

2020 Annual Report

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1. Introduction

Distinguished Shareholders

Peace and mercy of Allah and his blessings may be upon you

SCCH Board of Directors is pleased to present the annual report of 1441, 2020, which reviews the Company's financial performance through the final budget, income statement, cash flow and a list of changes in shareholders' equity. This report also highlights the company's status and achievements, as well as, it reviews its decision through the past year. In addition, the report includes a summary of corporate governance procedures and the Saudi financial market compliance. The BOD with all its members is endeavoring to adopt the principle of disclosure and transparency with regard to the Council, its subsidiary committees and senior executives, in all transactions with related parties. We hope that the coming year will bring us more achievements and major success, in order to enhance the financial strength and pioneering presence of our company and maximize the rewarding returns for both shareholders and partners alike.

2. BOD Chairman Speech

Distinguished Shareholders and Dear Partners

Peace and mercy of Allah and his blessings may be upon you

I am pleased to present to you on behalf of the Board of Directors of Saudi Chemical Holding Company the annual report of 2020.

Thanks to Allah, during this difficult circumstance resulting from the repercussions of the Corona-19 pandemic which caused frequent general and partial closures at long intervals, the company was able to overcome with flexibility, efficiency and the least possible losses, and maintain business continuity in all its business channels and subsidiaries.

The company, praise be to Allah, continued steadfastly working and thriving under an its capable management and the dedication of its employees at all levels.

During 2020, the company achieved many accomplishments despite the difficult operational challenges it faced in the company and its subsidiaries work. After it restored balance and stability to its business, the company developed its activity procedures, and sought to strengthen its financial position and its leading presence locally and regionally.

I would like to take this opportunity to express my deepest gratitude and appreciation for all the company's investors, partners, BOD members and employees whose confidence, support and encouragement played an important role in the continuity of work and achievement at all levels. We sincerely hope that the coming years will be full of great achievements that satisfy your ambition to open new horizons of sustainable leadership in the local and regional market.

3. Group Chief Executive Officer of (SCCH) Speech

The Saudi Chemical Company Holding and its subsidiaries have proven their ability to deal flexibly and actively and overcome the conditions and challenges that resulted from the Covid-19 pandemic which spared no market in the world from its impact in 2020.

The company continued to implement its strategic plans to ensure business flow through all departments and subsidiaries according to risk management integrated system. During 2020, the company resumed its work in promoting sustainable growth in all the business sectors to maintain its leadership presence and keep its strong financial and investment performance to support its competitive advantage in local and regional markets. The SCCH greatest accomplishments in 2020 is launching ambitious transformation project through which the company seeks to fully benefit from the integration all its subsidiaries services and solutions in order to enhance performance levels and improve services quality. The company also started to military industries factory complex construction project. In addition, the company focused on improving the company's performance in general and paid special attention to the pharmaceutical sector.

Indeed, I must point out the extraordinary work of our employees, clients and suppliers whose dedication, loyalty, presence and readiness to give and work at all levels and all sectors reflected positively in doubling past year profits, which had the greatest impact on maximizing confidence in the company.

Additionally, I would like to extend my sincere gratitude all Board members whose wisdom and extensive experience played an important role in continuing to achieve and accomplish during the most difficult circumstances. Our thanks also go to all our dear partners and shareholders with appreciation and gratitude for their trust in us, their advice and their great support for us in all our work through which we aim to sustain growth and prosperity to maximize the benefits for everyone, with the help and grace of Allah.

4. An overview of SCCH

SCCH was established in 1972 as the first investment company in industrial and commercial sectors to produce civil and military explosives, through its various factories in Riyadh, Jeddah and Northern Borders Area. It also owns advanced supply and distribution chains and logistical support that fulfill local, regional and global market needs and requirements. The company is listed in the Saudi Financial Market since 2001 with a capital of SR 843.2 million.

The company was able to make a powerful presence in local and regional markets due to different factors which are, depending on long term strategic planning principle, implementing business plans according to the best practices, following the highest standards of quality, efficiency and safety in all business environments and adopting compliance to the comprehensive environmental management system which enabled the company to obtain Several ISO certificates in Total Quality Management. This helped the company to assert its leadership position in the market, enabled it to expand its business base and projects and managed to diversify its investments permanently which increase its financial growth sustainably, through different specialized companies in medicine manufacture and distribution and various medical materials and equipment such as the Saudi International Trade Company (SITCO Pharma), AJA Pharmaceutical Industries (AJA Pharma) and Saudi Chemical Commercial Investment Company Ltd. (CCCI).

In an effort to ensure the logistic support for secure supplies for the company's production lines and secure strategic distribution channels, the company made a promising step through establishing Suez International Nitrate Company in Egypt. Suez International Nitrate Company produces Ammonium Nitrates with a production capacity of 85,000 metric tons per year.

In line with the kingdom 2030 vision that seeks to impalement various initiatives to diversify investment opportunities to turn Saudi Arabia into an industrial force and a huge international platform, the Saudi Chemical Company Holding continuously developed its business strategies in order to enhance its unique services that guarantee its strong financial position with profitable returns to all shareholders. It also focused on strengthening its presence and effective role in supporting the vital commercial industrial sector which is considered to be one of the main pillars of economic growth in Saudi Arabia with a pioneering advanced national commercial industrial platform.

Saudi Chemical Company Holding strategy is based on implementing best international professional practices with a local vision in order to expand its projects investments platform and diversifying its production lines in different fields to include explosives production, medicine and pharmaceuticals manufacturing. Its strategy also focuses on improving its logistic infrastructure permanently which insures the continuity of smooth work safely and professionally in all supply chains and distribution channels safely and professionally in all civil, military and medical sectors in Saudi Arabia, and GCC countries with improving all aspects of strategic integration between its subsidiaries, in manners of efficiency and competence.

Values

Leadership, and excellence Honesty and integrity. Safety and Security. Sustainability.

Sustainability

We are aware of how our continued success is mainly dependent on implementing sustainability as an integral part of our various business's strategies. It is also derived from our full comprehension of every aspect of the main business trends in all of our business sectors and our reaction to these trends through activating it in all business procedures and various tools. As a holding company, we are committed to integrate sustainability with our approach and method, as well as, to endeavor to improve our sustainable investment strategy through implementing best international practices. This helps to stimulate competitiveness, increase efficiency and maximize capabilities, in a manner consistent with the company's strategic values and goals.

Our sustainable strategy is built on social, financial and environmental pillars and implementing them through a well-crafted roadmap that opens three main areas: safe consumption, team work spirit and opening new investment horizons and seeing its implementation through and achieving its goals, provided that its success is measured according KPIs and the desired goals.

Research and Development

The Saudi Chemical Company Holding continues to invest in technology and invention believing in their importance, which allows the company to develop its various mechanisms of work in order to meet the aspirations of customers and clients of all segments. This is achieved after analyzing their needs and studying the best options that can be applied in this field, according to a strategy aimed at developing new technologies, improving manufacturing procedures, and creating a sustainable environment for society.

5. The Annual Report Executive Summary

2020 marked a great change in Saudi Chemical Holding Company Holding and its subsidiaries vision and strategy. As the company vision for developing business sectors for the upcoming 5 years focused on enhancing its leadership of logistic services sectors and improving the supply chains and disruption for all products and services that have a global Saudi footprint. This is done through expanding Its business, developing its services, and devoting its distinguished presence in the international markets.

Strategic Transformation Project

In line with 2030 vision, which aim to transform the kingdom to a leading industrial force and a huge international logistic platform, the Saudi Chemical Company Holding in 2020 launched strategic transformation project. This project is set to fully benefit from integration between its subsidiaries, in order to provide diverse solutions, upgrading the quality of products and services provided to its customers, improving performance, profitability, and upgrading its employees' levels, and enabling the company to face various challenges.

The strategic transformation project seeks to design and provide a set of necessary enablers which include developing the appropriate systems, enhancing innovation and training processes and nurturing the available staff's efficiency. All this can be achieved through focusing on developing business sectors in the upcoming five years as follows:

- Supporting leadership for logistic services and improving supply and disruption chains in all products and services with a global Saudi footprint through expanding business platform, improving its services and strengthening the company's presences in international markets.
- Developing and investing human capabilities of the company's employees with their diversified specialties, and attracting and hiring the elite of competencies, experiences and distinguished national skills, as well as investing the work teams' capabilities in many diverse specialties.
- Continuously improving the digital infrastructure to ensure its capability in providing a wide verity of advanced digital solutions

which enhance the company's administrative, operational and logistic operations.

- Expanding the company's current business venue, through forming new strategic alliances with other leading multinational companies seeking to sign promotional deals and MAH transformations, along with launching new products included in existing business licenses with a focus on major treatment areas (diabetes, CVS, oncology and vaccines)
- Exploring business opportunities for business development by investing in new sectors and markets and developing new offers for all clients.
- In pharmaceutical manufacturing, the company is seeking to build a new manufacturing facility that benefit from the company's large capacity, to form new alliances in specialized production sectors (injection, cold chain, insulin, vaccines).
- In distribution and storage, the company seeks to establish and launch new storage facilities that would improve services and offerings to all customers.
- Devoting another pioneering footprint to the company, by exploring distinct global opportunities that can help in representing reputable international companies in Saudi Arabia, and then transforming it into a leading local company with global value and efficiency.
- Providing more support and motivation to effectively implement business strategies, as work has been done to unify the three pharmaceutical companies in the Saudi Chemical Company Holding, under one work unit to be supervised by a professional multifunctional team that oversees the implementation of strategies, unify capabilities and expertise, raise support and improve efficiency.

During the past year, the company achieved various accomplishments in a number of fields, some of which are:

Digital transformation

The company continued its work in developing digital transformation in order to provide means to improve communication with the company's customers and shareholders. The company's interactive web page has also been launched.

Compliance and Security Development

As a part of the company's compliance in implementing explosives systems, executive regulations and the Saudi Supreme Authority for Industrial Security specifications and instruction, the company completed security development projects in both Atshana and Dhahban factories, which resulted in obtaining a permit for the company's factory in Dhahban for five years. The storage capacity of the company's warehouses in Al-Zaymah was also increased, as well as, the necessary approvals were obtained from MOI to expand the company's warehouses in Al-Samman, and to increase its storage capacity.

Safety and Security and Cyber Security

The company launched security, safety, information security and cybersecurity procedures and systems evaluation project, in all the company's sites and facilities, test their compliance with set systems and regulations. In addition, to implement the necessary corrective measures and reforms, in order to protect the company's assets, property and information, as well as, to protect its employees and the society.

6. Company and its Subsidiaries' Activities

- Saudi Chemical Holding Company Holding (Saudi Joint Stock Company):**
 Saudi Chemical Holding Company was established in 1972 as a pioneering Company in Saudi Arabia, in the field of manufacturing explosives for civil purposes. the Company became a major local and regional provider of civil explosives in various applications such as, rock removal, road paving, tunnels, mines, plus mining, and oil exploration. The company's capital is 843.2 million SR and it was listed in the Saudi Capital Market in 2001. The Company's General Assembly approved on 17/12/2018 to transfer the activity of the explosives sector to Saudi Chemical Company Limited (subsidiary) effective by 01/01/2019.
- Saudi International Trading Company Ltd. (SITCO Pharma):**
 SITCO Pharma was established in 1982 with a capital of five million SR. The activity of the Company is concentrated in the distribution of Pharmaceutical products in Saudi Arabia. SITCO Pharma is one of the major pharmaceutical distributors in the Kingdom and has the leading position in this area. It is the appointed agent for a number of major global companies in the pharmaceutical industry. It provides all health sectors in Saudi Arabia with a large proportion of their needs for international pharmaceutical products through its distribution network deployed in all areas of Saudi Arabia. It is also one of the largest national distributors of vaccines and refrigerated medications (such as insulin and hormones), which require special transportation and storage conditions.
- Suez International Nitrate Company (SINCO):**
 SINCO was established in 2006 in Egypt. The activity of the Company is the production of ammonium nitrate, which is the main raw material used by the factories of Saudi Chemical Company in Saudi Arabia for the production of explosives. The annual production capacity is 80,000 tons of low-density porous ammonium nitrate.

