

Annual Report 2022

Saudi Kayan Petrochemical Company
(SAUDI KAYAN)



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



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



His Royal Highness
Prince Mohammed bin Salman bin Abdulaziz Al Saud
Crown Prince, Prime Minister of Saudi Arabia

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BOARD OF DIRECTORS' REPORT

To the shareholders of Saudi Kayan Petrochemical Company (Saudi Kayan)

Greetings,
The Board of Directors (Board) of Saudi Kayan is pleased to present the Annual Report for the fiscal year ended on December 31, 2022.

This report has been prepared in accordance with the requirements of the Companies Law of the Kingdom of Saudi Arabia, Saudi Kayan's Articles of Association, Corporate Governance Regulations, Rules on the Offer of Securities and Continuing Obligations, and Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies issued by the Capital Market Authority.

This Annual Report provides information on Saudi Kayan's activities, performance, achievements, and future plans, as well as efforts made to enhance the company's performance in developing the equity of its shareholders and to support the national chemical industry,

The report also highlights the company's contributions to the areas of environment, society, and corporate governance, according to its final accounts and financial position for the fiscal year ended 31 December, 2022.

The Board is honored to extend sincere gratitude to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince, and the Government of Saudi Arabia, for their support to various economic sectors, especially the manufacturing and industrial sectors, as they play their roles in realizing Saudi Vision 2030.

The Board also appreciates the efforts exerted by Saudi Kayan's employees and the support extended by all stakeholders including shareholders, customers, suppliers and the work community.



CHAIRMAN'S MESSAGE



Ahmed Al-Shaikh
Chairman

Dear Shareholders of Saudi Kayan Petrochemical Company ("Saudi Kayan"),

On behalf of the Board of Directors of Saudi Kayan Petrochemical Company, I am pleased to present to you the annual report of the company, which was prepared in accordance with the company's bylaws, the Saudi Companies law, the requirements of the corporate governance regulations, and the rules for offering securities and continuing obligations issued by the Capital Market Authority, which sheds light on the performance and achievements of The company and its efforts to enhance performance in developing the rights of its shareholders according to what was stated in its final accounts and its financial position for the fiscal year ending on December 31, 2022.

The past year was full of challenges that faced the petrochemical sector, as the slowdown in global economic growth led to lower product prices and higher feedstock prices and supply chain costs, which negatively affected the company's financial results, which made us focus most of our attention on raising the efficiency of performance in all our operational and administrative work to face these challenges.

The company's flexibility in dealing with challenges and overcoming obstacles made us stick to our ambition to reach our goals and achieve all our goals and strategies drawn in order to achieve the aspirations of our shareholders and investors. As a result, the company is moving forward with its strategy to achieve long-term sustainable growth designed to overcome challenges and fluctuations with strength and flexibility.

Saudi Kayan harnesses all capabilities and facilities to ensure the continuity of its business, enhance its efficiency, and ensure the continued supply of its high-quality products to all its customers around the world. Hence, our pride in the achievements we have made during the year 2022 AD, when the company achieved an increase in the quantities produced and sold compared to last year, as its production capacity increased by 5%, in addition to an increase in the quantities sold by 9%.

The company also believes that the environment, health, safety and security are basic values in all its daily activities, and therefore the company pays great attention to preserving these values, which in turn guarantees a work environment that protects all employees and society.

Realizing that investing in human capital is the key to enhancing performance and competitiveness, the company has paid great attention to developing and training its employees to raise their technical and administrative level in line with the company's strategy to ensure its continued growth at all levels.

The company has also been committed to adopting best practices in governance and applying the rules, regulations and policies that have been approved by the General Assembly and the Board of Directors, and the effective and distinguished role that the committees emanating from the Board of Directors play in helping the Board to make decisions that are in the interest of the company and its shareholders.

In the coming years, Saudi Kayan aspires to preserve the gains achieved and strives to control the movement of capital, develop its human resources, and implement its operations in accordance with the highest standards of safety, reliability and reliability, which contributes to achieving long-term growth in line with the visions of shareholders and investors. God willing, Saudi Kayan will move forward towards a bright future full of development and flexibility to keep pace with changes and face all upcoming challenges.

In conclusion, the Board of Directors extends its utmost gratitude and gratitude to the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, may God protect him, and his faithful Crown Prince, His Royal Highness Prince Muhammad bin Salman bin Abdulaziz Al Saud, and to His Royal Highness Prince Saud bin Nayef bin Abdulaziz, Governor of the Eastern Province, for the support and support they provided to the company, which contributes to supporting the industrial renaissance in our dear Kingdom. They gave us continuous support to achieve the aspirations of investors.

The company achieved an increase in the quantities produced and sold compared to last year, as its production capacity increased by 5%, in addition to an increase in the quantities sold by 9%.

COMPANY PRESIDENT MESSAGE



Metab Zaid Al Shahrani
Company President

2022 has been a challenging year and achieved successes, which we would not have achieved had it not been for God's grace and then with the support of the Board of Directors, the executive management team and all the company's employees, and everyone's determination to continue fulfilling our obligations to our customers and shareholders.

The global economic challenges during the year 2022 negatively affected the petrochemical sector, as the decrease in product prices and the increase in feedstock and supply chain costs led to a decrease in the company's profitability. Despite this, the company has achieved growth in operations compared to the previous year, as production quantities increased by 5%, in addition to an increase in sold quantities by 9%, which shows excellence in the reliability of the company's plants and its sustainable operations. In addition, the company worked hard to achieve the optimal use of cash, as the company completed the full repayment of the senior loans through the early repayment of an amount of 2.4 billion riyals, which contributed to reducing the financial burdens by 54 million riyals. Thus, the company has completed the payment of a total of 22.5 billion riyals.

The importance of the environment, health, safety and security comes at the fore of our priorities, as the company has adopted the best international standards and practices in maintaining the safety of operations, employees, contractors, the environment and the community. We also affirm our commitment to making the health and safety of our employees our top priority, by continuing to comply with all preventive health guidelines.

With regard to human capital, the company has set up various training programs targeting all segments of employees and focusing on career development and acquiring the necessary technical and administrative skills to perform work safely and efficiently.

On the side of our social responsibilities towards the community, we are always proud of presenting our national duty towards community service and development, as the company has carried out many community initiatives that serve the community, in accordance with the social responsibility policy approved by the company's general assembly.

The importance of the environment, health, safety and security comes at the fore of our priorities, as the company has adopted the best international standards and practices in maintaining the safety of operations, employees, contractors, the environment and the community.

In conclusion, I am proud of what we have achieved and I firmly believe that we are capable of striving for greater successes to achieve the aspirations of shareholders and investors. I would also like to thank our wise government for the unlimited support it provides in all fields and industries. I would also like to thank my colleagues in the executive management and all employees and workers in the company for their great efforts and commitment in achieving the goals and aspirations of the company. I also thank the esteemed Board of Directors of Saudi Kayan Company for the continuous and unlimited support of the company, and we affirm the commitment of the executive management to continue the path of ambitious transformation that the company is pursuing and to focus efforts and hard work on facing all global and local challenges, to achieve the aspirations of the company and shareholders to sit at the top of the industrial pyramid as an industrial edifice that this benevolent country is proud of.

OVERVIEW

Saudi Kayan Petrochemical Company (Saudi Kayan); Is a leading Saudi joint stock company in the field of producing of chemicals, polymers and specialty products, with its headquarters located in Jubail Industrial City. The Company employs more than 1,300 employees in different fields. Together, they participate in achieving the company's current and future strategies.

Vision

We aspire to be a leader in safe & reliable operation, a preferred supplier, an employer of choice & deliver sustainable profitability

Mission

- Ensure that all factories in the company complex operate in a safe manner that provide protection for the surrounding environment and society.
- Supplying high quality products.
- Ensure that all our human resources are qualified, and operating in a positive work environment to ensure efficiency and profitability
- Stressing pursue of growth opportunities and achieving added value for investors.



Values



CREATE

We challenge conventional thinking and seek new and creative ways to explore opportunities, whether in terms of products or work procedures, in pursuit of innovative solutions.



DELIVER

Our leadership is based on our exceptional achievements for our customers, and the key driver of our success is our unwavering focus on the correct delivery of our business.



INSPIRE

We work hand in hand to provide an inspiring work environment that creates solutions and achieves results for our customers.



ENGAGE

We respect and value the diverse cultures and work approaches of our employees, thus creating a wonderful and harmonious work environment. We also have a positive impact both locally and globally thanks to our strong commitment to the communities in which we operate.

Holding

The Saudi Arabia Basic Industries Corporation (SABIC) owns 35% of Saudi Kayan, while the remaining 65% is held by private sector entities and individuals. The capital of SR 15 billion is divided into 1.5 billion ordinary shares with a par value of SR 10 per share.

Investment in joint ventures

Saudi Kayan Petrochemical Company owns around 33.33% of the Saudi Butanol Company Limited, which is a joint venture between Saudi Kayan Petrochemical Company, Sadara Chemical Company, and Saudi Acrylic Acid Company, aimed at the production of butanol, and it is operated by the National Industrialization Company. The joint venture between these three companies covers several key elements of SaBuCo including financing, tolling, operations and maintenance, engineering and procurement, construction, project management consulting, and technology licensing.

Company name	Saudi Butanol Company Limited (SaBuCo).
Ownership percentage	33.33%
Main activity	Production of butanol
Main operational headquarters	Kingdom of Saudi Arabia (Jubail Industrial City)
Country of incorporation	Kingdom of Saudi Arabia
Capital	SR 486.000.000
Legal entity	Saudi limited liability company
Debt instruments	A loan from the Saudi Industrial Development Fund (SIDF) in addition to loans from partners

At its launch in 2015, the SR 1.94 billion SaBuCo plant was the first butanol plant in the Middle East, and also,one of the largest in the world.

SaBuCo produces more than 330,000 metric tons of n-butanol and 11,000 metric tons of iso-butanol per annum at its facilities in Jubail Industrial City. The company is operated by the National Industrialization Company.

Operating divisions



Products

Saudi Kayan produces a wide range of products.

Category	Products	Annual production capacity (thousand metric tons)
Chemicals	Ethylene	1485
	Propylene	656
	Ethylene Glycol	1065
	Normal and mono butanol	114
	Benzene	90
	Ethylene Oxide (EOX)	770
Polymers	Polypropylene (PP)	350
	High-density polyethylene (HDPE)	400
	Low-density polyethylene (LDPE)	300
	Polycarbonate	260
Specialties	Cumene	290
	Phenol	220
	Acetone	135
	Bisphenol A	240
	Ethanolamine	100
	Ethoxylates	40
Total	Natural alcohol (detergent)	50
		6565

Chemicals include intermediate products that are transformed into final products, namely benzene, ethylene oxide, cumene, phenol, and acetone.

These serve multiple industries around the globe such as food packaging, construction, and different consumer products. Petrochemical feedstock is also used to make a staggering range of products that extend from pipes and paints to aircraft and automobile components

COMPANY STRATEGY

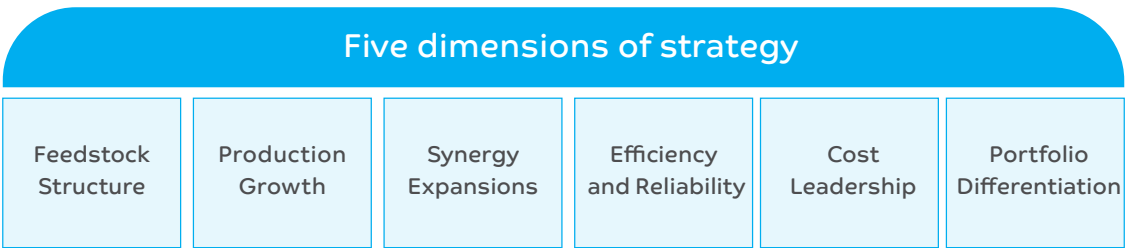
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STRATEGY

Saudi Kayan is keen to harness its assets, optimize its human and financial resources, and study new opportunities to broaden its portfolio and increase market share. In realizing these, the company has developed strategic plans to ensure safe operations, expand the customer base, and achieve significant returns for all its stakeholders.

As approved by the Board of Directors, these plans are founded on the principles of safety, reliability, and sustainability – be it for managing risk, increasing the efficiency of operations, improving production output, rationalizing the use of energy and natural resources, or safeguarding people and places. These strategic initiatives also aim to reduce costs, raise competitive capabilities, improve performance, and increase profitability.



Marketing efforts

As per standing agreement, all products made by Saudi Kayan are sold exclusively to SABIC, who in turn sells it to other customers around the world. SABIC makes note of market requirements and demand for each product or product grade, and updates Saudi Kayan on a monthly basis. In turn, Saudi Kayan works on a daily basis with specific business units at SABIC to ensure best pricing and maximum profitability. Both teams work together to create rolling plans for each plant.

Alongside this meticulous approach, the two teams keep close watch on market developments, to cater more effectively to the highest netback regions. The company is also working on tapping into new regional and international markets.

