

**METHANOL CHEMICALS COMPANY'S
BOARD OF DIRECTORS REPORT
TO THE GENERAL ASSEMBLY ON THE COMPANY'S
PERFORMANCE & BUSINESS
FOR THE FINANCIAL YEAR 2020**

BOARD MEMBERS



The Chairman:

Mr. Abdullah Ali Al-Sanea

Vice Chairman

Eng. Sami Abdul Aziz al-Suwaigh

Board Members:

Eng. Saud Abdullah Al-Sanea

Eng. Abdul Salam Mazro Al Mazro

Mr. Abdullah Abdulrahman Bu-Ali

Mr. Adel Saleh Al Ghassab

Mr. Mohammed Farhan Al Nader

Mr. Yassir Abdulrahman Alluhaidan

Mr. Zeyad a. Al barrak

Board Secretary:

Osama Saeed Abdul Fattah

Dear valued Shareholders,

The Board of Directors of Methanol Chemicals Company (Chemanol) is pleased to present to the honorable shareholders the annual report on the Company's performance and the results of its activities for the year ended December 31, 2020. The report includes information about the Company's activities, achievement and future plans as well as the efforts made to enhance the performance in developing the equity of shareholders and to support the national petrochemical industry in line with Saudi Vision 2030, in addition to its contributions to the areas of safety, sustainability, reliability and social responsibility, according to the information reflected in the year-end financial results and financial position.

The report has been prepared in accordance with the requirements of the Corporate Governance Regulations; Rules on the Offer of Securities and Continuing Obligations issued by the Capital Market Authority (CMA), Companies Law of the Kingdom of Saudi Arabia and Chemanol's Articles of Association,.

The Board of Directors is also honored to extend sincere gratitude to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince and the Government for their great support to the growth of the national economy, especially the unlimited support to the industrial sector.

1. ABOUT THE COMPANY

Chemanol is a Saudi joint-stock company listed on the Saudi Stock Exchange under the Commercial Registration No. 2055001870. Its paid-up capital is One Thousand Two Hundred Six Million Saudi Riyals (SAR 1,206,000,000) divided into One Hundred Twenty Million Six Hundred Thousand (120,600,000) shares having an equal nominal value of Ten Saudi Riyals (SAR 10) each. The Company is located in Al Jubail Industrial City and has a total annual production capacity approaching one million metric tons, and exports 15 product (26 grades) to over 75 countries around the world.

The Company operates in the field of manufacturing and marketing speciality chemical products including superplasticizers, Pentaerythritol, Hexamethylene Tetramine (Hexamine), Monomethylamine, Dimethylamine, Trimethylamine, Dimethyl Formamide, Liquid Formaldehyde, Paraformaldehyde, Acetaldehyde, Formaldehyde Resins (Liquid & Powder), Carbon Monoxide, Sodium Formate as well as Methanol; the main feedstock for the previously mentioned products.

The following table shows the Company's products and their annual production capacity:

Product	Capacity (MTY)
Aqueous & Urea Formaldehyde (AF - 37 & UFC - 85)	300,000
Methanol	231,000
Sulphonated Naphthalene Formaldehyde (SNF)	163,020
Dimethyl Formamide (DMF)	60,000
Dimethylamines (DMA)	50,000
Carbon Monoxide	33,000
Mono Pentaerythritol (Penta)	20,000
Formaldehyde RESINS (UF, MF & MUF)	13,200
Acetaldehyde	12,000
Sodium Formate (Sofo)	12,000
Hexamine (HMT)	9,600
Paraformaldehyde (Para)	8,000

*Including intermediate products which are converted into finished products.

2. ENVIRONMENT, HEALTH, SAFETY & SECURITY (EHSS)

During 2020, the Company continued applying the requirements of Responsible Care Certificate (RC 14001) in accordance with internal and external audit criteria and procedures.

Compliance with Environmental Standards

Chemanol did not record any incidents of non-compliance with the environmental standards during 2020, which demonstrates the Company's firm commitment to environmental requirements and standards.

EHSS Training and Awareness Sessions:

Chemanol put the rehabilitation and training of its employees and contractors at the top of its list of priorities by conducting training and awareness courses in the field of EHSS. The Company has completed 1,399 intensive courses, equivalent to 12,275 training hours.

Work Performed Without Injury/ Lost Time Injury:

With the help of Allah, Chemanol, for the first time, achieved a milestone of completing 13,5 million safe-man-hours without lost time injury for its employees and contractors of which 7,8 million hours for direct employees.

Emergency Preparedness and Response:

The Company has, using in-house capabilities, carried out 52 emergency response mock drills to ensure that an effective system is in place. The annual joint drill being carried out in collaboration with Jubail Area Mutual Aid Association (JAMA'A) was suspended this year due to the Covid-19 pandemic.

Quality Near-Miss Reports:

The Company encourages its employees to report near miss incidents through the Potential Risk Report System in order to enhance the level of safety, security and environmental protection. The total reports submitted by 272 employees were 1,324 cases during the year.

Lowering the Accidents Rate:

The good initiatives, trainings and practices have resulted in the achievement of the highest industrial safety rates in the history of the Company compared to previous years.

3. INVESTING IN HUMAN RESOURCES:

Chemanol is proud of its human resources and it pays a considerable attention to them as they are the fundamental element in managing and operating its business and facilities. The Company continuously strives to develop and promote its human competencies at all professional and occupational levels. At the end of 2020, the total headcount of the Company was 442 employees. The Company continued to implement the objectives set by the Board of Directors to employ and develop the talented local employees. Accordingly, by the end of this year, the Saudization rate reached 62.2% posting an increase of 6% over the last five years, which enabled the Company to maintain its "Platinum" ranking in the Ministry of Labor and Social Development's classification program (Nitaqat) for achieving high rates in the level of Saudization.

The most important programs and initiatives carried out by the Department of Human Resources during 2020 can be briefly described as follows:

Saudi Fresh Graduates Training Programs:

Chemanol employs local talented fresh graduates in various jobs and qualifies them through skill development programs and specialized training courses relevant to their area of work and technical and administrative disciplines. Such programs aim at strengthening and improving employees' basic skills by providing them on-the-job training courses and by attending relevant training courses to achieve the highest level of efficiency.

Program for Replacement of Local Competencies in Leadership Positions :

In continuation of the Company's plans to raise the rate of Saudization, the employment replacement program in leadership positions (in technical and administrative fields) has been started and is being implemented in a phased manner.

Cooperative Training Program:

In pursuit of its strategy to qualify the local talented employees, Chemanol participated in the cooperative training program and received some students of universities and colleges who desire to take on-the-job training to complete the graduation requirements.

Housing Loans Program:

In line with its strategy for achieving employee engagement and job stability, and attracting experienced talented local employees and thereby attaining high levels of Saudization, the Company compensates the Saudi employee for the monthly loan interests resulting from the Housing Finance that he receives from the Approved Financing Entity in accordance with the terms and conditions. The number of Saudi employees benefiting from this program reached 33 employees at the end of 2020. The Company's objective is to ensure that a larger number of Saudi employees benefit from such program in order to enhance job and social stability for them.

4. PRODUCTION AND SALES

First: Production:

The Company produced 631,000 metric tons of various products in the year 2020 with a decrease of 2% compared to the quantities of 2019 which was 644,000 metric tons. The reason for the decrease in 2020 compared to the previous year is due to the fact that the SNF plant was operating at extremely low production rates because of the dumping practices in the GCC. Furthermore, the total lockdown in most countries around the world due to the Covid-19 pandemic adversely affected the marketing of the Company products and the global supply chains.

Second: Sales:

The Company sells and markets a variety of trusted products to a broad customer base around the world, which requires intense effort through enhancing customer experience and resolving all their problems and challenges. In parallel, it also focuses on increasing and improving its market share through pursuing promising opportunities and opening up new markets for its products to minimize potential risks of market fluctuations. In the context of implementing this strategy and despite the challenge of Covid-19 pandemic, the Company successfully entered new markets in 2020 including Libya, Malawi, Ivory Coast and Philippines. Also it contracted with one of the largest insurance companies to provide insurance coverage over customers' accounts to protect the Company from potential debts resulting from their default on payment.

