties, Members and their Number of Meetings with their Dates and Attendance of Members:**

#### **A) Audit Committee:**

The Audit Committee has the following specialties, responsibilities and duties:

- Studying the company's accounting policies.
- Providing recommendations on the selection of the external auditor, confirming his independence and studying his work plan.
- Studying the annual and quarterly financial statements before their approval by the Board of Directors and publishing them.
- Verifying the adequacy of the control activities' design in the company and its effectiveness in an appropriate manner.
- Evaluating the effectiveness of the company's assessment of significant and potential risks and how to monitor and address those risks.
- Appointing the internal auditor, confirming his independence, studying the company's internal audit work plan and the internal auditor's reports, and following up on the implementation of corrective actions for the notes contained therein.
- Following up on the reports of the internal auditor in the joint ventures, discussing them, and following up on the implementation plan of the internal audit recommendations.

The Audit Committee consists of three members, all of whom have practical and professional experience that qualifies them to actively participate in the work of the Audit Committee, and they are as follows:

	Member Name	Membership Type	The Audit Committee held nine meetings during the fiscal year 2021									Total
			27 January	4 March	28 April	4 August	7 October	14 October	15 October	27 October	23 November	
1	<b>Eiad Abdul Rahman Al-Hussain</b>	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	9 of 9
2	<b>Khaled Salem Al-Ruwais*</b>	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9 of 9
3	<b>Abdullatif Ali Al-Seif</b>	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	9 of 9

\* From outside the board

#### **The Work of the Audit Committee during the Year 2021:**

The company's Audit Committee held nine meetings during the fiscal year 2021. The topics of discussed during those meetings focused on the following:

- Discussing the preliminary quarterly financial statements for the first, second, third and fourth quarters of the fiscal year 2021, and the audited financial statements for the fiscal year ending 31/12/2021, and submitting the recommendation to the Board of Directors in preparation for submitting it to the General Assembly of Shareholders for approval.

- Approving the internal audit plan for the fiscal year 2021, making notes thereon, and then approving it and following up on its implementation.
- Reviewing and discussing the internal auditor's report in accordance with the audit plan approved by the Committee, and developing proposals, solutions and corrective measures for the notes mentioned in these reports.
- Following up on the internal auditor's reports in the joint ventures, discussing them, and following up on the implementation plan of the internal audit recommendations.
- Emphasizing the evaluation of the effectiveness of the company's assessment of potential risks and how to monitor and address these risks.
- Monitoring the workflow of the external auditor, confirming his independence and ensuring there are no obstacles affecting his work.
- Reviewing and studying the proposals submitted by the external auditors' offices.
- The method of investment accounting in joint ventures (Saudi Polymers Company and Gulf Polymers Distribution Company) was studied and discussed, and the full consolidation method amended to account for these investments as investments in shared projects using the equity method.

## **B) Executive Committee:**

The Executive Committee has the following specialties, responsibilities and duties:

1. The duties and responsibilities of the Executive Committee include the duties assigned to it by the Board of Directors in managing and directing the company's business and affairs.
2. The Committee must, after each meeting, submit a report to the company's Board of Directors which includes a description of all the procedures taken by the Committee at the meeting.
3. The Committee may seek the services of independent consultants, whenever necessary, to conduct specialized studies to assist the Committee in conducting its tasks, and to set their remuneration.

The Executive Committee held one meeting during the fiscal year 2021, and it consisted of four members, as follows:

	Member Name	Membership Type	The Executive Committee held one meeting during the fiscal year 2021	Total
			22 November	
	<b>Hamad Saud Al-Sayari</b>	Committee Chairman	✓	1 of 1
	<b>Suliman Muhammad Al-Mandeel</b>	Member	✓	1 of 1
	<b>Khalid Muhammad Al-Araifi</b>	Member	✓	1 of 1
	<b>Abdul Rahman Saleh Al-Samael</b>	Member	✓	1 of 1

The most important topics discussed during the meeting were the actual expenditures for the fiscal year 2021, and their comparison with the approved budget for the year, and the estimated budget for the fiscal year 2022.