ESG directives

Saudi Kayan recognizes the pivotal importance of environmental, social, and corporate governance factors for business success in the global marketplace. Besides incorporating these factors into core business strategy, the company is taking numerous steps to ensure that it forms an essential part of corporate culture. The mission is to ensure that all employees understand major trends that will affect the company and society over the coming decades, and to find innovative solutions to address and overcome issues.

Closer cooperation

Members of Saudi Kayan’s Executive Management believe in extending full and close cooperation to all concerned parties to secure the reserves and resources needed to fulfil corporate strategy, especially with SABIC and the Saudi Ministry of Energy.

The company continues to work with the Ministry of Energy for the announced increase in the allocation of ethane gas which will help reduce operational costs and improve ability to deal with market fluctuations

New investments

The company is constantly evaluating various value-added investments to enhance performance and achieve better financial returns for shareholders, be it through new strategic partnerships, tapping into existing opportunities, or extending the value and portfolio of specialized products.

Carbon neutrality

Saudi Kayan is fully committed to the goals of the Paris Agreement in line with the implementation of Saudi Arabia Vision 2060 to protect the environment and reduce carbon dioxide and similar greenhouse gases. The company will continue to exert all efforts to explore the needed solutions to achieve carbon neutrality in its production processes by 2050, while considering the various regional and national targets, commitments, and initiatives.

Saudi Kayan’s commitment to sustainability goals and carbon emission, The company is also committed to uphold targets of the Saudi Energy Efficiency Program (SEEP), and to contribute to the economy of Saudi Arabia.



RISK MANAGEMENT

Risk management policy

Saudi Kayan's policy for risk management has been developed in accordance with an integrated governance system that works to identify, understand, and effectively manage any risks facing the company.

This policy is based on proactively identifying and understanding the risks facing the company, evaluating their impact and performance, and taking preventive measures to control them and minimize any possible effects. It accommodates several dimensions that include control and governance, integration of risk operations, risk management infrastructure, and promoting a culture of risk management among employees.

Risk Committee

The Board of Directors of Saudi Kayan has formed a Risk Management Committee, in accordance with the integrated governance system.

The Risk Committee submits recommendations to the Board of Directors on the adequacy of measures taken to reduce the impact of any reported risk. Additionally, it also recommends either continuing with the same measures or taking new or additional measures to control the reported risk.

Responsibilities of risk management

Responsibility begins with employees and administrators, through the preparation of detailed risk reports for periodic submission to the Risk Committee. This task is overseen and monitored by members of the Executive Management.

The responsibility for ensuring that the risk management policy is implemented also rests with Executive Management, in a shared task with the Board of Directors and with support from the Risk Committee.

Environment, Health, Safety and Security (EHSS) risks

Saudi Kayan is fully compliant with laws and regulations applicable to all its operations and incorporates international standards and best practices in practicing quality, safety and security for human health and the environment. In addition, special provisions are applicable in environmentally sensitive areas of operation.

- **New legislation:** The company cannot predict what EHSS legislation or regulations will be enacted in the future, or how existing regulations will be administered or enforced.
- **Policy enforcement:** Compliance with more stringent laws or regulations, or more vigorous enforcement policies imposed by any regulatory authority could also require large expenditures for the installation and operation of systems and equipment as remedial measures.
- **Accidents:** As a commercial company working with chemicals and hazardous substances, Saudi Kayan is inherently subject to the risk of spills, discharges, or other releases into the environment. Accidents related to the company's products may involve serious damage to property, the environment and human health, which may adversely and materially affect business, results of operations and financial position.
- **Sectoral risks:** As with most petrochemical companies, environmental risks include any explosion at production or logistics facilities, the release of toxic gases into the atmosphere, and the release of hazardous chemicals on land or in waterways.



Business and operational risks

The company constantly strives to reduce the effects of business and operational risks by reducing costs, improving reliability at all plants, and ensuring the continuity of production and sales as per clear business plans and practices.

- **Capacity utilization:** In the petrochemicals industry, profitability is linked to global demand, industrywide inventory levels, and plant capacity utilization. Saudi Kayan needs to maintain high rates of production capacity at its manufacturing facilities to maintain high rates of capacity utilization – the level of production that each plant achieves in relation to its capacity. Failure to maintain this could have a substantial and adverse effect.
- **Variable production rates:** Higher production rates enable the company to allocate fixed costs across larger production volumes. However, excess industrywide inventory, especially at times when demand is weak, may cause Saudi Kayan and others in the industry to lower production rates, which will reduce margins, income, and cash flow. Reduced utilization rates may also occur due to scheduled activities such as maintenance or unscheduled outages due to equipment or human failure.

- **Operational risks:** Saudi Kayan is exposed to a number of operational risks which include the unavailability of skilled human resources, poor performance of contractors, health and safety incidents that may be caused by third-party contractors, corrosion problems impacting plants and pipelines, and exposure to natural hazards such as volatile weather events. Subsequent recovery rates may be lower than the expected.
- **Insurance risks:** The company's operations are subject to hazards and risks inherent to petrochemical companies, which include fires, explosions, pipeline ruptures and spills, storage tank leaks, chemical spills, discharges or releases of hazardous substances or gases, environmental risks, mechanical failure of equipment, war, terrorism, sabotage, and natural disasters. In addition, many of these risks may cause personal injury and loss of life, severe damage to or destruction of the company's properties and the properties of others, including environmental pollution which can result in the suspension of operations and the imposition of civil or criminal penalties.

The company maintains insurance coverage in amounts that are consistent with relevant industry practices, including coverage for the risk of property damage, business interruption resulting from, among other things, fire or machinery breakdown and third-party liability. However, there can be no assurance that such insurance coverage will be adequate to cover all losses that may be incurred in the future, or that the liability imposed on the company will not exceed its total assets.



- **Transportation risks:** Saudi Kayan's operations depend heavily on the transfer of materials, particularly the exports of finished products by sea and road. Some of the products transported by the company are also classified as risky.

Although the company seeks to maximize the cost of distributing final products, it cannot ensure that transportation costs will not increase significantly in the future, which may reduce competitive advantage over regional producers. Any problem that impacts the transportation of goods by sea, such as special taxes, risky conditions, and natural disasters, may adversely affect the outcome of the company's processes or financial situation. Geopolitical problems, wars and conflicts, commercial blockades, and piracy, which affect transportation, can also adversely affect the company's outcome of processes.

Financial risks

- **Funding and financing agreements:** If Saudi Kayan enters into any new financing agreement, it may become subject to additional or more restrictive financial agreements and ratios or be required to guarantee its assets for the benefit of lenders. Any indebtedness will require a large portion of cash flows from operations to be allocated to pay the principal and interest on the indebtedness, which will reduce the company's ability to benefit from the cash flow in financing its operations and future business opportunities. All these may expose the company to the risk of increasing interest rates or increasing costs, or both, to cover interest rates, and will also expose it to refinancing risks to the extent that it cannot repay loans from the cash flows resulting from operating activities.

If the company is unable to obtain suitable financing or other capital contributions to finance capital and investment expenditures in the future, it may require changing any such planned projects, reducing their scope, or postponing or cancelling them, which in turn may affect profitability and competitiveness.

- **Customer credit risks:** Terms of the marketing agreement between Saudi Kayan and SABIC, and the company's credit sales policy, provide for reducing the incidence of customers' credit risks. However, since Saudi Kayan sells its products to SABIC who in turn sells these products to a variety of customers, it exposes the company to the risk of non-payment for products supplied, especially trade accounts receivables.

These risks increase when specific sectors are on the decline, or when general economic conditions deteriorate. Non-payment by SABIC or its customers may materially or adversely affect the company's business or its financial position.

- **Global economic conditions:** The company faces many risks associated with changes in the global economic environment. In particular, performance is affected by economic cycles that affect end-user sectors, since products manufactured by the company are used as an intermediary in the manufacture of several other products. A deteriorating economic climate could result in lower industrial output and lower demand for the company's end products including consumer goods, packaging products, and industrial goods.

In the past decade, the global economy has witnessed many periods of slowdown, high volatility, reduced business activity, unemployment, low interest rates and waning consumer confidence, all of which affected the final stages of demand for chemical and plastic products in certain industrial sectors and regions. The company is unable to predict such adverse trends and their impact on market demand for the company's products. The further decline of regional or global economies, market crises, or prolonged periods of instability may have a material and negative impact on the company's business, the results of its operations or its financial position.

- **Cyclical nature of petrochemical sector:** The petrochemical sector goes through cycles of expansion and contraction in line with movements in the global economy, which leads to fluctuations in supply and demand for petrochemical products, as well as fluctuations in the prices of raw materials, and the prices of final petrochemical products. Saudi Kayan cannot predict with any measurable accuracy these trends and economic cycles, or the duration and dates of these trends and cycles, which can have a significant impact on business and financial results.
- **Foreign exchange rate:** Saudi Kayan has several policies that undergo periodic review of currency exchange risks. However, since the company operates internationally, it is exposed to foreign exchange risks arising from exposure to various currencies, and fluctuations of these currencies against the Saudi Arabian Riyal (SAR). The company is not significantly exposed to US dollar risks because the Saudi Riyal is pegged to the US Dollar and its business is primarily conducted in US Dollar, but it deals with the Euro, British Pound, and Japanese Yen to a lesser extent.

Foreign exchange risks are primarily in accounts receivables, trade payables, and certain non-SAR denominated bank accounts. There is no guarantee that adequate precautionary procedures are sufficient to protect Saudi Kayan, or that any future fluctuations in currency exchange rates will not adversely affect its operating results or financial position.

Risks associated with Intellectual Property (IP)

Saudi Kayan relies on a wide range of intellectual property rights to support its business, and in this regard, has obtained licenses for some of the technologies used in its facilities. The company's operations are based primarily on technology operations licenses from SABIC and other third parties. The termination of any substantive technology license or dispute relating to its use may require the company to stop using the relevant technology and thus may adversely affect ability to produce specific products.

The inability of the company to maintain any license may also require the company to stop using the technology and licensing rights to third parties on less favorable commercial terms, or to obtain alternative technologies of lower quality, or maintain performance standards at a greater cost. Any of these factors could have a significant negative impact.



Risks associated with Information Technology (IT)

Saudi Kayan relies on several IT systems to carry out its day-to-day operations. As a result of the increasing complexity of information and communication technologies, the company is exposed to associated risks that range from loss or theft of data, cyber-attacks, and interruptions to business, through to systems failures and technical obsolescence.

Rapidly rising information security threats and sophisticated cybercrimes also pose a risk to the confidentiality, availability and integrity of data, operations, and the infrastructure of IT systems, networks, facilities, products, and services. The non-availability, breach of confidentiality, or manipulation of data in critical IT systems and applications may lead to leaks of confidential data and expertise in an uncontrollable manner and have a direct impact on business operations.

Although the company maintains back-up systems, there is no assurance that these systems will work as efficiently or quickly as expected, or that they will work at all. Should such threats overcome implemented security measures, they could potentially lead to violation of confidential information, improper use of systems and networks, manipulation or destruction of data, production downtime and operational disruptions, which in turn could have substantial and adverse effects.



Risks associated with personnel

The company relies on the performance of its teams of personnel and management, and future success partially depends on the continued ability to hire, integrate, and retain highly skilled employees.

The sectors in which Saudi Kayan operates are defined by high demand for experts and highly qualified personnel, and ongoing competition over talent retention make it uncertain if the company will be able to successfully recruit, train or retain necessary personnel in the future. This is compounded by the need to offer competitive compensation and other benefits to attract and retain key personnel, or the unexpected loss of executive officers or key personnel to competitors. All these factors could have a substantial and adverse effect on operations.

FUTURE PLANS

The company works to develop the rights of its shareholders through the optimal use of its assets and human and financial resources, and to study the opportunities available to increase income. The company is also working on marketing and selling its products in various local, regional and international markets through the marketing agreement signed with SABIC. The company constantly follows up the requirements for the safe operation of its factories, and seeks to expand its customer base, and achieve the largest possible return.

The company has also developed many plans and strategies drawn up by the Board of Directors that are based on the principles of safety, sustainability and reliability in managing operational processes, risk management and performance monitoring that aim to improve the efficiency of operations. In addition to raising growth rates and generating innovative ideas to rationalize energy and natural resources, which in turn will contribute to reducing costs, increasing profitability, and improving the performance level of its assets, thus contributing to the development of shareholders' rights, protecting the environment and enhancing the company's competitive capabilities in various markets.

Saudi kayan recognizes the pivotal importance of environmental, social, and corporate governance factors to business success in the global marketplace. It is eagerly looking forward to incorporating these factors into its core business strategy to ensure that all of its employees understand the major trends that will affect the company and society over the coming decades, and to find a common approach to addressing the environmental and social governance issues raised by those trends.

It is also expected that feedstock prices will remain at high levels compared to previous years, as a result of strong global demand, low inventory, tight supply, and geopolitical conditions, where butane feedstock still poses a major challenge to the company as it represents the largest part of operating expenses. Also, expectations regarding the selling prices of products are likely to continue on previous price averages.