Chemanol has been constantly adapting to the changing market conditions by keeping abreast of the new developments and changes in the market. This requires timely changes in plans and objectives to reach the desired results.

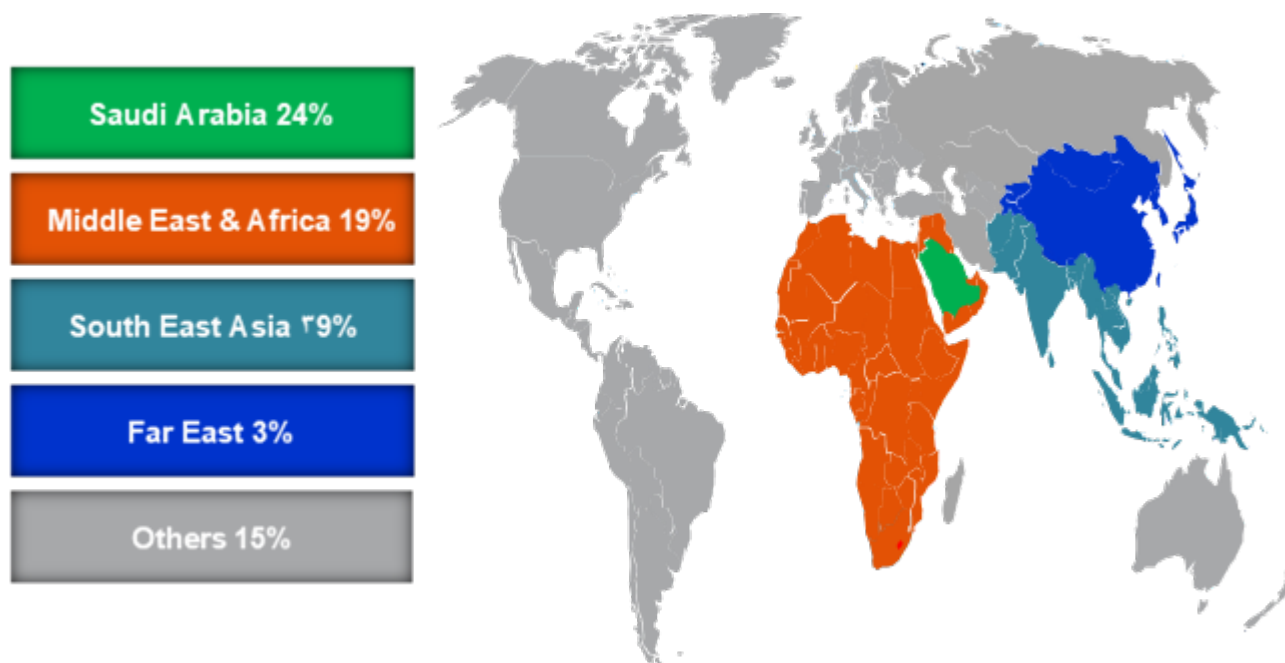
In 2020, the world faced the Covid-19 pandemic, which adversely impacted all aspects of life including the economy. The global lockdown and closure of borders worldwide led to unprecedented economic recession which resulted in decline in demand and fall in prices. As a result of the impact of the pandemic, the average price of methanol decreased to its lowest since the 2008 global financial crisis.

Despite the difficulties and challenges that confronted the Company in 2020, the sales volume reached 308,000 metric tons in comparison with 2019 figure of 272,000 metric tons; an increase of 13%. The increase in sales of most of Company's products is attributed to adapting to the unforeseen circumstances by exploring new markets, working vigorously with customers and distributors, and directing sales to the available markets.

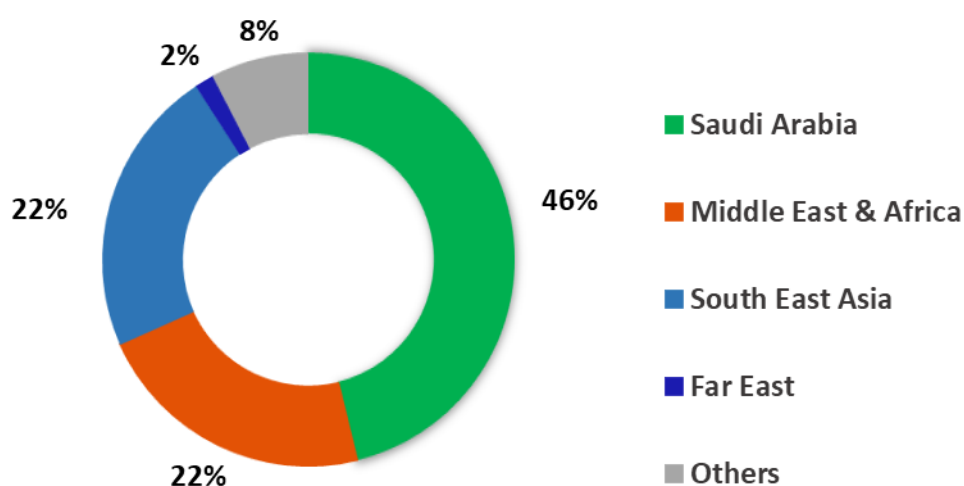
Sales revenues amounted to around SAR 495 million in 2020 compared to 2019 which was around SAR 527million, a decrease of 6%. This decrease was due to the declining prices of the products in the domestic and global markets because of the Covid-19 pandemic which resulted in reduction in the average selling prices by 11% compared to 2019, as well as the decrease in methanol prices in the global markets by more than 32%.

- **Geographical Analysis of Revenues**

The following diagram shows the percentage of sales revenues by geographical region:



The following diagram shows the percentage of sales quantities by geographical region:



5. COMPREHENSIVE QUALITY

Chemanol is committed to implementing the highest international standards of quality, safety and environment. From that perspective, the Company adopted the Total Quality Management System ISO 9001 in 2000 as a tool of achieving the objectives through self-assessment of its internal and external activities. Also it adopted the Responsible Care Certification RC 14001 and ISO/IEC 17025 (the quality standard for testing and calibration laboratories) in 2015. The Company is keen to maintain its relevant certificates effective and updated by meeting the internal and external audit requirements. The Company considers these certificates as added value to its products and activities.

6. ENERGY EFFICIENCY PROGRAM

Chemanol has completed the first phase and started on the second phase of the requirements of the energy efficiency program. The Company aims at reducing energy consumption as well as increasing the operational efficiency of its plants.

The second phase is concerned with the consumption of energy as fuel and feedstock, while the first phase was focused on using the energy as fuel only. For such reason, the reference value increased in 2018 to 35,34 MMBtu/tons.

The following diagram shows the actual and target electrical readings for Methanol and Formaldehyde plants of which the first phase started in 2011 and ended in 2019, second phase started in 2020 and the target results for 2021 is expected to be completed in 2025.

	Energy Intensity in 2019	Energy Intensity Target	Difference
Methanol plant	19,15	15,06	4,09-
Formaldehyde plant	6,56	18,50	11,94

The Company strives to abide by all energy consumption efficiency requirements. A number of measures have been taken to improve energy consumption and reduce wastage as shown in the table above with a view to achieving the remaining goals according to the requirements of the second phase by 2025 instead of 2024, due to the Covid-19 preventive measures in place.

A number of measures are currently being taken to help reaching the target along with examining increasing the production capacity of the Methanol plants.

In order to achieve target values in 2025, the Company is developing a road map which will be presented to and discussed with the Saudi Energy Efficiency Centre (SEEC).

7. RELIABILITY

In light of the attention given by the Company on preventive maintenance programs and performance and in enhancing its positive results on the different business units, the Company has successfully reduced production losses caused by the sudden equipment failures, improved overall plant performance and thereby increased their productivity and operational efficiency.

8. PLANS, FUTURE PROSPECTS AND RISKS

Chemanol pays considerable attention, within the framework of its Strategy, to explore suitable solutions to optimize its assets, human and financial resources through studying the available opportunities to increase income, and ensuring the safe operating requirements of its plants. Furthermore, it strives to increase its market share in the domestic, regional and global markets which would increase the revenues and raise the shareholders' equity. It also pursues to optimize its assets, human and financial resources, and studying the opportunities to increase income. The Company continuously pursues the safe operating requirements of its plants.