### **C) Nominations and Remunerations Committee:**

The Nominations and Remunerations Committee has the following specialties, responsibilities and duties:

1. The Committee provides recommendations for nomination for membership of the Board of Directors, and should take into account not to nominate any person previously convicted of any crime against honor and honesty.
2. The Committee conducts an annual review of the required skills for membership in the Board of Directors, and prepares a description of the skills and qualifications required for membership in the Board of Directors, including determining the time allocation required by the member for the work of the Board of Directors.
3. The Committee reviews the structure of the Board of Directors, and makes recommendations on changes that can be made.
4. The Committee identifies points of weakness and strength in the Board of Directors, and proposes to address them in line with the company's interest.
5. Confirming, on an annual basis, the independence of the independent members, and ensuring there are no conflicts of interest if the member is a member of the Board of Directors of another company.
6. Setting clear policies for the remuneration of the members of the Board of Directors and senior executives, and employing performance criteria to determine the remuneration.
7. Periodically reviewing the remuneration policy, and evaluating its effectiveness in achieving its objectives.
8. Providing recommendations to the Board of Directors on the remuneration of the members of the Board of Directors and its committees and senior executives of the company in accordance with the approved policy.

The Nominations and Remunerations Committee held one meeting during the fiscal year 2021.

	Member Name	Membership Type	The Nominations and Remuneration Committee held one meeting during the fiscal year 2021	Total
			21 December	
	<b>Rasheed Rashed Owain</b>	Committee Chairman	✓	2 of 2
	<b>Ziyad Muhammad Al-Shiha</b>	Member	✓	2 of 2
	<b>Abdullatif Ali Al-Seif</b>	Member	✓	2 of 2

The most important topics discussed were to ensuring the independence of the independent members and that there are no conflicts of interest, in addition to studying the specific criteria for remunerating the company's employees.

## **D) Social Responsibility Committee:**

The Social Responsibility Committee has the following specialties, responsibilities and duties:

1. Developing the foundations and criteria for the company's social contribution.
2. Developing and following up on programs that contribute to deepening the sense of social responsibility for the company and its employees.
3. Promoting the company's role in adopting social responsibility policies, initiatives and programs towards its shareholders, customers, suppliers, the environment and the society as a whole, in order to support and improve the company's reputation.
4. Submitting recommendations to the company's Board of Directors on the company's annual social contribution budget.

The Social Responsibility Committee held one meeting during the fiscal year 2021.

	Member Name	Membership Type	The Social Responsibility Committee held one meeting during the fiscal year 2021	Total
			21 December	
	Hamad Saud Al-Sayari	Committee Chairman	✓	1 of 1
	Suliman Muhammad Al-Mandeel	Member	✓	1 of 1
	Abdul Rahman Saleh Al-Samael	Member	✓	1 of 1
	Eiad Abdul Rahman Al-Hussain	Member	✓	1 of 1

The most important topics that were discussed during the meeting were the follow-up on the approved programs (as mentioned in item 19 of this report) and the determination of the support budget for social responsibility programs for the next year 2022.

## **E) Governance Committee**

The Governance Committee has the following specialties, responsibilities and duties:

- A) Reviewing and updating the governance rules in accordance with the regulatory requirements and best practices.
- B) Reviewing the governance regulations issued by the Capital Market Authority, and ensuring the compliance of the company's regulations with them.
- C) Informing the members of the Board of Directors periodically of developments in the area of corporate governance and best practices.
- D) Follow up on preparing the Board of Directors' report in accordance with the rules governing the Capital Market Authority.
- E) Reviewing the corporate governance regulations of the joint ventures, and the decisions issued by the corporate governance department in the joint ventures to ensure:
  - Their comprehensiveness and adherence to international best practices, and constantly updating them as needed.

- The presence of a system in place to show the extent of commitment, and what will the company and its joint ventures do in the event of a deviation from that commitment?
- Submitting this to the Board of Directors with a copy to the Audit Committee.

The Governance Committee held one meeting during the fiscal year 2021 AD.

	Member Name	Membership Type	The Governance Committee held one meeting during the fiscal year 2021	Total
			24 November	
	<b>Ziyad Muhammad Al-Shiha</b>	Committee Chairman	✓	2 of 2
	<b>Rasheed Rashed Owain</b>	Member	✓	2 of 2
	<b>Khalid Muhammad Al-Araifi</b>	Member	✓	2 of 2

The most important topics discussed were the evaluation of the annual report for the year 2020 for Petrochem.