The company notes that it is still working with the Ministry of Energy to provide increased allocation of ethane gas previously announced, which will help the company to reduce operational costs and increase the company's ability to deal with market fluctuations and sustain profitability in order to achieve the aspirations of shareholders and investors.



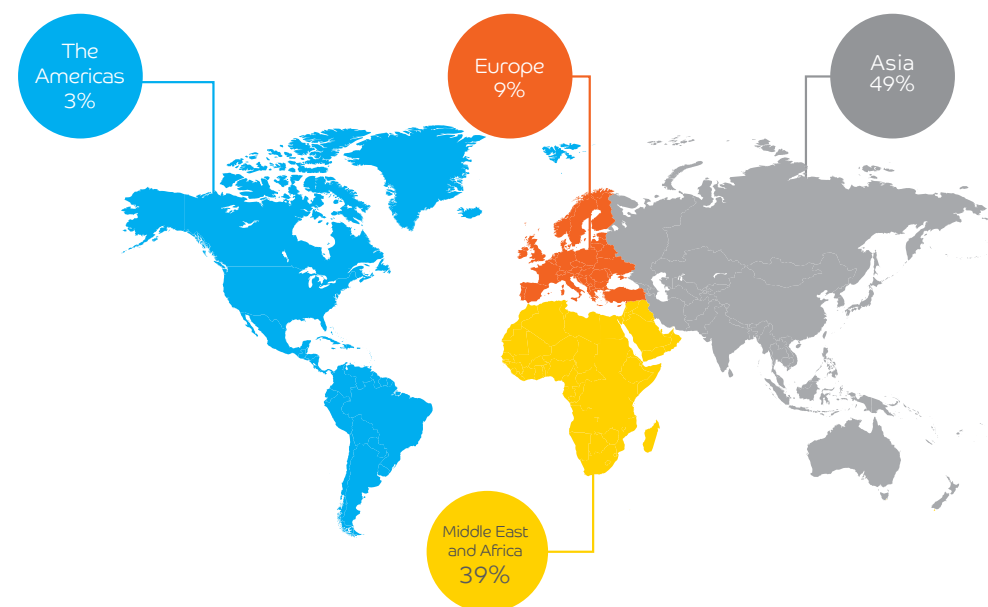
BUSINESS PERFORMANCE

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FINANCIAL CAPITAL

Geographical analysis of revenues



Geographical	Revenues	Percentage
Middle East and Africa (MEAF)	4351	39%
The Americas	335	3%
Europe	1004	9%
Asia	5467	49%

Financial position (amounts in millions, SAR)

Description	2022	2021	2020	2019	2018
Current assets	4,421	6,986	5,504	5,382	9,174
Non-current assets	23,852	25,910	28,001	29,946	31,521
Total assets	28,273	32,896	33,505	35,328	40,695
Current liabilities	4,304	4,020	3,347	2,887	3,296
Long-term loans and other liabilities	8,492	12,408	16,150	17,488	21,701
Shareholders' equity	15,477	16,469	14,009	14,953	15,698
Total liabilities and equity	28,273	32,896	33,505	35,328	40,695

Income statement (amounts in millions, SAR)

Description	2022	2021	2020	2019	2018
Sales	11,157	12,656	8,007	9,536	12,263
Cost of sales	(11,254)	(9,099)	(7,559)	(8,464)	(8,898)
Gross profit	(97)	3,558	448	1,072	3,365
Other revenues (expenses)	(21)	(36)	(62)	15	89
Company's share of subsidiary net profit (loss)	0	0	0	18	48
Selling, General and Administrative (SG&A) and Research expenses	(739)	(734)	(615)	(693)	(705)
Financial expenses	(360)	(273)	(438)	(951)	(916)
Zakat	(26)	(124)	(115)	(98)	(179)
Net profit (loss)	(1,244)	2,391	(785)	(637)	1,702

Difference in operational results (amounts in millions, SAR)

The company's sales amounted to 1.11 billion riyals during 2022, compared to sales amounting to 12.6 billion riyals during 2021, with a decrease of 12%, it also achieved a total loss of 96.8 million riyals, compared to a total profit of 3.5 billion riyals, while the operating loss amounted to (857) million riyals during the year 2022, after deducting expenses Selling, general and administrative expenses, compared to an operating profit of 2,788 million riyals for the year 2021. reason returns The decline in the financial results resulted in higher feedstock costs and lower average selling prices for most products. The company seeks to continue to reduce costs, diversify products and enter new markets with the aim achieving its set goals.

Item	2022	2021	Changes (+) or (-)	Change percentage %
Sales	11,157	12,656	(1,499)	(11.85)
Cost of sales	(11,258)	(9,099)	(2,155)	23.69
Gross profit	(97)	3,558	(3,654)	(102.72)
Other operating revenues	-	-		
Other operating expenses	(760)	(769)	9	(1.17)
Operating profit (loss)	(857)	2,788	(3,646)	(130.75)

Paid and outstanding statutory payments

The following table details the company’s paid and outstanding statutory payments (amounts in thousands, SAR):

Item	2022		Brief description	Reasons
	Paid	Unpaid dues until the end of the year		
Zakat	113,706	26,312	What is paid or charged to the fiscal year pursuant to regulatory provisions of Saudi Arabia's Zakat, Tax and Customs Authority (ZATCA)	Government dues
Tax	3,905	0.03	What is paid or charged to the fiscal year as tax expenses, in accordance with tax regulations in Saudi Arabia	Government dues
General Organization for Social Insurance	61,153	4,809	What is paid or charged to the fiscal year pursuant to regulatory provisions of the General Organization for Social Insurance (GOSI) in Saudi Arabia	Government dues
Visa and passport costs	140	-	Amounts paid during the year as visa and passports charges according to relevant regulations	Other government dues
Total	178,904	31,121		



Item	2022	2021
End of service benefits	620,933	872,303
Savings program	37,668	34,254
Housing loans and home ownership	113,859	122,267
Total	772,460	1,028,824

Information about the company’s loans:

The following table indicates the loans owed by the company by the end of 2022 (SAR, thousands):

Lender	Borrowed amount	Loan term (years)	Balance at the beginning of the year	Additional balance during the year	Paid amounts	Balance at the end of the year
Financial facility agreements guaranteed by international export credit agencies	7,267,723	12	359,242	0	359,242	-
Business facility agreements	2,722,296	12	420,319	1,637	421,956	-
Islamic facility agreements	3,863,697	12	596,273	2,600	598,873	-
Facility agreement with the Public Investment Fund	4,001,250	12	299,357	737	300,094	-
Facility agreement with the Saudi Industrial Development Fund	2,721,784	13	397,584	6,501	126,667	277,418
Islamic facility agreement for working capital	2,414,151	15	2,412,949	-47	2,412,902	0
Islamic murabaha agreement with the National Commercial Bank	7,500,000	7	7,094,247	6,710	0	7,100,957
Islamic murabaha agreement with Banque Saudi Fransi	1,500,000	8	1,488,744	1,870	0	1,490,614
Islamic facility agreement for working capital	3,000,000	5	0	900,000	4357	895,643
Total long-term business loans	34,990,901	-	13,068,714	920,008	4,224,090	9,764,631

OPERATIONS

Unique operational strengths

- The company's products consist of 20 different products offers more than 1,300 differentiated grades
- 10 mixed crackers enable annual production of more than 2 million metric tons of Ethylene and Propylene
- All feedstock demand for Ethylene and Propylene is secured internally from the Saudi Kayan Olefins plant



Asset Performance Index (API)

In 2022, Saudi Kayan developed new plans under the Asset Performance Index (API) program, to measure assets and their life cycles from design and project implementation through to operation and maintenance, with rehabilitation or replacements at the end of their lifespans.

While API allows the company to increase production levels and improve performance, it also creates a more harmonious balance between its own requirements and those of stakeholders. In addition, several new programs are being implemented to improve asset reliability and availability, including the development of best practices, the publishing of equipment strategies, conducting maturity studies, and implementing state-of-the-art technologies.

API score and ranking

During Q3 of 2022, Saudi Kayan scored an impressive 88.9% API score and was ranked second among all SABIC affiliates. With an annual increase of more than 4%, the improvements are a direct result of concentrated efforts and fruitful teamwork in the areas of strategic focus, capacity building, and commitment to corporate strategy.

The API also indicated consistent improvement throughout 2022, with methodology underlying this index revealing alignment, engagement, and betterment at all levels.

API score

2021	84.5%
2022	88.9%

Systems and programs

- The Advanced Process Control (APC) system optimizes the time needed to take a decision, and enhances productivity
- The linear program called MBPPO runs multiple scenarios simultaneously and evaluates profitability to enable production of the most profitable products and grades
- The Operation Management System (OMS) continues to inspire employees and stakeholders towards continual improvement, and create a performance driven culture to achieve and exceed targets
- Saudi Kayan continues to work closely with SABIC to enhance the operations discipline and operational excellence Key Performance Indicators (KPIs)



Digitization

Saudi Kayan has absorbed and continues to implement aspects of SABIC's extensive digitalization program. In 2022, Achieving several accomplishment in the areas of security, safety and inspection.

Certifications and renewals

Saudi Kayan won several new certifications in 2022 and got recertified for other aspects of operations including technical processes.

- ISO 10015:2019, Competence Management and People Development.
- HALAL certification by Saudi Food and Drug Authority (SDFA)
- ISO 55001:2014 Asset Management
- ISO 27001:2013 Information Security System Management
- ISO 9001 Quality Management System
- ISO 22301 Business Continuity Management
- ISO 14001 RCMS
- ISO/IEC 17025: 2017 QA Lab Testing and Calibration
- Kosher certification
- Technical certifications: LNE, IIP, SIRM, NSF, GMP EXCIPACT
- GMP EFFCI

PRODUCTS AND MARKETS

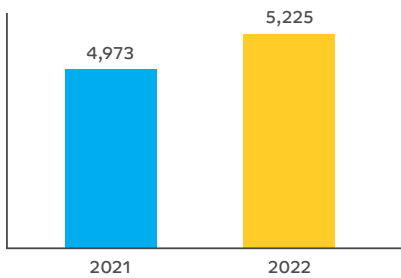
Strategic objectives

Short term	Medium term	Long term
Producing the most profitable grades, based on varying market demand	Establishing synergies with affiliates and other companies	Becoming a regional leader in petrochemicals and a preferred supplier to the world to deliver sustainable profits

Increase Production

In 2022, Saudi Kayan Company improved production volume by 5%, compared to 2021, demonstrating excellence in plant reliability and sustainable operations. The quantities produced in 2022 for Saudi Kayan Company amounted to (5.22) million metric tons, compared to the quantities produced during 2021, which amounted to (4.97) million metric tons, an increase of approximately 252 thousand metric tons, or 5%. The reason for the increase in the quantities produced is For 2022, compared to the previous year, there is an improvement in operational reliability.

The following graph shows the increase in the quantities produced during 2022 compared to 2021 (million metric tons):

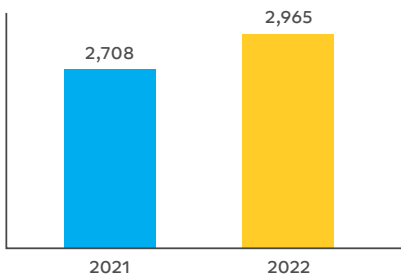


Increase Sales

The reason for the decrease in revenues is mainly due to a decrease in the average selling prices of products, despite the improvement in the operational performance of most of the company's plants and the increase in the quantities sold for 2022 to

(2.97) million metric tons, compared to the amount of sales for the year 2021, which amounted to (2.71) million metric tons, an increase of (257) thousand metric tons, or 9%.

The following graph shows the increase in the quantities sold during 2022 compared to 2021:



Production highs

The company was able to successfully achieve 97% of its targeted production plan for 2022, and 96% of its annual sales plan, despite all the logistical constraints and market challenges. Although the plants did not witness expansions in 2022, 9 plants achieved unprecedented production rates that exceeded their production capacity.

- Polycarbonate (PC)
- Phenol
- Bisphenol-A (BPA)
- Cumene
- Others



Product innovation

Backed by commitment to overcome market challenges and emerge a leader in the petrochemicals market, Saudi Kayan is steadily building a reputation for product innovation.

In 2022, the company was able to produce several additional grades:

- Polypropylene
- High & Low - density polyethylene
- Ethoxylates

Geographical distribution

The global market posed multiple challenges throughout the year, especially supply chain bottlenecks. Working in association with SABIC, the company overcame most of them with innovative strategies. Maneuvering geographical distribution and producing high netback grades for specific geographies was a success story in 2022.

Maximized profits

Saudi Kayan has a unique operational rhythm which allows it to maximize profitability based on market requirements or demand for a particular product or grade. Responding to each market situation, the company is able to produce and deliver additional amounts of the most profitable products or grades. It further capitalizes on this dynamic model by diverting feedstock to the most profitable down streams.