Chemanol's strategic plan is based on developing its existing business and exploring new and more sustainable investment opportunities by enhancing its leadership position in the field of manufacturing speciality chemicals from methanol derivatives or derivatives from other products, as well as entering into partnerships with the owners of advanced technologies inside and outside the Kingdom to produce high value speciality products. Consequently, the Management decided to develop the Company's strategy and explore new growth opportunities in speciality petrochemical materials such as Methanol Derivatives (DMDS) and Speciality Amines (MDEA) to diversify its products base and to optimize the use of methanol derivatives of the to align with the Saudi Vision 2030 whose main objective is the diversification of petrochemical products and supporting the national industries.

The Company obtained the approval of the Ministry of Energy on March 01, 2020 for allocating the required feedstock to expand the Methanol plant to increase its output by around 100,000 metric tons per year, and to achieve the objectives of the Saudi Energy Efficiency Program. The output increase will be used to establish new plants, including a Dimethyl Disulfide (DMDS) plant and a Methyl Diethanolamine (MDEA) plant, in line with Saudi Vision 2030. The plants are considered the first-of-their-kind in the Kingdom and the Gulf region, and their products will be used in on oil, gas, and other manufacturing industries such as pharmaceuticals and agricultural chemicals.

With a view to achieving the Company's strategic plans, strengthening its financial position and to write off accumulated losses, the Board of Directors made a recommendation on February October 11, 2020 to the General Assembly to reduce the Company's capital by 27% and subsequently increase it through offering SAR 480 million rights issue. In this regard, the Company appointed Al Wasatah Al Maliah Company (Wasatah Capital) as the financial advisor for the offering.

Following the announcement of Q3 of 2020 results, the accumulated losses reached 44,07% of the capital. Accordingly, the Board of Directors decided to modify its earlier recommendation of reducing the capital and increasing it through rights issue, to accommodate the volume of losses reported in that quarter. On December 28, 2020, the Company submitted its application for capital reduction and rights issue for approval to the Capital Market Authority (CMA).

Chemanol is distinguished by numerous strengths and competitive advantages:

- One of the world's most integrated and reliable global producers of methanol, formaldehyde and derivatives.
- Among the world's largest formaldehyde producers situated in a single location.
- Low investment costs with reasonable investment payback.
- It has 22 petrochemical units producing range of methanol, formaldehyde and derivatives.

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- It has fully-automated, environmentally-clean and zero-effluent plant with round-the-clock production to strictest international standards.
 - Chemanol has a competitive advantage over the similar entities working in the same sector in the Kingdom of Saudi Arabia and the GCC particularly in manufacturing speciality chemicals from the methanol feedstock which is produced internally. This gives the Company the advantage of rationalizing its production expenditures and thereby enhancing its competitive strength in this field.
 - The Company has a vast amount of operational and technical expertise extending over 30 years. It is recognized as a regional pioneer and a leader in the production of formaldehyde due to its distinctive market share. The Company has a well-established marketing network through which it reaches out to its customers in more than 75 countries. This assists the Company to continuously develop and update its strategy to be in line with the market requirements and trends, and to explore new products and business opportunities that bring positive results to the Company's performance.

9. RISKS:

- Upon the spread of coronavirus (Covid-19) pandemic, an emergency committee was formed, chaired by the Board Chairman and including members of the Executive Committee and the CEO, to address and manage the crisis. The Committee's responsibility in this respect is to monitor the implementation of the precautionary measures and to follow up the impacts of the pandemic on the Company's employees and operations including production, sales, supply chain, etc. The committee held several meetings since the spread of the pandemic and assessed the emerging developments and closely monitored the implementation of the precautionary and preventive measures recommended by the competent government authorities.
- The Company's business engages in the manufacture and marketing of chemicals including hazardous and flammable products. To reduce such risks, the Company follows the highest safety standards related to the storage and transportation of products and raw materials. The Company also continuously trains employees in the areas of safety, as well as insuring all its assets and operations.
- Due to the nature of its operations, the Company is exposed to fluctuation of chemical products prices. Therefore, it strives to develop an effective strategy that contributes to reduce the impact of the international price volatility on the Company's products.
- The Company is continuously seeking to reduce employee turnover by providing appropriate working environment, and attracting, training and retaining talented local employees to serve the Company's goals and plans.
- The Company may, from time to time, be subject to scheduled and non-scheduled shutdowns like other companies. It has sought to reduce the risk of such shutdowns by applying comprehensive reliability to all its plants to detect faults before they occur and take the appropriate measures for their maintenance.

- Although the Company views the competition positively, there emerges the problem of dumping practices. The Company takes appropriate legal measures against such practices to protect its own interests. It also seeks to create a competitive value among its customers by focusing on production and timely delivery of high-quality products at competitive prices.
- The Company's products are primarily based on using methanol and methanol derivatives, which means that they are directly correlated to methanol prices. The Company seeks to address this challenge through its future strategy aimed at diversification of its products base by using other feedstock.
- The Company allocates a significant part of the cash flow from its operations to repay the principal and long-term loan service, and any fluctuation in the interest rates affects the profitability and cash flow of the Company. Furthermore, the Company assesses its financial capability for prepayment of its loan installments due during the year.

Also, it is making due studies regarding the possibility of refinancing the existing loans in order to lower the financing costs. The Company also manages the liquidity risk by periodically ensuring that sufficient liquidity is available to meet any future commitments as they fall due.

- There is also the risks related to the Company's transactions in foreign currencies. Currency risk is the risk that the value of a financial instrument will fluctuate because of fluctuations in foreign exchange rates. Therefore, most of the Company's transactions are made in Saudi Riyals and US Dollars and accordingly, the Company's Management believes that the currency risks are immaterial.

10. ASSETS, LIABILITIES AND BUSINESS RESULTS

▪ Statement of Financial Position (in '000 SAR)

Statement	2020	2019	*2018	*2017	*2016
Current Assets	322,810	344,587	463,847	525,395	509,231
Non-current Assets	1,355,093	1,598,450	1,656,881	1,731,673	1,801,318
Total Assets	1,677,903	1,943,038	2,120,728	2,257,068	2,310,549
Current Liabilities	827,555	228,456	253,235	281,331	236,773
Long-term Loans & Other Liabilities	71,816	660,769	726,445	880,320	952,088
Shareholders' Equity	778,532	1,053,813	1,141,048	1,095,417	1,121,688
Total Liabilities & Shareholders' Equity	1,677,903	1,943,038	2,120,728	2,257,068	2,310,549

* Certain comparative figures have been reclassified to conform to the international accounting standards

▪ Statement of Income (in '000 SAR)

Statement	2020	2019	2018	*2017	2016
Sales	495,709	527,240	701,613	683,215	636,039
Cost of Sales	(477,783)	(467,781)	(506,042)	(550,155)	(567,492)
Impairment losses	(157,099)	-	-	-	-
Gross Profit	(139,173)	59,459	195,571	133,060	68,546
Other Revenues (Expenses)	(5,307)	(3,658)	2,296	16,826	29,436
Selling, Administrative & General Expenses	(91,937)	(96,437)	(103,648)	(129,461)	(154,540)
Financial Expenses	(32,575)	(37,532)	(38,919)	(43,124)	(36,946)
Zakat	(7,102)	(5,908)	(9,146)	(5,000)	(8,125)
Net Profit / (Loss)	(276,094)	(84,076)	46,154	(27,700)	(101,629)

* Certain comparative figures have been reclassified to conform to the international accounting standards

11. CLARIFICATION ON MATERIAL DIFFERENCES IN OPERATING RESULTS

Particulars	(in '000 SAR)		Variances + or (-)	Percentage of Variance
	2020	2019		
Sales	495,709	527,240	(31,531)	-6.0%
Cost of Sales	(477,783)	(467,781)	(10,002)	2.1%
Impairment losses	(157,099)	-	(157,099)	-
Gross Profit	(139,173)	59,459	(198,632)	-334.1%
Other Operational Revenues	(5,307)	(3,658)	(1,649)	45.1%
Other Operational Expenses	(91,937)	(96,437)	4,500	-4.7%
Operating Loss	(236,417)	(40,636)	(195,781)	481.8%

The Company realized sales of SAR 496 million in 2020 compared to sales of the previous year which was SAR 527 million, a decrease of 6%. The Company also incurred a gross loss of SAR 139 million against a gross profit of SAR 59 million in 2019. Operating loss amounted to SAR 236 million in 2020 compared to operating loss of SAR 41 million in 2019. The reason for recording loss during this year is due to the Covid-19 pandemic which directly affected selling prices of most of petrochemical products in the global markets. Year 2020 is evident to recognize negative sales in history of operations of Chemanol. This unexpected hit affected our forecasted revenue generating-activity from the investment of plant and machineries, in result of this we recorded impairment losses during the year 2020 for the compliance of international financial reporting standards.