## F) Merger Committee

The Board of Directors agreed, in its meeting held on 12/10/2020, to form a Merger Committee to study the potential merger agreement between the National Petrochemical Company and the Saudi Industrial Investment Group, and to complete the required steps. The Committee also held 20 meetings during the year 2021. Committee members and their attendance were as follows:

		Members			
		<b>Ziyad Muhammad Al-Shiha</b>	<b>Eiad Abdul Rahman Al-Hussain</b>	<b>Abdullatif Ali Al-Seif</b>	<b>Khaled Salem Al-Ruwais*</b>
	<b>Meeting Date</b>	President	Member	Member	Member
1	6 January	**✓			
2	4 February	**✓			
3	9 February	✓	✓	✓	✓
4	16 February	✓	✓	✓	✓
5	22 February	✓	✓	✓	✓
6	14 March	✓	✓	✓	✓
7	12 April	✓	✓	✓	✓
8	27 April	✓	✓	✓	✓
9	24 March	✓	✓	✓	✓
10	7 June	✓	✓	✓	✓
11	21 June	✓	✓	✓	✓

12	5 July	✓	✓	✓	✓
13	27 July	✓	✓	✓	✓
14	4 August	✓	✓	✓	✓
15	17 August	✓	✓	✓	✓
16	22 August	✓	✓	✓	✓
17	1 September	✓	✓	✓	✓
18	5 September	✓	✓	✓	✓
19	9 September	✓	✓	✓	✓
20	30 September	✓	✓	✓	✓
<b>Total</b>		<b>20 of 20</b>	<b>18 of 18</b>	<b>18 of 18</b>	<b>18 of 18</b>

\* From outside the board

\*\* Meeting of the Chairman of the Merger Committee with the Chairman of the Group Merger Committee and the Strategic Advisor.

The most important topics that were discussed were studying the benefits of the merger process with the Saudi Group and knowing the required steps, as well as discussing the fair value of both companies with the financial advisor.

### **G) Investment Committee:**

The Board of Directors agreed, in its meeting held on 24/12/2020, to form an Investment Committee to study the company's current investments. The committee also held seven meetings during the year 2021. The members of the Committee and their attendance were as follows:

Member Name	Membership Type	The Investment Committee held seven meetings during the fiscal year 2021							Total
		20 January	5 April	31 May	6 June	24 June	14 September	9 November	
<b>Ziyad Al-Shiha</b>	Committee Chairman	✓	✓	✓	✓	✓	✓	✓	7 of 7
<b>Abdullatif Al-Seif</b>	Member	✓	✓	✓	✓	✓	✓	✓	7 of 7
<b>Eiad Al-Hussain</b>	Member	✓	✓	✓	✓	✓	✓	✓	7 of 7
<b>Fahed Al-Thiban</b>	Member	✓	✓	✓	✓	✓	✓	✓	7 of 7

The most important topics discussed were studying two investment opportunities, and attending a workshop

## **Fourteenth: Remunerations of Members of the Board of Directors, Executive Management, and Committee Members:**

### **A) Remuneration Policy:**

1. The Nominations and Remunerations Committee shall annually consider not to violate the provisions of the Companies Law and the Capital Market Law and their implementing regulations.
2. The Nominations and Remunerations Committee shall periodically review the remuneration policy, and evaluate its effectiveness in achieving its objectives.
3. Providing recommendations to the Board of Directors on the remuneration of the members of the Board of Directors and its committees and senior executives of the company.
4. Remuneration is provided for the purpose of encouraging the members of the Board of Directors and the executive management to ensure the company's success and long-term development, such that the variable part of the remuneration is related to the long-term performance.
5. Remuneration is determined based on the job level, the duties and responsibilities assigned to the incumbent, educational qualifications, professional experience, skills, and performance level.
6. Suspending the payment of bonuses or refunding them if it is found that they were decided based on inaccurate information provided by a member of the Board of Directors or the executive management, in order to prevent the exploitation of the job position to obtain undeserved rewards.