A notable example of this model is Ethylene Oxide (EO) derivatives. Constant and careful evaluation creates an accurate ranking of all its grades, and the company is easily able to allocate or re-allocate resources to the most profitable among them. As a chemical intermediate, EO is further reacted to produce a wide spectrum of products and although global demand remains high, pricing and supply fluctuates dramatically based on trade and market regulations, import-export analyses, value chain optimization, the impact of localized market players, category market growth, application niches and dominance, and technological innovations.

Principal challenges

The geopolitical created unprecedented increases in feedstock costs, and further impacted ongoing supply chain problems around the world. Along with frequent pandemic-related lockdowns, these factors greatly affected global petrochemical prices. Like others in the industry, Saudi Kayan's feedstock structure was affected by fluctuations in feedstock pricing, especially the cost of Butane.

In 2023, the global petrochemical industry will be expected to overcome similar behaviors as it did in 2022, in terms of feedstock prices and supply chain limitations.

The biggest challenge Saudi Kayan continues to face is the high price of Butane, which along with Ethane, is procured from Saudi Aramco for cracking and usage at all plants. To mitigate this in part, strategies are being developed to reduce the intake of Butane and maximize the intake of Ethane, to lower the overall costs of both feedstocks. Separately, the company is also developing others means and methods to minimize the impacts of price fluctuations in terms of both, feedstock and average netback.



Environmental, Social and Governance (ESG)

Environmental capital	42
Intellectual capital	46
Social and relationship capital	48



ENVIRONMENTAL CAPITAL

Workplace safety

At Saudi Kayan, ensuring the health, safety and security of employees is both, an important commitment and an ongoing responsibility.

The company does its utmost to ensure the wellness and wellbeing of all employees, as well as that of vendors, contractors, external stakeholders, and the neighborhoods and communities in which it operates.

Measures deployed at the workplace include providing employees and visitors with safety gear and equipment, observing all safety requirements, identifying the safest methods for employees to perform their tasks, and conducting timely check-ups and follow-ups of their health according to the nature of their work. Regular lectures on occupational health and environmental protection help increase raise awareness levels among all employees and make them champions of safety.

In the wider community, frequent campaigns on safety and environmental protection contribute to the creation of safer surroundings.

Management oversight

The company's senior management has pledged to uphold the highest levels of safety on the premises with active participation and leadership, and by ensuring compliance with local laws and international standards. Members also direct constant and continuous attention towards all employees for adherence to stipulated rules and regulations, for their own safety as well as that of others, and to safeguard company property from risks.

Senior members of management are involved in overseeing the implementation of SHEM (Safety, Health and Environment Management) at Saudi Kayan. This standard for risk-based assessment is being embedded throughout the organization and will supplement standard auditing which has hitherto served as the primary means to assess onsite performance and progress.



Emergency preparedness

Saudi Kayan has a trained emergency response team that is ready and capable to deal with most types of unexpected or unplanned situations. During the last five years, members of this team have undergone almost 500 training sessions in various emergency operations like first aid, firefighting, rescue, and the handling of hazardous chemicals. This specialized team complements a full-fledged fire and emergency unit.

Mock drills are held at random intervals to test the efficacy of other onsite teams in handling accidents, evacuation, firefighting and other perilous situations.

Environment protection

As a manufacturer of petrochemicals, the company recognizes and upholds its responsibility towards the preservation and improvement of its immediate surroundings, as well as protection of neighboring communities, and the environment.

Based on a framework of objectives and targets that are reviewed at periodic intervals, proactive measures are applied or implemented to maintain the highest levels of industrial hygiene, and to restrict impact of specific activities on the immediate environment. To conserve natural resources and to protect the environment, the most practical and rationalized methods are used for waste disposal, the handling of air, water and soil pollutants, and applying sustainable measures in the reuse and recycling of products.

The company continues to meet all rules and regulations issued by the Royal Commission for Jubail, and aspires to match the highest international standards through defining aspects of its Safety, Health, and Quality Policy:

- Predictive performance indicators that measure the EHSS performance of every plant, with the added ability to address related risks in case of occurrence
- Program to periodically monitor and maintain standards for emissions and plant water pollution
- Ongoing awareness series on the company's environmental policies and workplace first-aid measures
- Regular campaigns for careful driving and the correct use of company vehicles.



ENVIRONMENTAL CAPITAL

Launch of Compliance Helpline

In 2022, the company created a Compliance Helpline by assigning and training select members, and appointing Helpline Leaders. Their remit includes applying SHEM-10 standard requirements, under supervision from the EHSS department. The unit has been provided dedicated email addresses and phone numbers for direct contact, for any areas of concern or for support.



Sustainability

Since its establishment, Saudi Kayan has aspired to produce petrochemicals in a sustainable manner. From this point of view, the company began to implement the principle of sustainability and set future goals to reduce energy consumption, reduce water consumption, reduce greenhouse gas emissions and reduce the efficiency of material consumption; It is also committed to achieving levels of excellence in accordance with international standards, including achieving the requirements of the Saudi Energy Center "Kafaa".

The company also continues to innovate to achieve its sustainability goals and keep pace with changing energy efficiency regulations such as the Energy Efficiency Program in Saudi Arabia. As part of this, you are preparing to tackle the risks of climate change by exploring the Science-Based Targets Initiative, an international collaboration that promotes best practices, to assess our current greenhouse gas emissions targets. In addition to ensuring commitment to positive impacts in all areas of our operations.

The company has also achieved sustainable efforts during the previous years through:

Step change	2022
Absolute GHG Emissions, Scopes 1 and 2 (mMTCO2)	5.5
Green House Gas Intensity (MTCO2/MT sales)	0.81
Energy Intensity (GJ/MT sales)	10.9
Material Loss Intensity (MTM/MT)	0.06
Water Intensity (m3/MT sales)	0.84
CO2 Utilization (Million MT)	69.072

Reliability

Since its establishment, "Saudi Kayan" has been keen to adopt an integrated strategy for reliability and equipment safety programs, the latest of which is the Manufacturing Strategies Package 2026, which focuses on attaining high level of maturity in reliability by implementing strategic initiatives aimed at implementing proactive plans to reduce risks associated with equipment and systems during the life cycle of assets. These initiatives focuses on incorporating reliability, improving operational safety, improving equipment maintenance efficiency, energy and sustainability.

In 2021 Saudi Kayan has achieved the targeted Objectives & milestones under Asset Life cycle Management (ALCM) , resulting in plant performance, increased production, improved reliability and scheduled maintenance programs, the focus was on SK wide assets which include: electrical, rotating. Static, Analyzers & instrumentations and control.

And with the challenges facing the petrochemical industries directly related to global economic fluctuations, the company seeks to continue on a sustainable approach to achieve the desired results to always be at the forefront at the level of the industry in the Kingdom of Saudi Arabia in particular and the global petrochemical industries in general.



INTELLECTUAL CAPITAL

Saudi Kayan always seeks to raise the level of efficiency of its employees and provide a fertile work environment that contributes to raising its performance to reach the company's goals and empowering the workforce to be a competitive force in the petrochemical industry, so it was keen to complete the development of employees through virtual courses that were provided to all employees. Internal skills and talents in providing technical courses in various disciplines to enrich the knowledge of employees, as it has provided several internal courses that included a large number of its employees.

Early Development Program

Fresh graduates who join Saudi Kayan are enrolled in an early development program that is an enhanced version of the well-established SABIC Engineers early Development (SEeD) program. The EDP aims to develop their academic knowledge with on-the-job training and tailor-made modules for their respective areas of work. This focused investment in skills and capabilities helps achieve the highest levels of efficiency.

JADEER

As operators, technicians and frontline staff form the largest segment of the workforce, the company is keen to ensure their ongoing development, and continuous improvement in their respective fields of work. The dedicated development program JADEER complements vocational qualification programs they have completed earlier, with the aim of refining skills and raising levels of professional knowledge for safe and smooth operations at plants and factories.

Training and learning

Number of participants	Average hours of training per employee
1,197	67

Employee welfare

The company is keen to secure the future of its Saudi employees and help them experience the highest levels of job satisfaction and job security, and this is embodied through unique incentive programs.

Thrift Program

The popular program runs on the simple premise that the more employees are able to save in a single month, the more secure their future prospects. Participating employees can define their investment goals for tailor-made deductions from their monthly salaries, that are invested in Sharia' compliant vehicles under Islamic financing. The saved amounts and accrued profits can be accessed by them whenever needed.

Home Loans Program (HLP)

The company offers interest-free loans for home ownership to all Saudi employees who meet approved terms and conditions during their tenure in the company. Boosted by the success of loans issued in previous years, the program continues to add value to employee welfare and wellbeing.

Housing Ownership Program (HOP)

Saudi employees who meet all necessary requirements, automatically qualify for Saudi Kayan's Housing Ownership program. After successfully completing the first set of homes, the company is working to obtain more residential lands for the construction of new housing units.

Leader development Programmes

The company continues to develop its leaders and provide all capabilities to achieve its goals, so it made sure that its leaders are qualified through several programs designed specifically for leaders, in order to ensure the development of their management skills and their ability to complete their tasks to the fullest.



Kayan Maintenance Academy

The company has paid great attention to the development of technical capabilities through the Maintenance Academy, which provides theoretical and practical training in the maintenance of equipment and devices, so that the trainees can apply what they learned in theory to these devices and equipment.

Internal Training Programs

The company has designed several programs that are an investment for highly experienced people, as it has provided many internal courses to enhance the transfer of expertise among employees in order to ensure continuity of giving and continuous development of performance.

Customized Training Programs

The company has studied the necessary development needs for employees, as it has provided several specialized training courses in cooperation with accredited training institutes and centers to raise the level of knowledge and skills necessary to perform their work professionally and with high quality. These programs included the following courses:

- Change management
- Emotional intelligence
- Development of operators and technicians
- Develop operators of operating monitoring devices
- Expenditure efficiency
- Lead for success

Cooperative Training Programs

In terms of social responsibility, the company has hosted many students of institutes, colleges and universities and offers programs that suit their majors and qualifications to ensure the development of their scientific skills and the practical application of the knowledge they gained during their academic career.

Experience exchange program

This program aims to exchange experiences with SABIC and its companies. Several programs have been scheduled at different times for the purpose of sharing experiences, ways to improve performance, and solutions to technical problems.

Happiness Committee

As part of the internal initiatives, the company's management has formed a happiness committee with the aim of improving the work environment and making it an attractive environment by organizing several initiatives and events for employees and their families.

Corporate Culture

With the premise that distinguished personal capabilities and competencies help achieve corporate goals quicker, Saudi Kayan works systematically to develop employee skills in different fields.

The company is in the process of establishing a strong corporate culture, and regularly reinforces its impact and importance through ongoing events and programs, awareness-raising messages, and continuous monitoring.

Communication

Saudi Kayan participates in relevant industry forums that share or showcase skills and competencies. Employees communicate regularly and share their experiences with other SABIC affiliates, and in turn, benefit from the experiences and expertise of these affiliates.

Cybersecurity Training

Campaigns are run frequently to highlight cybersecurity crimes and their perils, both to educate employees and raise their awareness as well as to safeguard the digital assets of the company. While all vital systems remain protected with the latest security updates, personnel manning them are retrained regularly on safe and correct usage.

Human resources

Total workforce

Direct Hire (DH)	Supplementary Man Power (SMP)	Total number of new employees
1,158	161	1,319

Saudi nationals in workforce

Direct Hire (DH)	Supplementary Man Power (SMP)	Saudization Percentage
93%	14%	84%

SOCIAL AND RELATIONSHIP CAPITAL

Since its inception, the company has been committed to performing its national duties within the framework of its social responsibility strategy, which aims to serve the community, assist in social development, raise awareness of safety and health, and contribute to environmental protection.

The company achieves these goals by playing a prominent role in community services, by supporting social activities and sponsoring charitable works at the local level through various initiatives that include:



People reached

+4000



CSR programs

18



Health initiatives

Based on the social role that the company is committed to and the dictates of its national and humanitarian feelings, the company's social responsibility committee visited patients and checked their conditions in the Royal Commission Hospital in Jubail Industrial City. It also encouraged employees through Saudi Kayan campaigns to donate blood and quit smoking, as well as awareness campaigns for diabetics. She also participated in the breast cancer campaign as a strategic partner.

Educational initiatives

Saudi Kayan Company provides support and harnesses capabilities to serve education and learning, as it sponsored the graduation ceremony of high school students at the level of Jubail Industrial City and contributed to the purchase of a device to correct the Holy Quran exams in one of the Quran memorization schools, in addition to organizing several visits for the employees' children to Saudi Kayan Company and getting acquainted with the company's facilities. King Abdulaziz Knowledge Center (Ithra)

Charitable initiatives

The company pays attention to charitable initiatives by supporting and contributing to several programs, including the health and educational programs of the Jubail Orphans Association, and the offspring program (to assist in reproduction) in cooperation with the Rahama Association to conduct IVF operations for needy families and also participate in providing breakfast meals for fasting people during the holy month of Ramadan in cooperation with Jubail Charity Association.

