CHEMISTRY THAT MATTERS™

CHEMISTRY THAT SHAPES TOMORROW

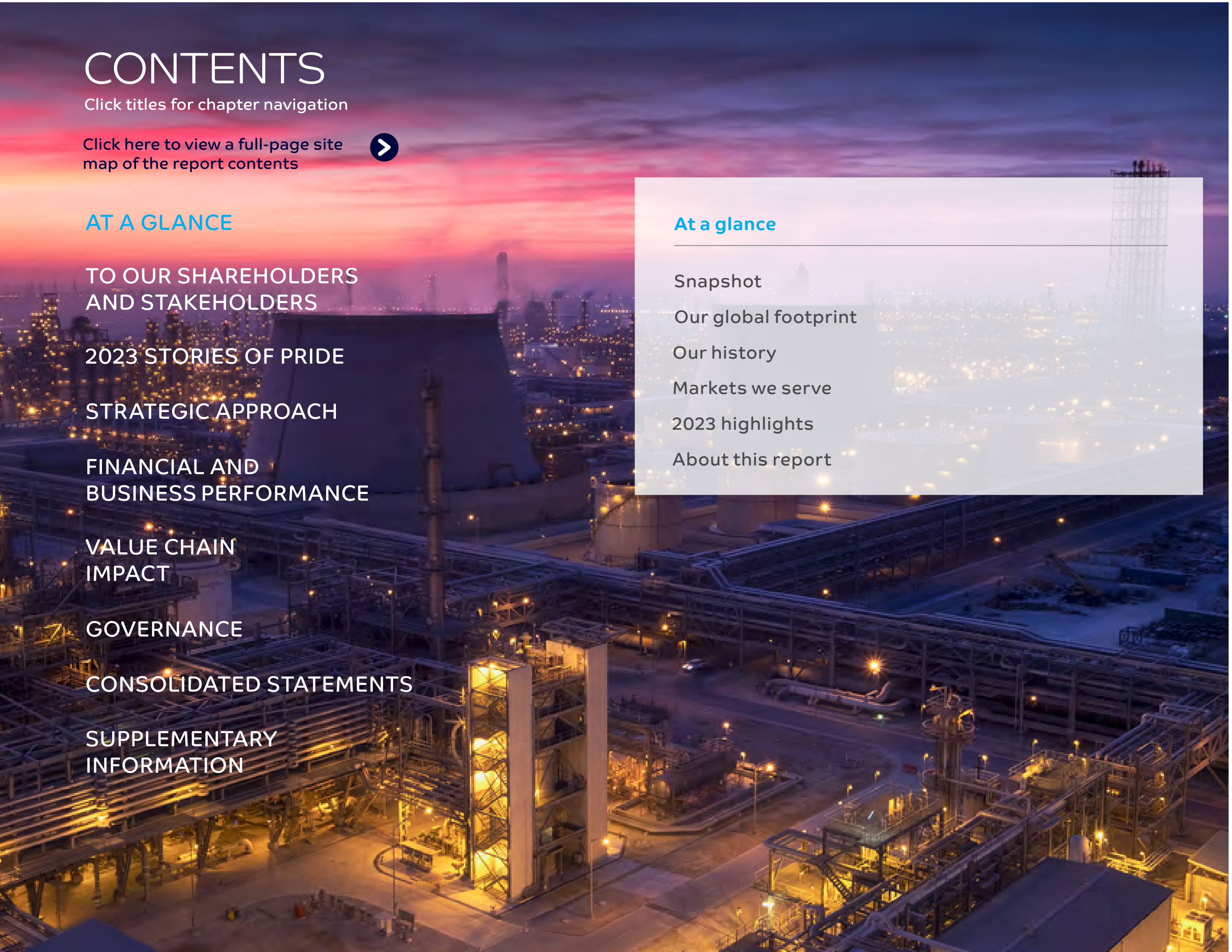
INTEGRATED ANNUAL REPORT 2023

King Salman bin Abdulaziz Al-Saud

The Custodian of the Two Holy Mosques

His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al-Saud

Crown Prince and Prime Minister



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Interactive navigation toolbar

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AT A GLANCE

SNAPSHOT

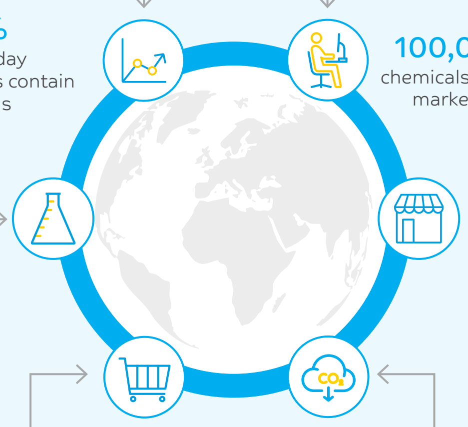
THE CHEMICAL INDUSTRY IMPACTS VIRTUALLY EVERY SECTOR OF THE ECONOMY

Chemical industry contributes to approx.
6% of global GDP

120 Mn.
jobs supported by the chemical industry

90+%
of everyday products contain chemicals

100,000+
chemicals on the market today



Global chemical sales in 2023
US$ 6.3 Tn.

forecast by 2030
US$ 7.8 Tn.

In 2030, solutions provided by the chemical industry could reduce emissions by
2.5 $GtCO_2e$ per year

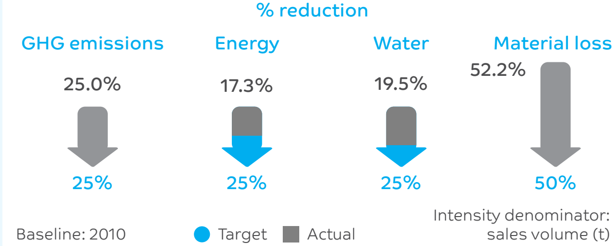
Source: ICIS, Oxford Economics

SABIC IN NUMBERS

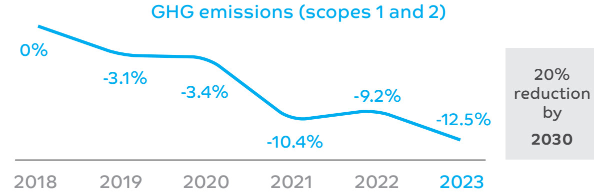
141.5 Bn. Sales revenue (SAR) US$ 37.7 Bn.	**294.4 Bn.** Assets (SAR) US$ 78.5 Bn.
1.3 Bn. Net income from continuing operations* (SAR) US$ 0.35 Bn.	**A+/A1** Among highest standalone credit rating within the chemical industry
53.5 Mn. Production (metric tons)	**US$ 4.9 Bn.** Estimated brand value
11,070 Patents and pending applications (Inclusive of 73 from Hadeed)	**150** New products every year

WE ARE CREATING
CHEMISTRY THAT MATTERS™
FOR A SUSTAINABLE WORLD

2025 INTENSITY TARGETS



2030 ABSOLUTE TARGETS



TRUCIRCLE™ SOLUTIONS

Annual sales of certified circular and renewable solutions

2023 sales **18 kt** → 2030 target **1,000 kt**

INCIDENT RATE

0.10
total recordable incident rate

All SABIC numbers as of Dec. 31, 2023

*Attributable to equity holders of the Parent

OUR GLOBAL FOOTPRINT

- Technology and innovation centers
- Manufacturing and compounding plants
- International subsidiaries and sales offices
- Distribution, storage facilities, and logistical hubs

32,000+
Employees around the world
(Inclusive of approx. 3,300 from Hadeed)

45+
Countries of operation

64
Manufacturing/ compounding sites
(Inclusive of 1 from Hadeed)

140+
Countries served

20
Technology and innovation centers

2,000+
R&D employees

OUR HISTORY

Foundation and establishment

The 1970s

1976 – SABIC established by royal decree to convert waste natural gas to valuable chemicals

1979 – Ar-Razi formed as a single-commodity affiliate in the first step to becoming a global player in methanol

1979 – Hadeed founded to supply metal products under the SABIC brand

The 1980s

1980 – Joint venture established with Shell and ExxonMobil

1981 – Joint venture established with Mitsubishi

1983 – First products exported out of Saudi Arabia

1984 – First shares listed publicly on the Saudi Stock Exchange

1988 – First technical center established to promote innovation

Readiness for growth

The 1990s

1990 – National shipping company, National Chemical Carriers (NCC), formed

1992 – Four affiliates become the first companies in the Middle East to receive ISO 9002 certification

1996 – SABIC becomes the Middle East's largest joint stock company with sales revenues exceeding SAR 19 billion (US$ 5.1 billion)

1997 – SABIC's share of the world petrochemical market estimated at 5%

Globalization

The 2000s

2000 – SABIC's product sales span over 100 countries

2001 – Jubail United Petrochemical Company established

2002 – New SABIC global headquarters building opens in Riyadh

2002 – Acquisition of DSM Petrochemicals

2003 – Joint venture with Sud-Chemie established to acquire Scientific Design

2004 – SABIC share value increases 170% from 2003 to 2004

2005 – Yansab established by royal decree

2005 – SABIC becomes the world's 11th-largest petrochemical company and is ranked 331 on the Fortune Global 500

2006 – Acquisition of Huntsman Petrochemicals UK

2007 – Acquisition of GE Plastics

2009 – Joint venture with Sinopec established in China

Transformation and innovation

The 2010s & 2020s

2011 – First public environmental targets established; first sustainability report published

2012 – SABIC Academy inaugurated

2014 – Joint venture established with SK chemicals in South Korea

2016 – Home of Innovation™ inaugurated

2017 – Joint venture with ExxonMobil, Gulf Coast Growth Ventures, established

2018 – Acquisition of 24.99% stake in Clariant AG

2019 – Saudi Aramco acquires a 70% stake in SABIC

2019 – New circular economy initiative, TRUCIRCLE™, launched

2020 – SAFCO becomes SABIC Agri-Nutrients Company

2020 – Saudi Aramco and SABIC collaborate on the world's first shipment of low-carbon ammonia

2021 – Pledge for all operations to become carbon neutral by 2050 announced

2022 – New corporate building in Jubail inaugurated

2022 – New electrification initiative, BLUEHERO™, launched

2023 – Last transformers installed at demonstration plant for world's first electrically heated steam cracker furnace

2023 – Divestment of Hadeed, 44 years since its establishment, as part of strategic portfolio optimization

MARKETS WE SERVE

AUTOMOTIVE

SABIC MATERIALS USED

Engineered thermoplastics (e.g., ABS, PC & PC blends, PBT, PET, TPI); polyolefins (e.g., PP, LGF & SGF-PP) and elastomers (e.g., BR, EPDM), including polymers from SABIC's TRUCIRCLE™ portfolio and BLUEHERO™ initiative; and high performance plastics including amorphous thermoplastic polyetherimide (PEI) resin, polyphenylene ether (PPE) resin, specialty compounds and copolymers, as well as additives.