12. CLARIFICATION OF ANY DIFFERENCE FROM THE ACCOUNTING STANDARDS APPROVED BY THE SAUDI ORGANIZATION FOR CERTIFIED PUBLIC ACCOUNTANTS:

The Company's financial statements for FY ended December 31, 2020 have been prepared in accordance with the International Financial Reporting Standards adopted by the Kingdom of Saudi Arabia.

13. AUDITORS' REPORT AND THE FINANCIAL STATEMENTS:

The Auditor's report shows that the financial statements are free from material misstatement and there are no reservations about them. Furthermore, the Board of Directors has not recommended to replace the Auditor

14. DIVIDEND POLICY:

According to Articles 47 & 48 of the Company's Articles of Association the Dividend Distribution is as follows:

1. Ten percent (10%) of the net profit to be put aside to form statutory reserve, and the Ordinary General Assembly may decide to discontinue setting aside such percentage when the said reserve reaches thirty percent (30%) of the paid-up capital.
2. Ordinary General Assembly may, upon the proposal of the Board of Directors, set aside a specific percentage of the net profit to form a consensual reserve which may be allocated for certain purpose/s with the approval of the General Assembly.
3. Ordinary General Assembly may decide to form other reserves to achieve the Company's interest or ensure the distribution of fixed dividends, as far as possible, to shareholders
4. A dividend representing five percent (5%) of the Company's paid-up capital shall be distributed from the remainder to shareholders.
5. Ordinary General Assembly may, upon the proposal of the Board of Directors and the satisfaction of controls established by the competent authority, decide to distribute interim dividends to shareholders on a semi-annual or quarterly basis.
6. A shareholder will be entitled to his/ her share of dividends in accordance with the resolution adopted by the General Assembly in this regard. The resolution must indicate the date of entitlement and the date of distribution. Entitlement to dividends shall be for shareholders registered in the Shareholders' Register by the end of the eligibility date

15. CHANGE IN EQUITY FOR PERSONS OTHER THAN DIRECTORS AND SENIOR EXECUTIVES:

None of the shareholders other than directors or Senior Executives have notified the Company of any change in the ownership of the shares during the year ended 31/12/2020.

16. INFORMATION ON COMPANY LOANS

The Company's payable loans and financing facilities at the end of 2020 amounted to SAR 731.5 million compared to SAR 735.25 million at the end of 2019; a decrease of 0.42% due to the repayment of principal of Riyadh Bank working capital Murabaha Facility. Financing facilities include bank loans in accordance with Islamic Murabaha Regulation, and the Saudi Industrial Development Fund (SIDF) loan.

The following table shows the Company's Payable Loans at the end of 2020 (SAR in '000')

Lender	Loan amount	Loan Period (year)	Maturity Date	Opening Balance	Additions	Payments	Closing Balance
SIDF	385,000	6	28/03/2021	245,000	-	-	245,000
SABB (Syndicate)	139,713	7	31/12/2022	107,579	-	-	107,579
SABB (Bilateral)	34,000	7	31/12/2022	26,180	-	-	26,180
Riyadh (Syndicate)	109,098	7	31/12/2022	84,005	-	-	84,005
Riyadh (Bilateral)	50,000	7	31/12/2022	38,500	-	(3,750)	34,750
SAMBA (Syndicate)	78,875	7	31/12/2022	60,734	-	-	60,734
GIB (Bilateral)	225,000	7	31/12/2022	173,250	-	-	173,250
Total	1,021,685			735,248	-	(3,750)	731,498

* According to rescheduled agreements with Lenders in 2016

17. DESCRIPTION OF DEBT INSTRUMENTS ACTIVITIES

There are no convertible debt instruments, contractual securities, warrants or similar rights issued or granted by the Company. There are also no rights of transfer or subscription under convertible debt instruments, contractual securities, warrants or similar rights issued or granted by the Company during the financial year. Also there is no refund, purchase or cancellation by the Company for any redeemable debt instruments.

18. Corporate Governance

The Company implements all the provisions of the Corporate Governance Regulations issued by the Capital Market Authority except for the following provisions:

Article No.	Article	Reasons for Non-application
13/ c	The Board shall invite the Ordinary General Assembly to convene upon the request of the external auditor, the audit committee or a number of shareholders holding shares equal to at least (5%) of the share capital of the Company. The external auditor may invite the assembly to convene if the Board does not invite the assembly within thirty days from the date of the external auditor's request.	The external auditor or any of the shareholders holding shares equal to 5% of the share capital of the Company did not request the Ordinary General Assembly to convene during FY 2020.
19/b	Upon the termination of the membership of a Board member by any termination method, the Company shall promptly notify the Authority and the Exchange and shall specify the reasons for such termination.	No membership was terminated during FY 2020.
19/c	If a member of the Board resigns and has comments on the performance of the Company, he/she shall submit a written statement explaining such comments to the chairman of the Board and such statement shall be presented to the Board members	Not applicable as no Board member resigned during FY 2020.
32/b	The Board shall convene no less than four meetings per year, and no less than one meeting every three months.	A guiding article This Paragraph contradicts Article # 25 of the Company's Articles of Association which states that The Board shall convene at least twice a year.
39/2	Developing the necessary programmes required for the same, taking the into account developing the necessary mechanisms for Board members and the Executive Management to continuously enroll in training programmes and courses in	A guiding article. Although the Board members and the Executive Management have the broad and practical experience and distinctive qualifications related to the businesses of the Company, it always encourage them to attend training courses which correspond to

	order to develop their skills and knowledge in the fields related to the activities of the Company	their specializations.
41/a	The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management.	A guiding article. The Board is still in the process of preparing such mechanisms and it shall be approved later. Accordingly, members were assessed without using KPIs.
41/e	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.	A guiding article. It hasn't been implemented yet
46/3	The chairman of the Board shall inform the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board..... in accordance with the standards issued by the Ordinary General Assembly upon a proposal of the Board and published on the company's website.....	No Board member engaged in any business competing with the business of the Company and the Chairman of the Board did not report any competing businesses in 2020. The Company is preparing a regulation on the standards of business competition of Board members. It shall be submitted to the General Assembly upon completion.
70	The Company's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee.". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	A guiding article. An ad hoc internal committee consisting of the Senior Executives was formed. It is to be noted that risk monitoring falls within the functions of the Audit Committee. A risk register has been prepared and it will be annually updated and submitted to the Audit Committee and Board of Directors.
71	Authorities of the Risk Management Committee.	
72	Meetings of the Risk Management Committee.	
87	The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that	Company's Corporate Governance Regulation includes Social Contribution and it shall be approved by the General

	guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	Assembly when it is mandatory.
95	Formation of a Corporate Governance Committee.	A guiding article. The Board formed specialized committees in accordance with the needs of the Company and its conditions to enable it perform its functions and duties effectively, Also the work of the Board and its committees are considered key components of the Corporate Governance, where each of them contributes to the achievement of its objectives.

19. BOARD OF DIRECTORS

As stipulated in Article 17 of the Company's Articles of Association, the Company shall be managed by a Board of Directors composed of nine (9) members appointed by the Ordinary General Assembly through cumulative voting for a period of no more than three (3) Gregorian years. Accordingly, during the Ordinary General Assembly convened on November 01, 2018, the Board members were elected for a period of three years by cumulative voting.