National events

Saudi Kayan Company organized a celebration on the occasion of the foundation day with the participation of its employees and presenting symbolic gifts on this precious occasion. It also participated in the celebration of the Saudi National Day by holding events and competitions and strengthening its national role in commemoration of the memory dear to our hearts.



CORPORATE GOVERNANCE

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كيان السموية
saudi hoyon

كيان السموية
saudi hoyon

مبنى الإدارة
Administration
Building

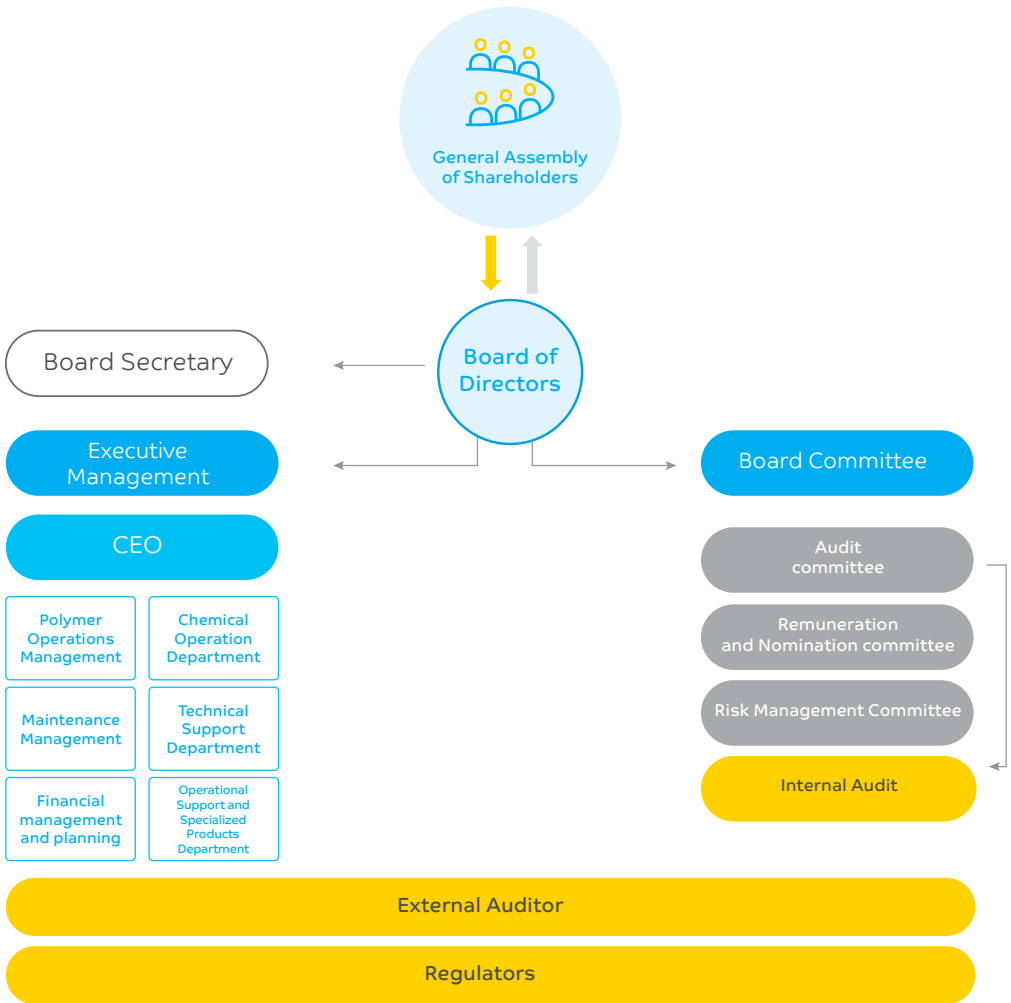
GOVERNANCE STRUCTURE

Governance structure

Saudi Kayan has adopted, and is committed to upholding, good corporate governance in accordance with international principles and best practices, and with rules and regulations issued by the Capital Market Authority (CMA), with due regard to some permissible exceptions.

The company’s general framework for governance, which includes a set of policies, also defines roles and responsibilities, how decisions are taken and conducted, how their implementation is monitored, and how best adequacy of performance can be monitored based on relevant regulations. This framework promotes transparency, accountability and competence.

Saudi Kayan’s Board of Directors (Board) has overall responsibility for establishing, supervising and reviewing the company’s governance principles and policies. The Board is also responsible for following up on applications of governance laws to guarantee the rights of employees, shareholders, investors, and other stakeholders; to verify their integrity and accuracy; to ensure adherence to best practices, and to ensure adoption of the best laws for control and compliance.



SHAREHOLDERS

Shareholders are the most important segment in the company’s corporate governance framework. The Board of Directors’ work regulations require that they attend the meetings of the General Assembly and meet with shareholders to listen to their suggestions and observations about the company and its performance. The company’s Articles of Association also guarantee the participation of shareholders in deliberations and discussions at meetings of the General Assembly.

Furthermore, the Board of Directors has approved a Disclosure Policy and related procedures to ensure the right of shareholders to enquire, request information and get answers to their enquiries, in any manner that does not harm the interests of the company.

Saudi Kayan is committed to achieving the principle of fairness in providing the right information at the right time to all shareholders, investors and other stakeholder, and informs them about activities and performance undertaken during the year through the Annual Report. The company also provides updates about any important developments that may arise and impact financial position, through the Tadawul website, the company’s own website, and other means of communication, so as to enable them to make investment decisions based on correct and adequate information.

Date	Announcement
27 Jan, 2022	Saudi Kayan Petrochemical Co. announces interim financial results for the period ending on 31/12/2022 (Twelve Months)
01 Mar, 2022	Saudi Kayan Petrochemical Company announces the change of representative of the Saudi Basic Industries Corporation (SABIC) in its board of directors
08 Mar, 2022	Saudi Kayan Petrochemical Co. announces its annual financial results for the period ending on 2021-12-31
29 Mar, 2022	Saudi Kayan Company invites its shareholders to attend the ordinary general assembly meeting (first meeting) remotely by using modern technology means
20 Apr, 2022	Saudi Kayan Petrochemical Co. announces the results of the ordinary general assembly meeting (first meeting) remotely by using modern technology means
25 Apr, 2022	Saudi Kayan Petrochemical Co. announces its interim financial results for the period ending on 2022-03-31 (Three Months)
30 Jun, 2022	Saudi Kayan Petrochemical Co. announces the early repayment of part of its loans amounting to SAR 1.680 billion
13 Jul, 2022	Saudi Kayan Petrochemical Co. announces the appointment of a new Chief Executive Officer
27 Jul, 2022	Saudi Kayan Petrochemical Co. announces its interim financial results for the period ending on 2022-06-30 (Six Months)
24 Oct, 2022	Saudi Kayan Petrochemical Co. announces its interim financial results for the period ending on 2022-09-30 (Nine Months)
08 Nov, 2022	Saudi Kayan Petrochemical Co. announces signing a murabaha revolving credit facility agreement of SAR 3 billion
29 Nov, 2022	Saudi Kayan Petrochemical Co. announces the latest developments regarding the signing of financing agreements
27 Dec, 2022	Saudi Kayan Petrochemical Co. announces the expected date to release its annual financial results for 2022

General Assembly

Saudi Kayan held its General Assembly for shareholders on 19 April 2022, with attendance from Board Members as detailed below:

Ordinary General Assembly	
Eng. Ahmed Al Shaikh (Chairman of the Board)	Attended
Eng. Mohammed Al Zahrani (Vice Chairman)	Attended
Dr. Waleed Al Shalfan	Attended
Dr. Fahd Al Sherehy	Attended
Eng. Ahad Awaidha	Attended
Mr. Bashar Kayyali	Attended
Mr. Ahmed Abu Talaf	Attended

Shareholder records

The company requested shareholder records 11 times during the financial year ending December 31, 2022. The below table lists the dates of shareholder record requests and the reasons behind them:

Record date	Reason for request	Record date	Reason for request
06 Jan 2022	Shareholder data analysis	31 Jul 2022	Shareholder data analysis
27 Jan 2022	Shareholder data analysis	03 Aug 2022	Shareholder data analysis
20 Mar 2022	Shareholder data analysis	26 Sep 2022	Shareholder data analysis
10 Apr 2022	General Assembly Meeting	26 Oct 2022	Shareholder data analysis
05 Jun 2022	Shareholder data analysis	06 Nov 2022	Shareholder data analysis
		10 Dec 2022	Shareholder data analysis

DIVIDENDS POLICY

Saudi Kayan’s Dividend Policy falls within the jurisdiction of its Ordinary General Assembly, based on recommendations from the Board of Directors. The Policy aims to strike a balance between dividends to shareholders – be it in cash or through the distribution of free shares – and the company’s ability to maintain growth in light of expansion and investment plans, in accordance with controls and procedures from relevant authorities and the company’s own regulations and policies.

Accordingly, the Dividend Policy takes into consideration various provisions and regulations mentioned in the company’s Articles of Association, corporate governance regulations, the Capital Market Law, and the Companies Law relating to Listed Joint Stock Companies, as detailed.

Regulatory restrictions for dividends

- Setting aside 10 per cent of net profits to form a statutory reserve, until said reserve reaches 30 per cent of paid-up capital
- Setting aside other types of reserves and allocations as decided by the Ordinary General Assembly
- Not distributing dividends for the years following any fiscal year in which the company did not distribute dividends, until after paying the specified percentage for that year
- Not distributing amounts that exceed profit achieved in a fiscal year unless there is an available balance from previous years in the retained earnings account, and then, distributed amount not to exceed this balance

Dividends distribution controls

- Determining the extent to which the company has achieved profits, assessing its financial position, market condition and general economic climate
- Assessing expected cash flows to identify financial obligations to cover working capital and capital expenditures
- Assessing the need to increase capital through the distribution of free shares based on the company’s available balance in the retained earnings account, and accounting for future expansions so that capital is commensurate with expansion plans
- Studying legal and regulatory considerations, and any restrictions on distribution under any financing loans, if any
- Setting aside a certain percentage of net profits to form a consensual reserve and allocating it for specific purpose or purposes, if proposed thus by the Board
- Recommending all final decisions to the Extraordinary General Assembly for approval
- Distributing dividends on dates determined by the Board, in accordance with regulatory controls and procedures issued by authorities

BOARD OF DIRECTORS

The Board of Directors (Board) sets and reviews major policies and procedures at Saudi Kayan including key corporate objectives, strategic plans, and performance indicators. The Board approves the company’s annual business plans and budgets and ensures the availability of financial and human resources required to implement these plans. In addition, the Board bears full responsibility for identifying the optimal capital structure for the company, major capital expenditures, as well as asset ownership and disposal decisions. The Board also oversees the implementation and monitoring of internal control systems.

Saudi Kayan’s Board of Directors consists of seven members as stipulated in Article No. 17 of the company’s Articles of Association: “The company is managed by a Board of Directors consisting of seven (7) members appointed by the Ordinary General Assembly for a period not exceeding three (3) years, provided that Saudi Basic Industries Corporation (SABIC) has the right to appoint or nominate four (4) members, from whom it chooses the Chairman and Vice Chairman, and that Members may be re-elected.

During the Ordinary General Assembly meeting, current Board Members were elected by cumulative voting and appointed for a period of three years, as detailed and classified below.

Members of the Board

Member	Type	Position
Eng. Ahmed Al Shaikh	Non-executive	Chairman of the Board
Eng. Mohammed Al Zahrani	Non-executive	Vice Chairman
Dr. Waleed Al Shalfan	Non-executive	Board Member
Dr. Fahd Al Sherehy*	Non-executive	Board Member
Mr. Bashar Kayyali	Independent	Board Member
Mr. Ahmed Abu Talaf	Independent	Board Member
Eng. Ahad Awaidha	Independent	Board Member

* He was appointed to the Board of Directors of Saudi Kayan Petrochemical Company (Saudi Kayan) instead of Mr. Khalid Al-Garni (non-executive member) whose Board membership started on March 20, 2021.

BOARD MEMBER PROFILES



Eng. Ahmed Al Shaikh
Chairman of the Board of Directors

Current position/s
Executive Vice President of Engineering and Project Management at Saudi Basic Industries Corporation (SABIC)

- Previous positions and education**
- Executive Vice President of Manufacturing at SABIC
 - President of the Saudi Yanbu Petrochemical Company (YANPET)
 - President of Jubail United Petrochemical Company (UNITED)
 - General Manager of Operations at UNITED
 - General Manager of Maintenance and Technical Support at UNITED

Eng. Al Shaikh has a bachelor's degree in electrical engineering.