 During 2009, SINCO completed the construction of its factory, passed the primary operational tests, and received the license necessary for production. The commercial production of SINCO commenced during the first quarter of 2010. SINCO's authorized capital is fifty million U.S. Dollars, of which the issued and paid capital is five million U.S. Dollars, divided into 5,000 shares with a par value of US\$ 1,000 per share. SINCO is a closed joint stock company and is not listed in the Egyptian Stock Market.
- Chemical Commercial Company Investment Ltd. (CCCIL):**
 Chemical Commercial Investment Company Ltd. (CCCIL) was established in 2008 with a capital of one million SR. The activities of the company include wholesale and retail trade in medicines and medical materials and machinery, medical equipment, management and operation of community and governmental pharmacies in the Kingdom of Saudi Arabia. CCCIL began its business activities in 2013.

- **Saudi Chemical Company Ltd. (SCCL):**

Saudi Chemical Company Ltd. (SCCL) was established at the end of 2011 with a capital amounted to fifty million SR, for manufacturing, selling, and purchasing of explosives and their related products for civil and military uses, in addition to importing industrialization materials and equipment. The company also plans to study and develop some projects related to energy materials production for military use.

The explosives sector activity was transferred from Saudi Chemical Holding Company (Saudi Joint Stock Company) to Saudi Chemical Co. Ltd. effective 01/01/2019 after obtaining the approval of the General Assembly at its meeting held on 17 December 2018.

The Company owns three major factories and warehouses in the central, northern and western regions, as well as central distribution warehouses in the southern and eastern regions. The Company was able to supply the local market with all basic materials and accessories of explosives for civilian use necessary for infrastructure works and construction projects.

It should be noted that the Company's business is not limited to the production of explosives for civilian purposes only but extends to military purposes.

AJA Pharmaceutical Industries Company Ltd. (AJA Pharma):

AJA Pharmaceutical Industries Company Ltd. (AJA Pharma) was established in 2012, as a limited liability company in the Kingdom of Saudi Arabia, and its paid capital up amounted to two hundred million Saudi Riyals. The principal activities of the Company include the establishment and ownership of medical factories, medical preparations, vaccines and serums, pharmaceuticals and radioactive reagents, laboratory and diagnostic tools and medical supplies, and the undertaking, managing and owning of medicinal research and development, and import, export, wholesale and retail trade in industrial equipment.

7. Saudi Chemical Holding Company's Percentage of Ownerships in its Subsidiaries

Saudi Chemical Company's direct and indirect percentage of ownerships in its subsidiaries are summarized as of December 31, 2020, in the following table:

Company Name	Paid Capital	Owner-Ship %	Main Activity	Operational Headquarters	Country of Incorporation
Saudi International Trading Company Ltd. (SITCO Pharma)	Five Million Saudi Riyals	99%	Distribution of Medicines	K. S. A.	K. S. A.
Suez International Nitrate Company (SINCO)	Five Million US Dollars	100%	Production of Ammonium Nitrate	Egypt	Egypt
Chemical Company for Commercial Investment Ltd.	One Million Saudi Riyals	100%	Includes wholesale and retail trade in medicines and medical equipment	K. S. A.	K. S. A.
AJA Pharmaceutical Industries Company Ltd.	Two Hundred Million Saudi Riyals	100%	Establishment & Ownership of medical factories	K. S. A.	K. S. A.
Saudi Chemical Company Ltd.	Fifty Million Saudi Riyals	100%	Manufacturing, & Selling of Civil & Military explosives	K. S. A.	K. S. A.



SAUDI CHEMICAL COMPANY HOLDING



8. Strategic Plans, Expansion of Activities, and Investments in Other Companies

In pursuance of the strategic plans formulated by the Board of Directors with the aim of expanding the activity and the diversification of the sources of income of the Company, the year 2020 marked the achievement of various practical steps including:

First: Civil Explosives Unit

- 1- The company continued to implement its strategic plans objectives and goals prepared in advance, in order to benefit from available resources and opportunities.
- 2- The company continued to adapt and prepare its sites, to comply with the requirements of the explosive's executive regulations.
- 3- The company launched the new expansion projects in some of sites, to increase its storage capacity, after being approved from competent authorities KSA.

Second: Military Explosives Unit

1. The company has successfully completed most of the necessary construction for military projects in preparation for its launch in 2021, despite obstacles resulting from the Covid-19 pandemic.
- 2- The company has completed importing the production lines necessary for manufacture of military explosives manufacture, after successful operating experiments in Brazil before export.

Third: Pharmaceutical Companies

1. SITCO Pharma:

The company has gone to great lengths to renew contracts with major companies such as GSK, AstraZeneca and Lifescan. The team has also reviewed and improved contracts with SFI and HIKMA to ensure better partnership and continued sustainability. In addition to achieving a major milestone in renewing Lilly's 3-year contract, it merged all of GSK's business under SITCO, and secured distribution rights of new Sanofi products.

As part of the transformation plan implemented by the Chemical Company Holding and its subsidiary companies, the first phase of the expansion of SITCO Pharma warehouses in Jeddah was launched on Monday November 9th, 2020 with a capacity of 1,100 pallets and has been fully allocated to serve the government sector sales, in order to keep pace with the expansion plans in the company's business during the coming period.

2. AJA Pharma

On 23rd, Jumada Alawal 1433, corresponding to April 15th, 2012, the Board of Directors of Saudi Chemical Company resolved to invest an amount of SR 230 million to establish a factory for pharmaceuticals and medical products in Hail's Industrial Zone. The factory includes 4 production lines in:

1- Tablets and capsules
 2- Syrup

3- Creams
 4- Injections

AJA Pharma signed a long-term lease with the Saudi Industrial Property Authority ("Modon") on 14/11/1433, corresponding to 30/9/2012 to rent a plot of land at the Industrial City in Hail for 20 years effective 13/9/1433, corresponding to 1/8/2012 to construct on it the factory of AJA Pharma. The area of the plot of land is 119,687 square meters. AJA Pharma signed a contract with one of the national construction companies on 18/6/2013 to construct the buildings of the pharmaceutical factory in Hail's industrial city, which represents "phase 1" of the construction of the project. Subsequently, several other contracts were signed for other work in the factory, in addition to purchasing machinery and equipment and others. The civil construction was completed during the third quarter of 2014,

In December 2016, AJA Pharma's factory obtained a license from Saudi Food and Drug Authority SFDA and a certificate of good manufacturing practice (GMP) to manufacture solid products (Tablets and Capsules). The factory has begun the trial production for the lines of tablets and capsules to manufacture trial batches for a number of products on 21/05/2018, and syrup lines began on 16/09/2018. With regard to the production of syrup medicines lines, these have been tested and checked by the SFDA successfully, and SFDA granted the factory the necessary license for the syrup manufacturing on 8/1/2018, license for the manufacture of creams and ointments on 07/01/2019.

AJA Pharma has submitted to the SFDA a list of drugs for registration and price approval and is following up with SFDA for the completion of the registration of these items, which has reached the final stage. The product development team is currently preparing for the technology transfer for manufacturing the products in to the company's factory.

Projects and Production Lines:

The Corona pandemic has casted its heavy shadows over the progress of some new projects, especially those related to the installation and rehabilitation of sterile liquid and dry syringes production line. Despite the completion of the process of supplying the main equipment and materials needed to equip the production rooms, it was not possible for experts to arrive to complete these operations.

However, the engineering and projects department in the factory was able to complete important parts of the operations and infrastructure required for the project, which will reduce the time frame for completing the project in general. We hope as of the first quarter of 2021, to continue the work on installing the equipment, systems and support services necessary for the operation of the project, to be followed by the operations,

inspection and confirmation in accordance with international requirements, for this specialized type of machinery, to ensure the production of high-quality and safe preparations. These measures are expected to be completed by the end of 2021.

As for the development and enhancement of the capabilities of the existing lines, the Engineering and Projects Department, in coordination with the German company Uhlmann, completed the installation and rehabilitation of the additional secondary packaging line, through remote communication techniques. Likewise, work was undertaken with the Italian company, Antares Vision, to install Serialization & Aggregation product numbering and aggregation devices. Thus, AJA Pharma has fulfilled the requirements of the Saudi Food and Drug Authority in this regard.

Production

Despite the impact of closures and precautionary measures to fight the pandemic, the level of production for the previous year was maintained, as the number of products reached nearly 17.2 million. Noting that the requirements for the transition from secondary packaging to primary packaging mode and full manufacturing of approximately 10 products for each of Abbott and Servier have been completed.

Research and development

Research and Development Department continued to carry out the tasks assigned to it, by either working on developing products for the company, or transferring knowledge technology to a number of products from global partners. The department is currently developing and preparing the necessary studies to submit a number of preparations files for registration with the SFDA and other authorize entities. In line with the directions of the top management, to accelerate the processes of developing and registering new products, a European laboratory has been signed to develop products for the company, which in turn contributes to accelerating the development process, and adds a number of qualitative preparations to the list of AJA Pharma products.

AJA Pharma continued to form global partnerships, by signing new contracts for local manufacturing. As for manufacturing contracts previously signed with international companies (Abbott, Novartis and Servier), 4 products have been transferred, including full manufacturing and two full packaging products, as these products will be marketed after obtaining their regulatory approvals in 2021. As for the new products, AJA Pharma platform continues to bring high-quality and effective medicines of all standards, as it has signed a deal with the company, INOVA Pharma & Life Sciences, based in Ireland, for 6 medicinal preparations (12 formulas in total). These products will be manufactured in AJA Pharma After registering it with the SFDA.

Exports

In the year 2020, AJA Pharma signed an agreement under which it acquired a distribution right in Kuwait and started the company registration process there.

Registration

The company completed the registration of 6 new medical preparations with a total of 10 formulations in 2020. In addition to registering 4 new medical preparations, with a total of 7 formulations currently in the process of registration, 3 of which are in the form of injection.

Fourth: Suez International Nitrate Company (SINCO)

The company launched its business with the aim of producing ammonium nitrate, which is the basic material needed to produce civil explosives, instead of importing it from European countries, as was the case in the past. This project has strengthened the ability of the Saudi Chemical Company to secure most of its needs of the main raw materials for the production of civil explosives, the demand for which is expected to increase in the upcoming years, in order to complete the infrastructure projects in the Saudi Arabia, such as railway and mining projects, which are expected to need increasing quantities of civil explosives in the upcoming years.

Fifth: Chemical Commercial Investment Company (CCCI):

In 2020, the company showed a significant improvement in sales growth compared to 2019, and that was a result of the opening of new areas across the Kingdom, in addition to signing several contracts with a number of major hypermarkets in the Kingdom such as Carrefour, Lulu HM, Danube and Bin Dawood. The year 2020 also marked a noticeable improvement in the value of financial collection, which had a significant impact in reducing the value of the company's overdue debts.

9. Board Members, Board Committees, and Senior Executives

BOD Members Positions, Qualifications and Experience

	name	Qualifications	Current and Previous Positions and Experiences
1-	Eng. Fahad Saleh Al-Jarbou	Bachelor of Electrical Engineering, KFUPM – 1974.	(1) 2002-2010: General Manager and member of the Board of Directors (SITCO Pharma). (2) 1995-2010: General Manager and Managing Director and Member of the Executive Committee of the Saudi Chemical Company. (3) 1992-1995: CEO of NAFTA Company Limited. (4) 1989-1992: General Manager - Qassim Cement Company. (5) 1976-1981: Saudi Industrial Development Fund - Electrical Loans Section.
2-	Mr. Obaid Abdulah AlRasheed	Bachelor of Business Administration, San Jose, United States of America, 1983	30 years in Banking.
3-	Mr. Abdulrahman Abdulaziz Alyemni	Bachelor of Arts Geography KSU- 1403	(1) 2008-2018 Member of a number of Board of Directors of listed joint stock companies. (2) 1414 - 1425 SPIMACO department Director. (3) 1404-1414 Ministry of Higher Education - Cultural Mission in Cairo and the Ministry's office
4-	Mr. Fawaz Mohammed Al-Fawaz	Bachelor's Finance and Accounting KSU- 1983	(1) From 1/4/2015 to date, Executive Vice President of Finance - National Industrialization Company. (2) From 1/1/2011 to 31/03/2015 Vice President of Finance - SABIC Head office. (3) From 1/1/2005 to 31/12/2010, General Manager of Finance - SABIC Head office. (4) From 1/1/2000 to 31/12/2004, General Manager of Financial and Accounting Services - SABIC Head office. (5) From 1/9/1996 to 13/12/1999, Assistant Vice President of Finance, SABIC Marketing (one of SABIC's subsidiaries).
5-	Dr. Khaled Mohammed Al Taweel	Doctor of Computer, Texas I&M 1994.	(1) 2002 - Owner of Idea and Founder of Al-Elm Company in Saudi Arabia. (2) 2009-2010 Director of the Technical Cooperation Program with the United States of America OPM-MOI. (3) 2000-2008 General Manager of National Information Centre. (4) 1998-2000 Dean of Faculty of Science and Engineering of Computational.