BENEFITS

Weight and cost savings, safety and fire protection, heat and electrical resistance, aesthetics and styling, aerodynamics, design freedom, light transmission, recyclability, reduced emissions, strength and durability.

END APPLICATIONS

Exteriors, interiors, safety systems, EV batteries, hoses and seals, lighting systems and smart panels, sensors, structures, tires, windows.

Click photos to read more

HYGIENE & HEALTHCARE

SABIC MATERIALS USED

- Dedicated medical grades with a full product line from polyolefins (PE, PP) to high performance plastics including PEI resin, specialty compounds & copolymers, PC resin, PP resin, as well as a variety of specialty resins.
- SABIC PURECARES™ portfolio – dedicated polyolefins for hygiene applications.

BENEFITS

- Dedicated medical grades are compliant with the various pharmacopoeia and biocompatibility standards and offer performance features that can help reduce costs and improve patient compliance.
- SABIC PURECARES™ portfolio for hygiene applications offers pureness (Phthalate- and TNPP free) with high mechanical strength enabling down-gauging opportunities and good processability or high speed production lines.

END APPLICATIONS

Insulin pens, glucose monitors, IV bottles, blood collection tubes, auto injectors, contact lens packaging, face masks, (adult) diapers, feminine products, wound absorption, surgical gowns.

SABIC IS A GLOBAL LEADER IN

- Ammonia
- Engineering plastics and its compounding
- Granular urea
- Methanol
- Methyl tert-butyl ether (MTBE)
- Mono-ethylene glycol (MEG)
- Polybutylene terephthalate (PBT)
- Polycarbonate (PC)
- Polyetherimide (PEI)
- Polyethylene (PE)
- Polyphenylene ether (PPE)
- Polypropylene (PP)

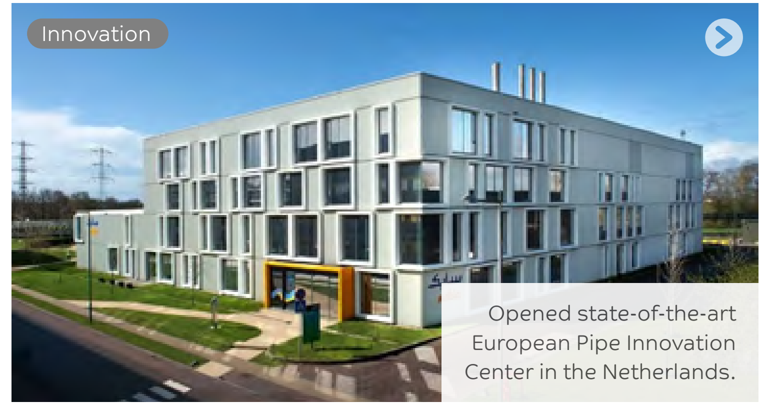
2023 HIGHLIGHTS

Local content

Announced downstream catalysts manufacturing project as part of Shareek program in Saudi Arabia.

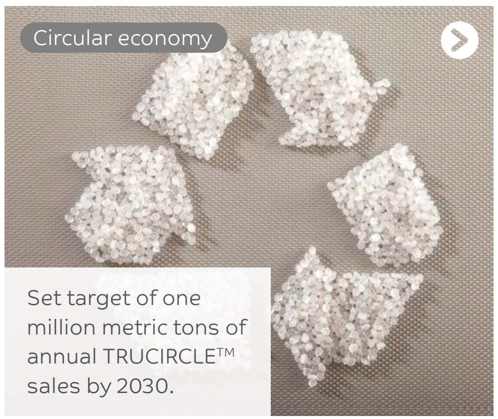
Our people

Introduced yearly surveys and assessments for stronger employee engagement.



Innovation

Opened state-of-the-art European Pipe Innovation Center in the Netherlands.



Circular economy

Set target of one million metric tons of annual TRUCIRCLE™ sales by 2030.

Growth projects

Started operations at Singapore Benoi ULTEM™ plant in Q4 2023.

Growth projects

Launched new polycarbonate plant at SSTPC, SABIC's joint venture with Sinopec, in China.

Climate change

Reached crucial milestone on world's first electrically-heated steam cracker furnace project with BASF and Linde.

Low-carbon

Made further strides into low-carbon ammonia and urea with new shipments to India, Taiwan, and New Zealand.

Governance and integrity

ETHISPHERE COMPLIANCE ETHISPHERE COMPLIANCE

Received Compliance Leader Verification™ from Ethisphere for the third consecutive time.

Product stewardship

chemsec CHEMSCORE

Ranked first for product stewardship among 50 global chemical companies in the 2023 ChemSec ChemScore report.

ABOUT THIS REPORT

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INTRODUCING SABIC'S FIRST INTEGRATED ANNUAL REPORT

This report represents SABIC's first effort to integrate our primary reporting streams into a single, coherent narrative in one comprehensive document. This report provides details of SABIC's economic, social, and environmental performance in 2023. We show how SABIC adds value to our stakeholders and how sustainability contributes to SABIC's long-term success as an integral part of our corporate purpose, vision, and our strategy.

SABIC's integrated annual report is published in English and Arabic and integrates significant financial and non-financial data essential for a comprehensive assessment of our performance.

The primary audience for this report are providers of financial capital, and the primary lens of this report is value creation over time. Additionally, all stakeholders interested in how we create value will benefit from SABIC's Integrated Annual Report.

BOARD RESPONSIBILITY FOR THE REPORT

The SABIC Board of Directors acknowledges its responsibility in ensuring the integrity of this report, which, in the Board's opinion, addresses SABIC's ability to create value and fairly presents SABIC's overall performance.

REPORTING FRAMEWORKS

This report is guided by the principles and requirements of the Integrated Reporting Framework of the International Financial Reporting Standards (IFRS) Foundation and addresses certain elements of the framework.

Our ambition is to continue to improve the integration of financial and non-financial disclosures year by year.

As a Saudi company listed on the Saudi Exchange, we align with the Saudi Listing Rules and CMA Listed Company Guidelines.

The financial information included in this document comply with the requirements of IFRS and, where applicable, the Saudi Organization for Chartered and Professional Accountants (SOCPA) requirements.

Our sustainability reporting is prepared in accordance with internally developed criteria, which is inspired by recognized frameworks including those established by the Greenhouse Gas (GHG) Protocol, Occupational Safety and Health Administration (OSHA), and the Global Reporting Initiative (GRI), among others.

The GRI content index and details of the metrics we report can be found at the end of this report.

SABIC's integrated annual report serves as our official UN Global Compact (UNGC) Communication on Progress (CoP). An overview of how we are meeting our UNGC commitments is available on SABIC's website. SABIC commitments and actions

REPORTING SCOPE AND CONTINUOUS IMPROVEMENT

In compiling this report, we take into account the topics that can have a material impact on our business, but we also consider other topics that are relevant in the ongoing context and/or important for inclusion.

We are active members of the WEF ESG practitioners' group and we consider WEF metrics good guidance for enhancing the standardization and value orientation of the ESG disclosures. We are also working to improve the quality of our reporting by engaging the World Business Council for Sustainable Development (WBCSD), EcoVadis, and the Ethisphere Institute, among others.

We support the IFRS Foundation in its move to create the International Sustainability Standards Board (ISSB) and assist in setting up comparable standards for global companies. We continue to advocate for fair representation of developing countries within these standards and others.

In 2023, we joined the Value Based Alliance (VBA), a non-profit organization composed of global leading companies across multiple industries and sectors. We are the first Middle East member joining VBA, with the aim of advancing the monetization of ESG disclosures into the overall value of the companies.

We are also implementing several projects to build internal ESG competency and meet the growing external demand for disclosures on sustainability issues. Current projects include initiatives around product carbon footprint assessments, biodiversity and climate risk assessments, sustainable investments, impact monetization, and EU taxonomy alignment. In addition, we are advancing on the automation of ESG disclosures to enhance accuracy, consistency, and comparability of such data.

REPORTING PERIOD AND BOUNDARIES

Published on March 31, 2024 SABIC's integrated report covers SABIC's financial and business performance from January 1 to December 31, 2023. It includes all SABIC businesses and operations that are financially consolidated in our 2023 Financial Statements. Any material events after this date and up to the board approval date of February 27, 2024, have also been included and cover leadership changes, macroeconomic updates, and post-balance sheet events.

Our reporting boundary for **non-financial key performance indicators** (KPIs) includes:

- 100% value for financially consolidated entities
- 100% value for integral joint ventures (Kemya, Sharq, and Yanpet)
- Equity-based proportional value for joint operations (SAMAC and GCGV)
- 0% value for all non-controlled investments
- 0% value for Hadeed, as it has been classified as "held for sale" during the year 2023

The following exceptions apply.

- **Workforce and EHSS-related KPIs:**
  - 0% value for GCGV
  - 100% value for SAMAC
- **Ethics and integrity KPIs:**
  - Includes all corporate offices and sales offices
  - 100% value for SAMAC
  - 0% value for GCGV
- **GHG emissions and supply chain**
  - The reporting boundary for estimating GHG scope 3 emissions includes only upstream categories 1 to 8.
  - CO_2, CO_2e and carbon emissions mean CO_2 equivalent emissions and are used interchangeability in this integrated annual report, and they are calculated in accordance with IPPC AR 5.
  - The reporting boundary for supply chain upstream of SABIC includes the supply chain for purchased feedstock and material or services that are procured for financially consolidated sites.

This report restates historic sustainability information, where appropriate, based on boundary conditions and the effect of the divestment of Hadeed.

ROUNDING AND PERCENTAGE DEVIATIONS

As the indicators in this report are stated in accordance with commercial rounding principles, totals and percentages may not always be exact.

EXTERNAL ASSURANCE

We believe external assessments improve our reporting quality and its credibility. The statutory auditor responsible for providing an independent auditor's report on the consolidated financial statements has the responsibility to read the other information as included in SABIC's integrated annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or their knowledge obtained in the audit, or otherwise appears to be materially misstated.

Furthermore, for our non-financial quantitative KPIs, we have obtained external limited assurance that covers certain absolute and intensity operational metrics, as noted in the Limited assurance report. We have also highlighted indicators that have been assured for the fiscal year 2023 in the Sustainability performance summary.

EMBRACING DIGITAL REPORTING

The landscape orientation supports readability on computer screens and tablets. Moreover, SABIC's integrated annual report incorporates digital navigation features to facilitate easy movement between sections or topics via the navigation bar and icons positioned at the top of each page. It also features numerous crosslinks within chapters and sections and external links that lead to useful supplementary information. The aim of these links is to allow the reader to follow different threads of information based on their interest. The external links are not part of the audited information.