Current director or board member of other companies
In the Kingdom

- Saudi Kayan Petrochemical Company
- Power and Water Utility for Jubail and Yanbu

- Abroad**
- Sinopec Tianjin Petrochemical Co., Ltd. (China)
 - The Saudi Mauritanian Metals and Steel Company (Takamul)
 - Fujian (China)

Former director or board member of other companies
In the Kingdom

- Saudi Iron & Steel Company (Hadeed), SABIC
- Saudi Methanol Co (Ar Razi), SABIC
- Saudi-European Petrochemical Company (Ibn Zahr), SABIC
- Arabian Petrochemical Company (Petrokemya), SABIC
- Saudi Petrochemical Company (SADAF), SABIC



Eng. Mohammed Al Zahrani
Vice Chairman
Chairman of Risk Management Committee
Member of Remuneration and Nominations Committee

Current position/s
Vice-President of Chemicals Business Unit

Previous positions and education

- CEO of Saudi Iron & Steel Company (Hadeed), a subsidiary of SABIC
- CEO of Saudi Petrochemical Company (SADAF), a subsidiary of SABIC
- CEO of Saudi Japanese Acrylonitrile Company (Shrouq), a subsidiary of SABIC
- General Operating Director at Eastern Petrochemical Company (Sharq), a subsidiary of SABIC

Bachelor's degree in chemical engineering and master's degree in executive business administration.

Current director or board member of other companies

- Saudi Kayan Petrochemical Company (Saudi Kayan), a subsidiary of SABIC
- Jubail Chemical Storage and Services Company (Chemtank), a subsidiary of SABIC
- SABIC Terminal Services Limited Company (Sabtank), a subsidiary of SABIC
- Saudi Petrochemical Company (SADAF), a subsidiary of SABIC

Former director or board member of other companies

- Eastern Petrochemical Company (Sharq), a subsidiary of SABIC
- National Methanol Company (Ibn Sina), a subsidiary of SABIC
- Gulf Aluminum Rolling Mill Company (GARMCO), a subsidiary of SABIC
- Saudi Mauritanian Metals and Steel Company (Takamul)



Dr. Waleed Al Shalfan
Member of the Board
Member of Audit Committee
Member of Risk Management Committee

Current position/s
Vice President, Technology and Innovation for Polymers, Saudi Basic Industries Corporation (SABIC)

Previous positions and education

- General Technical Director, Strategic Business Unit for Petrochemicals
- Vice President, High-Density Polyethylene, PVC, and Polystyrene Business Unit
- General Director, Technology and Emerging Economies
- General Director, SABIC Research Centers in the Kingdom

Dr. Al Shalfan has a Ph.D. in materials engineering, a master's degree in metallurgy, and a bachelor's degree in engineering mechanics.

Current director or board member of other companies

- Saudi Kayan Petrochemical Company (Saudi Kayan), a subsidiary of SABIC
- National Center for Waste Management (MWAN)
- Saudi Investment Recycling Company (SIRC), a subsidiary of the Public Investment Fund.
- SAIL company, a subsidiary of SIRC

Former director or board member of other companies

- Saudi Petrochemical Company (SADAF), a subsidiary of SABIC
- Saudi-European Petrochemical Company (Ibn Zahr), a subsidiary of SABIC

**Mr. Bashar Kayyali**

Member of the Board
Member of Audit Committee
Member of Risk Management Committee

Current position/s

Executive Director, Maximum Value Management Consulting Company

Previous positions and education

- Head of Investment Banking, Deutsche Bank
- Head of Banking Investments, Gulf International Bank
- Financial Advisor, Arthur Andersen

Mr. Kayyali has a bachelor's degree in accounting.

Current director or board member of other companies

- Saudi Kayan Petrochemical Company (Saudi Kayan), a subsidiary of SABIC

Former director or board member of other companies

- None

**Dr. Fahd Al Sherehy**

Member of the Board
Member of Risk Management Committee

Current position/s

Vice President of Energy Efficiency and Carbon Management.

Previous positions and education

- Vice President of Technology and Innovation (CTO)
- General Manager of SABIC T&I Global Centers
- General Manager of Technology Department, Strategic Chemicals Unit, SABIC
- General Manager of Technology for Emerging Countries
- Chemical Research General Manager

Dr. Fahd holds a PhD in Chemical Engineering.

Current director or board member of other companies

- Member of Saudi Kayan Petrochemical Company (Saudi Kayan)

Former director or board member of other companies Inside the Kingdom

- Member of Al-Jubail Petrochemical Company (Kemys), a joint venture between Saudi Basic Industries Corporation (SABIC) and ExxonMobil.
- Member of Yanpet, a joint venture between Saudi Basic Industries Corporation (SABIC) and ExxonMobil.

**Mr. Ahmed Abu Talaf**

Member of the Board
Chairman of the Remuneration and Nominations Committee

Current position/s

Consultant CEO of Future Ceramic and Porcelain Company

Previous positions and education

- Director General, Human Resources and Administration, Saad Almueajel Group
- Director of Human Resources and Administration, Al Zahrani Group
- Senior Director for Human Resources and Administration, Sarah Holding Group
- Head of Planning and Support Services, Saudi Aramco
- Head of Planning and Programs, Saudi Electric Company

Mr. Abu Talaf has a bachelor's degree in business administration.

Current director or board member of other companies

- Saudi Kayan Petrochemical Company (Saudi Kayan), a subsidiary of SABIC

Former director or board member of other companies

- None

**Eng. Ahad Awaidha**

Member of the Board
Member of Risk Management Committee

Current position/s

CEO of Al Ghazawi Holding Group

Previous positions and education

- Leader of Saudi Vision 2030 program, representing Economic Affairs Council
- CEO of Abdel Aziz and Saad Almueajel for Trade and Investment Company
- Director General of Al Zahrani Holding Group
- Director General, Marketing at Bank Albilad

Eng. Ahad Awaidha has a Bachelor's degree in Mechanical Engineering.

Current director or board member of other companies

- Saudi Arabian Petrochemical Entity, a subsidiary of SABIC
- Advanced Production Company

Former director or board member of other companies

- None

BOARD PROCEDURES REGARDING SHAREHOLDERS

Saudi Kayan's Articles of Association guarantees the equity rights of all shareholders and ensures that shareholders attending the General Assembly can participate in deliberations and discussions. The company receives suggestions and observations from shareholders by email or by phone call, and at General Assembly Meetings. The Board of Directors is officially notified with a summary of these suggestions and observations.

Saudi Kayan also stipulates that Board Members must attend General Assembly Meetings to hear and to discuss shareholders' suggestions and observations and to communicate with the company's shareholders.

BOARD METHODS TO ASSESS PERFORMANCE

The Board of Directors, based on the recommendations of the Remuneration and Nominations Committee, has defined criteria and procedures and established necessary mechanisms to evaluate its own performance, and the performance of Board Committees, in order to ensure continuity of development, and efficiency of performance.

The evaluation process for the year 2022 was carried out under the supervision of the Remuneration and Nominations Committee, which included the tasks and responsibilities of the Board and Board committees, identifying strengths and weaknesses, and suggesting actions to be taken in line with the company's interests.

Training of board members

After being appointed to the Board of Directors, the members received an introduction that included the company's activity and performance, as well as the company's strategy, future goals, organizational structure, department roles, financial and operational aspects, as well as visiting Plants.

The company is also keen to keep the board members abreast of developments in the industry sector by attending some specialized conferences such as the Gulf Petrochemicals and Chemicals Association (GPCA). Regular updates are also provided to members of the Board of Directors and committees emanating from the Board of Directors on legal developments, governance and circulars issued by the relevant authorities.

The company also pays attention to training the members of the Board of Directors, as two training programs were implemented during the year 2022 based on the evaluation and recommendation of the Remuneration and Nomination Committee regarding the annual training program for the Board of Directors. The first program was on governance, strategy and risks, and the other program was a training workshop on environmental practices. Social and corporate governance in relation to some sustainability applications in petrochemical companies.



BOARD MEETINGS

Saudi Kayan’s Board of Directors held five meetings during the fiscal year ended 31 December 2022, as detailed and classified below.

Name	Attendance record				
	First meeting 08 February	Second meeting 06 July	Third meeting 17 July	Fourth meeting 11 October	Fifth meeting 27 December
Eng. Ahmed Al Shaikh	attend	attend	attend	attend	attend
Eng. Mohammed Al Zahrani	apologized	attend	attend	attend	attend
Dr. Waleed Al Shalfan	attend	attend	attend	attend	attend
Dr. Fahd Al Sherehy (1)	-	attend	attend	apologized	attend
Mr. Bashar Kayyali	attend	attend	attend	attend	attend
Mr. Ahmed Abu Talaf	attend	attend	attend	attend	attend
Eng. Ahad Awaidha	attend	attend	attend	attend	attend
Mr. Khalid Al Garni (2)	attend	-	-	-	-

(1) He was appointed to the Board starting from March 01, 2022
(2) His membership in the Board expired on February 28, 2022

BOARD MEMBERS’ INTERESTS

Some board members and their spouses and minor children had certain interests in the company's shares during 2022 as detailed.

Name	Start of year			End of year			Net change	Change ratio
	No. of shares	Instrument of debt	Quota	No. of shares	Instrument of debt	Quota		
Eng. Ahmed Al Shaikh	65,000	-	0.0000433	0	-	0	-65,0000	100%
Eng. Mohammed Al Zahrani-	-	-	-	-	-	-	-	-
Dr. Waleed Al Shalfan	-	-	-	-	-	-	-	-
Dr. Fahd Al Sherehy	-	-	-	-	-	-	-	-
Mr. Bashar Kayyali	-	-	-	-	-	-	-	-
Mr. Ahmed Abu Talaf	101	-	0,0000067	101	-	0,0000067	-	-
Eng. Ahad Awaidha	1,000	-	0,0000666	1,000	-	0,0000666	-	-

Board Members’ contracts

The company has not entered into any contracts with any member of the Board of Directors, and there is no personal interest in any one of them, or any person related to them.

BOARD COMMITTEES

The Board of Directors formed several committees that assist it with its statutory duties by leveraging the rich expertise of their members to achieve optimal performance. These committees serve as a dynamic driver for setting policies, developing programs, conducting reviews, and making recommendations.

Board Committee Directors' profiles (external)



Mr. Khalid Al Garni
Chairman of Audit Committee

Current position/s
Vice President of Internal Audit, SABIC

Previous positions and education

- Vice President for Oversight and Financial Reporting, SABIC
- Partner, Deloitte Middle East.

Bachelor's degree in accounting and Certified Public Accountant (CPA) and Professional Accountants. SOCPA; and leadership and operational development programs.

Current director or board member of other companies

- Saudi Kayan Petrochemical Company (Saudi Kayan), a subsidiary of SABIC
- Arabian Industrial Fibers Company (Ibn Rushd)
- Arabian Petrochemical Company (Petrokemya), a subsidiary of SABIC
- Gulf On Capital (Bahrain)
- SABIC Capital (The Netherlands)

Former director or board member of other companies

- Manufacturing Company and Energy Services
- Aluminum Bahrain CM (Bahrain)
- Sinopec SABIC Tianjin Petrochemical Co., Ltd. (China)



Mr. Yahya Al Ansari
Member of Audit Committee

Current position/s
Member of Audit Committee at Saudi Kayan

Previous positions and education

- Chief Executive Officer, Future Ceramics Company
- Chairman of the Board of Directors, Al-Kayan Petrochemical (Al-Kayan)
- Director General of Compensation and Benefits, Saudi Basic Industries Corporation (SABIC)

- President of Tayf, a subsidiary of SABIC
- Director General of Administrative and Financial Affairs, Eastern Petrochemical Company (Sharq)
- General Manager of Northern Business District, Saudi Electric Company

Mr. Al Ansari has a bachelor's degree in industrial management and a master's degree in business administration.



Mr. Nasser Al Nawisr
Member of Nomination and Remunerations Committee

Current position/s
Executive Director of Human Resources for Manufacturing Sector, SABIC

Previous positions and education

- Senior Director, Talent Polarization, SABIC
- Senior Director, Talent Management, SABIC

Mr. Al Nawisr has a bachelor's degree in human resources management.

AUDIT COMMITTEE

First: Audit Committee

According to regulations of the Audit Committee, the Committee is formed with non-executive Board Members, whether shareholders or others, and the number of Committee members shall not be less than three and not more than five, provided that one of them is an independent Board Member. These members are nominated by the Board of Directors (Board) and appointed after a decision of the company's general assembly.

In light of the provisions of the rules governing review or audit committees in the corporate governance regulations issued by the Capital Market Authority (CMA), the Audit Committee undertakes roles and responsibilities as detailed below.

Financial reports:

- Reviewing the company's financial statements and announcements related to its financial performance and making recommendations to the Board in this regard.
- Providing a technical opinion on whether the report of the Board and the company's financial statements have been prepared in accordance with the specific legal requirements governing their preparation and presentation.

- Studying unusual issues included in the financial statements and making recommendations regarding them, when needed.
- Researching any issues raised by the company's Financial Manager or whoever else undertakes his duties, and also by the company's compliance officer, or the auditor.
- Verifying accounting estimates in essential issues contained in financial reports.
- Studying the financial and accounting policies used by the company and providing an opinion and recommendation to the Board in this regard.

Study internal control systems:

- Studying and reviewing internal and financial control systems and risk management to ensure their effectiveness, through periodic reports of the Internal Review Department or others, on the adequacies and effectiveness of internal and financial control systems and risk management systems, and following up on the realization of recommendations and corrective actions regarding the observations contained therein.
- Preparing a report for the Board of Directors that includes opinions on the adequacy of these systems, and recommendations to address essential issues and any other recommendations to develop these systems, as well as any other work it has carried out within the scope of its competence.