6-	MR. Mohammed Saad Al-Daoud	Bachelor's Accounting, KSU- 1996.	(1) August 2018 to date, Mohammed bin Saad bin Abdulaziz Bin Daoud Financial and Management Consultancy Office. (2) March 2018 to June 2018, Managing Director of Manafe Investment company. (3) August 2014 to March 2018, CEO of Mohammed Abdulaziz Al Rajhi & Sons for Investment Company. (4) July 2013 to August 2014, General Manager of Corporate Banking at Saudi British Bank. (5) February 2004 to July 2013, Deputy General Manager of Corporate Banking at Arab National Bank.
7-	Mr. Abdallah Bin Zamil Al-Dress	Bachelor Science KSU- 1396 Specialization in Medical Laboratory, University of London 1978-1979	(1) 1430 Member of the Shura Council 5th Session + Chairman of the Environmental Health Affairs Committee of the Council. (2) 1419 - 1430 Undersecretary of the Ministry of Health for Laboratories and Blood Banks. (3) 2005- 2010 President of the Arab Blood Transfusion Services Authority - Arab League.
8-	Mr. Abdulwahab Ahmed Abed	MBA, Bentley University- 2006	14 years of investment and wealth management in public shares and private equity funds.
9-	Dr. Mohammed Saud Al-Badr (General Manager until 01/02/2020)	Doctorate in Computer Education - 1993.	(1) 2010/1/1 (1)/2/1 until 1/5/2020: Managing Director of the Saudi Chemical Holding Company. (2) 2010 until 02/01/2020: General Manager of the Saudi Chemical Company. (3) 06/11/2012 until now Chairman of the Board of Directors of Suez International Company (SINCO) (4) 2008-2010: CEO of Integrated Telecom Company. (5) 1997-2007: CEO of the International Company for Education and Training.

Senior Executives Positions, Qualifications and Experiences:

	<u>name</u>	<u>Current Position</u>	<u>Previous Position</u>	<u>Qualifications</u>	<u>Years of Experience</u>
1	Thamer Mohammed Al-Muhaid	GCEO	1. Deputy General Manager of the Saudi Chemical Company Ltd., General Manager and Managing Director of Suez International Company (SINCO) from 3/2018 until 2/2020 2. General Manager of Food Sector - Almarai Company from 2016 until February 2018 3. General Manager of Industrial Planning, Policy and Research 2015. 4. General Manager of Business Strategy 2012-2015. 5. Director of Planning and Control - GE 2009 – 2012 6. Project Manager - SABIC 1995 - 2000	1. Bachelor of Civil Engineering from King Saud University. 2. Master – Austria 3. Master - USA	27 years
2	Sami Fathi Ahmed Hasan	GCFO	1. Financial and Planning Manager for Al Faisaliah Group 2. Head of the financial sector of Aujan Holding Group	Master's degree in Business Administration - from the Dutch	25 years

			3. Regional Financial Manager for Colgate Palmolive Arabia Limited in the Kingdom of Saudi Arabia 4. Regional Financial Manager for Novartis International, North Africa 5. Regional Chief Financial Officer of Johnson & Johnson Med Yekal, North Africa	Maastricht Business School.	
3	Ismail Mohammed Ismail Shehadeh	CEO of the pharmaceutical sector	1. President of the Gulf Cooperation Council (GCC) for the British company AstraZenka from 1/2019 to 6/2020. 2. General Manager of the British company AstraZenka in Saudi Arabia from 1/2017 to 12/2018. 3. General Manager of the British Glasgow Smith Klein Company in Saudi Arabia from 1/2016 to 12/2016.	Bachelor of Pharmacy from the University of Applied Sciences - Jordan. MA Graduate Leadership - Hult International College - USA. Advanced Program - Sales Execution Paris Business School	22 years
4	Khaled Mohammed Al-Bawardi	Secretary of the Board of Directors And CEO of Holding Affairs	CMA - Director of the Follow-up Unit - Investigation Department	Bachelor of Business Administration from King Saud University	25 years
5	Musharraf Gherman AlOmari	General Manager-SINO	Assistant General Manager for Saudi Chemical Support Services	Master's degree in accounting	26 years
6	Abdul Rahman Mohammed Al-Musaieed	Deputy General Manager	Marketing Department Director of the Saudi Chemical Company	Master's degree in international management	23 years

Emerging Committees from BOD

The General Assembly agreed in 2009 on approved the Saudi Chemical Company Holding governance system and governance bylaws. The following rules and regulations had been set by forming main BOD committees and setting their functions as follows:

First: The Executive Committee

1. Executive Committee Functions:

- Discussing and making decisions in matters that require urgent decisions in emergency events.
- Decision making that are required by the company's routine business.
- Ensuring that the company's strategic plans have been translated into actual actions and actions aimed at achieving the company's interest.

- Reviewing and preparing recommendations for the Board of Directors on the strategic and operational issues of the company.
- Exercising all the powers approved by the supervisory and regulatory authorities or the company's BOD cooperates with the general manager within the limits of the powers assigned to it.

2. Executive Committee Term:

- The Executive Committee began its work on 1/1/2019 and ends with the end of the current session of the Board on 12/31/2021.

3- Executive Committee Members

The Executive Committee consists of the distinguished board members enlisted in the table below:

	Name	Position	Qualifications and experience
1-	Eng. Fahad Saleh Al-Jarbou	Chairman	As explained in the Board membership
2-	Mr. Obaid Abdulah AlRasheed	Member	
3-	Dr. Mohammed Saud Al-Badr	Member	
4-	Mr. Fawaz Mohammed Al-Fawaz	Member	
5-	MR. Mohammed Saad Al-Daoud	Member	

Second: Audit Committee

1- Audit Committee Competencies

The main function of the Audit Committee is to assist the Board in performing its oversight functions efficiently and effectively. In particular, the Committee is responsible for the integrity and completeness of the annual and quarterly financial statements, the submission of periodic reports to the Board of Directors on the efficiency of internal control policies and procedures and recommending the appointment of external auditors. In addition, it shall study the internal control system and provide relevant opinion and recommendations as well as prepare an annual evaluation and review of the activities performed by the Committee and its members, including the degree of the Committee's compliance of with its own regulation.

2- Audit Committee Tenure:

The Audit Committee has commenced working on 1/1/2019, and it shall finish by the end of the current tenure of the Board on 31/12/2021

3- Audit Committee Members

The Audit Committee consists of the distinguished members enlisted in the table below:

	Name	Position	Qualifications	Experience
1-	Mr. Fawaz Mohammed Al-Fawaz	Chairman	As explained in the Board membership	As explained in the Board membership

2-	Mr. Abdulwahab Ahmad Abed	Member	As explained in the Board membership	As explained in the Board membership
3-	Mr. Saleh Abdulrahman al-Ismail	Member	Master of Business Management, St. Edward's University, Austin, Texas, USA, 16/08/1980	1- 1963-1981: Institute of Public Administration (accountant position, Director of Staff Finance Department, Head of Admission and Registration, General Manager of Special Programs, General Manager of Planning and Development, Assistant General Manager of Training). 2- 1981-2002: General Secretariat of the Gulf Cooperation Council (General Manager of Finance and Administrative Affairs (Minister Delegate).
4-	Mr. Abdullah Hamad Al-Mehthil	Member	Master of Accounting and Information Systems (MACC), Kansas University, 2004; and a Bachelor's in accounting and (Financial) Business Administration from the same university in 2003 Fellowship of Saudi Organization of Certified Public Accountants (SOCPA) - 2016 Fellowship of Certified Public Accountants (CPA), USA - 2008 CFA1 in 2012 Several leadership courses from INSEAD University	- Assistant Deputy Designate for Governance and Policies at the Ministry of Finance's Accounting and Financial Affairs Department - Head of the Accrual Accounting Center at the Ministry of Finance to date - Industrialization & Energy Services Company - latest position: Chief Financial Officer - Finance Manager and Director of Financial Planning at Abdullatif Alissa Group - Head of Accounting Department at the General Organization for Social Insurance

Third: Nomination and Remuneration Committee

1- Nomination and Remuneration Committee Competencies

The Nomination and Remuneration Committee is considered one of the committees that lay the foundations for the future of the Company. It is concerned with the development and retention of human resources as well as the preparation of strategic plans to enhance the Company's performance and enable it to possess the keys to success. This committee is also concerned with the administrative development, the financial return of employees and career succession programs, especially for human resources which is given special attention. This committee is the main authority on studying and analyzing the market and the level of the Company's performance as compared to similar companies. The committee also helps in attracting talents and individuals with distinguished skills, and it may seek the assistance of expertise and consultation offices that are specialized in questionnaires and strategic studies in this area. It also works on developing valid frameworks for the implementation of significant development programs for the company's current performance and lay robust foundations for building a successful future.

2- Nomination and Remuneration Committee Tenure:

The Nomination and Remuneration Committee has commenced working on 1/1/2019, and it shall finish by the end of the current tenure of the Board on 31/12/2021

3- Nomination and Remuneration Committee Members:

The Nomination and Remuneration Committee consists of the distinguished board members enlisted in the table below:

	Name	Position	Qualifications and experience
1-	Dr. Khaled Mohammed Al Taweel	Current Chairman	As explained in the Board membership
2-	Mr. Abdulrahman Abdulaziz Alyemni	Member	
3-	Mr. Abdallah bin Zamil Al-Dress	Member	
4-	Mr. Abdulwahab bin Ahmed Abed	Member	

Membership of BOD in the Board of other Joint-Stock Companies as of 31/12/2020:

	Name	Listed Company	Non-Listed Company
1-	Eng. Fahad Saleh Al-Jarbou	None	None
2-	Mr. Obaid Abdullah Alrasheed	Dr. Sulaiman Al Habib Medical Services Group Holding Company (HMG)	Saudi Home Loans Al-Arabi Heavy Equipment Lease Co. (AHEL)
3-	Mr. Abdulrahman Abdulaziz Alyemni	Al-Jouf Agriculture Development Co.	None
4-	Mr. Fawaz bin Mohammed Al-Fawaz	None	Saudi Arabian Airlines Shipping and Logistics The Industrialization and Energy Services Co. Tasnee and Sahara Olefins Co. Rua Almadinah Holding Co.
5-	Dr. Khaled bin Mohammed Al Taweel	None	Naqel Express Co. Tasheel International Co. Saudi Experts Co. For Training and Development (LEORON)
6-	Mr. Mohammed bin Saad Al-Daoud	Medgulf Insurance and Cooperative Reinsurance Company (MedGulf Insurance) Saudi Real Estate Company Saudi Ground Services	Dar Al-Tamlik Co. THIQAH Co. Othaim Holding Co. Alfa Financial Co. Mohammed Abdulaziz Al Rajhi & Sons Investment Co. International Refreshment Company Manafe Investment Co Abdullatif Al Issa Group Holding Co.
7-	Mr. Abdallah bin Zamil Al-Dress	None	None
8-	Mr. Abdulwahab bin Ahmed Abed	Wafa Insurance Co. Jouf Cement	SEDCO Capital Ahmad Abdulwahab Abed Trading Co.
9-	Dr. Mohammed Saud Al-Badr	Saudi Paper Manufacturing Co.	Suez International Nitrate Co.