FORWARD LOOKING STATEMENTS

The contents of this report include forward-looking statements, which are formulated based on current assessments and data available to the Board of Directors. These statements do not assure future outcomes as they rely on several factors, carry inherent risks and uncertainties, and are founded on assumptions that might not materialize accurately. The report highlights potential risks in the Risks and opportunities chapter. We do not undertake any additional obligation beyond legal requirements to revise or update the forward-looking statements provided herein.

TO OUR SHAREHOLDERS AND STAKEHOLDERS

CHAIRMAN'S MESSAGE

Our approach is based on the fundamental understanding that our materials enable our customers' success: when they grow, we grow. We collaborate with our customers to solve problems and meet the needs of their target markets and end-users. Ultimately, we are seeking to play our part to lay the foundations for a more sustainable planet where societies can thrive.

KHALID AL-DABBAGH
SABIC Chairman

It is my pleasure to present to you SABIC's first integrated annual report. This report weaves together a single narrative about the company's strategy, governance, performance, and outlook from the various financial, operational, and sustainability perspectives of our business. We attempt to show how the various elements of our business collectively contribute to value creation and impact over time. We view our first step into integrated reporting as a significant milestone not only because it improves the quality of our disclosures to our stakeholders, but also because of its capacity to provoke integrated thinking across our organization and help us deliver Chemistry that Matters™—chemistry that society values, chemistry that shapes the future.

While SABIC shows tremendous potential for future growth, a challenging macro-economic environment marked by sluggish global growth, higher inflation, and reduced margins has resulted in an overall financial performance that was lower than expected. Despite these difficult market conditions, SABIC's resilient free cash flow of SAR 14.0 Bn. (US$ 3.7 Bn.) allowed us to distribute SAR 11.4 Bn. (US$ 3.04 Bn.) in dividends to our shareholders for 2023, maintaining a stable dividend yield. In addition, I would like to highlight that for the second half of 2023, the board approved dividends of SAR 4.8 Bn. (US$ 1.28 Bn.), which were paid in early March of 2024. The optimization of our company portfolio with a focus on core assets allows us to maintain this long-term commitment to shareholder distributions.

Global trends are creating structural changes in the petrochemical industry, bringing risks, but also opportunities and impetus for transformation and growth. These trends include:

- evolving patterns of globalization that are transforming trade flows, and market scales and scopes;
- a heightened focus on climate change that is profoundly impacting industries around the world as pressure mounts for the implementation of low-emission processes and products;
- new technologies for automation, data analysis, and the nano-engineering of materials that are disrupting traditional business models and circularizing value chains.

This is where SABIC now finds itself: we are at a critical juncture of our evolution. Our inherent strengths and competitive advantages mean that we have tremendous potential for growth—but we need to position ourselves to be able to unlock and capitalize on that potential. We must prepare now for the new directions of our business, along with delivering on our carbon neutrality, energy efficiency, and circularity commitments, by becoming more agile, resourceful, and competitive in how we create value in the present.

In 2023, several major achievements helped sharpen SABIC's focus on such long-term growth:

- As part of our focus on strategic assets and portfolio optimization, we reached an agreement to sell Hadeed, SABIC's iron and steelmaking unit, to Saudi Arabia's Public Investment Fund (PIF). The strategic clarity created by Hadeed's separation from SABIC will set both companies on separate courses for new phases of growth. For Hadeed in particular, it will unlock possibilities in alignment with broader national initiatives to accelerate industrial development and economic diversification. Hadeed has been a key contributor to SABIC's success and value creation for 44 years, and we will follow their new journey with enthusiasm and encouragement.

- Commercial operations began at the new polycarbonate plant of our Tianjin-based joint venture with SINOPEC—the first plant of its kind for SABIC in Asia. This opens up possibilities for expanded collaborations with customers in China, delivering the benefits of economic growth while sustainably developing natural resources and human capital.
- More recently—in January of 2024—the final investment decision was taken on the SABIC Fujian petrochemical complex in partnership with FJPEC. The US$ 6.4 Bn. project provides yet another clear signal of SABIC's focus on growth in China. The world-class facilities will leverage leading technologies, producing a wide range of high-performance polymers and industrial chemicals to supply our vast customer base in China.

These initiatives will also help us build the capacity and position to serve another one of our fundamental aims: playing a vital role in Saudi Arabia as the national chemicals champion and an enabler for Saudi Vision 2030. We are focused on building a profitable downstream localization of the industry and maximizing value for our shareholders.

In 2023, we announced our first major project under the Shareek program, an initiative that partners with the public and private sectors to diversify the national economy. This project will build a catalyst-manufacturing plant with the aim of turning Saudi Arabia into a production center for these specialized materials that lie at the heart of almost all industrial chemical processes.

To enable our growth, we also need to make sure that our enterprise operations and people meet the required objectives. Therefore, we are launching the SABIC Transformation and Renovation (STAR) program. STAR will be our new global advanced ERP system, connecting all of SABIC, fostering an intelligent enterprise, generating new employee capabilities, and ultimately bringing value.

SABIC also creates value for society through its corporate social responsibility (CSR) initiatives. These initiatives, which promote science and technology education, environmental protection, health and wellness, and water and sustainable agriculture, foster a culture of volunteerism in the local communities from which we hire the majority of our employees. This sense of belonging in Saudi communities was fostered in 2023, for example, by our partnership with INJAZ Saudia, our sponsorship of the Riyadh Marathon (in which more than 200 SABIC employees participated), blood-donation drives across the Kingdom, and investments in the Shama'a Autism Center in Saudi Arabia. In short, our CSR program is a vital element of our corporate identity.

Our activities in the social realm do not go unnoticed—neither do our activities in innovation, ethics, integrity and other aspects of sustainability. In fact, the breadth of awards received by our company shows that we are making a positive impact in multiple areas.

While awards are always appreciated, one of the most important recognitions that we seek comes from our customers. And in a year of challenges, we have remained committed to them. Our approach is based on the fundamental understanding that our materials enable our customers' success: when they grow, we grow. That is why for us, our customers' success comes first. Our customers are facing shifting regulatory frameworks and socio-political considerations along with constantly evolving consumer demands. We collaborate with our customers to solve problems and meet the needs of their target markets and end-users. Ultimately, we are seeking to play our part in laying the foundations for a more sustainable planet where societies can thrive.

Heading into 2024 and beyond, SABIC will focus on raising its performance level, especially against the backdrop of muted global economic recovery, as it was in 2023. A high level of performance will enable SABIC to cope with unexpected hindrances—or seize business opportunities—that come its way in the short term. It will also lay the foundation for long-term sustainable growth in accordance with the awe-inspiring Saudi Vision 2030 that is being realized under the leadership of King Salman bin Abdulaziz Al-Saud, the Custodian of the Two Holy Mosques, and HRH Prince Mohammed bin Salman bin Abdulaziz Al-Saud, the Crown Prince and Prime Minister.

I extend my appreciation to SABIC's employees for their hard work and dedication and to my fellow board members for their guidance during 2023. I also thank HRH Prince Abdulaziz bin Salman bin Abdulaziz Al-Saud, Minister of Energy, and his ministry for their ongoing support.

Let me end with a note of gratitude to our customers, suppliers, strategic partners, and shareholders. We look forward to continued collaboration and trust, ready to seize the opportunities ahead and prosper together with chemistry that shapes a better tomorrow.

CEO'S MESSAGE

Many of our innovations are the first steps into potential market opportunities that are still emerging and defining themselves. But this is what our times call for—a spirit of exploration and experimentation. They represent a statement of intent and confidence in our role as an innovator and market leader, a creative partner for our customers, and a catalyst for change.

ENG. ABDULRAHMAN AL-FAGEEH
SABIC Chief Executive Officer and Executive Member of the board

As I look back at not just the year, but SABIC's more than 47-year-long history, I am reminded that we are a homegrown, Saudi Arabian success story. In less than half a century, we have risen to the top of an industry where many of our leading peers have legacies that date back to the 1800s. We have come so far, so quickly, because of our fundamentals: being a reliable supplier—and solutions provider—to our customers, focused on innovation and new technologies, and committed to sustainability and the health and safety of our people and our stakeholders. In short, I am proud that our company has held fast to its vision and values.

And I believe that fundamentals are essential to weathering the challenges that are a part of our business. As our shareholders and stakeholders are well aware, the economic counter currents of 2023 created a difficult business environment. Global GDP growth was dampened during the year, while both inflation and petrochemicals margins strayed far from their 10-year average values. Every day seemed to bring news that underscored just how unpredictable international relations have become, adding supply-chain disruptions to the increasing cost of debt.

Things are changing in our industry too. And with a growing global population that needs and deserves sustainable solutions, we see it as a calling—our fundamental purpose as a business – to meaningfully contribute to addressing some of the world's most pressing concerns.

To fulfil these ambitions, SABIC has to adapt to be resilient and agile in the short term, while grasping the opportunities along the way to grow and thrive in the long term. This includes driving our commercial and operational performance, maximizing value creation from our existing business, strengthening our operating model, and gaining greater access to capital and markets in order to pave the way for our next phase of evolution.

During 2023, it was resilience and leadership from every corner of our organization that helped us navigate challenging market conditions through robust capital discipline and focused efforts on managing costs. SABIC turned over SAR 141.5 Bn. (US$ 37.7 Bn.) in revenues, generated an EBITDA of SAR 19.0 Bn. (US$ 5.1 Bn.) with a full-year EBITDA margin of 13%, and recognized SAR 1.3 Bn. (US$ 0.3 Bn.) of net income from continuing operations.

The year-on-year reduction in net income from continuing operations was largely driven by a decline in average selling prices, but was also impacted by special items related to impairments of polymer assets in US and Europe and provisions for restructuring and constructive obligations, which are cash neutral and which were partially offset by fair value gains in embedded derivatives in joint venture agreements and release of uncertain tax provisions. Our overall net income was further impacted by the Hadeed divestment, which led to a fair valuation loss in addition to losses from running operations. Without these one-off items, our net income from continuing operations before special items stands at SAR 2.2 Bn. (US$ 0.6 Bn.).

Beyond the challenges of this year, the cash generation of SABIC business remains strong – as evidenced by our free cash flow of SAR 14.0 Bn. (US$ 3.7 Bn.). We have also maintained a robust net debt position, and released SAR 6 Bn. (US$ 1.6 Bn.) of working capital, driven by collective efforts across the company. In addition, our cumulative Saudi Aramco synergy value realization to date stands at SAR 6.8 Bn. (US$ 1.8 Bn.), a reflection of the potential arising from the combined forces of SABIC and Saudi Aramco.

Overall, we are well positioned to weather tough markets with a negative net gearing and a robust balance sheet. Furthermore, we are ranked as the third strongest chemical company by S&P Global Ratings Research with a rating of A Stable and a standalone company credit rating of A+, which we have maintained consistently since 2007.

I am also pleased to report that SABIC's brand value rose to US$ 4.9 Bn. in 2023—a 3.7% year-on-year increase—and we retained our position as the second-most valuable brand in the chemicals industry. This demonstrates the increasingly favorable perception we enjoy among our customers globally, and our strengthening of this perception in a year of challenges indicates that we have remained committed to enabling our customers' success.