The current Board of Directors is comprised of the following members:

Name of Member	Membership Classification	Position
Mr. Abdullah Ali Al-Sanea	Independent	Chairman of the Board
Eng. Sami Abdulaziz Al-Suwaigh	Independent	Vice Chairman
Eng. Saud Abdullah Al-Sanea	Executive	Board Member
Mr. Abdullah Abdulrahman Bu-Ali	Executive	Board Member
Eng. Abdul Salam Mazro Al-Mazro	Independent	Board Member
Mr. Adel Saleh Al-Ghassab	Independent	Board Member
Mr. Mohammed Farhan Al-Nader	Independent	Board Member
Mr. Yassir Abdulrahman Alluhaidan	Independent	Board Member
Mr. Zeyad A. Al-Barrak	Independent	Board Member

Current and previous positions, qualifications and experience of Board & Committees Members:



Mr. Abdullah Ali Al-Sanea
Chairman & Chairman of Executive Committee

Current Position:

Proprietor and President of SAN Consult

Previous Positions & Experience:

- Partner & CEO of Arnon Plastics Industry.
- Partner & CEO of Plastic Sheets Company.
- Executive Director of Dhahran Chemical Industries Company.

Mr. Al-Sanea holds a Bachelor's degree in Industrial Management from the King Fahd University of Petroleum & Minerals, KSA.



Eng. Sami Abdulaziz al-Suwaigh
Vice Chairman

Current Position: Retiree

Previous Positions & Experience:

- President of Saudi Arabia Petrochemical



Eng. Saud Abdullah Al-Sanea
Board Member

Current Position: Retiree

Previous Positions & Experience:

- CEO & Managing Director of Chemanol.
- CEO of Saudi Methanol Co. (AR-RAZI).

- Company (SADAF)
- President of Arabian Petrochemical Company (Petrokemya)
- President of Saudi-European Petrochemical Company (Ibn Zahra)
- President of Saudi Iron & Steel Company (Hadeed).

Mr. Al-Suwaigh graduated from the King Fahd University of Petroleum and Minerals, KSA with a Bachelor's degree in Industrial Management.

- Operations General Manager at Saudi Arabia Petrochemical Company (SADAF).
- Technical and Maintenance General Manager at Saudi Arabia Petrochemical Company (SADAF).

Eng. Saud Al-Sanea is a graduate in Electrical Engineering from USA and also holds a degree in Executive Development Program from Kellogg, North Western University, USA.



Mr. Abdullah Abdulrahman Bu-Ali

Board Member

Current Position:

Retiree

Previous Positions & Experience:

- CFO of Chemanol.
- General Manager – Finance at National Methanol Company (Ibn Sina).
- General Manager - Finance & Administration at Saudi Arabia Petrochemical Company (SADAF).
- General Manager – Finance at MARAFIQ

Mr. Bu-Ali holds a Bachelor's degree in Industrial Management from the King Fahd University of Petroleum & Minerals, KSA.



Eng. Abdul Salam Mazro al-Mazro

Board Member

Current Position:

CEO of Al Mazro Group

Previous Positions & Experience:

- Held various leadership positions at SABIC.
- Diverse experiences in manufacturing and consultancy in private sector.

Eng. Al Mazro holds a Bachelor's degree in Chemical Engineering from King Saud University, KSA, and MBA from the University of Bradford, West Yorkshire, UK.



MR. MOHAMMED FARHAN AL NADER

Board Member

Current Position:

- Managing Partner with RSM Allied Accountants Co..

Previous Positions & Experience:

- Executive Director of Sulaiman Al Rajhi Endowment (AWqaf Sulaiman Al Rajhi).
- Marketing & Sales Manager at Fipco.

Mr. Al Nader holds a Bachelor's degree in Accounting from King Saud University, KSA and MSc in Business Management & Finance from the Heriot Watt University, Edinburgh, UK.



Mr. Adel Saleh Al-Ghassan

Board Member

Current Position:

- President of Zamil Plastics Industries.

Previous Positions & Experience:

- Sales Manager at Tasnee Petrochemical Co.
- Marketing & Sales Manager at Fipco.
- Managing Director of Zamil Plastics Industries.

Mr. Al Ghassab holds a Bachelor's degree in Industrial Management from King Fahd University of Petroleum and Minerals, KSA.



Mr. Zeyad a. Al- Barrak

Board Member

Current Position:

- Founding Partner of ZAAB Advisory Services.

Previous Positions & Experience:

- CEO of Jubail Energy Services Co. (JESCO).
- CFO of JESCO and has also served with Chemanol as CFO.
- Finance & IT Manager of Aluminum Products Co
- Credit Consultant at the Saudi Industrial Development Fund (SIDF).

Mr. Al Barrak, holds a Bachelor's degree in Finance & Economics from King Fahd University of Petroleum and Minerals, KSA.



Mr. Yassir Abdulrahman Alluhaidan

Board Member

Current Position:

- An entrepreneur running his own business.

Previous Positions & Experience:

- Sales Manager at with Al-Kawther Establishment for Medical Supplies.
- Deputy General Manager and Acting General Manager of Saudi Land Transport Company (Mubarrad).

Mr. Alluhaidan holds a Bachelor's degree in Education from King Saud University, KSA.

20. BOARD MEETINGS AND ATTENDANCE RECORD FOR EACH MEETING

The Board of Directors held five meetings during the FY ended December 31, 2020. The following table shows the attendance record of each member of the Board:

Name of Member	Attendance Record					
	First Meeting	Second Meeting	Third Meeting	Fourth Meeting	Fifth Meeting	Total
	April 5 th	June 24 th	Sept. 17 th	Oct. 5 th	Nov. 24 th	
Mr. Abdullah Ali Al-Sanea	✓	✓	✓	✓	✓	5
Eng. Sami Abdulaziz Al-Suwaigh	✓	✓	✓	✓	✓	5
Eng. Saud Abdullah Al-Sanea	✓	✓	✓	✓	✓	5
Mr. Abdullah Abdulrahman Bu-Ali	✓	✓	✓	✓	✓	5
Eng. Abdul Salam Mazro Al-Mazro	✓	✓	✓	✓	✓	5
Mr. Adel Saleh Al-Ghassab	✓	✓	✓	✓	✓	5
Mr. Mohammed Farhan Al-Nader	✓	✓	✓	✓	✓	5
Mr. Yassir Abdulrahman Alluhaidan	✓	✓	✓	✓	✓	5
Mr. Zeyad A. Al-Barrak	✓	✓	✓	✓	✓	5

21. Executive Management

Current and previous positions, qualifications, and experience of Senior Executives of the Company:



Eng. Ali Mohammed Al-Asiri

Current Position:

- Chief Executive Officer (CEO) of the Company.

Previous Positions & Experience:

- CEO of Saudi Calcined Petroleum Coke Co. (SCPC).
- Held various leadership positions at other reputable companies like Saudi Arabia Petrochemical Company (SADAF), Farabi Petrochemical Company, Gulf Packaging Company (GPIL) and TASNEE.

Eng. Ali Al-Asiri holds a Bachelor's degree in Applied Chemical Engineering from King Fahad University of Petroleum & Minerals, KSA and completed his post-graduation with an Executive Management Business Administration (EMBA) from USA.



Mr. Abdullah Ali. Al-Hajri

Current Position:

- Chief Financial Officer (CFO)

Previous Positions & Experience:

- He served with reputable entities like Saudi Industrial Development Fund(SIDF), Ernst & Young and Marafiq.

Mr. Al-Hajri holds a Bachelor's degree in Accounting from King Faisal University, KSA and subsequently pursued post-graduation with M.S. in Finance from Southern New Hampshire University, USA.



Eng. Khalid Mohammed Moharrum

Current Position:

- General Manager – Manufacturing

Previous Positions & Experience:

- Held various leadership positions in Chemanol.

Mr. Moharrum holds an honours Bachelor's degree in Applied Chemical Engineering from the King Fahd University of Petroleum & Minerals, KSA.



Mr. Abdulaziz Mohamed Al-Zahrani

Current Position:

General Manager, Marketing & Sales

Previous Positions & Experience:

- Marketing & Sales Manager at SADARA.
- Marketing & Sales Manager at Saudi International Petrochemical Company (SIPCHEM).

Mr. Al-Zahrani holds a Bachelor's degree in Systems Engineering from King Fahd University of Petroleum & Minerals, KSA.