### **B) Remuneration of the Members of the Board of Directors:**

	Fixed Rewards (thousand Saudi Riyals)							Variable Rewards (thousand Saudi Riyals)						End-of-service indemnity	Total Sum	Expenditure allowance
	Fixed Amount	Allowance for attending Board sessions	Total allowance for attending Committee sessions	In-kind benefits	Technical, administrative and advisory works reward	Remuneration of the Chairman, Managing Director, or Secretary, if he is a member	Total	Percentage of profits	Periodic bonuses	Short-term incentive plans	Long-term incentive plans	Granted Shares (Value is entered)	Total			
First: Independent members																
Rasheed Rashed Owain	200	15	6				221								221	
Ziyad Al-Shiha	200	15	87				302								302	
Abdullatif Al-Seif	200	15	105				320								320	
Second: Non-executive members																
Hamad Al-Savari	200	15	6				221								221	

Suliman Al-Mandeel	200	12	6				218								218	
Khalid Muhammed Al-Araifi	200	15	6				221								221	
Eiad Al Hussain	200	15	105				320								320	
Third: Executive members																
Abdul Rahman Al-Samael	200	15	6				221								221	

### C) Senior Executives Remuneration

	Fixed Rewards (thousand Saudi Riyals)				Variable Rewards (thousand Saudi Riyals)						End-of-service indemnity	Total rewards	Total sum
	Salaries	Allowances	In-kind benefits	Total	Periodic Bonuses	Profits	Short-term incentive plans	Long-term incentive plans	Granted Shares (Value is entered)	Total			
Five senior executives	2,928	1,184	-	4,112	1,872		266	254		2,392			6,504

### D) Committee Members Remuneration

Members	Committee Membership	Fixed remuneration (excluding session attendance allowance)	Session attendance allowance	Total
		(thousand Saudi Riyals)		
Hamad Al Sayari	Executive Committee Social Responsibility Committee	200	6	206
Suliman Al-Mandeel	Executive Committee Social Responsibility Committee	200	6	206
Rasheed Owen	Remuneration and Nominations Committee Governance Committee	200	6	206

Khalid Al-Araifi	Executive Committee Governance Committee	200	6	206
Ziyad Al-Shiha	Remuneration and Nominations Committee Governance Committee Merger Committee Investment Committee	200	87	287
Abdullatif Al-Seif	Audit Committee Remuneration and Nominations Committee Merger Committee Investment Committee	300	105	405
Eiad Al-Hussain	Social Responsibility Committee Audit Committee Merger Committee Investment Committee	300	105	405
Abdul Rahman Al-Samael	Executive committee Social Responsibility Committee	200	6	206
Khaled Al-Ruwais*	Audit Committee Merger Committee	100	81	181
Fahed Al Thiban**	Investment Committee	-	21	21

\* From outside the Board

\*\* From outside the Board (Executive member)

### **Fifteenth: The Relationship Between Granted Remuneration and the Remuneration Policy:**

All remunerations granted to members of the Board of Directors and committees are considered within what is stipulated in the remuneration policy, and there are no deviations from the policy.

### **Sixteenth: Penalties and Sanctions from Supervisory and Regulatory Authorities:**

The company did not receive any penalty or sanctions from any supervisory, regulatory or judicial authority during the year 2021.

### **Seventeenth: Results of the Annual Review of the Effectiveness of Internal Control Procedures:**

Internal audit is an objective and independent confirmatory and advisory activity, with the aim of adding value and improving the company's operations. Internal audit helps the company achieve its goals by providing a regular basis for evaluating and improving the effectiveness of control, and the processes involved in the company's control performance. The internal audit has carried out many periodic and special audits that ensured the accuracy and effectiveness of

performance, in addition to contributing to the review of the preliminary and final financial statements and coordinating the work of external control authorities.

The Board of Directors reviewed the Audit Committee's report on the audit results for the year 2021 submitted to it by the internal auditor, and it did not have any substantial notes. It was also found that the internal control system is running properly, and is subject to continuous development and improvement.

### **Eighteenth: The Audit Committee's Recommendation to Appoint an Internal Auditor in the Company:**

The internal audit management unit was formed, and an internal auditor was appointed based on the recommendation of the Audit Committee in its meeting held on 1/3/2020. The Audit Committee also approved the internal auditor's work plan for the year 2021.