Looking back at the progress and lessons of the year, there are three key areas that I would like to highlight.

First—and above all else—is our commitment to the safety and security of our employees, customers, facilities, environment, and communities. The nature of our industry is inherently hazardous and, therefore, requires constant vigilance, every day. However, in 2023, we had three incidents. At SABIC, a serious work-related injury is never acceptable. In our effort to continuously learn, we conducted detailed reviews of these incidents with clear takeaways that were shared across our sites to prevent recurrences in the future.

In addition to our focus on the health and safety of our workforce, we also work to mitigate the health, safety, and environmental impacts linked to our diverse product portfolio. In 2023, SABIC was ranked first out of 50 global chemical companies in the 2023 ChemScore report, which assesses the efforts of the world's largest chemical companies to reduce hazardous chemical production. This achievement recognizes the remarkable work of our product stewardship program in establishing SABIC as a leader in this field.

Second, at SABIC, sustainability is a key business driver, underpinned by a strong culture of innovation and excellence and an ethos of pushing the limits of science and technology. Since 2020, we have embraced the methodology developed by the World Business Council for Sustainable Development (WBCSD) to execute portfolio sustainability assessments. These assessments are fundamental to our efforts to steer and constantly improve the sustainability performance of our products for our customers and end-consumers. In 2023, we significantly increased the coverage of the assessment to 63% of total corporate revenue, up from 48% in 2022. And in 2023 alone, we filed 224 patent applications, 40% of which were aimed at enhancing environmental attributes. Several important awards provided useful markers of our progress, including five 2023 Edison Awards for product innovations across our portfolio and a 2023 R&D 100 Award for our LNP™ ELCRES™ CRX copolymer resin, along with a special recognition for Bob Maughon, SABIC Executive Vice President, Technology & Innovation, as 'R&D Sustainability Innovator of the Year'.

Other key initiatives in 2023 that deserve mention when it comes to carbon neutrality and achieving a greater circularity include:

- In the first quarter of 2023, we announced our objective of processing at least 1 million metric tons of our TRUCIRCLE™ products annually by 2030 from bio-based or recycled feedstock. Our Circular Technology Road Map was issued in October 2023, providing an aligned strategy to achieve this ambitious goal. We are proud of our modest start this year with 18kt, which sets a strong groundwork of key partnerships and collaborations—and this is coupled with the projected opening of a commercial plant for advanced recycling in 2024 in Geleen, The Netherlands, which will further boost our capacity in this area.
- Our partnership with BASF and Linde to build the world's first large-scale electrically heated steam-cracker furnace reached a crucial milestone as the last transformer was installed at the demonstration plant. A stepwise commissioning phase will begin in the first quarter of 2024.
- SABIC introduced a new offering of bio-based versions of all NORYL™ resin grades, certified under the bioeconomy and circular economy certification scheme, ISCC PLUS. These resin grades will further advance renewable-plastic solutions in a range of industries, from wind power to construction and others.
- As part of our moves into the low-carbon ammonia and urea markets, SABIC Agri-Nutrients became the first company to introduce certified low-carbon ammonia to the Indian fertilizer sector, shipping 5,000t to the Indian Farmers Fertilizer Cooperative Limited; other shipments this year included 5,000t to the Taiwan Fertilizer Co. and 2,700t of low-carbon urea to Ravensdown, a New Zealand-based agricultural co-operative.

Here, I think it is important to put these initiatives into perspective. Many of these innovations, as exciting and promising as they are, are only the first steps into potential market opportunities that are still emerging and defining themselves. But this is what our times call for—a spirit of exploration and experimentation, where we position ourselves as early movers that open commercial routes and create demand. They represent a statement of intent and confidence in our role as an innovator and market leader, a creative partner for our customers, and a catalyst for change.

Third, I want to focus on the importance of our corporate culture. The year 2023 also brought further progress in SABIC's efforts to nurture a strong culture of ethics and compliance across the organization. The board approved a new SABIC Code of Ethics that will be rolled out throughout the company in the first quarter of 2024. SABIC also earned the Compliance Leader Verification™ for 2024 from the Ethisphere Institute. This marks the third consecutive Compliance Leader Verification™ for the company. In addition, the General Authority for Competition in Saudi Arabia awarded SABIC with a competition law compliance program certificate for upholding the highest standards of work ethics.

Alongside our focus on ethics, this year, we issued a new diversity statement, 'Sense of Belonging'. This statement connects deeply with our purpose of Chemistry that Matters™ and serves as a rallying cry to continue building a vibrant and inclusive corporate culture that makes SABIC an employer of choice and enables our collective success. Here, I would like to underscore our efforts at recruiting female employees at SABIC, in line with Saudi Vision 2030 goals of increasing the participation of women in the national workforce: hiring of women at SABIC within Saudi Arabia has increased by about 150% over the last two years. We also celebrated the 10-year anniversary of the first 40 Saudi female direct-hire employees, who have continued to make a positive impact on SABIC's growth and transformation both in Saudi Arabia and around the world. Additionally, 2023's batch of 224 students in the SABIC Scholarship Program (SSP) was split evenly between men and women, helping us to create a strong diverse future talent pipeline for the company.

It is fitting to conclude with a focus on our purpose and values. They are the philosophy behind how we work, how we build long-lasting relationships of trust, how we create meaningful impacts for our stakeholders globally, how we live up to our role as Saudi Arabia's national chemicals champion and an enabler of Saudi Vision 2030, and how we help safeguard our planet for present and future generations. This is the chemistry that truly matters to our company, our customers, and our communities, and the force that animates our vision of becoming the preferred world leader in chemicals.

SABIC ON THE CAPITAL MARKETS

OUR GROWTH STORY

SABIC was founded on the basis of sustainability, creating value from natural gas that would otherwise be flared. Today, sustainability remains a key driver in the way we develop new products/solutions and innovate our manufacturing technologies.

Our production volumes have increased nearly 10-fold between 1985 and 2023.

SABIC's revenues are generated from more than 140 countries. This is only possible with a strong and reliable supply chain network and long-term relationships with customers.

SABIC has consistently maintained an A+/A1 credit rating on a standalone basis, which is the highest in the industry. This supports our capital discipline and aspiration to maintain stable to growing dividends.

We contribute to Saudi Vision 2030 essentially as the chemicals arm of Saudi Aramco.

SABIC is a leading global producer of key petrochemicals and fertilizers. Around 86% of our revenues are generated outside the Middle East in more than 140 countries. This is only possible with a strong and reliable supply chain network and long-term relationships with customers.

We have first quartile assets supported by a culture of operating excellence in manufacturing and a core focus on technology, R&D, and innovation. Strong discipline in programs such as Responsible Care® helps us secure best-in-class standards and disclosures.

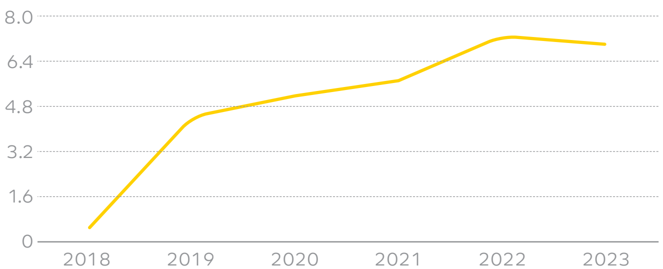
We have a track record of delivering stable dividends through the cycle, with a ~4.8% next 12 months dividend yield. Our robust financials are shown through consistently strong free cash flow generation and a conservative leverage profile with ample headroom to fund growth.

We went public in 1984 with a listing on the Saudi Stock Exchange, trading under company symbol 2010. At that time, the shareholder base was restricted to Saudi Arabia and other citizens in Gulf Cooperation Council (GCC) countries. In recent years, international investment into Saudi Arabia has risen significantly. In 2018, global financial market indices reclassified Saudi Arabia from a frontier market to an emerging market, marking a major turning point for the nation as it continued its advancement towards Saudi Vision 2030. This was accompanied by a wave of interest from the international investment community towards companies listed on the Saudi Stock Exchange, including SABIC: our foreign investor base has increased from under 1% in 2018 to 7.1% at the end of 2023.

FOREIGN OWNERSHIP (%)

As of Dec. 31, 2023

Info >



SHAREHOLDER STRUCTURE (%)

As of Dec. 31, 2023

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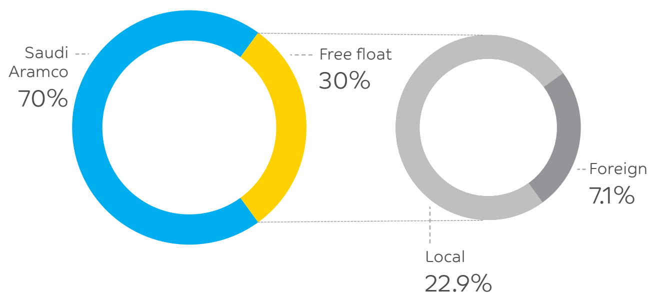


At the end of 2023, 70% of SABIC's shares were held by Saudi Aramco and 30% were in free float (with international shareholding representing nearly 25% of the free float). Certain shares are also held by SABIC's board and senior executives. Other than the Aramco Chemical Company and General Organization for Social Insurance, SABIC is not aware of any shareholder that, directly or indirectly, owns or could exercise control over SABIC. In addition, SABIC has not been informed by persons (other than the board, senior executives, and their relatives) who own SABIC shares for their holdings, together with any changes to such interests during 2023.

SABIC SHARE PERFORMANCE

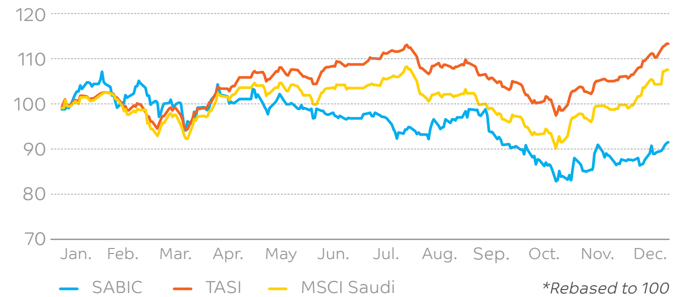
SABIC has 2.2% weighting, with a market capitalization of SAR 250.5 Bn. (US$ 66.8 Bn.) at December 31, 2023, among the 230 companies listed in the Tadawul All Share Index (TASI). SABIC ranks third after Saudi Aramco and AlRajhi Bank, who have weightings of 70.9% and 3.1%, respectively.

SABIC's share price opened 2023 at SAR 89.80, reaching a high for the year of SAR 97.4 on January 25, 2023, and trading broadly in line with TASI until the beginning of June. It fell to the lowest level for the year on October 24 at SAR 75.30, mostly reflecting bearish market sentiment. During the last 12 months, SABIC's share dropped by 7.6%, while both the TASI and MSCI Saudi increased by 13.9% and 8.3%, respectively.