BOD Members and Classification

	Name	Position	Executive / Non-Executive / Independent
1-	Eng. Fahad Saleh Al-Jarbou	Board Chairman	Independent
2-	Mr. Obaid Abdullah Alrasheed	Deputy Chairman	Independent
3-	Mr. Abdulrahman Abdulaziz Alyemni	Board Member	Non-Executive
4-	Mr. Fawaz bin Mohammed bin Fawaz Al-Fawaz	Board Member	Independent
5-	Dr. Khaled bin Mohammed bin Suliman Al Taweel	Board Member	Independent
6-	Mr. Mohammed bin Saad bin Abdulaziz Al-Daoud	Board Member	Independent
7-	Mr. Abdallah bin Zamil bin Abdulrahman Al-Dress	Board Member	Non-Executive
8-	Mr. Abdulwahab bin Ahmed bin Abdulwahab Abed	Board Member	Independent
9-	Dr. Mohammed Saud Al-Badr	Board Member	Non-Executive

BOD Meetings During 2020

The Board of Directors held (4) meetings during 2020. The following table shows the attendance details of each member:

	Name	(1) 22/1/2020	(2) 07/04/2020	(3) 31/08/2020	(4) 23/11/2020	Total	% of attendance
1	Eng. Fahad Saleh Al-Jarbou	✓	✓	✓	✓	4	100%
2	Mr. Obaid Abdullah Alrasheed	✓	✓	✓	✓	4	100%
3	Mr. Abdulrahman Abdulaziz Alyemni	✓	✓	✓	✓	4	100%
4	Mr. Fawaz bin Mohammed bin Fawaz Al-Fawaz	✓	✓	✓	✓	4	100%
5	Dr. Khaled bin Mohammed bin Suliman Al Taweel	✓	✓	✓	✓	4	100%
6	Mr. Mohammed bin Saad bin Abdulaziz Al-Daoud	✓	✓	✓	✓	4	100%
7	Mr. Abdallah bin Zamil bin Abdulrahman Al-Dress	✓	✓	✓	✓	4	100%
8	Mr. Abdulwahab bin Ahmed bin Abdulwahab Abed	✓	✓	✓	✓	4	100%
9	Dr. Mohammed Saud Al-Badr	✓	✓	✓	✓	4	100%

[illegible]

Description of any interest of the BOD members, their spouses and minor children in the Company's shares or debt instruments, or in any of its subsidiaries:

	The Name of the Person who has Interest	Beginning of the year 2020		End of the year 2020		Net Change	Change Ratio
		No. of Shares	Debt Instruments	No. of Shares	Debt Instruments		
1-	Eng. Fahad Saleh Al-Jarbou	1,333	--	1,333	--	--	--
2-	Mr. Obaid Abdullah Alrasheed	1,333	--	1,333	--	--	--
3-	Mr. Abdulrahman Abdulaziz Alyemni	1,333	--	1,333	--	--	--
4-	Mr. Fawaz bin Mohammed bin Fawaz Al-Fawaz	--	--	--	--	--	--
5-	Dr. Khaled bin Mohammed bin Suliman Al Taweel	--	--	--	--	--	--
6-	Mr. Mohammed bin Saad bin Abdulaziz Al-Daoud	--	--	--	--	-	-
7-	Mr. Abdallah bin Zamil bin Abdulrahman Al-Dress	--	--	--	--	--	--
8-	Mr. Abdulwahab bin Ahmed bin Abdulwahab Abed	666	--	666	--	--	--
9-	Dr. Mohammed Saud Al-Badr	103	--	103	--	--	--

Compensation and Remuneration for Board Members and Senior Executives:

Below are the details of expenses and remuneration paid for or due to the members of BOD and its committees as well as the salaries and remuneration paid to the company's top five senior executives for the fiscal year 2020:

BOD Members Remuneration (in thousand SAR)

	Name	Fixed Rewards						Variable Rewards						End of Service Gratuity	Grand Total	Expense Reimbursement
		BOD Remuneration	BOD meetings allowance	Committee Meetings Attendance Allowance Total	In-kind benefits	Remuneration of Technical, Administrative and Consulting Activities	Remuneration of BOD Chairman and Managing Director	Total	Percentage of profits	Periodic Remuneration	Short - term incentive	Long - term incentive	Shares granted	Total		
Independent members	Eng. Fahad Saleh Al-Jarbou	250	12	15	--	--	--	277	-	-	-	--	--	-	277	--
	Mr. Obaid Abdullah Alrasheed	250	12	15	--	--	--	277	-	-	-	--	--	-	277	--
	Mr. Fawaz Mohammed Al-Fawaz	250	12	27	--	--	--	289	-	-	-	--	--	-	289	--
	Dr. Khaled Mohamed Al Taweel	250	12	27	--	--	--	289	-	-	-	--	--	-	289	--
	Mr. Mohammed Saad Al-Daoud	250	12	15	--	--	--	277	-	-	-	--	--	-	277	--
	Mr. Abdulwahab Ahmed Abed	250	12	38	--	--	--	300	-	-	-	--	--	-	300	--
	Total	1,500	72	138	--	--	--	1,709	-	-	-	--	--	-	1,709	--
Non-Executive members	Mr. Abdulrahman Abdulaziz Alyemni	250	12	27	--	--	--	289	-	-	-	--	--	-	289	--
	Mr. Abdallah Bin Zamil Al-Dress	250	12	15	--	--	--	277	-	-	-	--	--	-	277	--
	Dr. Mohammed S. Al-Bader	250	12	27	--	--	--	289	-	-	-	--	--	-	289	--
	Total	750	36	69	--	--	--	855	-	-	-	--	--	-	855	--
Grand Total		2,500	108	207	--	--	--	2,564	-	-	-	--	--	-	2,564	--

The BOD's remuneration consists of a certain amount, a meeting attendance allowance (a lump sum of SR 3,000 per meeting), in-kind benefits or a certain percentage of net profit. Two or more of these benefits can be combined within the limits as provided for in the Companies Law with a maximum of (SR 500,000) Five hundred thousand Saudi Riyals per member in accordance with the controls established by the related authority. The mechanism for determining such remuneration shall be developed based on a recommendation by, which shall be approved by the General Assembly. There is no deviation between the remuneration awarded to BOD members and the applicable remuneration policy or any financial or in-kind benefits in exchange for any tasks or executive, (except the General Manager, member of the Executive Board where an individual has a separate employment contract until 1 February 2020) technical, management or advisory positions.

BOD Committee Members Remuneration (in thousand SAR)

Name	Fixed Remuneration (excluding attendance allowance)	Meetings Attendance Allowance	Total	Expense Reimbursement
Executive Committee members:				
Eng. Fahad Saleh Al-Jarbou	100	15	115	--
Mr. Obaid Abdulah AlRasheed	100	15	115	--
Dr. Mohammed Saud Al-Badr	100	15	115	--
Mr. Fawaz bin Mohammed Al-Fawaz	100	15	115	--
MR. Mohammed bin Saad Al-Daoud	100	15	115	--
Total:	500	75	575	--
Audit Committee members:				
Mr. Fawaz Mohammed Al-Fawaz	100	12	112	--
Mr. Abdulwahab Ahmad Abed	100	11	111	--
Mr. Saleh Abdulrahman al-Ismail	100	12	112	--
Mr. Abdullah Hamad Al-Mehthil	100	12	112	--
Total:	400	47	447	--
Nomination and Remuneration Committee members:				
Dr. Khaled Mohammed Al Taweel	100	27	127	--
Mr. Abdulrahman Abdulaziz Alyemni	100	27	127	--
Mr. Abdallah bin Zamil Al-Dress	100	27	127	--
Mr. Abdulwahab Ahmed Abed	100	27	127	--
Total	400	108	508	--

Compensation and Remuneration for Senior Executives:

- **Fixed Remuneration:** The Nomination and Remuneration Committee shall be responsible for determining the remuneration and privileges of the company's Managing Director/General Manager and Directors of Departments. The fixed remuneration shall also include salaries under labor contracts in accordance with the provisions of the Saudi Labor Law, its implementing regulations and relevant laws. The salary and compensation scale for the company's employees shall include the basic salary, main allowances (housing and transportation), medical insurance, end of service gratuity, several in-kind benefits, and performance-based compensation / incentive schemes.
- **Variable Remuneration:** It may include the granted shares, long-term incentive plans, short-term incentive plans, dividends and periodic remuneration.
- **Expense Reimbursement:** Travel and accommodation expenses and expenditures - related to fulfilling responsibilities and training – shall be reimbursed to senior executives in accordance with the company's established travelling policy.

Remunerations of five senior executives for the fiscal year ending in 31 Dec 2020, including the CEO and the CFO: (in thousand SAR)

Description	Salaries and Compensation	Allowances	Periodic and Annual Remuneration	Dividends	Incentive Schemes	Any other compensations or in-kind benefits payable on a monthly or yearly basis	End of Service Gratuity (Unpaid)	Paid End of Service Gratuity
Total	5,445	1,719	1,926	0	0	0	1,758	1,412

The aforementioned remunerations include the end of service gratuity and other receivables for the former General Manager and the former Finance Manager .

Description of any interest of the senior executives, their spouses and minor children in the company's shares, debt instruments, or in any of its subsidiaries:

	Interest Holder Name	Beginning of the year 2019		End of the year 2019		Net Change	Change Ratio
		Number of Shares	Debt Instruments	Number of Shares	Debt Instruments		
1-	Thamer Mohammed Al-Muhaid: Group CEO	--	--	--	--	--	--
2-	Wessam Fathi Ahmed Lubbad: Group CFO	--	--	--	--	--	--
3-	Ismail Mohammad Ismail Shehada: Pharmaceutical Sector CEO	--	--	--	--	--	--
4-	Khalid Mohammed Saad Albawardi: BOD Secretary, and Executive Director of Shareholders Affairs	--	--	--	--	--	--
5-	Mushrif Gharman Alamiri: General Manager – SINCO	--	--	--	--	--	--
6-	Abdulrahman Mohammad Almusayid: Deputy General Manager	--	--	--	--	--	--

10. Contribution of Each Activity to the Company's Business Volume and the Consolidated Sales

First: Explosives for Civil Uses

The sales of explosives for civil uses amounted to 275 million SAR during 2020, compared to 268 million in 2019, with an increase of 2.86%. The company has all the capabilities to meet all the Kingdom's needs in terms of explosives for civil uses in infrastructure projects, road construction, the mining sector, quarries, and explosives needed oil and gas exploration. The Saudi Chemical Holding Company is unique in terms of its capability to produce all types of explosives for civil uses required for these various fields. It also ensures the highest international quality standards, as it is supported by strategic technical agreements with major international companies leading in this industry.

Second: Pharmaceutical and Medical Supplies

SITCO Pharma's annual sales of pharmaceuticals during 2020 amounted to 2,87 billion SAR, compared to 2,57 billion SAR in 2019, with an increase of 11.7%. The levels of SITCO Pharma's sales during the past five years highlight its ability to maintain a record market share in the distribution of pharmaceuticals by virtue of its ability to cater for all the local requirements of pharmaceuticals and making them available in the Kingdom's market in fulfillment of its obligation as the agent for the largest international pharmaceutical companies. The Company runs the best well organized and well equipped and unrivalled state of the art pharmaceutical storage and distribution network in all the regions of the Kingdom for the storage and distribution of all types of medicines around the clock. SITCO Pharma has also captured a sizeable share of the vaccines and refrigerated pharmaceuticals' market which requires special conditions for transportation and storage. Thus, SITCO Pharma has become the top supplier of this type of medicines to the local market which affirms SITCO Pharma's leading position as the largest distributor of pharmaceuticals in the Kingdom.

The revenues of AJA Pharmaceutical Industries in 2020 amounted to 58,4 million SAR, compared to 44,7 million SAR in 2019, with an increase of 31%. AJA's sales to SITCO Pharma reached 38 million SAR in 2020 (2019 - 26 million SAR), which were eliminated when preparing consolidated financial statements.

Sales of medical supplies and other products amounted to 123 million SAR in 2020 compared to 71 million SAR in 2019, with an increase of 75%.