### **Nineteenth: The Company's Social Contributions:**

During the year 2021, the company supported the following social programs:

- In response to the generous invitation under the National Campaign for Charitable Work (Ihsan) in the holy month of Ramadan, the company donated 1 million Saudi Riyals through the Ihsan platform.
- The company supported the Children with Disabilities Association in the program of developing the splints workshop, which is a precise process so that the splint is appropriate to the fit the type of disability and the size of the child, and changes as the child grows. The number of beneficiaries was about 3000 children.
- The company provided English language courses through the Gulf Institute for Training and Education for families in need.
- The company also sponsored the celebration of the International Day of Persons with Disabilities for the year 2021, in order to raise awareness on the need to include people with disabilities in all aspects of political, social and economic life in the society.
- The company supported the Saudi Food Bank (Ita'am) in the Takaful Ita'am project by providing safe and sustainable food to low-income families. The company aimed to support 31 families for a year.

The company will also work in the coming years – in God's will - to continue searching for distinguished programs with noble goals with focus on supporting educational programs in health and safety, supporting orphans and poor families in education and training, supporting educational and training institutions, and educating, training and employing Saudi nationals (males and females). In addition, the company is always working on evaluating the effectiveness and diligence of the training course supported by the company, and the participating work team, so that the company can make a decision to continue this support or search for other programs.



## **Twentieth: Dates of Holding the General Assemblies of Shareholders during the Year 2021 and the Names of the Members of the Board of Directors Present:**

The company held one meeting of the General Assembly of Shareholders during the year 2021, using modern technical means.

	Board of Directors	Attending the First Assembly Meeting (Ordinary General Assembly) 20, April, 2021
1	Hamad Saud Al-Sayari	✓
2	Suliman Muhammed Al-Mandeel	✓
3	Rasheed Rashed Owain	✓
4	Khalid Muhammad Al-Araifi	✓
5	Ziyad Muhammad Al-Shiha	✓
6	Abdullatif Ali Al-Seif	✓
7	Eiad Abdul Rahman Al-Hussain	✓
8	Abdul Rahman Saleh Al-Samael	✓

## **Twenty-first: Potential Risks:**

There are potential risks that may affect the results of the company and its joint ventures, and they can be categorized as follows:

- 1) The situation of the global economy, which may result in the decline in demand for the company's products, which may be reflected in the prices of the products.
- 2) Operations-related risks:
  - 2-1 The level of operational performance, which includes many technologies and equipment that may be subject to malfunctions and downtime.
  - 2-2 The risks of supplying basic materials (feedstock) and fulfilling the terms of the feedstock supply agreement with Saudi Aramco.
  - 2-3 Risks of changing prices of raw material.
- 3) Market-related risks:
  - 3-1 The high competition that might affect the company in terms of supply and demand.
  - 3-2 Crude oil prices.
- 4) Interest-rate related risks.
- 5) Anti-dumping law-related risks in the markets in which the company's products are sold.
- 6) Environmental risks associated with petrochemical industries, such as pollution and the consequent fines and costs.

## **Twenty-second: A Description of any Stakes in the Category of Shares with Voting Rights or the Company's Debt Instruments (excluding the Members of the Company's Board of Directors, Senior Executives and their Relatives) and any Change in these Rights during the Fiscal Year 2021**

### **A) Non-board Members, Senior Executives and their Relatives**

	Stakeholder Name	Number of Shares – Year Start	Number of Shares – Year End	Net Change	Change Percentage
1	Saudi Industrial Investment Group	240,000,000	240,000,000	-	-
2	General Organization for Social Insurance	54,240,000	119,937,084	65,697,084	121%

### **B) Ownership of Members of the Board of Directors**

Shares owned by members of the Board of Directors, including the shares of their wives and minor children:

Member Name	1/1/2021		Their Relatives	31/12/2021			Percentage Change
	Number of Shares	Debt Instruments		Number of Shares	Debt Instruments	Their Relatives	
Hamad Al-Sayari (Chairman)	100,000	-	-	100,000	-	-	-
Suliman Al-Mandeel (Vice President)	1,000	-	-	1,000	-	-	-
Rasheed Owain	4,000,000	-	-	4,000,000	-	-	-
Khaled Al-Araifi "Representing the Public Pension Agency"	-	-	-	-	-	-	-
Ziyad Al-Shiha	-	-	-	-	-	-	-
Abdullatif Al-Seif	-	-	-	-	-	-	-
Eiad Al-Hussain "Representing the Public Pension Agency"	-	-	-	-	-	-	-
Abdul Rahman Al-Samael (Managing Director)	1,000	-	-	1,000	-	-	-