For 2023, we had 12 active sell-side analysts. 40% of analysts recommended to buy, 40% recommended to hold, and 20% recommended to sell with an average target price of SAR 95 (as at the end of December 2023).

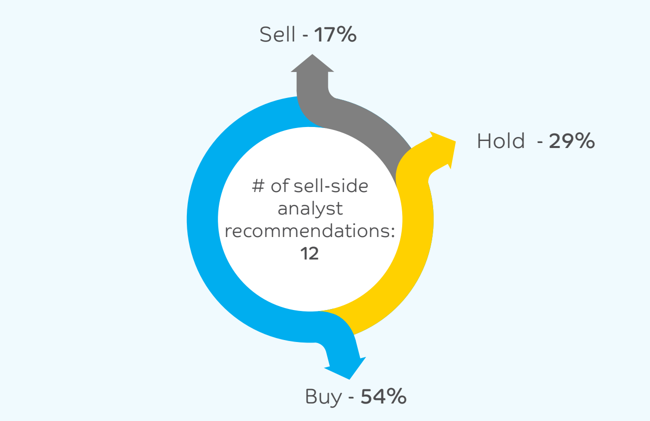
SABIC's stock was also one of the most actively traded during the year in terms of value, with SAR 30.1 billion (US$ 8 Bn.) within the Saudi Exchange, and the most traded within the materials sector (where we account for 35.64% of the weight).

PERFORMANCE OF SABIC STOCK IN 2023* (SAR)



**Rebased to 100*

Five-year overview and dividend	2023	2022	2021	2020	2019
Number of registered shares issued (Mn.)	3,000	3,000	3,000	3,000	3,000
Number of registered shares eligible for dividend (Mn.)	3,000	3,000	3,000	3,000	3,000
Share price at the end of the year (SAR)	83.5	90.4	116	101.4	93.9
High of the year (SAR)	97.4	141.4	136.6	103.4	128
Low of the year (SAR)	75.3	79.2	97.9	61.9	84.6
Annualized volatility	22.1	62.2	38.7	41.5	43.4
Market capitalization at year-end (SAR Mn.)	250,500	268,200	348,000	304,200	281,700
Market capitalization at year-end (US$ Mn.)	66,800	71,520	92,800	81,120	75,120
Dividend per share (SAR)	3.4	4.25	4	3	4.4
Total dividend paid to equity holders of the Parent (SAR Bn.)	11.40	13.47	9.75	11.10	13.20



*2023 average position

SABIC DIVIDEND AND CAPITAL ALLOCATION

In 2023, the economy underwent a downtrend globally, driven by high-energy prices, high inflation, high interest rates, and weak demand. Our global business model, supply chain, and focus on asset reliability continued to be our key strengths during the last year. This provided a platform for growth and shareholder returns by generating a sustainable free cash flow throughout the cycle. There was also a strong focus on capital discipline, which helped to support high dividends and position SABIC well for future growth opportunities. Distributing competitive dividends to our shareholders remains a key priority for SABIC.

DIVIDEND DISTRIBUTION DETAILS FOR 2023

Dividend cycle	Dividend per share (SAR)	Percentage of distribution to share nominal value	Number of shares	Date of eligibility	Total distributed dividends (SAR)	Distribution date
H2 2022	2.0	20	3,000,000,000	March 13, 2023	6,000,000,000	April 2, 2023
H1 2023	1.8	18	3,000,000,000	September 12, 2023	5,400,000,000	October 2, 2023
H2 2023	1.6	16	3,000,000,000	February 12, 2024	4,800,000,000	March 4, 2024

DIVIDEND PER SHARE AND TOTAL DIVIDEND*

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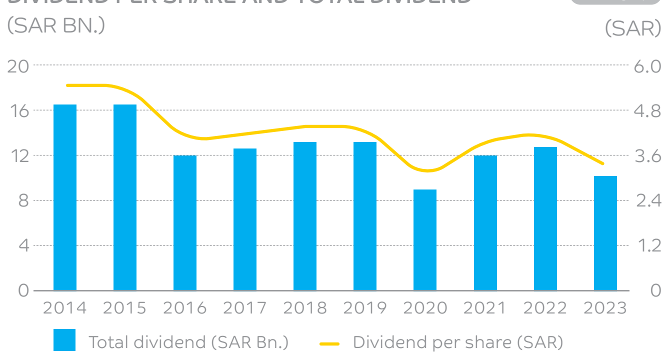


*Total dividend is based on dividend declared for respective financial years.

DIVIDEND DISTRIBUTION

SABIC distributed cash dividends as described in the Notes to the Consolidated Financial Statements. Note 39: Appropriations

INVESTOR RELATIONS

We have strong engagement with all participants of the capital markets including institutions, retail investors, and financial analysts. This year, we conducted the ordinary Annual General Meeting (AGM) and an Extraordinary General Meeting (EGM). Both meetings were held virtually for the fourth consecutive year to allow all shareholders to participate and exercise e-voting, an action that proved very successful with more than 80% shareholder participation in both meetings.

Over the course of the year, our face-to-face engagements improved significantly compared to 2022, an increase of 66% with more than 40 engagements, reaching nearly 800 investors and analysts, while participating in regional, emerging, and international chemicals conferences. Notably, 93% of our engagements were conducted in person, underscoring our commitment to fostering meaningful, face-to-face interactions as we moved away from pandemic travel restrictions and social distancing guidelines. In addition, this year, C-suite management had the opportunity to engage in a non-deal roadshow with investors in the US. Major topics of discussion with investors included SABIC's overall growth agenda and the Shareek program.

We provide a wide range of information online through our website, and shareholders can reach the IR team directly by email at IR@SABIC.COM and by telephone +966 112 258 000. In 2022, we established a dedicated IR Call Center to serve shareholder inquiries and increase shareholder satisfaction. Investors can now reach the call center through SABIC's page on the Saudi Exchange website.

SHAREHOLDER REGISTER REQUESTS

Number of company applications for the register of shareholders and the dates and rationale of such applications

No.	Application rationale	Application date
1.	Shareholder data analysis	January 2, 2023
2.	Dividends entitlement	March 15, 2023
3.	AGM	April 13, 2023
4.	EGM	June 22, 2023
5.	Shareholder data analysis	March 31, 2023
6.	Shareholder data analysis	August 31, 2023
7.	Dividends entitlement	September 14, 2023
8.	Shareholder data analysis	October 2, 2023
9.	Shareholder data analysis	October 12, 2023
10.	Shareholder data analysis	November 7, 2023

OUR FINANCING POLICY

Our financing policy aims to ensure sufficient liquidity levels at all times for SABIC while optimizing the returns to our shareholders. We use leverage prudently to fund our global growth ambitions. Our strong credit profile and standalone corporate credit ratings (A+/A1 stable) reflect the strength of our financing strategy and its execution.

We evaluate the most optimum capital and financing structure to support our strategic plans and growth ambitions. Our net debt to EBITDA of -0.46x reflects a strong net cash position at the end of the year of about SAR 8.76 Bn.

OVERVIEW OF SABIC'S MAIN BONDS

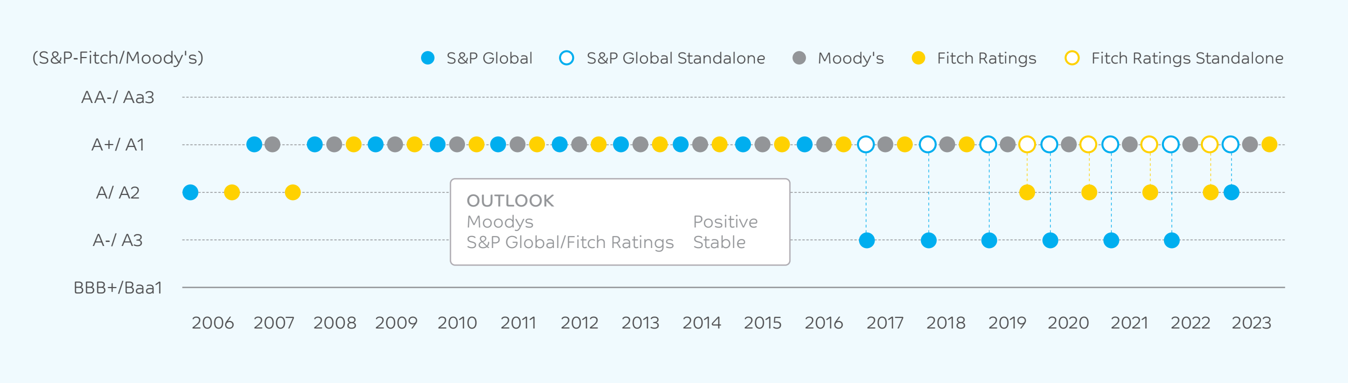
ISIN Code	XS1890684688*	XS1890684761	XS2228112954	XS2228113762
Coupon	4%	4.5%	2.15%	3%
Issuer	SABIC Capital II BV	SABIC Capital II BV	SABIC Capital II BV	SABIC Capital II BV
Format	144A/RegS Senior Unsecured	144A/RegS Senior Unsecured	RegS Senior Unsecured	RegS Senior Unsecured
Volume	US$ 1 Bn.	US$ 1 Bn.	US$ 500 Mn.	US$ 500 Mn.
Term	2018/2023	2018/2028	2020/2030	2020/2050
Listing	Ireland	Ireland	Ireland	Ireland

**Repaid October 2023*

SABIC RATINGS

CREDIT RATINGS

Our standalone credit ratings have been consistently on the A+/A1 band, among the highest-rated global chemical companies, demonstrating consistent resilience over the last decade versus some of our peers. Both Standard and Poor's and Fitch raised their ratings in 2023 from A- to A and from A to A+ following the upgrade of Saudi Arabia's sovereign rating.



ESG RATINGS

We actively participate in a large number of environmental, social, and governance (ESG) ratings, and we are listed in several sustainability indices.

- We are rated BBB by MSCI ESG rating, which qualifies us for the MSCI ESG indices.
- In 2023, our Sustainalytics score was 28.8, which places us at medium risk, in line with our chemical peers. At the beginning of 2024, our risk rating decreased to 25.0, a positive indication of our ESG initiatives across the year.
- SABIC's ESG score on the 2022 Bloomberg ESG data index has shown a significant increase of 39% compared to 2021. This improvement places us in the second quartile among our industry peers, making us the second-highest performer in social performance out of approximately 80 diversified chemical companies rated.
- SABIC maintained its climate change score of C in 2023, which is within the global and Asia average. SABIC has made progress in its climate change performance this year; and since the CDP questionnaire itself has also evolved over the last year with further requirements, we believe our improvement has helped us maintain this score. We also received the CDP management level for Water Security at B.