Third: Ammonium Nitrate Activities

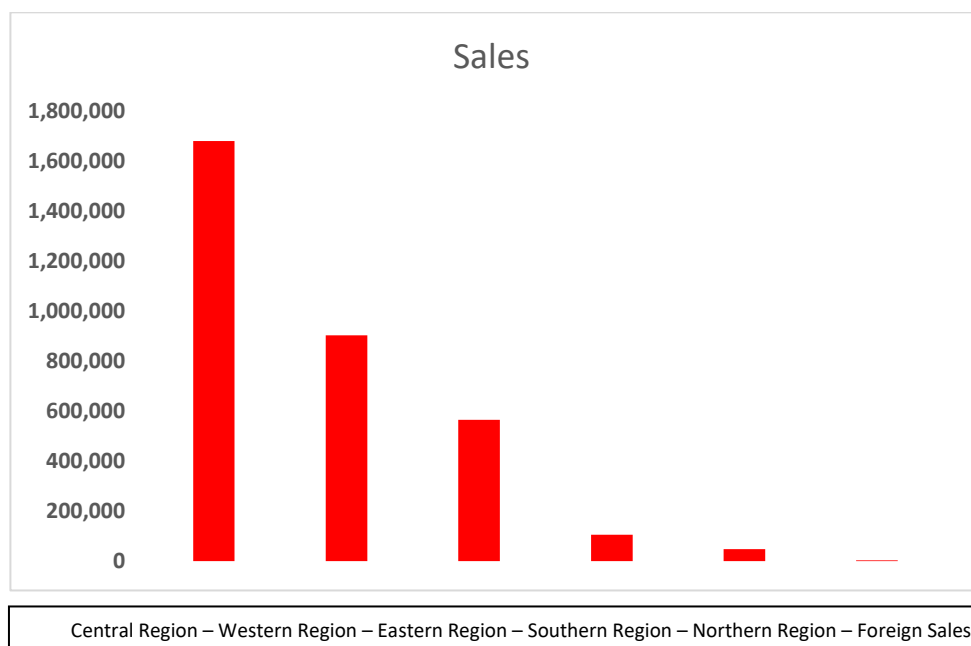
The sales of ammonium nitrate of Suez International Nitrate Company (SINCO) during 2020 amounted to 61 million SAR compared to 75 million SAR in 2019, with a decrease of 18%. The sales of SINCO to Saudi Chemical Company Limited during 2020 amounted to an approximate of 48,6 million SAR (2019-SR 56,4 million), which was eliminated when preparing the consolidated financial statements.

11. Geographical Distribution of the Consolidated Sales

The sales of the company and its subsidiaries are mainly realized through their respective activities inside the Kingdom of Saudi Arabia as follows:

Region	Sales (in Thousand SAR)			
	2020		2019	
	Amount	Percentage	Amount	Percentage
Central Region	1,680,267	50.82%	1,486,137	50.39%
Western Region	902,990	27.31%	826,359	28.02%
Eastern Region	565,347	17.10%	436,972	14.82%
Southern Region	105,667	3.20%	111,669	3.79%
Northern Region	48,465	1.47%	56,077	1.90%
Foreign Sales (Export)	3,424	0.10%	31,954	1.08%
Total	3,306,160	100%	2,949,168	100%

The following graph illustrates the geographical distribution of the consolidated sales achieved within Saudi Arabia and abroad for the year 2020:



12. Explanation of any Significant Differences in Operating Results as Compared to Previous Year's Results

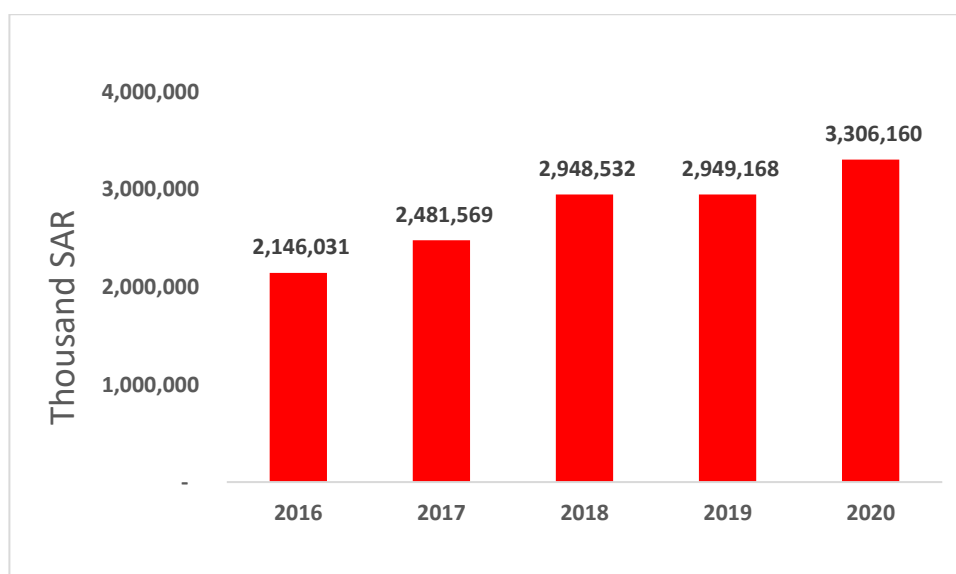
Description	2020	2019	Variations	
	(Thousand SAR)			
Sales	3,306,160	2,949,168	356,992	12.1%
Cost of sales	(2,847,001)	(2,491,206)	(355,795)	14.3%
Gross profit	459,159	457,962	1,197	0.3%
Selling and marketing expenses	(155,334)	(152,849)	2,485	1.6%
General and administrative expenses	(140,767)	(136,148)	4,619	3.4%
Expected credit loss on trade receivables	(13,289)	(44,478)	(31,189)	-70.1%
Income from main operations	149,769	124,487	25,282	20.3%
Finance costs	(41,703)	(57,055)	15,352	-26.9%
Other income (expenses), net	182	(1,196)	1,378	-115.2%
Zakat and income tax expense	(33,201)	(32,803)	(398)	1.2%
Non-controlling interests	(1,021)	(556)	(465)	83.6%
Net profit of shareholders	74,026	32,877	41,149	125.2%
Other comprehensive income of shareholders	2,365	(1,436)	3,801	-264.7%
Total comprehensive income of shareholders	76,391	31,441	44,950	143%

13. Summary of the Consolidated Financial Results

First: Consolidated Sales

The consolidated net sales of the Saudi Chemical Holding Company and its subsidiaries amounted to 2,949 million SAR during the fiscal year ended on 31 December 2020, compared to the sales in 2019 that reached 2,949 million SAR, with an increase of 12%. The following table shows the increase of consolidated sales over the past five years:

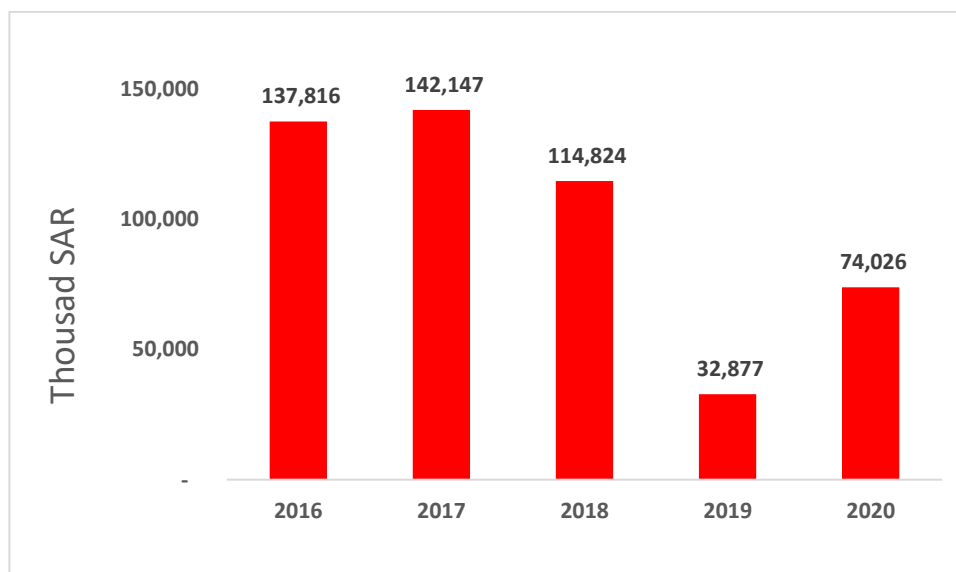
Sales in thousand SAR



Second: Consolidated Net Profit

The consolidated net profit of 2020 amounted to (74 million SAR) compared to (SR 33 million) in 2019, reflecting an increase of 124%. The increase in net profit is mainly due to increase in the sales of pharmaceuticals and explosives for civil uses as well as the company's sustainable initiatives to improve productivity and cost reduction; additionally, the decrease in financing costs resulting from the decreased interest rate as well as the improved quality of receivables.

Net Profit in Thousand SAR



Third: Consolidated Income Statement in Thousand SAR

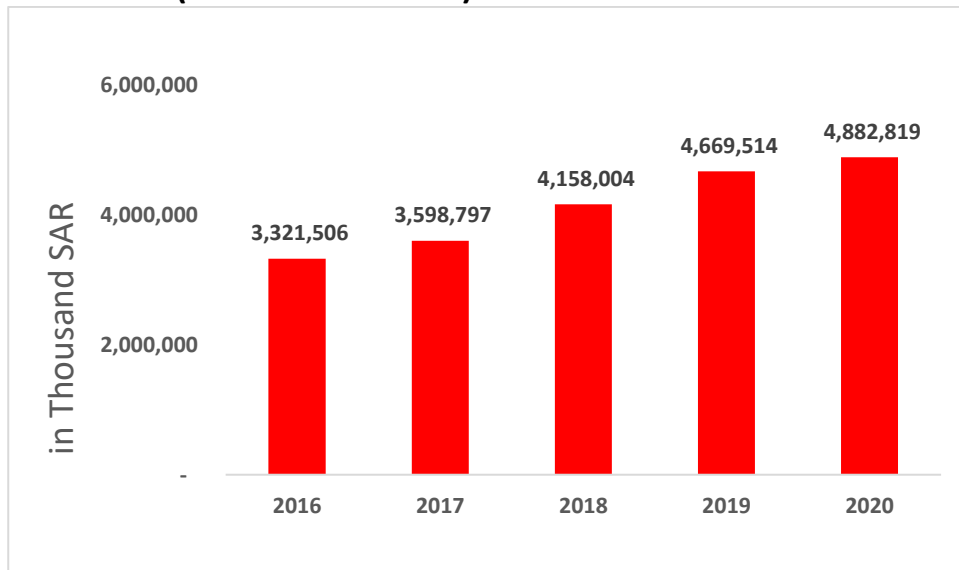
Description	2020	2019	2018	2017	2016
Sales	3,306,160	2,949,168	2,948,532	2,481,569	2,146,031
Cost of sales	(2,847,001)	(2,491,206)	(2,519,988)	(2,086,064)	(1,740,810)
Gross profit	459,159	457,962	428,544	395,505	405,221
Selling and marketing expenses	(155,334)	(152,849)	(117,944)	(98,991)	(94,594)
General and administrative expenses	(140,767)	(136,148)	(120,165)	(101,302)	(108,488)
Expected credit loss on trade receivables	(13,289)	(44,478)	(6,500)	(6,160)	(5,001)
Income from main operations	149,769	124,487	183,935	189,052	197,138
Finance costs	(41,703)	(57,055)	(41,319)	(24,302)	(24,804)
Other income (expenses), net	182	(1,196)	270	2,159	(8,101)
Zakat and income tax expense	(33,201)	(32,803)	(26,893)	(23,811)	(25,539)

Non-controlling interests	(1,021)	(556)	(1,169)	(951)	(878)
Net profit of shareholders	74,026	32,877	114,824	142,147	137,816
Other comprehensive income of shareholders	2,365	(1,436)	3,283	266	0
Total comprehensive income of shareholders	76,391	31,441	118,107	142,413	137,816