### **C) Ownership of Senior Executives**

Shares owned by senior executives, including the shares of their wives and minor children

Name	1/1/2021		31/12/2021		Percentage Change
	Number of Shares	Debt Instruments	Number of Shares	Debt Instruments	
Fahed Abdullah Al-Thiban	-	-	-	-	-
Ali Abdullah Al-Baqmi	-	-	-	-	-
Marzouq Mubarak Al-Shamri	-	-	-	-	-
Saud Mohammed Abu Haimed	-	-	-	-	-

### **Twenty-third: Board Meetings:**

The Company's Board of Directors held five meetings during the fiscal year 2021, and the attendance of the members was as follows:

Member Name	Meeting dates in 2021					Total
	28 February	9 March	20 April	21 September	21 December	
Hamad Saud Al-Sayari	✓	✓	✓	✓	✓	5 of 5
Suliman Muhammad Al-Mandeel	✓	✓	✓	✓	-	4 of 5
Rasheed Owain	✓	✓	✓	✓	✓	5 of 5
Khalid Al-Arafi	✓	✓	✓	✓	✓	5 of 5
Ziyad Al-Shiha	✓	✓	✓	✓	✓	5 of 5
Abdullatif Al-Seif	✓	✓	✓	✓	✓	5 of 5
Eiad Abdul Rahman Al-Hussain	✓	✓	✓	✓	✓	5 of 5
Abdul Rahman Saleh Al-Samael	✓	✓	✓	✓	✓	5 of 5

### **Twenty-fourth: The Company's Requests for the Register of Shareholders and the Requests' Dates and Reasons:**

Company's Requests for the Register of Shareholders	Request Date	Request Reason
1	7/2/2021	Company procedures
2	20/4/2021	Assembly
3	22/4/2021	Earnings file

4	27/4/2021	Earnings file
5	6/6/2021	Company procedures
6	5/7/2021	Company procedures
7	14/11/2021	Company procedures

### **Twenty-fifth: Transactions with Related Parties:**

During the year 2021, transactions were carried out with related parties, and they were as follows:

#### **Value of the Current Transactions (thousand Saudi Riyals)**

<b>Name of Related Party</b>	<b>Type of Company Relationship</b>	<b>Type of Agreement</b>	<b>Duration and Value</b>
Saudi Industrial Investment Group Company	Saudi Group Company as a major shareholder in Petrochem	Shared service provided	The Saudi Group provides many support services to Petrochem, and the total transactions with the Saudi Group during the year 2021 amounted to one million five thousand riyals.

### **Twenty-sixth: Statement of Statutory Dues:**

<b>Payment Type</b>	<b>Paid (SR)</b>	<b>Due (SR)</b>	<b>Brief Description</b>	<b>Reasons</b>
<b>Zakat</b>	34,212,000		Zakat paid for previous years	
<b>Withholding Taxes</b>				
<b>Social Security</b>	566,352	43,591	Due for the month of December 2021	
<b>Chamber of Commerce Fees and Visas</b>	3,420			
<b>Labor Office Fees</b>	27,500			

### **Twenty-seventh: Declarations of the Board of Directors and Senior Executives:**

The Board of Directors acknowledges that:

1. The account records have been correctly prepared.

2. The internal control system was established on sound bases and implemented effectively.
3. There is no doubt about the issuer's ability to continue its activity.
4. There is no core interest for the members of the Board of Directors, the CEO, the CFO or senior executives in the company's contracts.