2023 STORIES OF PRIDE


Women thriving

Growing together


Capturing value


Moving early

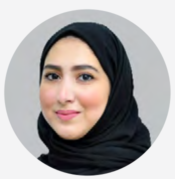

Built for the future


The innovation factor

SAUDI WOMEN THRIVING AT SABIC

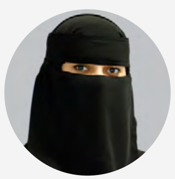
Just over 10 years ago, several new sectors were made open to women in Saudi Arabia, which increased female participation in the country's workforce. SABIC took this opportunity to bring in its first cohort of women as direct hire employees at its Riyadh, Jubail, and Yanbu locations. Over the years, these women and others who followed have helped shape SABIC's evolution and drive its growth in Saudi Arabia and worldwide.

Three women who were part of this first group are now themselves leaders at SABIC, deeply involved in developing SABIC's talent pipeline: Shatha Al-Shammari (Senior Manager within Human Resources and Chairperson of the SABIC Young Leadership Council), Sita Al-Sumair (Education Programs Senior Manager at SABIC Learning), and Lama Al-Fraih (Senior Manager at SABIC's Data Quality Center). In many ways, their efforts at building careers at the company exemplify SABIC's leadership motto, Be the Impact. Al-Shammari says: "The first day on the job, I did not know what to expect, but I know now that the experience has surpassed all our expectations and we grew into creating our own path." Al-Sumair, too, notes, how she has "come a long way in the last decade through a combination of perseverance and empowerment."



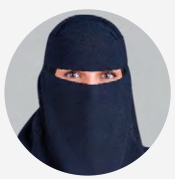
Shatha Al-Shammari

Senior Manager within Human Resources and Chairperson of the SABIC Young Leadership Council



Lama Al-Fraih

Senior Manager at SABIC's Data Quality Center



Sita Al-Sumair

Education Programs Senior Manager at SABIC Learning

In talking about their journeys, Al-Shammari, Al-Sumair, and Al-Fraih all acknowledge the adjustments they had to make in accommodating issues like work-life balance and navigating professional fields. They also recognize the new ground SABIC leaders had to traverse in enacting change. "I celebrated this 10-year career milestone filled with a deep sense of accomplishment and gratitude. Nonetheless, I am reminded of the numerous challenges I have faced," says Al-Fraih, "challenges that were overcome through resilience, adaptability, and embracing opportunities for growth, but most importantly for me was the guidance and support of exceptional leaders, who created an environment that encouraged us to dream big and push boundaries."

And the progress is tangible. "As I look back at the past 10 years," Al-Shammari says, "I am overwhelmed by the growth of women in terms of numbers, representation, career growth, and much more." Al-Fraih, notes, too: "Over the years, I have witnessed the company's commitment to women's career growth, and to Saudi Vision 2030."

Today, SABIC has many Saudi female leaders making contributions at various levels, spurred on by broader national changes unfolding in Saudi Arabia in line with Saudi Vision 2030. Hiring figures underscore SABIC's efforts to recruit female employees within Saudi Arabia, in line with the Saudi Vision 2030 goals of increasing the participation of women in the national workforce. Over the last two years, SABIC has hired about 150% more women across Saudi Arabia (compared to 2021).

An important part of this development has been the expansion of our premier talent pipeline for exceptional young Saudis to include women. This year's intake of 224 students into the SABIC Scholarship Program had an equal number of men and women, bringing the overall active enrollment to 606 (57% male and 43% female). For Al-Sumair, this work with the scholars is especially rewarding: "I am privileged to work with young talents, fostering and empowering them to soar to new heights and to be the impact." Such investments, along with focused recruitment outreach and efforts to build an equitable and inclusive corporate culture, have resulted in quantifiable increases in gender diversity within corporate roles across all regions globally.

But while proud of these signs of progress, SABIC believes that that there is much more of the story left to be written – both in Saudi Arabia and worldwide. As more women globally have moved into the science, technology, engineering, and mathematics (STEM) fields over the past 25 years and into the petrochemicals industry more broadly, SABIC's international sites have steadily increased their female recruitment. In 2021, SABIC established a bold vision to be the world's preferred brand for women working in the chemical industry—a place where all women employees can thrive. A key component of this is SABIC's dynamic global women's network, SHE, that offers women across SABIC a platform to engage in key initiatives that ultimately help serve business needs.

Having witnessed these developments firsthand, Al-Shammari, Al-Sumair, and Al-Fraih are enthusiastic about the wealth of opportunities for women at SABIC—and the role that women can play in the company's future. All refer to an idea that resonates deeply with SABIC's values: inspiration. "I am truly inspired on a daily basis by these women and men who helped make this journey a success," says Al-Shammari. For Al-Sumair, her journey is a source of energy in her current role as she helps SABIC grow into the future: "I draw from my past to empower the next generation." And Al-Fraih, too, stresses the importance of creating legacies at SABIC by "paying it forward through empowering and uplifting other women along their own career journeys."

بعد الرياض .. توظيف ١٠ سعوديات بـ"سابك" الجبيل

توفير بيئة عمل لهن في إدارة المشتريات.. وأنظمة المعلومات

A local newspaper reports on SABIC's efforts to recruit female employees within Saudi Arabia back in 2013.

IN ASIA FOR ASIA: PARTNERSHIPS FOR MUTUAL GROWTH

Since entering the Asia region in the 1980s, SABIC has been bringing innovative solutions and advanced production technologies as an investor, operator, innovator, supplier, and growth partner. Our 3,000 employees based at sites across China, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand, Vietnam, and into Oceania—Australia—have been integral to the company's impact.

SABIC and Fujian Energy Petrochemical mark start of construction.

Among the most strategically significant accomplishments are SABIC's two joint ventures in China and one fully owned plant in Singapore. The first joint venture was signed in 2009 with SINOPEC in Tianjin (the SINOPEC SABIC Tianjin Petrochemical Co. Ltd or SSTPC), mushrooming over the years into a world-scale mega-size petrochemical complex; in early 2023, a new polycarbonate (PC) plant at this complex commenced operations, bringing supply even closer to customers. The second was signed in 2022 with Fujian Energy Petrochemical, leading to the 2024 groundbreaking ceremony on the SABIC Fujian Petrochemical Complex. The complex will consist of a mixed feed steam cracker, with an expected annual ethylene capacity up to 1.8 million tons, with a series of

OUR ASIA FOOTPRINT

world-class downstream facilities. More recently, SABIC expanded its footprint in Singapore with the start-up of its Benoi plant, set to increase global production of ULTEM™ specialty resins (a thermoplastic polyetherimide material). These endeavors strengthen SABIC's footprint in the region to meet growing customer demand volumes.

Having accompanied China, over the past four decades, throughout the implementation of its Reform and Opening-up Policy, the company is progressively expanding its footprint to capitalize on the emerging opportunities in China. In recent years, SABIC has been forging strategic partnerships with leading Chinese industry players and helping to drive the strategic synergies between Saudi Vision 2030 and China's Belt and Road Initiative.

Today, SABIC's operational footprint in China covers 17 cities, and includes a SABIC Technology Center in Shanghai; a customer center office in Guangzhou; three plastic compounding plants in Shanghai, Guangzhou, and Chongqing; and two joint ventures (JVs).

SABIC's Singapore Benoi ULTEM™ plant commenced operations in the fourth quarter of 2023.

"We strive to empower the ambitions of our customers and partners," explains Li Lei, Vice President and Regional Head in China. "By growing together, we can achieve long-term success."

One flagship product supplied to the region has been glycols, with SABIC having a leading market share. Glycols are used mainly for the production of polyester, in textiles—such as sportswear—and also PET for packaging. Speaking about the possibilities in the region, SABIC's experts explain that China is the most strategic and important market in the region, and their focus is on quality products and providing first-class services. Sustainability is a hot topic with many customers, and the team is actively promoting lower carbon glycols in the region.

Elsewhere in Asia, SABIC's business covers a diversified and vast region that includes some of the world's largest economic blocs, a rapidly growing population, and sizeable GDP growth rates above global levels. For more than 30 years, the company has served customers across 18 markets from manufacturing sites in Thailand, Japan, India, Korea, and Singapore, to transshipment hubs located strategically in Singapore and Malaysia.

Our efforts to drive circularity in close collaboration with customers are recognized locally. In 2023, we were distinguished for our solutions using recovered and recycled ocean-bound plastics. Another 2023 highlight was the launch of the world's first microwaveable instant rice packaging bowls made with 25% certified renewable SABIC polypropylene (PP) from our collaboration with leading South Korean food manufacturer, CJ CheilJedang. SABIC also spearheaded low-carbon ammonia commercial shipments across the region.

3,000 employees are based across the Asia region. The company has earned various accolades for its investment in its human capital. For the past decade, SABIC has been distinguished as a top employer in five of its key Asian markets – India, Japan, Singapore and South Korea – and in China for the fourteenth year running.

The award-winning Microsoft Ocean Plastic Mouse, from SABIC's collaboration with Microsoft, contains an exterior shell containing 20% recycled ocean plastic, and was customized by SABIC in China.

SABIC's sustainability initiatives in Asia also involve reducing the carbon footprint of its operations. At Rayong, Thailand, for example, a 2MW on-site solar farm project generates around a quarter of the plant's energy needs.

"The importance of Asia for SABIC has never been more prominent, as shifts in the landscape such as a greater call for sustainability, have opened up new opportunities across various markets," comments SABIC's Vice President in Rest of Asia, Janardhanan Ramanujalu. "Our continued work with our long-time customers remains at the core and we are heartened that global recognition was accorded to our partners last year, even as we note an increase in demand for low carbon and renewable products."

With its holistic approach of providing value to the communities in which it operates, SABIC has grown from being simply a manufacturer to creating lasting relationships that help its customers grow.

In 2023, SABIC celebrated 30 years of successful operations in India. With its proximity to Saudi Arabia, India remains a strategic market with immense opportunities and growth potential.