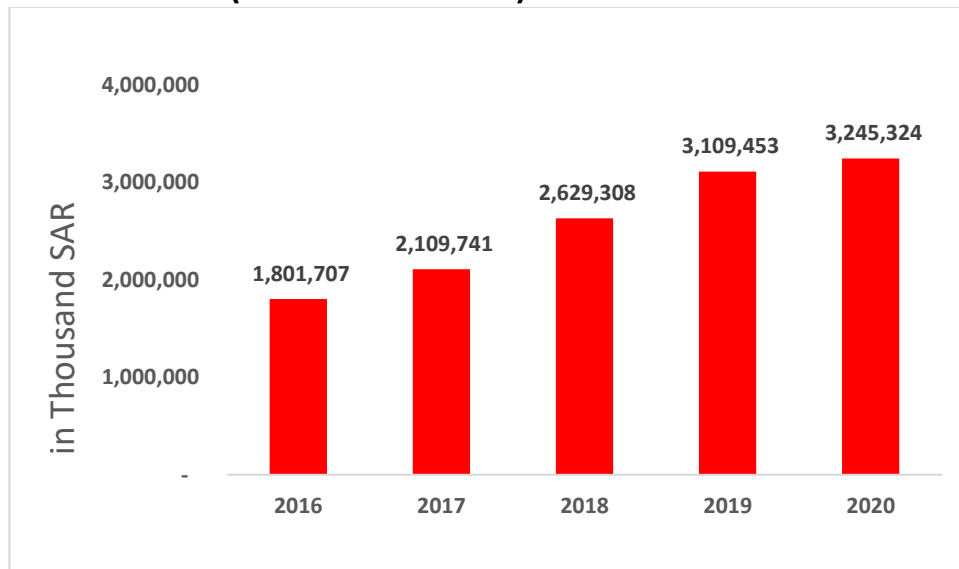
Fourth: Consolidated Financial Position

Description:	2020	2019	2018	2017	2016
Assets:					
Current assets	1,391,027	1,156,022	1,029,309	969,222	915,805
Non-current assets	3,491,792	3,513,492	3,128,695	2,629,575	2,405,701
Total assets	4,882,819	4,669,514	4,158,004	3,598,797	3,321,506
Liabilities and equity:					
Current liabilities	370,984	175,859	170,638	139,890	125,609
Non-Current liabilities	2,874,340	2,933,594	2,458,670	1,969,851	1,676,098
Total liabilities	3,245,324	3,109,453	2,629,308	2,109,741	1,801,707
Shareholders' equity:					
Capital	843,200	843,200	632,400	632,400	632,400
Statutory reserve	326,890	319,488	316,200	316,200	309,471
General reserve	340,000	340,000	340,000	340,000	340,000
Retained earnings	120,267	51,278	233,925	194,868	232,328
Total shareholders' equity	1,630,357	1,553,966	1,522,525	1,483,468	1,514,199
Non-controlling interests	7,138	6,095	6,171	5,588	5,600
Total equity	1,637,495	1,560,061	1,528,696	1,489,056	1,519,799
Total liabilities and equity	4,882,819	4,669,514	4,158,004	3,598,797	3,321,506

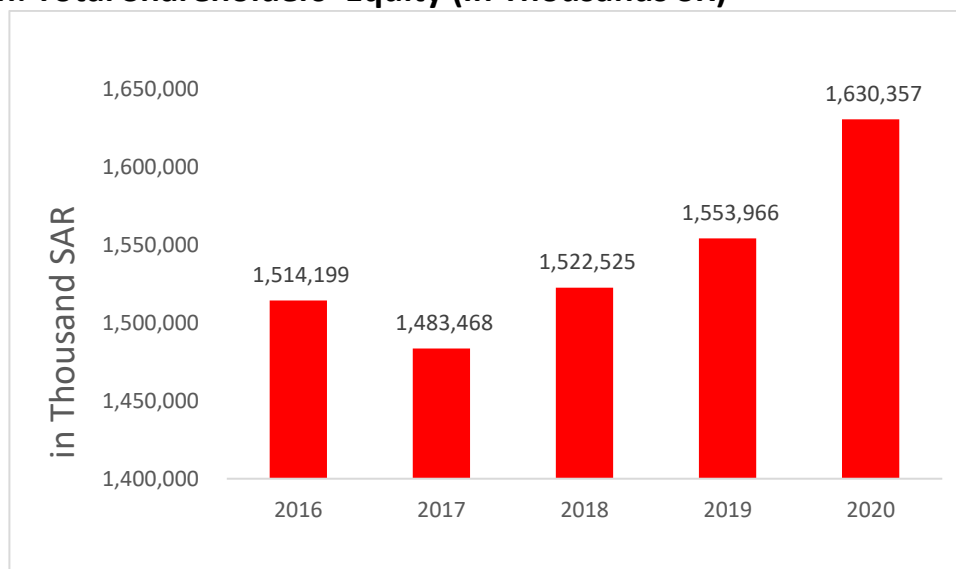
Fifth: Total Assets (In Thousands SAR)



Sixth: Total Liabilities (In Thousands SAR)



Seventh: Total Shareholders' Equity (In Thousands SR)



14. Earnings per Share

The earning per shar, compared to last year, is as follows:

2019	<u>2020</u>
0.39 SAR/Share	0.88 SAR/Share

15. Company's Dividends Distribution Policy

Transparency, Reliability and Security

The Company's annual net profits shall be distributed as follows:

- 1- 10% of the net profits to be set aside to form a statutory reserve. The General Assembly may cease such transfer when the said reserve reaches 30% of the paid-up capital.
- 2- The Ordinary General Assembly may, on the proposal of Board of Directors, transfer an amount of net profit to form a general or an agreed reserve to face any future adverse effects on the Company.
- 3- The Ordinary General Assembly may decide to create other reserves to the extent that serves the interests of the Company or ensures the distribution of fixed dividends as much as possible to the shareholders. The said Assembly also may deduct from the net profits amounts for establishing social organizations for the Company's employees or to help the existing ones.
- 4- Part of the remaining net profits shall be distributed to the shareholders dividends equivalent to 5% of the paid-up capital.

- 5- Subject to the provisions stipulated in Article (20) of the Company's By-Laws and Article (76) of the Companies' Regulations, the following shall be allotted by a percentage not to exceed 10% to reward the Board of Directors, provided that the entitlement to such remuneration is commensurate with the number of meetings attended by the member.
- 6- The Company may distribute interim dividends to its shareholders semi-annually or quarterly provided that the Ordinary General Assembly authorizes the Board to distribute interim dividends by virtue of a resolution renewed annually, in accordance with the regulations established by the Regulatory Authority.

16. Islamic Financing

The Company and its subsidiaries obtained banking facilities from local banks in accordance with the formulas accepted in the Islamic financing process, including short-term Islamic cost-plus financing (Murabaha), sharing contracts, and deferred sale. These Murabahas bear financial charges as agreed upon in the Islamic Murabaha agreements. These short-term Islamic Murabahas are summarized as follows:

Description (in thousand SAR)	2020	2019
Opening Balance	1,311,644	1,068,958
Variation during the year	88,014	242,686
Closing Balance	1,399,658	1,311,644

The outstanding Islamic financing contracts of each company as of December 31, 2020 are summarized as follows :

1) Islamic Financing Contracts of Saudi Chemical Holding Company Islamic financing contracts from local commercial banks in thousand SAR

Description	Lending entity	Murabaha Principal Amount	Repaid Amount	Remaining Balance	Murabaha Term
(1)	Bank Albilad	17,000	---	17,000	3 Months
(2)	Gulf International Bank	40,000	---	40,000	3 Months
(3)	Saudi British Bank	30,000	---	30,000	3 Months
(4)	SAMBA Financial Group (SAMBA)	84,725	---	84,725	3 Months
	Total	171,725	-	171,725	

2) Islamic Financing Contracts of Saudi International Trading Co., Ltd. (SITCO Pharma):
Islamic financing contracts **from local commercial banks in thousand SAR**

Description	Lending entity	Murabaha Principal Amount	Repaid Amount	Remaining Balance	Murabaha Term
(1)	Bank Albilad	25,456	---	25,456	6 Months
(2)	Alinma Bank	35,398	---	35,398	6 Months
(3)	Arab National Bank	11,017	---	11,017	3 Months
(4)	Banque Saudi Fransi	40,386	---	40,386	3 Months
(5)	First Abu Dhabi Bank	77,626	---	77,626	3 Months
(6)	Gulf International Bank	153,591	---	153,591	3 Months
(7)	Alahli Commercial Bank	218,383	---	218,383	3 Months
(8)	Saudi British Bank	200,000	---	200,000	3 Months
(9)	Saudi Investment Bank	47,466	---	47,466	3 Months
(10)	SAMBA Financial Group (SAMBA)	179,530	---	179,530	3 Months
	Total	988,853		988,853	

3) Islamic Financing Contracts of **Chemical Company for Commercial Investment Limited:**

Islamic financing contracts **from local commercial banks in thousand SAR**

Description	Lending entity	Murabaha Principal Amount	Repaid Amount	Remaining Balance	Murabaha Term
(1)	Saudi British Bank	19,350		19,350	3 Months
(2)	Saudi Investment Bank	1,741		1,741	3 Months
(3)	SAMBA Financial Group (SAMBA)	14,570	---	14,570	3 Months
	المجموع	35,661	-	35,661	

4) Islamic Financing Contracts of **AJA Pharmaceutical Industries Limited:**

AJA Pharmaceutical Industries Limited signed during 2015 a short-term Islamic Murabaha agreement with Gulf International Bank (GIB) for SR 157.5 million for financing the capital expenditure of the factory, which is guaranteed by assigning to GIB the Saudi Industrial Development Fund's financing.

Islamic financing contracts from local commercial banks in thousand SAR

Description	Lending entity	Murabaha Principal Amount	Repaid Amount	Remaining Balance	Murabaha Term
(1)	Gulf International Bank	62,425	-	43,241	3 Months
(2)	Saudi British Bank	20,000	-	8,674	3 Months
	Total	82,425	-	82,425	

5) Islamic Financing Contracts of **Saudi Chemical Company Limited:**

Islamic financing contracts **from local commercial banks in thousand SAR**

Saudi Chemical Company Limited signed during 2020 a short-term Islamic financing of sharing and deferred sale agreement with Albilad Bank for 150 million SAR for financing the capital expenditure of the factory, which is guaranteed by assigning to the bank the Saudi Industrial Development Fund's financing.

Description	Lending entity	Murabaha Principal Amount	Repaid Amount	Remaining Balance	Murabaha Term
(1)	Bank Albilad	53,612		53,612	6 Months
(2)	Alinma Bank	13,383		13,383	6 Months
(3)	Saudi Investment Bank	46,500		46,500	3 Months
(4)	SAMBA Financial Group (SAMBA)	7,500	---	7,500	3 Months
	Total	120,994	-	120,994	

17. Saudi Industrial Development Fund's Financing

One of the Group's companies - AJA Pharma Company - signed a long-term financing agreement with the Saudi Industrial Development Fund for financing the capital expenditures of the company's factory in Hail for 157.5 million SAR. The received amount reached 157.5 million SAR by 31 December 2020 (31 December 2019: 118,6 million SAR). The amounts received from the Fund were originally reduced by administrative fees amounting to 11.8 million SAR, and therefore the balance is shown net of the amortized transaction cost amounting to 7 million SAR as of 31 December 2020 (31 December 2019: 8 million SAR). During the year, the financing repayment was rescheduled to be repaid after a grace period in 15 consecutive semi-annual payments starting from 15/6/1442H corresponding to 28/1/2021, and the last payment would be on 15/04/1449H corresponding to 16/09/2027. The agreement includes certain financial covenants, and secured by a promissory note, and a pledge of AJA's property, factory and equipment. The agreement also includes some financial pledges.

One of the Group's companies - Saudi Chemical Company, Ltd – also signed a long-term financing agreement with the Saudi Industrial Development Fund for financing the capital expenditures of a new factory in Riyadh for 229 million SAR. The received amount reached 183.2 million SAR by 31 December 2020 (31 December 2019: none). The amounts received from the Fund were originally reduced by administrative fees amounting to 14.6 million SAR, and therefore the

balance is shown net of the amortized transaction cost amounting to 14.2 million SAR as of 31 December 2020 (31 December 2019: none). The financing is to be repaid after a grace period in 14 consecutive semi-annual payments starting from 15/4/1444H corresponding to 9/11/2022, and the last payment would be on 15/10/1450H corresponding to 28/2/2029. The agreement includes certain financial covenants, and secured by a promissory note, and a pledge of the company's property, factory and equipment. The agreement also includes some financial pledges.