Internal Review Department:

- Supervising and controlling the work of SABIC AN's Internal Review Department and verifying its effectiveness in performing its duties and responsibilities.
- Studying and reviewing periodic reports of the Internal Audit Department and following up on the implementation of corrective actions regarding the observations contained therein.
- Submitting recommendations to the Board regarding the appointment or dismissal of the Director of Internal Review Department and evaluating his performance on an annual basis.

Auditor:

- Submitting recommendations to the Board regarding the appointment or dismissal of auditors and determining their fees, after evaluating their performance, ensuring their independence, and the suitability of their scope of work and terms of contract.
- Verifying the independence of the auditor, and the effectiveness of his work, in light of the rules and standards regulating it.
- Reviewing the auditor's plan and works and verifying his compliance with the statutory standards regulating his work.
- Answering the auditor's inquiries and providing necessary support to enable him to perform his duties.
- Studying the auditor's reports and notes on financial statements and following up on the measures taken about them.

Commitment guarantee:

- Studying the reports of regulatory authorities regarding the company's compliance with laws and instructions and ensuring that the company takes necessary measures in this regard.
- Ensuring the company's commitment to relevant laws, regulations, policies and instructions.
- Reviewing contracts and transactions proposed with related parties and expressing an opinion to the Board regarding them.
- Submitting and recommending to the Board of Directors necessary measures to be taken for any issues deemed necessary for the Board to handle.

Submission arrangements:

- Establishing appropriate mechanisms through which employees can submit comments regarding any violation of the company's internal regulations, including regulations related to the preparation of financial statements, and ensuring that the rights of the person making the submission are not violated as a result.
- Establishing appropriate procedures for directing and following up on observations made by employees and ensuring the independence of these procedures.

Audit Committee members and meetings:

The Audit Committee consists of four members, and the following table shows the names of the members, the records of their attendance at the committee's meetings, and the dates of those meetings:

Numbers, dates, and attendance records of the committee's meetings						
Audit Committee	Membership Status	1st meeting 23/01/2022	2nd meeting 23/02/2022	3rd meeting 24/04/2022	4th meeting 27/07/2022	5th meeting 23/10/2022
Mr. Khalid Al-Garni	Chairman	attend	attend	attend	attend	attend
Dr. Waleed Al Shalfan	Member	attend	attend	attend	attend	attend
Mr. Bashar Kayyali	Member	attend	attend	attend	attend	attend
Mr. Yahya Al Ansari	Member	attend	attend	attend	attend	attend

Second: Remuneration and Nominations Committee

Saudi Kayan’s Renumeration and Nominations Committee is formed with non-executive Board Members, whether shareholders or others, and the number of members shall not be less than three and not more than five, provided that one of them is an independent Board Member. These members are appointed by the Board of Directors (Board).

In light of the provisions of the rules governing such committees in the corporate governance regulations issued by the Capital Market Authority (CMA), the Remuneration and Nominations Committee undertakes roles and responsibilities as detailed below.

Remunerations

- Preparing remuneration policies for the Board and Board Committees, and Executive Management of the company, and submitting recommendations to the Board of Directors for approval by the Ordinary General Assembly.
- Reviewing remuneration policies periodically to ensure suitability to changes that may occur in relevant legislation and regulations, the company’s strategic objectives and the skills and qualifications necessary to achieve them and recommending any proposed changes to the Board of Directors.
- Submitting recommendations to the Board regarding remunerations of Board and Board Committee Members and the Executive Management of the company in accordance with the policy approved by the company’s ordinary general assembly.
- Preparing an annual report on the remunerations granted to members of the Board, Board Committees and Executive Management.
- Determining the types of remunerations granted to company’s employees and submitting recommendations regarding them.

Board of Directors and Board Committees

- Preparing policies and criteria for membership of the Board of Directors and submitting recommendations to the Board for approval by the Ordinary General Assembly.
- Submitting recommendations to the Board regarding new nominations for Board membership in accordance with approved membership policy.
- Annually reviewing appropriate skills for membership to the Board and preparing a description of required capabilities and qualifications.
- Periodically reviewing the Board of Directors’ membership policy to ensure suitability to changes that may occur in relevant legislation and regulations, the company’s strategic objectives and the skills and qualifications necessary to achieve them and recommending any proposed changes to the Board.
- Examining any case of conflict of interest or those wishing to run for membership in the Board and submitting recommendations regarding them.
- Studying the structure of the Board of Directors and making recommendations regarding changes that can or must be made.
- Determining strengths and weaknesses in the Board and suggesting how to address them in line with the company’s interests.
- Establishing procedures in the event of a vacancy in the position of a member of the Board or any Board Committee and making recommendations in this regard.
- Recommending performance standards to evaluate the work of the Board of Directors, Board Committees and all its members.

Board and Board Committee Members

- Determining the time that members should allocate for the work of the Board of Directors.
- Ensuring on an annual basis the independence of independent Board Members, and the absence of any conflicts of interest if the member is on the Board of Directors of any another company.
- Developing job descriptions for executive, non-executive members and independent Board Members.
- Making recommendations to the Board of Directors regarding re-nomination or dismissal of a Board or Board Committee Member of the Board.
- Recommending to the Board of Directors to run an induction program for new Board Members covering the company’s activity, the nature of its business, and its financial and legal aspects.

Executive Management

- Making recommendations to the Board regarding appropriate policies and standards for appointing members of Executive Management, identifying required capabilities and skills and reviewing them periodically to ensure suitability for changes that may occur in the company’s strategic objectives, and the skills and qualifications necessary to achieve them.
- Developing job descriptions for members of Executive Management along with a review of the organizational structure of the company and making recommendations regarding any changes that can be made.
- Establishing job succession procedures in the event of a vacancy in the position of a senior executive and making recommendations in this regard.

Remuneration and Nominations Committee members and meetings

The Remuneration and Nominations Committee consists of three members, with meetings held in 2022 dated and detailed below:

Remuneration and Nominations Committee	Membership Status	attendance records of the committee’s meetings				
		1st meeting 24/02/2022	2nd meeting 07/03/2022	3rd meeting 06/07/2022	4th meeting 13/10/022	5th meeting 30/11/2022
Mr. Ahmed Abu Talaf	Chairman	attend	attend	attend	attend	attend
Eng. Mohammed Al Zahrani	Member	attend	attend	attend	attend	attend
Mr. Nasser Al Nawisr	Member	attend	attend	attend	attend	attend

Third: Risk Management Committee

The Risk Management Committee is formed, according to its regulations, from three to five members of the Board of Directors (Board). These members are appointed by the Board.

- In light of the provisions of the rules governing such committees in the corporate governance regulations issued by the Capital Market Authority (CMA), the Risk Management Committee undertakes roles and responsibilities as detailed below:
- Working with Executive Management to develop a comprehensive policy for risk management, in line with the nature of the company's business and activities and its objectives and strategy and make recommendations to the Board regarding its adoption.
- Periodically reviewing the comprehensive risk management policy to ensure suitability to changes that may occur in the internal or external environments in which the company operates, or the legislation regulating its business, or strategic objectives, or others, and recommending proposed changes to the Board.
- Making recommendations to the Board regarding acceptable level of risks that the company may be exposed to and how to maintain it, and after Board approval, verifying that the company does not exceed it.
- Verify the feasibility of the company's continuity and its successful continuation, while identifying the risks that threaten its continuity on an annual basis.
- Supervising the company's risk management system and evaluating its effectiveness and following up on any risks that the company may be exposed to.
- Periodically reassessing the company's ability to take risks or be exposed to them, by conducting stress tests and through other measures.
- Preparing detailed reports on exposure to risks and proposed steps to manage them and submitting them to the Board.
- Making recommendations to the Board on all issues related to risk management.
- Verifying the availability of sufficient resources and systems to manage risks and making recommendations to the Board of Directors in this regard.
- Reviewing the organizational structure of risk management and making recommendations in this regard for approval by the Board of Directors.
- Verifying the independence of risk management personnel from any activity that may expose the company to risks.
- Verifying that risk management staff understand all the risks surrounding the company, and work to enhance risk awareness.
- Reviewing issues raised by the Audit Committee that may affect risk management.

Risk Management Committee members and meetings

Saudi Kayan's Risk Management Committee consists of five members, with meetings held in 2022 dated and detailed below.

Risk Management Committee	Membership Status	1st meeting 13/02/2022	2nd meeting 02/06/2022	3rd meeting 09/10/2022	4th meeting 01/12/2022
Eng. Mohammed Al Zahrani	Chairman	attend	attend	attend	attend
Dr. Waleed Al Shalfan	Member	attend	attend	attend	attend
Mr. Bashar Kayyali	Member	attend	attend	attend	attend
Eng. Ahad Awaidha	Member	attend	attend	attend	attend
Dr. Fahd Al Sherehy (1)	Member	-	-	-	attend

(1) He was appointed as a member of the Risk Management Committee starting from October 11, 2022.

EXECUTIVE MANAGEMENT

Executive Management profiles



Eng. Metab Al Shahrani

Current position/s

- President of the Company
- Chairman of the Board of Directors of the Saudi Butanol Company Limited "Sabuco"
- Member of the Board of Directors of the National Methanol Company "Ibn Sina - a subsidiary of SABIC"
- Member of the Board of Directors of the Saudi Methacrylate Company "SAMAC - a subsidiary of SABIC"

Previous positions and education

- President of the Saudi Methanol Company "Al-Razi" - a subsidiary of SABIC
- Director of Operations at Petrokemya, a subsidiary of SABIC
- Director of Operations at Kemya, a subsidiary of SABIC
- Senior manager of Inspection and Asset Management at Kemya, a subsidiary of SABIC
- Senior manager of olefins operations at Kemya, a subsidiary of SABIC

Eng. Al Shahrani has an executive master's degree in business administration and a bachelor's degree in chemical engineering.



Mr. Aiman Khayat

Current position/s

- Executive Director of Finance and Planning

Previous positions and education

- Senior Director for Financial Services, Eastern Petrochemical Company (Sharq), a subsidiary of SABIC
- Accounting Team Leader, United Commercial Development Company
- Member of Audit Team, Hashem Omar Khayat Chartered Accountants
- Member of the SABIC Accounting Services Users Council for Shared Services
- Member of the Saudi Organization for Certified Public Accountants
- Member of the Saudi Accounting Association
- Member of the American Institute of Internal Auditors

Mr. Khayat has a bachelor's degree in accounting.

EXECUTIVE MANAGEMENT



Eng. Abdulrahman Hakami

Current position/s

Executive Director of the Maintenance Sector

Previous positions and education

- Executive Director of the Technical Affairs Sector, Ibn Zahr Company (a subsidiary of SABIC)

- Executive Director of the Maintenance Sector, Ibn Zahr Company (a subsidiary of SABIC)
- Senior Director of Maintenance, United Company (a subsidiary of SABIC)
- Senior Director of Engineering Support, United Company (a subsidiary of SABIC)

Eng. Hakami has a bachelor's degree in electrical engineering.



Eng. Majed Al Thomali

Current position/s

- Executive Director of Chemical Product Operations
- Member of the Board of Directors of Butanol Company Limited

Previous positions and education

- Executive Director of Technical Affairs (Eastern Petrochemical Company)
- Senior Director, Asset Engineering Department

Eng. Al Thomali has a bachelor's degree in mechanical engineering.



Mr. Faisal Al Hawas

Current position/s

- Executive Director of Operational Support and Specialized Products
- Secretary of the Board of Directors
- Secretary of the Remuneration and Nominations Committee

- Senior Director of Project Development and Controls, Saudi Kayan
- Senior Manager of Aminos Operations, Saudi Kayan
- Member of the Board of Directors, Saudi Butanol Company Ltd.

Previous positions and education

- Senior Director of Business Planning Department, Saudi Kayan

Mr. Al Hawas has a bachelor's degree in computing sciences, a master's degree in business administration, and executive certification in operations and value chain management.



Mr. Mohammed Al Thawab

Current position/s

Executive Director of Polymers Operations

Previous positions and education

- Executive Director of Maintenance

- Senior Director of Operations of Polymer Factories, Saudi Kayan
- Senior Manager for Periodic Maintenance, Saudi Kayan
- Senior Manager for Central Maintenance, Saudi Kayan
- Senior Manager of Personnel Development and Continuous Improvement, Saudi Kayan

Mr. Al Thawa has a higher diploma in operational industry.



Eng. Khamis Al Dossary

Current position/s

- Executive Director of Technical Support
- Secretary of the Risk Management Committee

- Senior Director of Aminos Factories Operations Department
- Senior Director of Chemical Products Maintenance Department

Eng. Al Dossary has a bachelor's degree in mechanical engineering.

Previous positions and education

- Senior Director of Engineering Asset Management

Executive Management’s
interests in 2022

Some members of Saudi Kayan’s Executive Management and their spouses and minor children had certain interests in the company's shares during 2022 as detailed.