VALUE FROM WASTE: SABIC'S PROPRIETARY CARBON CAPTURE TECHNOLOGY

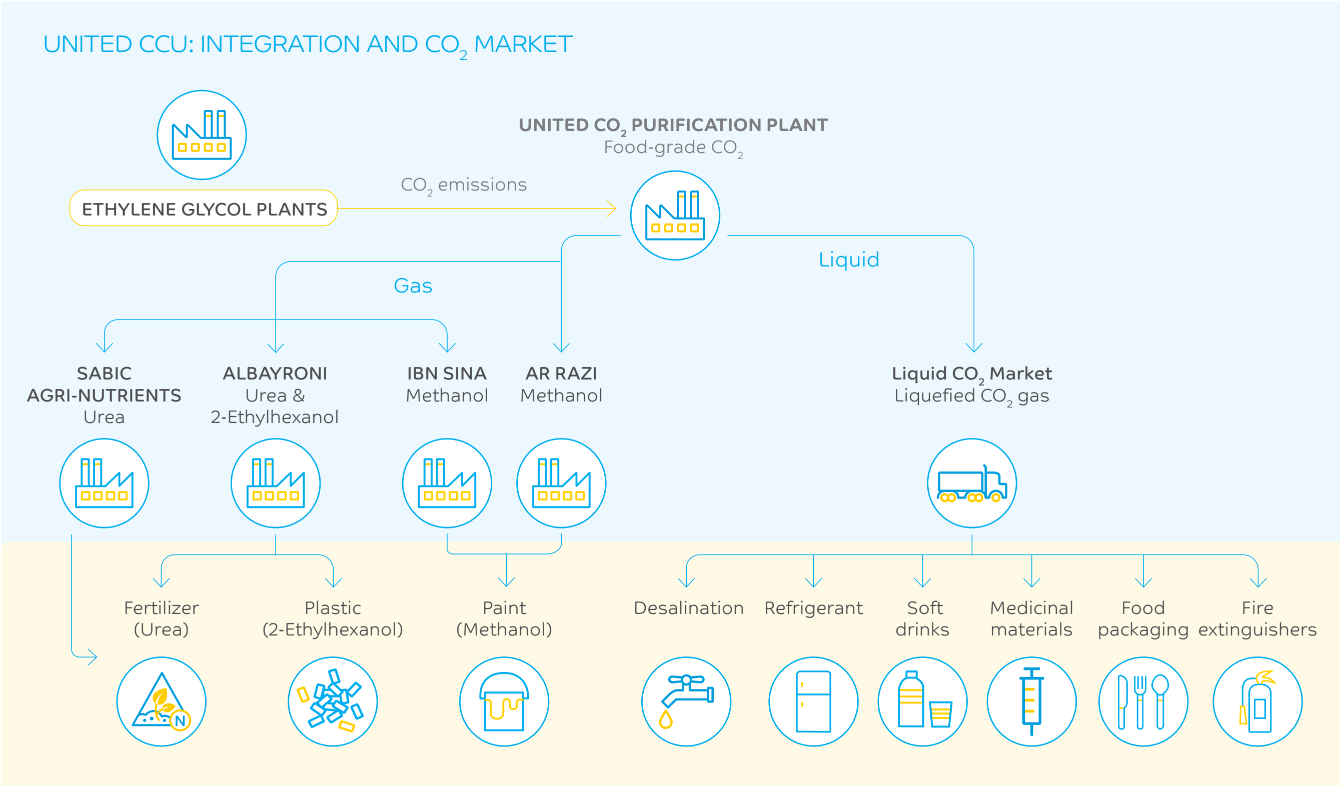
Carbon is everywhere. This chemical element exists in most items in the world, from automobiles to clothes to computers —even 18.5% of our body mass is made up of carbon. But with modern lifestyles and an ever-growing global population, more carbon is being released into the atmosphere in the form of carbon dioxide (CO_2).

In recent years, two promising strategies have emerged to capture and redirect the carbon released by human activity: carbon capture and storage, which involves capturing CO_2 from an industrial or power-sector source and trapping it in a geological formation; and carbon capture and utilization (CCU), which similarly captures CO_2 but repurposes it for reuse as commercially viable goods like chemical products, fertilizers, and fuels.

"Our interest in these technologies emerged from years spent studying how SABIC could use its resources more efficiently—and CCU provided an opportunity through which we could both reduce emissions and create more business value," explains an expert at the plant. While this CO_2, if captured, can be reused as feedstock, it also contains impurities, and typical purification processes were not cost-effective. Extensive SABIC R&D efforts led to the creation of proprietary technology that is at the heart of SABIC's CCU plant at the Jubail United Petrochemical Company (United), a SABIC affiliate.

At the time of its opening in 2015, before the Paris Agreement was even on the table, the plant was the largest of its kind (and still remains one of the largest CCU facilities in the world). The plant can capture and purify up to 500kt of CO_2 from the production of EG every year. The high level of purity of this processed CO_2 is considered food grade and is produced in gas form, where it is funneled through a network to other SABIC affiliates to produce urea (for agriculture), methanol (as a core component for other chemicals that can be further used for automotive and medical applications), and liquefied CO_2, which is shipped to customers for a range of commercial and industrial uses, such as in desalination and enhanced oil recovery (EOR). "Given that the Saudi manufacturing facilities are located in close proximity to each other, the opportunity to share by-products was perfect for the taking," the expert adds.

In 2015, before the Paris agreement was even on the table, SABIC demonstrated its carbon capture and utilization solutions to a delegation including the then Chairman of the Conference of the Parties (COP). Pictured from left are Laurent Fabius (France's Minister of Foreign Affairs at the time) with SABIC's Daniel Gambus and Abdulaziz Al-Jodai at the UN Climate Change Conference (COP) in Paris.



The United CCU plant is in line with SABIC's other circular economy efforts, such as its TRUCIRCLE™ portfolio. Such closed-loop initiatives represent not only a way to contribute towards carbon neutrality, but also offer new market opportunities and pathways to accelerate the adoption of breakthrough technologies and business models.

Moreover, SABIC was established by royal decree to convert waste natural gas to valuable chemicals. In that sense, creating value through carbon capture reflects the company's founding principles, which continue to drive its efforts at innovation and sustainability today and into the future.

MOVING EARLY WITH LOW-CARBON AMMONIA

Hydrogen and ammonia are increasingly being looked at as potential forms of low-carbon energy—and especially as a useful tool in decarbonizing sectors where emissions are hard to abate, such has heavy industries, long-distance transport, shipping, and aviation. Production of low-carbon hydrogen and ammonia are currently at very low levels, and cost-effective pathways to scaling and mass commercialization are points of debate. Yet, the possibilities are clear: the International Energy Agency, for example, views hydrogen and ammonia as vital resources in the world's progress towards being carbon neutral by 2050.

SABIC produces low-carbon hydrogen and ammonia as part of its carbon neutrality and circular economy ambitions. In recent years, SABIC has been working towards expanding its presence in the low-carbon ammonia market and made some significant strides—a testament to SABIC recognizing the urgency at hand and its ability to deploy the necessary resources and investments to move quickly.

EXPLORING THE POTENTIAL

2020

September 2020: Collaborated with Saudi Aramco for world's first shipment of low-carbon ammonia, to **Japan** (40t)

2022

August 2022: Obtained, with Saudi Aramco, the world's first independent certification for low-carbon ammonia and hydrogen production from TÜV Rheinland (37,800t of low-carbon ammonia from SABIC Agri-Nutrients; 9,075t of low-carbon hydrogen from Saudi Aramco)

November 2022: Collaborated with Saudi Aramco for world's first shipment of certified low-carbon ammonia, to **South Korea** (25,000t)

2023

May 2023: First shipment of certified low-carbon ammonia to **India**, to the Indian Farmers Fertilizer Cooperative Limited (5,000t).

June 2023: First shipment of certified low-carbon ammonia to **Taiwan**, to the Taiwan Fertilizer Co. (5,000t)

July 2023: First shipment of low-carbon urea to **New Zealand**, to Ravensdown, a New Zealand-based agricultural cooperative (2,700t)

“The shipments of low-carbon ammonia reflect our commitment to delivering low-carbon solutions to our customers and helping them achieve their sustainability targets in various areas such as clean energy transitions, low carbon chemicals, and fertilizer solutions,’ explains Abdulrahman Shamsaddin, CEO of SABIC’s Agri-Nutrients business. “We have already delivered such shipments to several markets such as Japan, South Korea, and India, along with a shipment of low-carbon urea to New Zealand, in line with our aspirations to become a leading player in the low-carbon ammonia market.”

Even though cleaner energy alternatives are still pricier, SABIC has discovered that customers who are serious about committing to a sustainable future are willing to pay a little more to guide their businesses and nations towards it. SABIC has always prided itself as a first mover, and having identified the need for low-carbon hydrogen and ammonia, SABIC knows that when their customers’ demands for these products grow, the company will be ready.

BUILT FOR THE FUTURE: SABIC'S NEW JUBAIL BUILDING

SABIC's building in Jubail is a remarkable achievement of engineering and design that reflects the company's 47-year journey of innovation and sustainability. The facilities managers tasked with planning this newest addition to SABIC's office footprint explain that they set out to create a working environment to serve SABIC employees well—both now and in the future. This human-centric approach to the design has resulted in a building packed with facilities to enhance the experience for the 3,500 employees based here.

An open-space floor plan removes barriers between staff members and management, reflecting SABIC's values to inspire and engage. Spaces and furniture follow a universal theme, maximizing the flexibility of the space. The building also features large dining rooms, collaboration and learning facilities ready to accommodate over 1,500 people, a modern lecture hall, a mosque, recreation centers for male and female employees, and a nursery for children.

Situated in a windy coastline area, the building is designed to prioritize safety: It is constructed using a stilt structure technology sourced from Europe and the US and with SABIC-produced steel (Hadeed). Over 1,500 solar panels, combined with wind-energy technology, generate all the energy required to light the recreation center and parts of the parking area. The result is an impressive reduction in CO_2 emissions.

The Jubail building is currently among the most energy efficient buildings of its size in Saudi Arabia. SABIC's facilities' experts explain that this is the result of the large number of energy and resource-saving measures that are part of the design—for example, leveraging natural sunlight for interior lighting; the use of a chilled water system to power heating, ventilation and air conditioning; and a catering system that minimizes food waste. Shortly after its inauguration, the building was distinguished with the Leadership in Energy and Environmental Design (LEED) Gold certificate for its smart solutions in resource management and energy efficiency.

A crucial aspect of the building is how it integrates digital features and capabilities. Smart meeting rooms and a mobile app reservation system are helping to create a productive workspace in a building that is truly dynamic, adaptable, and flexible. Jubail is also set to become SABIC's primary data hub, connecting all SABIC's global sites using the latest technology, including advanced data systems and environmental and operational excellence systems.

Moreover, procurement for the building reflected SABIC's dedication to supporting the local economy. Over 77% of the purchases made for mechanical, electrical, and finishing works during construction were from local sources—contributing to the successful achievement of Saudi Vision 2030.

Already in 2023, Jubail has been the venue for many employee events, from training to U MATTER 23 roadshows—and the building is making a striking impact. “We receive a lot of positive feedback from our employees and customers visiting the site,” explains one senior manager. “There is a true sense of community and we are very curious about how this building and the surrounding area will evolve.”

THE INNOVATION FACTOR: BREAKING SPEED RECORDS WITH SABIC MATERIALS

SABIC's long-term partnership with Formula E aims to promote electrification through the world's first electric motorsport championship. Our collaboration with Formula E positions SABIC at the forefront of electrification and innovation and provides a global platform to showcase our cutting-edge solutions.