18. Transactions with Related Parties

The Company and some of its subsidiaries had, during the year 2020, transactions with related parties involving insignificant payments and expenses.

Conflict of Interests of BOD Members and Senior Executives

- 1- The Company does not have any contracts or any substantial interest with any of the company's BOD members, Managing Director, Finance Manager, senior executives or with any person related to any of them.
- 2- None of the BOD members has engaged in any work that would in any form compete with the Company's business, or traded in the Company's activities.
- 3- The Company has not offered cash loan of any kind to the BOD members or guaranteed any loan taken by one of them from others.

Remunerations and Compensations:

- 1- None of the company's BOD members or any of the senior executives has waived their right for any salary or compensation.
- 2- There are no arrangements or agreements pursuant to which any shareholder of the Company has waived his rights to receive dividends.
- 3- There are no investments or other reserves that have been made in favor of the employees of the Company.

19. Statement of Statutory Payments

The followings are certain statutory payments made by Saudi Chemical Holding Company and its subsidiaries during 2020: (in Thousand SAR)

Description	2020		Brief Description	Reasons for the accruals
	Paid	Due		
General Authority of Zakat and Tax	28,773	34,207	Zakat payable by the Company and its subsidiaries	Payable after submitting the annual Zakat declaration
General Organization for Social Insurance ("GOSI")	13,046	2,823	The amount payable to GOSI which represents the shares of the employees and the Company	Payable at the beginning of the following month
Costs of visas and passports	624	17	Visa fees, renewal of residency and transfer of sponsorship of employees	---
Labor Office fees	2,497	496	Work permit fees	---
Value Added Tax (VAT)	27,350	(3,460)	Net Value Added Tax	To be paid before end of following month

Penalties and Sanctions and Reserve Restriction:

No penalty, sanction or reserve restriction by any supervisory, regulatory or other jurisdictions, were imposed on the Company during the year 2020.

20. Auditor

The General Assembly that was convened on 07/5/2020 approved the appointment of BAKER TILLY – MKM & Co. as an external auditor for the Company for reviewing and auditing the financial statements of the third quarter, the annual statements for the fiscal year 2020, and the first and second quarters of 2021.

21. Results of the Annual Review of the effectiveness of the Internal Control

The company has an internal audit department that is technically affiliated with the audit committee. The internal audit department, based on the plan approved by the audit committee for the years 2019, 2020 and 2021, has implemented all internal audit tasks for the company and its subsidiaries for the years 2019 and 2020, which are as follows:

1. Saudi International Trading Co., Ltd. (SITCO Pharma) - Finance Department.
 2. Saudi Chemical Company, Ltd – Finance Department.
 3. Saudi Chemical Holding Company – Information Technology Department.
 4. Chemical Company for Commercial Investment Co., Ltd. with all its departments.
 5. AJA Pharma - factory and all its departments.
 6. Saudi Chemical Company, Ltd – Supply Chain Logistics Management.
 7. AJA Pharma - factory and all its departments (Reports Follow-up).
 8. Saudi Chemical Company, Ltd – Supply Chain Logistics Management (Reports Follow-up).
- During 2020, the company's internal audit department took several initiatives, including:
 1. Redesign the organizational structure of internal audit management, to ensure better alignment of the company's transformation plan and vision.
 2. Receive valuable feedback from other departments through a questionnaire on the performance of internal audit.
 3. Supervising the policies and procedures project for the Saudi Chemical Group.
 4. Participation in steering committees (Harvest Committee and Protection Committee), to identify the main risks of Covid-19 and the controls to reduce the effects of such risks on business performance.
 5. Being present during the inventory count at various locations in (Sitco Pharma, Aja Pharma, CCCI, Saudi Chemical Company Limited.), and monitor the efficiency and effectiveness of warehouse and inventory management controls.

- The Internal Audit Department annually contributes to raising awareness and consciousness of all employees of the company and its subsidiaries of the risks surrounding the business through awareness campaigns (in Both Arabic and English) for all users of the systems in order to urge them to fully comply with the regulations and control procedures to reach the lowest level of risk to individuals and companies.
- The Internal Auditor has not faced any reservations or restrictions to access any information, documents, records, or assets of the Company and there are no substantive observations of the internal audit process.
- In 2020, the Audit Committee of Saudi Chemical Holding company held 4 meetings to carry out the tasks assigned to it, in accordance with the Charter approved by the General Assembly, in line with the Corporate Governance Regulations, the most important of which are the following:
 - Study and discuss the quarterly and annual financial statements for the year 2020, to confirm that they are valid and in line with the accounting policies adopted, and to recommend to the Board of Directors to approve the audited financial statements and submit them to the General Assembly for approval.
 - Approval of the 2020 internal audit plan based on risk assessment after discussion.
 - Follow-up the implementation of the internal audit plan for 2020 that is approved by the Committee and discuss the periodic reports submitted by the Department of Internal Audit and follow up on the implementation of corrective actions.
 - Review the evaluation of the proposals submitted by the auditors' offices, who were invited with the approval of the Committee, and recommend to the Board to submit them to the General Assembly, to select an external auditor to audit the company from among the candidates.
 - Follow-up with executive management to promote risk and governance business and activities.

Independence, Authorities and Responsibilities

The internal audit provides independent objective services to help the Board of Directors, the Audit Committee and executive management in performing their responsibilities with a high degree of efficiency and effectiveness. The internal audit is not subject to any influence by the executive management and has full authorities to have unrestricted access to any records (manual or electronic), of the company's properties and personnel of the company, as required to perform its tasks. The Internal Audit Department, in carrying out its work, adopts a systematic approach to evaluate and improve the effectiveness of internal oversight, so that the company's objectives and asset protection can be achieved. The internal audit scope of work includes checking the adequacy and effectiveness of the company's internal control system and the quality of management, for the purpose of verifying whether the company's internal systems provide reasonable assurance to achieve the company's objectives.

The Committee's Opinion on the Adequacy of the Internal Control System:

Based on the above, and the work done by the Department of Internal Audit in accordance with the plan adopted by the Audit Committee in 2020, and by looking at the report of the external auditor and studying the observations submitted to it by the internal audit and external auditor, the Committee did not find that there is a fundamental weakness that needs to be mentioned or believed to be a defect in the internal control system. The committee recommends the company to continue applying and updating internal control procedures and policies.

22. Expected Risks

The company makes its best efforts to identify the risks of operation, marketing and other risks that it may face. The company identifies such risks by using questionnaires prepared by specialists as well as observations and recommendations of internal and external auditors. The company operates in accordance with the strategic plans planned by the Board of Directors. These plans cover the company's operations in the factories and distribution and sales offices. The company also

evaluates and studies investment opportunities and future expansions that would raise the return on investments and shareholders' equity.

Risk management objectives and policies

The Group is exposed to various financial risks due to its activities, including: market risk (including commission rate risk and foreign currency risk), credit risk and liquidity risk. The risk management program generally focuses on the unpredictability of financial markets and seeks to minimize the negative potential impacts on the financial performance of the Group.

Senior management is responsible for risk management. Financial instruments included in the consolidated statement of financial position include trade receivables and other current assets, cash and cash equivalents, Saudi Industrial Development Fund financing, short-term Islamic lease and financing obligations, trade payables, unpaid dividends, and other current liabilities.

Risks of financial instruments

Here are the group's most important financial risks:

Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: commission rate risk, foreign currency risk and other price risk such as equity price risk and commodity price risk. Financial instruments affected by market risk include loans and financings.

Commission rate risk:

Commission rate risk is the exposure to the risk associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. The Group is not exposed to a significant commission rate risk.

Management of the Group does not enter into future agreements to hedge its commission rate risk. However, this is monitored on a regular basis and corrective measures initiated wherever required. All of the financings are on Saudi Interbank Offered Rate ("SIBOR") and fixed commission rates. Because the changes in SIBOR are not significant, commission rate sensitivity analysis has not been disclosed.

Foreign Currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group operates locally and internationally and has some transactions that are in US Dollars and Euros. However, the Group has a limited exposure to foreign currency risk since the Group signs most of its contracts with foreign companies in Saudi Riyals. The Group's management monitors the foreign currency exchange rates fluctuations and believes that the Group's exposure to currency risk is not significant.

Management of the Group does not enter into future agreements to hedge its foreign currency risk. However, this is monitored on a regular basis and corrective measures are initiated wherever required.

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is not exposed to a significant price risk.

Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's credit risk results mainly from its transactions with the Ministry of Health and other ministries and other government medical institutions, and certain high profile Saudi Arabian companies. The ministries and other government medical institutions are part of the Government of the Kingdom of Saudi Arabia, which has a strong credit rating in the Saudi market. The high profile Saudi Arabian companies also have a high credit rating in the Saudi market. The maximum exposure to credit risk associated with the Group's financial instruments is limited to the book values included in the consolidated statement of financial position of those respective financial instruments .

The Group's management follows-up outstanding balances, and where appropriate, trade receivables are carried net of an allowance for credit loss. Cash is placed at banks with sound credit ratings.

Concentration of credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet

contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The Group assessed the risk concentration for refinancing its debt, concluding that it was low. Access to sources of funding is sufficiently available, and there is the possibility of replenishing debt due within 12 months with existing lenders.

23. Shareholders' Rights and General Assembly

The Company's By-Laws and Regulations guarantee the general rights of the shareholders, including all the rights relevant to the share, particularly the right to receive an appropriate share of the dividends distributed, the right to get a share of the Company's assets in case of liquidation, the right to attend the shareholders' assemblies and to participate in the deliberations, and vote on its resolutions, the right to monitor the works of the BOD and to file liability cases against the BOD's members, as well as the right to inquire and request information in a manner that does not harm the Company's interests and not contradictory to the Capital Market Regulation and its Implementing Rules.

Facilitating the Exercising of Shareholders' Rights and Obtaining Information:

- A- The Company's Internal Regulations guarantee the procedures and the necessary measures to enable all shareholders to exercise their statutory rights.
- B- All information is fully provided to all shareholders to enable them to fully exercise their rights in a manner that the information provided is sufficient, accurate, and regularly updated and timely.
- C- The Company is keen to provide the information to the shareholders without any discrimination between them.

Members of the Board of Directors attended the General Assembly Meetings:

	Name	Position	Meeting 07/5/2020 Attendance Record
1-	Eng. Fahad Saleh Al-Jarbou	Board Chairman	✓
2-	Mr. Obaid Abdullah Alrasheed	Deputy Board Chairman	✓
3-	Dr. Khaled Mohammed Al Taweel	Board Member	✓
4-	Mr. Abdulrahman Abdulaziz Alyemni	Board Member	✓
5-	Mr. Fawaz Mohammed Al-Fawaz	Board Member	✓
6-	Mr. Mohammed Saad Al-Daoud	Board Member	✓
7-	Mr. Abdallah Bin Zamil Al-Dress	Board Member	✓
8-	Mr. Abdulwahab Ahmed Abed	Board Member	✓
9-	Dr. Mohammed Saud Al-Badr (General Manager and Managing Director)	Board Member	✓

First- Meetings:

1. (Extraordinary General Assembly) held on 07/05/2020

The reason and result of the meeting

- 1- Vote on the report of the Board of Directors for the fiscal year ended 31/12/ 2019.
- 2- Vote on the company's financial statements for the fiscal year ended 31/12/ 2019.
- 3- Vote on the auditor's report for the fiscal year ended 31/12/ 2019.
- 4- Vote on the discharge of the members of the Board of Directors for the fiscal year ended 31/12/ 2019.

5- Agree to spend 2,250,000 riyals, as a bonus to the members of the Board of Directors, at 250,000 riyals per member for the fiscal year ended 31/12/ 2019.

6- Vote on the appointment of the auditor of the company from among the candidates, on the recommendation of the audit committee, in order to examine and review the financial statements for the third quarter and the annual lists of fiscal year 2020 and the first and second quarters of 2021 and determine his fees.

7- Vote on the recommendation of the Board of Directors not to distribute cash dividends for the fiscal year ended 31/12/ 2019.