Name	Start of year			End of year			Net change	Change ratio
	No. of shares	Instrument of debt	Quota	No. of shares	Instrument of debt	Quota		
Eng. Metab Al Shahrani*	-	-	-	-	-	-	-	-
Mr. Aiman Khayat	300	-	-	300	-	-	-	0%
Eng. Abdulrahman Hakami								
Eng. Majed Al Thomali	-	-	-	-	-	-	-	-
Mr. Faisal Al Hawas	-	-	-	-	-	-	-	-
Mr. Mohammed Al Thawab	-	-	-	-	-	-	-	-
Eng. Khamis Al Dossary	-	-	-	-	-	-	-	-

* He is appointed as Company president instead of Eng. Omar Al-Rehealy on 24 July 2022

REMUNERATIONS

In light of the provisions regulating the remunerations of Board Members and Board Committee Members as set forth in the Companies Law, corporate governance regulations, and regulatory rules and procedures issued pursuant to the Companies Law relating to Listed Shareholding Companies, as well as Saudi Kayan’s Articles of Association, remunerations of the Board Members, Board Committee Members and Executive Management follow these rules and principles.

Board Members and Board Committee Members

- The Board of Directors, based on the recommendation of the Remuneration and Nomination Committee, determines the remunerations of Board Members and Board Committee Members in accordance to the following principles:
 - That it is in accordance with the company’s strategic goals, and a factor in motivating Board Members and Board Committee Members to achieve these goals and enhance the company’s ability to develop and sustain its business.
 - That it is appropriate to the nature of the company’s business and its size and activities and required skills and experience from Members.
 - That it attracts Members with the expertise and qualifications required to enhance the company's ability to achieve its goals.
- A Board Member is entitled to an annual remuneration of 200,000 Saudi Riyals for membership of the Board.
- A Board Member participating in committees emanating from it (including the Audit Committee) is entitled to an annual remuneration of 150,000 Saudi Riyals, whether the member participates in one or several committees.
- A member other than a Board Member participating in a Board Committee (including the Audit Committee) is entitled to an annual bonus of 150,000 Saudi riyals, whether the member participates in one or several committees.

- The company has the right to claim compensation for damage to its reputation and recover remuneration, compensation and any other costs incurred by the company, in the event:
 - A Member commits an act that violates honor and honesty, or forgery, or violation of the laws and regulations in Saudi Arabia or in any other country.
 - When he fails to carry out his responsibilities, tasks and duties, which results in harm to the interest of the company.
 - He is terminated of membership by a decision of the General Assembly due to absence from three consecutive meetings within one year, without a legitimate reason accepted by the Board.

Executive Management

- The Board of Directors, based on the recommendation of the Remuneration and Nomination Committee, determines the remunerations of Executive Management in accordance with the following principles:
 - That it is in accordance with the company’s strategic goals, and a factor in motivating members of Executive Management to achieve these goals and enhance the company’s ability to develop and sustain its business.
 - That it is appropriate to the nature of the company's business and its size and activities and required skills and experience.
 - That it enables the company to attract senior executives with the capabilities, skills and qualifications required to enhance its ability to achieve its goals.
 - That it does not cause any conflict of interest that will negatively affect the interests of the company and its ability to achieve its objectives.

Board Members' remunerations

Board members' remunerations paid during the fiscal year ended December 31, 2022.

	Fixed remuneration			Variable remuneration**
	Lumpsum (*)	Allowance for attending board meetings	Total allowances for attending committee meetings	Total
First: Independent Members:				
Mr. Ahmed Abu Talaf	157,260	19,739	15,000	191,999
Mr. Bashar Kayyali	157,260	21,479	38,815	217,555
Eng. Ahad Awaidha	157,260	26,591	18,985	202,837
Mr. Tareq Al Abdulhadi (1)	42,740	0	0	42,740
Mr. Yahia AlAnsari (1)	42,740	0	0	42,740
Eng. Ali Al Khraimi	42,740	0	0	961,535
Total	600,00	67,810	72,800	740,610
Second: Non-executive Members (***)				
Eng. Ahmed Al Shaikh	157,260	18,725	0	175,985
Eng. Mohammed Al Zahrani	200,000	15,725	27,000	242,725
Dr. Waleed Al Shalfan	200,000	23,675	37,205	260,880
Mr. Khalid Al Garni (2)	157,260	5,940	21,265	184,465
Dr. Fahd Al Sherehy (3)	0	9,000	3,000	12,000
Eng. Omar Al Amoudi (1)	42,740	0	0	42,740
Eng. Sultan Battal (2)	42,740	0	0	42,740
Total	800,000	73,065	88,470	961,535

(*) The lumpsum represents the annual remuneration for membership in the Board of Directors for the year 2021, and which was disbursed after the approval of the General Assembly in April 2022.

(**) There is no variable remuneration.

(***) The lumpsum for non-executive members was paid to SABIC's account at the request of the member.

1) His membership ended at the end of the Board's term on March 19, 2021.

2) His membership in the Board of Directors ended on February 28, 2022.

3) He was appointed as a member of the Board of Directors on March 1, 2022, and he was also appointed as a member of the Risk Management Committee on October 11, 2022.

Board Committee Members remunerations in 2022

Board committee members remunerations paid during the fiscal year ended December 31, 2022.

Member	Fixed remuneration	Meeting attendance allowances	Total
Review Committee Members			
Mr. Khalid Al-Garni (**)	150,000	21,265	171,265.00
Dr. Waleed Al Shalfan (**)	150,000	22,265	172,265.00
Mr. Bashar Kayyali	150,000	22,559.02	172,559.02
Mr. Yahya Al Ansari	150,000	15,000.00	165,000.00
Remuneration and Nominations Committee Members			
Mr. Ahmed Abu Talaf	150,000	15,000.00	165,000.00
Eng. Mohammed Al Zahrani	-	15,000.00	15,000.00
Mr. Nasser Al Nawisr (**)	150,000	15,000.00	165,000.00
Risk Management Committee Members			
Eng. Mohammed Al Zahrani (**)	150,000	12,000	162,000
Dr. Waleed Al Shalfan	-	12,000	12,000
Mr. Bashar Kayyali	-	12,000	12,000
Mr. Ahad Awaidha	150,000	12,000	162,000
Dr. Fahd Al Sherehy (1) (**)	33,699	3,000	36,699

(1) His membership in the committee began on October 11, 2022.

(**) The lumpsum was paid into SABIC account at the member's request.

Executive Management' remunerations

Remuneration of senior executives, including the company's president and chief financial officer, paid during the fiscal year ended December 31, 2022.

	Fixed remuneration				Variable remuneration								
	Salaries	Allowances	In-kind benefits	Total	Periodic remuneration	Profits	Short term motivational plans	Long term motivational plans	Granted shares	Total	End of service	Total executive remuneration for the board if any	Grand total
Five senior executives	3,386,079.55	1,093,016.77	228,000	4,707,096.32	-	-	1,177,286	257,163	-	1,434,449	-	-	6,141,545.32

DECLARATIONS AND ACKNOWLEDGMENTS

Assessment of Board and Board Committees performance

The Board of Directors, on the recommendation of the Remuneration and Nominations Committee, has adopted performance criteria and necessary mechanisms to evaluate its own performance, and the performance of Board Committees.

The evaluation process for the year 2022 was carried out under the supervision of the Remuneration and Nominations Committee, which included the tasks and responsibilities of the Board and Board Committees, identifying strengths and weaknesses, and suggesting actions to be taken in line with the company's interests.

The results of the evaluation showed that the Board of Directors operated efficiently in all fundamental respects.

Review of internal controls

Saudi Kayan's Internal Review Department has carried out periodic reviews throughout the year to verify the effectiveness of the internal control system, with a focus on two major risks that could affect the company's business

- Using risk-based audit methodology.
- The Internal Review Department implementing review plans that are approved by the Review Committee

The Reviewer performs an evaluation process for the effectiveness of the internal control system, as part of his review of the company's final financial statements. Further, the Review Committee has ensured that the Internal Review Department implemented the agreed review plans for the year 2022 with complete independence, and that the auditor completed his work in an appropriate professional manner with complete independence and has audited all the data and documents necessary to perform his duties.

The Review Committee also made sure of the procedures undertaken by the Internal Review Department and the company's management to study the observations and correct them in coordination with relevant departments, as the aforementioned reviews did not show any fundamental weakness in the company's internal control system.

The Review Committee periodically updated the Board of Directors about the Review Committee's tasks during the year.

Relationship between remunerations and applicable policies

The Board of Directors, based on the recommendation of the Remuneration and Nomination Committee, and as approved by the General Assembly of Saudi Kayan, determines the remunerations for Board Members, Board Committee Members and Committee Members who are not members of the Board, and members of Executive Management.

Thereby, they deserve the remunerations granted to them, and accordingly there is no fundamental deviation from the applicable policies.

Transactions with related parties

SABIC and some of its companies market and sell Saudi Kayan's products, supply raw materials to it, and support it with technical licenses, joint services, and administrative, technical, technical and legal expertise as needed. They also provide the company with materials, raw materials, handling services, and other services and contracts, all of which are business transactions within the group.

Board of Directors' acknowledgements

The Board of Directors of Saudi Kayan acknowledges the following:

1. That the accounts have been prepared properly.
2. That the internal control system was prepared on sound foundations and implemented effectively.
3. That there is no doubt about the company's ability to continue its activities.

Management acknowledgments

The management of Saudi Kayan acknowledges the following:

1. That the company has adopted and incorporated rational applications in corporate governance, in accordance with the rules and regulations of corporate governance issued by regulatory authorities, and in accordance with international principles of governance and its best practices. The company has set the general framework for its governance, which includes a set of regulations and policies through which it defines roles and responsibilities and how decisions are taken and conducted, and control over their implementation, in light of the rules of transparency that achieve accountability and enhance the adequacy of performance, based on relevant laws and regulations. The Board of Directors follows up on implementation of these governance systems to verify its integrity and accuracy, to ensure adherence to the best governance practices, and to ensure the adoption and application of the best international systems for control and compliance, which guarantee the rights of employees, shareholders, investors and stakeholders alike.

That the company implements all provisions contained in the corporate governance regulations issued by the Capital Market Authority (CMA), with the exception of the provisions listed below:

Article/Paragraph	Description	Reason for not applying
Article 54: Formation of the Revision Committee, Paragraph B	The Chairman of the Revision Committee shall be an independent member	Indicative paragraph
Article 95: Formation of the Corporate Governance Committee	In the event that the Board of Directors forms a committee specialized in corporate governance, it must delegate to it the competencies stipulated in Article 94 of these Regulations. This committee must follow up on any issues related to corporate governance applications, and provide the Board of Directors, at least annually, with the reports and recommendations it reaches.	Indicative paragraph

2. That there is no penalty, precautionary measure, or precautionary restriction imposed on the company by any supervisory, regulatory or judicial authority.
3. That the company has an internal auditor, and there is no recommendation about this auditor from the Audit Committee.
4. That there is no conflict between the recommendations of the Audit Committee and the decisions of the Board of Directors, which includes appointing the company's auditor and determining his fees for the fiscal year 2022.
5. That the consolidated financial statements of the company were prepared during the fiscal year 2022 in accordance with the standards approved by the Saudi Organization for Certified Public Accountants.
6. That the company has not issued or granted any transfer or subscription rights under any convertible debt instruments, contractual securities, guarantees or similar rights.
7. That there are no refunds, purchases or cancellations by the company of any redeemable debt instruments.
8. That the company has not entered into any contracts in which there is a material interest for a member of the Board of Directors, Executive Management, or any person related to any of them.
9. That there are no arrangements or agreements under which a member of the Board of Directors or Executive Management has waived any salaries or bonuses.
10. That there are no arrangements or agreements under which any of the company's shareholders has waived rights to profits.
11. That the auditors' report shows that the consolidated financial statements are free from any material errors, and there are no reservations about them.
12. That the Board of Directors did not issue any recommendation to change the auditor before the end of the term for which he was appointed.

13. None of the shareholders notified the company of any change in share ownership during the fiscal year ending on December 31, 2022.
14. There is no competing business with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses.

Closing statement

After praising Allah the Almighty, the Board of Directors extends its utmost gratitude to the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz Al Saud, may Allah protect him; the Crown Prince and Prime Minister, His Royal Highness Prince Muhammad bin Salman bin Abdulaziz Al Saud; the Emir of the Eastern Province, His Royal Highness Prince Saud bin Nayef bin Abdulaziz; and the Deputy Governor of the Eastern Region, His Royal Highness Prince Ahmed bin Fahd bin Salman bin Abdulaziz, for the support they graciously offered to the company to drive the industrial renaissance in our beloved country.

The Board of Directors is also honored to thank all the company's employees for their hard work throughout the year and express its appreciation for the engagement of the company's shareholders and all relevant governmental and private sectors. We pray Allah the Almighty to protect our country and resources and grant our national company further progress and prosperity.

Allah is the Arbiter of Success
Board of Directors



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