Mr. Eid Abdul-Mohsen Al-Dossary

Current Position:

General Manager, EHSS & Administration

Previous Positions & Experience:

- Held various leadership positions in Chemanol.
- Administration Manager at Al-Fozan Factory.

Mr. Al-Dossary holds a Bachelor's degree in Projects Management from King Faisal University, KSA.



Mr. Osama Saeed Abdul Fattah

Current Position:

Legal Advisor & Board Secretary

Previous Positions & Experience:

- Deputy Director of Legal Affairs, Concord International Co. (Egypt).
- Legal Affairs Manager, Al-Hassan Ghazi Ibrahim Shaker (Shaker Group).

Mr. Osama holds a Bachelor's degree in Law from Faculty of Law (English Department), Cairo University, Egypt.

22. INTERESTS OF DIRECTORS AND SENIOR EXECUTIVES

There are some interests in the shares of the Company during 2020, belong to some members of the Board of Directors and Senior Executives, and their spouses and children of minors, as follows:

First: Members of the Board of Directors

Description of any interest, contractual papers and subscription rights attributable to the members of the Board of Directors and their relatives in the Company's shares or debt instruments								
Name	Beginning of the year			End of the year			Net Change	Percentage of Change
	Number of shares	Debt Instruments	Percentage of Ownership	Number of shares	Debt Instruments	Percentage of Ownership		
Mr. Abdullah Ali Al-Sanea	1,054	-	-	-	-	1,054	-	-
Eng. Sami Abdul Aziz al-Suwaigh	1,000	-	-	-	-	1,000	-	-
*Eng. Saud Abdullah Al-Sanea	5,000	-	-	-	-	-	5,000	100%
**Mr. Abdullah Abdulrahman Bu-Ali	100	-	-	-	-	-	100	100%
Mr. Adel Saleh Al Ghassab	14,500	-	-	-	-	-	14,500	100%
Eng. Abdul Salam Mazro Al Mazro	1,000	-	-	1,000	-	-	-	-
Mr. Mohammed Farhan Al Nader	1,000	-	-	1,000	-	-	-	-
Mr. Yassir Abdulrahman Alluhaidan	2,426	-	-	2,426	-	-	-	-
Mr. Zeyad a. Al barrak	100	-	-	-	-	-	100	100%

* Resigned from his position of Managing Director as of July 01, 2020.

** Resigned from his position of CFO as of December 31, 2019, and position of CEO's Financial Consultant as of July 01, 2020.

Second: Senior Executives

Description of any interest, contractual papers and subscription rights attributable to the Senior Executives and their relatives in the Company's shares or debt instruments								
Name	Beginning of the year			End of the year			Net Change	Percentage of Change
	Number of shares	Debt Instruments	Percentage of Ownership	Number of shares	Debt Instruments	Percentage of Ownership		
Eng. Ali Mohammed Al-Asiri	-	-	-	-	-	-	-	-
Mr. Abdullah Ali Al-Hajri	4,870	-	-	-	-	-	4,870	100%
Eng. Khalid mohammed Moharrum	-	-	-	-	-	-	-	-
Mr. Abdulaziz Mohamed Al-Zahrani	-	-	-	-	-	-	-	-
Mr. Eid Abdul-Mohsen Al-Dossary	-	-	-	-	-	-	-	-
Mr. Osama Saeed Abdul Fattah	-	-	-	-	-	-	-	-

* There is no any interest, contractual papers and subscription rights attributable to the relatives of Senior Executives in the Company's shares or debt instruments.

23. REMUNERATION OF BOARD MEMBERS AND EXECUTIVE MANAGEMENT

In light of the provisions governing the remuneration of Board members, Board committees and Senior Executives, as stipulated in the Companies Law, the Corporate Governance Regulations, the Regulatory Controls and Procedures issued in implementation of the Companies Law of Listed joint-stock companies and the Company's Articles of Association, the remuneration of Board members, Board committees and Senior Executives shall be in accordance with the following principles and rules:

First: Board Members & Board Committees:

- Based on the recommendation of the Remuneration and Nominations Committee, The Board of Directors shall determine the remuneration of Board members and Committee members in accordance with the following principles:
 - ✓ The organization of the remuneration should be consistent with the Company's strategic objectives and should be an incentive factor for the members of the Board and committees to achieve these objectives and enhance the Company's ability to develop and sustain its business.
 - ✓ The remuneration should be commensurate with the nature of the Company's business, activity and size, as well as the experience required.
 - ✓ The remuneration should be a means to attract Board members with experience and qualifications to enhance the Company's ability to achieve its objectives.
- A Board Member is entitled to an annual remuneration of SAR 200,000 in return for membership in the Board.
- The Company shall be entitled to claim damages for its reputation and to recover all remuneration, compensation and any other costs incurred by the Company in case:
 - ✓ The member commits an act involving a breach of honour or trust, or violates the laws and regulations of the Kingdom of Saudi Arabia or any other country.
 - ✓ The member fails to carry out his responsibilities and duties, and that results in damage to the interests of the Company.
 - ✓ Of termination of membership by a decision of the General Assembly for being absent from three consecutive meetings within one year without a legitimate excuse acceptable to the Board of Directors.

Second: Senior Executives

- Based on the recommendation of the Remuneration and Nominations Committee, the Board of Directors shall determine the remuneration of Senior Executives in accordance with the following principles:
 - ✓ The remuneration and compensation should be consistent with the Company's strategic objectives and should be an incentive factor for Senior Executives to achieve these objectives and enhance the Company's ability to develop and sustain its business.
 - ✓ The remuneration should be commensurate with the nature of the Company's business, activity and size, as well as the experience required.
 - ✓ The remuneration should enable the Company to attract Senior Executives with the necessary credentials, skills and capabilities to enable the Company to achieve its objectives.
 - ✓ The remuneration should not cause any conflict of interest that would adversely affect the interest of the company and its ability to achieve its objectives.

The following table shows the remuneration and compensation of the members of the Board of Directors and its committees paid during the FY ended December 31, 2020.

First: Board Members & Board Committees:

Board Members	Fixed Remuneration						Variable Remuneration						Grand Total	Expense Allowance		
	Specific amount	Allowance for attending meetings of the Board	Total allowance for attending committee meetings	In-kind benefits	Remuneration of technical administrative and advisory work	Remuneration of the Chairman, Managing Director or the Secretary, if any	Total	Percentage of profits	Periodic Remuneration	Short-term incentive plans	Long-term incentive plans	Shares granted			Total	End of service benefits
INDEPENDENT MEMBERS																
Mr. Abdullah Ali Al-Sanea	-	9,000	6,000	-	9,000	200,000	15,000	-	200,000	-	-	-	200,000	-	215,000	7,688
Eng. Sami Abdul Aziz al-Suwaigh	-	9,000	9,000	-	9,000	200,000	18,000	-	200,000	-	-	-	200,000	-	218,000	3,000
Mr. Mohammed Farhan Al Nader	-	9,000	18,000	-	81,000	200,000	27,000	-	200,000	-	-	-	200,000	-	227,000	2,700
Mr. Adel Saleh Al Ghassab	-	9,000	18,000	-	9,000	200,000	27,000	-	200,000	-	-	-	200,000	-	227,000	-
Eng. Abdul Salam Mazro Al Mazro	-	9,000	9,000	-	9,000	200,000	18,000	-	200,000	-	-	-	200,000	-	218,000	2,700
Mr. Yassir Abdulrahman Alluhaidan	-	9,000	12,000	-	81,000	200,000	21,000	-	200,000	-	-	-	200,000	-	221,000	-
Mr. Zeyad a. Al barrak	-	9,000	21,000	-	9,000	200,000	30,000	-	200,000	-	-	-	200,000	-	230,000	7,688
NON-EXECUTIVE MEMBERS																
Eng. Saud Abdullah Al-Sanea	-	9,000	9,000	-	-	-	18,000	-	200,000	-	-	-	200,000	-	218,000	3,000
Mr. Abdullah Abdulrahman Bu-Ali	-	9,000	6,000	-	-	-	15,000	-	200,000	-	-	-	200,000	-	215,000	-
Total	-	81,000	108,000	-	-	-	189,000	-	1,800,000	-	-	-	-	-	1,989,000,000	27,676

Second: Senior Executives

Remuneration of Senior Executives including CEO & CFO	Fixed Remuneration				Variable Remuneration						End of service benefits	Total Executives remuneration for the Board, if any	Grand total
	Salaries	Allowances	In- Kind	Total	Periodic Bonus	Profits	Short - Term Motivational Bonus	Long - Term Motivational Bonus	Shares granted	Total			
	4,625	1,416	-	-	-	-	435	-	-	6,475	258	-	6,733
	4,625	1,416	-	-	-	-	435	-	-	6,475	258	-	6,733

24. THE PROCEDURES TAKEN BY THE BOARD OF DIRECTORS TO INFORM ITS MEMBERS OF THE SHAREHOLDERS' PROPOSALS AND OBSERVATIONS REGARDING THE COMPANY AND ITS PERFORMANCE

The Company's Articles of Association and Corporate Governance guarantees' the equity rights of shareholders. The Company also receives all shareholders' suggestions and observations by e-mail, phone calls, through the General Assembly Meeting and other means of communication. The Board of Directors is notified with a summary of these suggestions or observations, if any.