8- Vote on the authorization of the Board of Directors to distribute interim dividends, quarterly or semi-annual for fiscal year 2020, and determine the date of maturity and distribution, in accordance with the regulations and regulatory procedures issued in accordance with the regulations of the companies, in accordance with the company's financial situation, cash flows and expansion and investment plans.

9- Vote to amend article (3) of the company's statutes relating to the purposes of the company.

10- Vote to amend article (4) of the company's statutes relating to participation and ownership.

11- Vote to amend Article (8) of the company's statutes relating to the underwriting of shares.

12- Vote to amend Article 19 of the Company's Statute concerning the powers of the Board of Directors.

13- Vote to amend article (21) of the company's statutes concerning the powers of the President, Vice-President, Managing Director and Secretary.

14- Vote to amend article (23) of the company's statutes relating to the quorum of the Board meeting.

15- Vote to amend article (28) of the company's statutes relating to the invitation of associations.

16. Vote to amend article 34 of the company's statutes relating to discussion in associations.

17. Vote to amend article 39 of the company's statutes relating to the Committee's reports.

18. Vote to amend article 43 of the company's statutes relating to financial documents.

A- The Company confirms that it did not receive from the Company's External Auditors a request to convene a General Assembly during the year ended 31/12/2020 and did not take place. The Company further asserts that it did not receive from the shareholders who own 5% or more of the Company's capital request to convene a General

Assembly during the fiscal year ended 31/12/2020 and did not take place.

- B- 1) The Company announced the date of the general assemblies and their places and agenda twenty- one days before the date according to the Regulations.
- 2) The invitation to the 24th Ordinary General Assembly (the first and second meeting) was published on Tadawul Website on 16/04/2020 and in the daily newspaper (Al-Jazeera) no. 17362 issued on 19/04/2020, page no. 5.
- D- Shareholders were informed of the rules governing general assembly meetings and voting procedures through the invitation to the General Assembly and by distributing written procedures during the meeting. It is available for the shareholders to participate effectively at the meetings of the Assembly.
- E- The Company was keen to facilitate the participation of the largest number of shareholders in the general assembly meeting, including the choice of time and place where the place was the Head office of the Company in Riyadh.
- F- Shareholders who own 5% or more of the Company's shares did not request one or more items be added to the General Assembly's agenda when preparing it.
- G- The Company enables shareholders to exercise their right to discuss the items listed on the Assembly's agenda and to ask questions to the Board members and the external auditors.
- H- All topics to be discussed are accompanied by sufficient information before the General Assembly to enable shareholders to make a decision.
- I- The Company enables shareholders to see the minutes of the meeting at the Company's Head office and is published on Tadawul website for the results of the meeting immediately after the end of the Assembly and provides the General Directorate of Companies in the Ministry of Trade and Investment and the Capital Market Authority with a copy of the minutes of the general assembly meeting as per Regulations.

The date of last meeting of the General Assembly: 07/05/2020

Voting Rights:

- A) The company is committed to providing all means to its shareholders, enabling them to exercise and facilitate their right to vote.
- B) The Company used the cumulative voting method when voting to elect the members of BOD in the General Assembly, by its By-Laws.

- C) The Company is committed to verifying the shareholders' proxies for attending the General Assembly (which should be in writing) to ensure that they are for other shareholders and not for BOD members or the Company's employees.
- D) It is not part of the Company's practice to examine the annual reports of corporate investors who act on behalf of others –such as the investment funds. The Company believes that this concerns the investors themselves and it is not within the scope of the Company's responsibilities. Moreover, the Company is considered as one of the largest companies whose shares are freely dealt in. No legal or other person owns more than 5% of the Company's shares, and there is no representative in the Board of Directors of any legal entity.

Shareholders' Rights in Dividends:

The Company's dividends distribution policy was reviewed and approved by the BOD and the General Assembly and a reference is made to this subject annually in the BOD's report.

Number of the Company's requests of shareholders' records during 2019 and reasons:

Reason of request	Date of Request	Number of requests for the registered shareholders
The company's procedures	22/03/2020	1
General Assembly Meeting	07/05/2020	2

Company's Policy and Disclosure Procedures:

The Company has formulated a policy for disclosing its procedures and its supervisory rules, in accordance with the Corporate Governance Regulations approved by the General Assembly.

24. Corporate Governance and Related Applications

The Company operates under its statutes and internal regulations, policies and internal evidence of company governance is constantly updated and includes all the rules and standards governing the Company's performance, the most important of which is transparency, equality and the exercise of shareholders' rights to access information that affects their investment decisions, and has been the latest challenge and adoption of the statute and some of these regulations and policies - according to The case is required - from the Board of Directors on 03/12/1440H, 04/08/2019, and from the General Assembly of the Company on 18/01/1441H, 17/09/2019, the Company applies all the provisions in the CMA's Corporate Governance Regulations, based on the corporate regulations issued by royal decree M/3 and dated 28/01/1437H, amended by the CMA Board's decision No. 3-57-2019 and the date of 15/9/1440H corresponding to 20/05/2019, excluding the provisions below:-

Article No. / Paragraph	Article/paragraph text	Reasons for not applying
Article 39 (Training)	Paragraph 2: Developing the necessary mechanisms for both Board members and executive management to receive continuous training programs and courses to develop their skills and knowledge in areas related to the company's activities.	Guidance paragraph
Article 70 (Formation of risk management committee)	A committee called (Risk Management Committee) is formed by a decision of the Company's Board of Directors. (according to the text of the article)	Guidance article
Article 71 (Terms of reference of the risk management committee)	The Risk Management Committee is responsible for: Paragraphs (1) to (12) according to the text mentioned in the article	Guidance article
Article 72 (Meetings of the risk management committee)	The Risk Management Committee meets periodically at least every six months and whenever the need arises.	Guidance article
Article 76	Paragraph (3): The remuneration of director of the internal audit department or audit department should be determined based on the proposal of	Guidance article

(Formation of internal audit unit or department)	the Audit Committee in accordance with the company's policies	
Article 78 (Internal audit report)	Paragraph (c): The Board of Directors determines the scope of the report of the internal audit unit or department based on the recommendation of the Internal Audit Committee, provided that the report includes in particular the following: (3) Evaluating the performance of Board of Directors and senior management in applying the internal control system (according to the text mentioned in the article).	Guidance article
Article 85 (Motivating employees)	The Company may set programs to develop and motivate the participation and performance of workers in the company. These programs may include the following: Paragraphs (2) and (3) (according to the text mentioned in the article).	Guidance article
Article 87 (Social Responsibility)	On the proposal of the Board of Directors, the Ordinary General Assembly sets a policy to ensure a balance between its goals and the goals that the community aspires to achieve for the purpose of developing the social and economic conditions of society.	Guidance article
Article 88 (Social work initiatives)	Board of Directors sets the programs and specifies the necessary means to put the Company's initiatives in the field of social work, including the following: (1) Setting benchmarks linking the Company's performance with its initiatives in social work and comparing that with other companies with similar activities.	Guidance article
Article 95 (Formation of the Corporate Governance Committee)	In the event that Board of Directors creates a committee specialized in corporate governance, it must delegate to it the powers established under Article 94 of these regulations, and this committee should follow up on any issues regarding the applications of governance and provide the Board of Directors at least annually with the reports and recommendations reached.	Guidance article

25. Communication with Shareholders and Investors

Saudi Chemical Company gives paramount importance to shareholders and investors, and keeps them informed of its performance and activities during the year through the annual report of the BOD, as well as by updating them continuously through (Tadawul) and the Company's website and other communication on any important developments that may occur and have an impact on their financial situation and business, which does not affect their competitiveness according to the policy of disclosure that the Company is keen to follow, in compliance with the instructions of CMA and the regulations of the Kingdom of Saudi Arabia.

The Company shall inform BOD of the shareholders' proposals and their comments on the Company and its performance. The Shareholders' Affairs of Saudi Chemical Company shall submit reports to the Senior Management, including a report on shareholders and the movement of shares and observations about the Company and its performance. The Executive Management shall submit to the BOD a report containing information on the activity of the investors and the Company's shares, The Company discloses all the inquiries of the Regulators and shareholders mentioned in the General Assembly. There are no comments raised by the shareholders regarding the Company, except as recorded in the minutes of the General Assembly.

26. Social Responsibility Program

Saudi Chemical Holding company works to build strategic relationships with local communities, and commitment to community giving through innovative programs that meet their needs, in accordance with clear and specific objectives through which we make a real positive impact, by working on three main pillars:

- Institutions: Work to build and develop strategic relationships with non-profit community organizations.
- Volunteering: Working to spread the concept of volunteering and charitable work to all employees of the company, and motivate them to donate their time, efforts and expertise to participate in many initiatives and programs designed to serve the local community.
- Environment: The application of special techniques for recycling waste from all its manufacturing and production processes.

Saudi Chemical Company undertakes to carry out its social responsibilities. In 2020, the Company continued in cooperation with the Association for Orphan Care (INSAN), sponsoring its activities and programs that serve this valuable group of the citizen.

Educational institutions have also received a portion of the support through training, developing and refining the talents of young people and preparing them for the labor market.

Saudi Chemical Holding Company aims to continue to explore the needs of the relevant governorates so as to raise the level of initiatives and cooperation with the concerned authorities in each governorate, through official channels and humanitarian societies that care for Orphans and people with special needs to give them full opportunities for employment and subsidies, as well as to enroll them in the programs in which the Company participates.

27. Manpower and Training

Saudi Chemical Holding company adopts a sophisticated strategy to attract the best national expertise, competencies and skills, and support them with a range of rehabilitation and training programs to refine their knowledge and support them to continue their academic achievement general and higher. Many of the company's employees obtained bachelor's and master's degrees while on their job. The company also develops their work environments continuously, to enable them to practice their work in accordance with the best standards of quality, efficiency and excellence, in order to achieve the strategic objectives of the company's work. The company is working on the Vision Partners program, but it has been suspended due to the circumstances of the COVID-19 pandemic, until further notice.

28. Quality and Environmental Management

During the year 2020, the company maintained the ISO 1001, the ISO 14001 environmental management certificate and the ISO 45000 1, through an external audit by the company issuing the quality certificates system, in order to ensure that the company complied with the terms and specifications of the certificates awarded.

29. Safety Record and Industrial Security

During 2020, there was no incident that threatened the integrity of the company's property, employees and surrounding environment, despite the seriousness and sensitivity of the products manufactured and traded by the company, thanks to Allah and then the continuous review of security and safety procedures and regulations at the company's facilities. During the past year, the company has also begun to modernize the central fire and fire protection and protection systems in the company's facilities, in accordance with the specifications of the Supreme Authority for Industrial Security, and the preventive requirements for fire protection in industrial buildings, issued by the General Directorate of Civil Defense.

30. Internal and Other Controls' Representations

Board of Directors and the Company's management acknowledge that:

- The accounting records were set up properly.
- The internal controls system was prepared on proper basis and was executed effectively.
- There is no doubt in the Company's ability to continue its activities.
- There is no deviation from the accounting standards approved by the Saudi Organization for Certified Public Accountants.
- There are no shares or debt instruments issued for the subsidiaries.
- There isn't any interest in the category of the shares eligible to vote belonging to persons (except the members of the Board of Directors and senior executives, their spouses and minor children) who informed the Company of those rights under article thirty of the Listing Rules and any change in those rights during the last fiscal year.
- There is no interest, option rights, and subscription rights belonging to the members of the Board of Directors and senior executives, their spouses and minor children in shares or instruments of the Company or any of its subsidiaries, and any change in that interest or those rights during the last fiscal year.
- The Company has no instruments convertible to shares and any option rights or subscription right warrants or similar rights issued or granted by the Company for which the Company did not get compensation in return for that during the fiscal year.

- There are no conversions or subscription rights by virtue of debt instruments convertible to shares or option rights or subscription right warrants or similar rights issued or granted by the Company.
- There is no recovery, purchase or cancellation by the Company of any recoverable debt, or any securities purchased by the Company or its subsidiaries.

31. Conclusion

Board of Directors would like to thank all the Company's customers, suppliers, governmental parties and the private sector for their continuous cooperation, encouragement and support. We would also like to thank all the Company's employees for their sincere efforts towards the wellbeing of the Company and for their keen interest to continue the progress and prosperity of the Saudi Chemical Company and its subsidiaries.