### **Twenty-eighth: A Summary of the Most Important Strategic and Operational Decisions made:**

- The National Petrochemical Company (Petrochem) announced on the Tadawul website on 15, April, 2021 that it has completed a preliminary economic feasibility study for merging the business of the Saudi Industrial Investment Group Company (“Group”) with the National Petrochemical Company (“Petrochem”), based on which Petrochem and the Group decided to commence the due professional care studies, negotiating the terms and conditions of the potential agreement and interchanging information in this regard. Petrochem has appointed GIB Capital as a financial advisor, and Abuhimed Alsheikh Alhagbani Law Firm as legal advisors for the potential agreement.
- The National Petrochemical Company (Petrochem) announced on Tadawul website on 29, April, 2021, that on 29, April, 2021, the capital of the Saudi Polymers Company (one of its joint ventures), 65% owned by it, was reduced from SAR 4,800 million Saudi Riyals to 1,406 million Saudi Riyals, considering the lack of need. This amount will be returned to the partners based on the availability of liquidity at the joint venture company throughout the coming years.
- The National Petrochemical Company (Petrochem) announced on the Tadawul website on 28, September, 2021, with regard to the consent of Petrochem’s Board of Directors to start discussions with the Saudi Industrial Investment Group (“Saudi Group”) to conduct the economic feasibility study for merging the businesses of the two companies (“Potential Agreement”), that a non-binding Memorandum of Understanding (“Memorandum of Understanding”) has been signed with the Saudi Group regarding the share swap ratio and the execution plan of the Potential Agreement.
- The National Petrochemical Company (Petrochem) announced on the Tadawul website on 27, October, 2021 that it has entered into a binding implementation agreement with the Saudi Group on 21/03/1443H (corresponding to 27/10/2021 ) (“Implementation Agreement”), according to which the two companies agreed to take the necessary steps to implement the agreement in accordance with the provisions of Article (26) of the Merger and Acquisition Regulations and the Rules on the Offer of Securities and Continuing Obligations issued by the Board of the Capital Market Authority, and in accordance with a number of terms and conditions stipulated in the Implementation Agreement.

### **Twenty-ninth: Sustainability Report:**

We at Petrochem are proud to root sustainability in our company and joint ventures’ culture, where sustainability lies at the heart of our goals and values and we strive to integrate sustainability at all levels by constantly looking for ways to improve our operations in line with our social, economic and environmental responsibilities.

The Operational Excellence Policy of the joint venture (Saudi Polymers Company) sets out the commitment and priorities that support strong operational excellence performance. This policy is supported by a comprehensive Operational Excellence Management System to guide us as we include sustainability aspects in our daily procedures. Our primary focus is optimizing employee safety, health, operational safety, product quality and resource consumption, while

minimizing our environmental impact by reducing emissions and waste. We are also constantly working to reduce all risks related to our products throughout their life cycle and to mitigate operational risks by implementing our risk management process embedded in the Operational Excellence Management System. Furthermore, we are committed to ensuring that our business operations and activities comply with the applicable laws and regulations. This is how Saudi Polymers Company defines sustainability, which guides us in our business as we strive to be a responsible company.

Our joint venture strives to achieve maximum efficiency and to be environmentally responsible in its management of hazardous, non-hazardous and inert waste. Hazardous waste is temporarily stored in an engineered storage area for appropriate disposal and at authorized locations within 90 days, in addition to reducing and recycling a number of industrial waste streams.

### **Thirtieth: Actions taken by the Board of Directors to Inform its Members of the Shareholders' Proposals and Comments on the Company and its Performance:**

According to the Corporate Governance Regulation in Section Two, Article Four (Communication with Shareholders), all comments, suggestions and complaints received from the stakeholders are forwarded to the Secretary of the Board of Directors, who records them in a special register and then submits them to the Board of Directors for discussion and appropriate action. The Chairman of the Board of Directors and the Chief Executive Officer shall review and discuss the opinions of the shareholders with the rest of the Board members.

### **Thirty-first: General Disclosures:**

- No person or party has notified the company of any interest of their own in the category of shares with voting rights during the fiscal year 2021.
- The company did not issue or grant any debt instruments convertible into shares, rights of choice, or memoranda of rights of issue, rights of transfer, or similar rights during the fiscal year 2021.
- The company has not made any investments or reserves for the company's employees.
- There are no treasury shares held by the company.

In conclusion, the Board of Directors extends its sincere thanks and appreciation to the noble Government of the Custodian of the Two Holy Mosques, for its continuous support to the industrial sector.

May God grant us success,

**The Board of Directors**