25. MEANS RELIED UPON BY THE BOARD OF DIRECTORS FOR EVALUATING ITS PERFORMANCE AND THE PERFORMANCE OF ITS COMMITTEES AND MEMBERS

The Remuneration and Nomination Committee's Regulations approved by the General Assembly includes conducting assessment for the performance of the Board and its committees on an annual basis. However, the Board underlines the significance of communicating with the committees through reviewing their periodic reports and hence discussing the recommendations and decisions taken by them.

26. BRIEF DESCRIPTION OF THE AUTHORITIES AND DUTIES OF THE BOARD COMMITTEES

The Board of Directors has formed several committees that play an important role in helping to carry out its statutory duties in order to achieve the optimum performance and benefit from the diverse expertise and experience of its members:

First: The Executive Committee:

In the light of the Executive Committee Regulations approved by the Board of Directors, the Duties and Responsibilities of the Committee shall be as follows:

1. Following up the Company's financial position, and operational and marketing strategies.
2. Reviewing the Company's strategic planning procedures and processes in coordination with the Chief Executive Officer (CEO).
3. Coordinating with the CEO to lay down the Company's strategic plan and the operational objectives.
4. Periodically reviewing the Company's strategic plan and the operational objectives to ensure their consistency with the Company's mission and objectives.
5. Making recommendations to the Board regarding the strategic decisions in relation with the investment opportunities that aim to improve the Company's performance.
6. Any duties or tasks assigned to it by the Board of Directors.
7. All the decisions and recommendations of the committee shall be submitted to the Board at the most recent meeting for approval.

The committee's term shall be three (3) years starting from the commencement date of each Board period, and no way shall an Executive Committee's member's term be extended beyond the Board's period.

The Committee consists of the following five Board members:

Mr. Abdullah Ali Al-Sanea	Chairman
Eng. Sami Abdulaziz Al-Suwaigh	Member
Eng. Saud Abdullah Al-Sanea	Member
Mr. Abdullah Abdulrahman Bu-Ali	Member
Eng. Abdul Salam Mazro Al-Mazro	Member

The committee did not held any meeting during 2020.

Second: Audit Committee:

In the light of the Audit Committee Regulations approved by the General Assembly of the Company, the Duties and Responsibilities of the Committee shall be as follows:

- **Financial Reports:**
 - a. Examining and reviewing the Company's financial statements and providing opinion and recommendation to the Board thereon.
 - b. Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.
 - c. Examining any important or non-familiar issues contained in the financial reports.

-
- d. Investigating any issues raised by the Company's Chief Financial Officer or any person assuming his/her duties, or the Company's external auditor.
 - e. Examining the accounting estimates in respect of significant matters that are contained in the financial reports.
 - **Internal Audit:**
 - a. Examining and reviewing the Chemanol's internal and financial control systems and risk management system.
 - b. Examining the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports.
 - c. Providing a recommendation to the Board on appointing the Head of the Internal Audit and suggest his/her remuneration.
 - d. Monitoring and overseeing the performance and activities of Chemanol's Internal Audit Department to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties.
 - **External Auditor:**
 - a. Providing recommendations to the Board to nominate external auditors, dismiss them, determine their remuneration, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts.
 - b. Verifying the independence of the external auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards.
 - c. Reviewing the plan of the Company's external auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon.
 - d. Responding to queries of the Chemanol's External Auditor.
 - e. Reviewing the External Auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.
 - **Ensuring Compliance:**
 - a. Reviewing the findings of the reports of supervisory authorities and ensuring that Chemanol has taken the necessary actions in connection therewith.
 - b. Ensuring Chemanol's compliance with the relevant laws, regulations, policies and instructions.
 - c. Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith.
 - d. Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

In general, in order to perform its duties, the Audit Committee may:

- a. Investigate any matter falling within its functions or any subject specifically requested by the Board of Directors.
- b. Access the Company's records and documents.
- c. Request any explanation or statement from Board members, Executive Management, or the Company employees for the purpose of investigating and inquiring about any information.
- d. Seek legal and technical advice from any third party or other independent consultant when necessary to assist the Committee in performing its functions and to investigate any shortcoming relating to Internal Audit Department.
- e. The Company Management shall inform the Chairman of Audit Committee of any defect, fraud or irregularity according to their level of seriousness.

To ensure the independence of the Audit Committee's work, both the Head of Internal Audit Department and the External Auditor shall directly deal and communicate with the Audit Committee without any intermediary.

The Committee consists of three members. The following tables shows the name of members and their attendance record for the Committee meetings and dates.

Name of Member	Membership Status	Meetings Attendance Record During 2020				Total
		1 st -meeting	2 nd meeting	3 rd meeting	4 th meeting	
		Feb. 26 th	June 21 st	Aug. 24 th	Nov. 4 th	
Mr. Mohammed Farhan Al-Nader	Chairman - Independent	✓	✓	✓	✓	4
Mr. Adel Saleh Al-Ghassab	Committee member - Independent	✓	✓	✓	✓	
Mr. Zeyad A. Al-Barrak	Committee member - Independent	✓	✓	✓	✓	

Third: Remuneration and Nomination Committee:

In conformity with the Remuneration and Nomination Committee' regulations issued by the Capital Market Authority (CMA), the duties and responsibilities of the Committee shall be:

1. Suggesting clear policies and standards for membership of the Board and the Executive Management.
2. Providing recommendations to the Board for the nomination or re-nomination of its members in accordance with the approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty.
3. Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions.

4. Determining the amount of time that the member shall allocate to the activities of the Board.
5. Annually reviewing the skills and expertise required of the Board members and the Executive Management.
6. Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure.
7. Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board member also acts as a member of the Board of directors of another company;
8. Providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
9. Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant.
10. Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.
11. Periodically reviewing the remuneration policy and assessing its effectiveness in achieving the desired objectives.
12. Explaining the relationship between remuneration granted and applicable remuneration policy, highlighting any significant deviation from such policy.
13. Providing recommendations to the Board in respect of the remuneration of its members, the committees' members and Senior Executives, in accordance with the approved policy.
14. Ensuring the validity of insurance of Board members against any incorrect decisions which may entail legal consequences and financial liabilities.

The Committee consists of three members. The following tables shows the name of members and their attendance record for the Committee meetings and dates.

Name of Member	Membership Status	Meetings Attendance Record During 2020		
		1 st -meeting	2 nd meeting	Total
		March. 11 th	Oct. 20 th	
Eng. Sami Abdulaziz Al-Suwaigh	Chairman - Independent	✓	✓	2
Mr. Yassir Abdulrahman Alluhaidan	Committee member - Independent	✓	✓	
Mr. Zeyad A. Al-Barrak	Committee member - Independent	✓	✓	

Fourth: Marketing Committee:

In accordance with the Board of Directors of Chemanol Directive dated 15/11/2018, a marketing committee was formed to support the Company in the sale and marketing of its products. In the light of the approved Regulations of the Committee, the duties and responsibilities of the Committee shall be:

- Assisting the Marketing and Sales Department in developing the annual marketing plan for the products. Such a plan shall be submitted to the Board for approval.
- Reviewing the Company's annual and quarterly plan regarding the production and sales of various products.
- Developing quarterly price forecast to identify the economics of market sectors.
- Reviewing the product grades and/ or the profitability of new items, and providing recommendations to add and remove products, as may be required.
- Periodically reviewing the Company's logistics costs (packaging, freight, warehousing costs), and recommending improvements thereto.
- Developing KPIs, in coordination with the Marketing and Sales Department, in order to enable the Company to periodically review and measure the performance of the Department.
- Reviewing and providing recommendations regarding the Marketing and Sales Department's strategies and actions related to legal compliance (e.g. anti-monopoly laws and export and dumping regulations).
- Monitoring the Company's compliance with Marketing and Transportation agreements as well as reviewing and approving any amendments thereto, taking into account due consideration.
- Providing recommendations to the Company to conduct periodic or specialized marketing research to identify customers' needs and satisfaction levels as well as the environmental factors and competitive elements.
- Providing assistance in laying down long-term plans for marketing the existing products and developing growth strategies.
- Providing assistance in identifying opportunities and potential partnerships to improve marketing initiatives to achieve optimal results.

The Committee consists of four members. The following tables shows the name of members and their attendance record for the Committee meetings and dates.

Name of Member	Membership Status	Meetings Attendance Record During 2020
Eng. Sami Abdulaziz Al-Suwaigh	Chairman - Independent	No meeting held in 2020
Eng. Saud Abdullah Al-Sanea	Committee member - Non-executive	
Mr. Yassir Abdulrahman Alluhaidan	Committee member - Independent	
Mr. Adel Saleh Al-Ghassab	Committee member - Independent	

27. WAIVING OF REMUNERATION

None of the Board Members or Senior Executives has waived the annual remuneration for FY ended December 31, 2020.

28. WAIVING OF DIVIDENDS

The Company did not distribute dividends to shareholders in FY ended December 31, 2020.

29. CONTRACTS IN WHICH DIRECTORS AND SENIOR EXECUTIVES HAVE AN INTEREST

The Board of Directors acknowledges that the Company did not entered into any contracts in which there was a personal interest for any of the Board members or Senior Executives.

30. BOARD OF DIRECTORS DECLARATIONS

The Board of Directors acknowledges that:

1. The accounting records have been properly prepared.
2. The internal control system has been developed and implemented soundly and effectively.
3. There are no doubts on the Company's ability to continue its activity.

31. GENERAL ASSEMBLIES

The following table shows the dates of General Assemblies held during the FY ended December 31, 2020 and the names of members of the Board of Directors who attended them:

Board Member/ Date of GA	Ordinary General Assembly 13/05/2020	Ordinary General Assembly 24/06/2020
Mr. Abdullah Ali Al-Sanea	✓	✓
Eng. Sami Abdulaziz Al-Suwaigh	✓	✓
Eng. Saud Abdullah Al-Sanea	✓	✓
Mr. Abdullah Abdulrahman Bu-Ali	✓	✓
Eng. Abdul Salam Mazro Al-Mazro	✓	✓
Mr. Adel Saleh Al-Ghassab	✓	✓
Mr. Mohammed Farhan Al-Nader	✓	✓
Mr. Yassir Abdulrahman Alluhaidan	✓	✓
Mr. Zeyad A. Al-Barrak	✓	✓

32. SHAREHOLDERS RECORDS

The following table shows the dates of the requests of Shareholders Records and the reasons thereof

Date of Request	Reason for the Request
31/12/2019	Other
13/05/2020	Companies' procedures
13/05/2020	Companies' procedures
30/06/2020	Companies' procedures
20/12/2020	Other

33. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company Management is committed to achieving the principle of fairness in providing the appropriate information at the right time to investors in order to help them take the best decisions based on correct and adequate information, to ensure that such information is not leaked to some

investors rather than others and also to ensure that all the beneficiaries have equal access. The Company is strictly and keenly committed to implementing the policies and procedures for disclosing the material developments, financial statements and performance reports in accordance with the legal requirements, the applicable regulations and instructions of the competent authorities.

34. COMPANY ANNOUNCEMENTS ON THE SAUDI STOCK EXCHANGE (TADAWUL) WEBSITE

During the FY ended December 31, 2020, the Company announced a number of events and resolutions on Tadawul website through 23 announcements addressed to the Company shareholders. (*refer to Company profile on Tadawul website*)

35. PAID AND DUE STATUTORY PAYMENTS

The following table shows the paid and due statutory payments during the year with payable at the end of the year (SAR in '000')

Particulars	Amount Paid	Payable	A Brief Description	Reason
Zakat	6,052	7,000	Company Zakat	Mandatory
Tax	200.7	20	Withholding Tax	Mandatory
General Organization for Social Insurance	10,950	879.5	GOSI Subscription Payments	Mandatory
Visa and Passport Cost	263	-	Payments against Employees visa and passports	Mandatory

36. RESERVES CREATED FOR THE BENEFIT OF EMPLOYEES

The following table shows the provision of Company employees at the end of year 2020 (SAR in '000').

Item	2019	2020
Provision for End of Service Benefits	47,725	48,892

37. SANCTIONS AND PENALTIES IMPOSED ON THE COMPANY

There is no penalty, sanction, precautionary measure, or precautionary restriction imposed on the

Company by CMA or by any other supervisory, regulatory or judicial authority during the FY ended December 31, 2020

38. RESULTS OF THE ANNUAL REVIEW OF THE EFFECTIVENESS OF THE INTERNAL CONTROL PROCEDURES

In its continuous efforts to improve the control environment and to minimize the risk, Chemanol developed written control procedures for all its operations. This is strengthened by the formation of an elected Audit Committee by the General Assembly which contributes in ensuring the independence of the internal and external auditors. The Committee receives periodic reports about the units and activities under audit which would contribute in providing of continuous assessment and in measuring the effectiveness of the internal control system.

The Company's Internal Audit Department which reports to Audit Committee, provides assurance and consulting services to add value and improve the Company's operations in conformity with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. Such activity helps the Company promote and protect its value and accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The business of the Company is subject to periodic audits in accordance with Audit Committee's approved plan. Reports on the outcomes of such audits are submitted to the Executive Management and Board of Directors. During 2019, the internal audit activities demonstrated some remarks and had been reported to both Executive Management and Board of Directors and corrective actions were taken. Nothing has been brought to the attention of the Audit Committee to believe that there are material deficiencies that require disclosure. Furthermore, the control system has achieved many improvements during the year.

39. DESCRIPTION OF ANY TRANSACTION BETWEEN THE COMPANY AND A RELATED PARTY

There are no transactions concluded between the Company and any related party during the FY ended December 31, 2020.

40. SOCIAL RESPONSIBILITY

Believing in its role towards the society especially given the coronavirus pandemic (Covid-19), Chemanol organized a Secure Shopping campaign in Jubail distributing 1000 hygiene kits containing gloves, face masks and sanitizing gel among shoppers. Also the Company conducted awareness campaigns to educate the community members about the importance of abiding by the precautionary and preventive measures.

In addition, the Company has continued playing its role in the areas of health, environmental protection, education, orphan support, and Holy Quran Memorization Centres in collaboration with a number of specialized Non-profit Organizations (NPOs). Such donation are limited only to entities having legal personalities and officially registered.

During 2020, the Company provided financial support worth of SAR 00, 000 to charitable associations and institutions in accordance with the budget approved by the Board of Directors.

41. CONCLUSION

I have the honour to express to the Custodian of the Two Holy Mosques King Salman bin Abdul Aziz Al-Saud and to His Royal Highness Crown Prince Mohammed bin Salman - may Allah save them-, in my own name and on behalf of the Board of Directors and the Executive Management, our heartfelt thanks and gratitude for supporting the national manufacturing industry, especially during the Covid-19 pandemic. We ask Allah the Almighty to remove this adversity and to protect us and our beloved country against any harm.

We extend our sincere thanks and gratitude to the Executive Management and all the employees for their efforts during this tough year. We highly value and appreciate the interaction of the Company's shareholders and the relevant government and private sectors. The Board looks forward to further achievements for the Company in the coming years and get back on the profitability track.

Chairman of Board of Directors

Abdullah Ali Al Sanea