The Formula E partnership is also a gateway to new markets and audiences. As the championship tours the globe in 10 cities, it opens doors for us to deepen the understanding of SABIC's business in regions where electrification is a key focus.

SABIC has been an integral partner in the GENBETA program—a live development platform created by Formula E and FIA in collaboration with technical partners including SABIC. It encompasses a series of projects that will elevate key innovations within electric racing cars and, in turn, accelerate the trickle-down to electric vehicles (EVs), enabling a more direct race-to-road technology transfer.

Materials such as front wing endplates (left), formed via a 3D printing process, and wheel fins (right) help reduce aerodynamic drag and enhance the race car's down-force stability.

Drawing upon our application development expertise, SABIC's teams played a key role in the creation of the GENBETA revolutionary racecar through authentic material integration. These materials—the wheel fins, wind deflectors, and front wing endplates—help optimize airflow and reduce aerodynamic drag for enhanced acceleration.

The GENBETA car was unveiled at the Season 9 finale in London in 2023. Formula E driver Jake Hughes pushed the car to its limits, achieving a speed of 218.71km/h and setting a new Indoor Land Speed Guinness World Record.

Growing demand for EVs means that manufacturers need to speed up innovation to bring new and advanced models to market. In support of these efforts, SABIC has built an ecosystem of materials, expertise, and solutions under its strategic BLUEHERO™ electrification initiative to help the global automotive industry make the shift to electric power.

STRATEGIC APPROACH

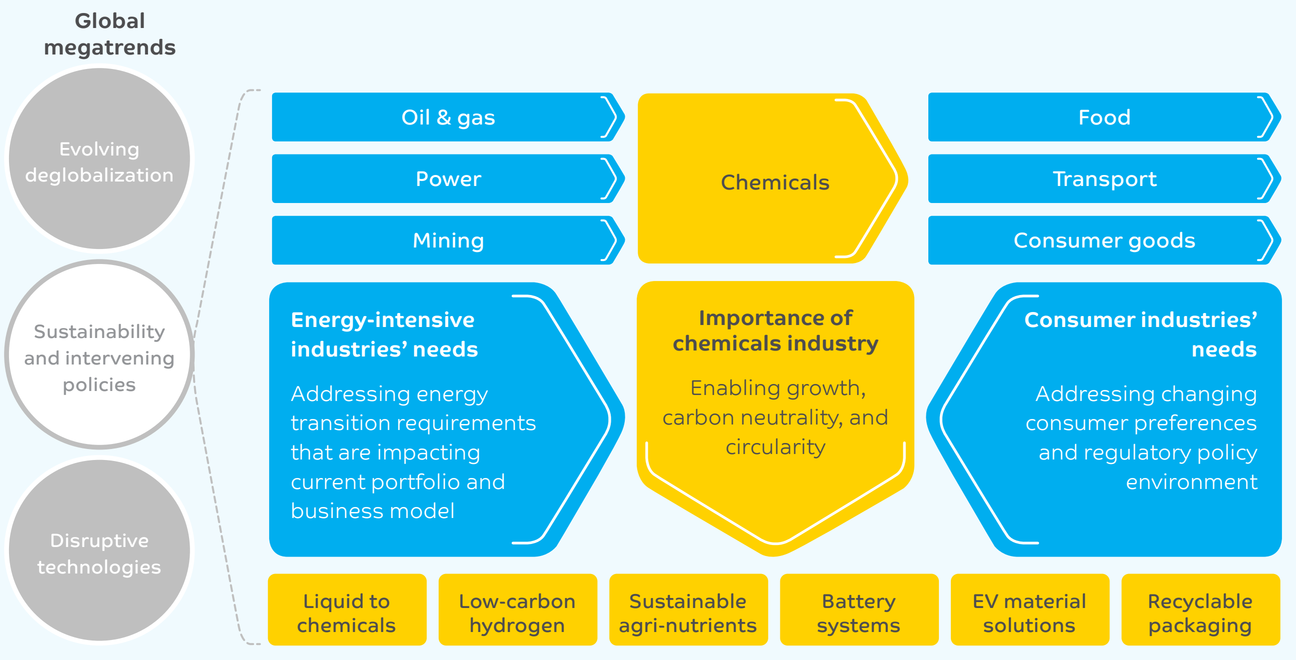
STRATEGY

CONTEXT

The chemical industry is one of the world's oldest established industries. It has been extremely resilient, driven by its ability to deliver solutions through progress in technology and innovation. Currently, chemicals are used in about 96% of all manufactured products.

The global chemical industry is going through a historical period of transformation, driven by accelerating megatrends such as evolving globalization, a heightened focus on sustainability, the unfolding energy transition, advancing digitalization, and changing demographics. Saudi Arabia is similarly in a period of transformation initiated by Saudi Vision 2030; and here, the chemical industry has a critical role to play in helping achieve Saudi Vision's objectives of economic growth and diversification. These global and national changes highlight the increasing importance of the chemical industry across the value chain.

INDUSTRY VALUE CHAIN



OUR PURPOSE, VISION, AND STRATEGY

SABIC's vision is to be the preferred world leader in chemicals. To realize this vision, SABIC must address the transformational changes that are occurring in the chemical industry as well as those being driven by Saudi Vision 2030. We intend to do this by driving performance in collaboration with our customers, ensuring long-term dependability and building valuable relationships with an unrelenting focus on people, the planet, and prosperity while enabling Saudi Vision 2030.

Our strategy is built around leveraging and enhancing our competitive advantages around competitive feedstock, asset positions and integration, global product and market leadership, technology and innovation, global partnerships, collaboration with Saudi Aramco, business excellence, human capital, global brand, and digitalization. These competitive advantages help us create sustainable value while fulfilling our purpose and vision.

This is fully reflected in our business model, which leverages our key competitive advantages to create a lasting impact for our stakeholders.

SABIC BUSINESS MODEL

Resources and relationships

Financials
- **US$ 74.4 Bn.** in total assets* SAR 279.0 Bn.
- **US$ 44.6 Bn.** in equity SAR 167.4 Bn.

Innovation
- **2,000+** full-time R&D professionals
- **US$ 504.8 Mn.** in R&D expenses SAR 1.9 Bn.

Employees
- **32,000+** employees globally *(inclusive of approx 3,300 from Hadeed)*
- **7.9%** women in workforce *(8.8% excluding Hadeed)*

Operations
- **210** legal entities
- **64** manufacturing sites

Environment
- **10%** of annual capex for carbon neutrality initiatives
- **689 Mn. GJ** energy usage

Partnerships

Engagement and dialogue with stakeholders

Stakeholder engagement

SABIC

Purpose and aspiration

To be the preferred world leader in chemicals via

Chemistry that Matters™

Competitive advantages
- Competitive feedstock, assets' positions, and integration
- Global product and market leadership
- Technology and innovation
- Global partnerships
- Collaboration with Saudi Aramco
- Business and operational excellence
- Human capital
- Global brand and digitalization

Markets we serve

Automotive | Hygiene & healthcare | Electrical & electronics | Packaging | Agriculture | Building & construction | Consumer products

Our values

Be the Impact

- **INSPIRE** to be a **Talent Champion**
- **ENGAGE** to be a **Collaboration Partner**
- **CREATE** to be an **Innovation Pioneer**
- **DELIVER** to be an **Excellence Driver**

Our commitments

Driving performance together with customers, ensuring long-term dependability and building valuable relationships with unrelenting focus on people, planet, and prosperity while enabling Saudi Vision 2030

Value creation

Financials
- **US$ 0.35 Bn.** in net income from continuing operations** SAR 1.3 Bn.
- **US$ 37.7 Bn.** in sales SAR 141.5 Bn.

Innovation
- **11,070** patents and pending applications *(inclusive of 73 from Hadeed)*

Employees
- **6%** turnover of total workforce

Operations
- **0.10** incidents rate per 200,000 hours worked
- **53.5 Mn. t** production volume

Environment
- **12.5%** reduction of absolute scopes 1 and 2 GHG emissions since 2018

Partnerships
- **Signatory of UN Global Compact** *(Advanced status)* since 2012

All numbers as of Dec. 31, 2023

*Hadeed, assets held for sale: US$ 4.1 Bn. (SAR 15.4 Bn.)

**Attributable to equity holders of the Parent

COMPETITIVE ADVANTAGES IN FOCUS

TECHNOLOGY AND INNOVATION

A central enabler of our vision, strategy, and growth ambitions is our approach to technology and innovation. To ensure sustainable competitiveness for SABIC, we focus on 1) segment-driven innovation, which opens up growth opportunities through new markets and applications while meeting the needs of our customers today, and 2) process innovation, which allows us to improve reliability, capabilities, sustainability/energy efficiency, and cost efficiencies in manufacturing.

As SABIC continues to invest in developing new solutions, our Technology & Innovation (T&I) function is well-positioned to support continued growth in polymers via differentiated and sustainable offerings, including BLUEHERO™, TRUCIRCLE™, and other key initiatives that deliver low-carbon and circular solutions for our customers in existing and growth markets. Given plastic end-of-life and carbon neutrality challenges faced by the chemical industry, SABIC has committed to sell 1 million tons of bio-based and circular products annually by 2030. This includes solutions for automotive and electrics and electronics design for end-of-life content; and for recycle-ready packaging design, such as mono material stand-up pouches and HDPE hinge caps for HDPE bottles.

T&I emphasizes collaborations across the value chain, spanning waste management, to converters, brand owners, and retailers, and associations and forums like the Alliance to End Plastic Waste, the World Economic Forum (WEF), and the Global Impact Coalition, to enable the development of collective solutions. To achieve these objectives, T&I focuses on three pillars: people (elevating talent acquisition and development); pipeline (strengthening the portfolio value and business alignment); and performance (improving the impact from technology and innovation). This approach has bolstered SABIC's ability to deliver for our customers and partners across the value chain while remaining resilient in a rapidly evolving marketplace.

Number of R&D centers worldwide	Number of R&D professionals
20	**2,000+**

DIGITALIZATION

The rapid development of emerging digital technologies is impacting the global petrochemicals industry, heightening the importance of swift digital adoption. We recognize the potential of digitalization and the power that lies in its tools—such as leveraging big data, machine learning, and artificial intelligence (AI) solutions—to drive efficiencies on business processes and the value chain and de-risk SABIC against upcoming digital disruptions that might affect the industry.

Accordingly, we launched a Digital Transformation strategy that focuses on digitalizing core business domains to drive greater productivity and cost-effectiveness and enhance our ability to meet the needs of our customers. One of the key elements of this strategy is the creation of a Digital Operations Platform, via STAR (the SABIC Transformation and Renovation program), which is the basis for SABIC's future processes, applications, and systems. STAR is the next generation in Enterprise Resource Planning (ERP) technologies, replacing our current FANAR system. We see STAR as a true business transformation, which will touch everybody in SABIC and change the way we do business. STAR will connect people, devices, and business networks globally to deliver value and new experiences for our customers and other stakeholders.

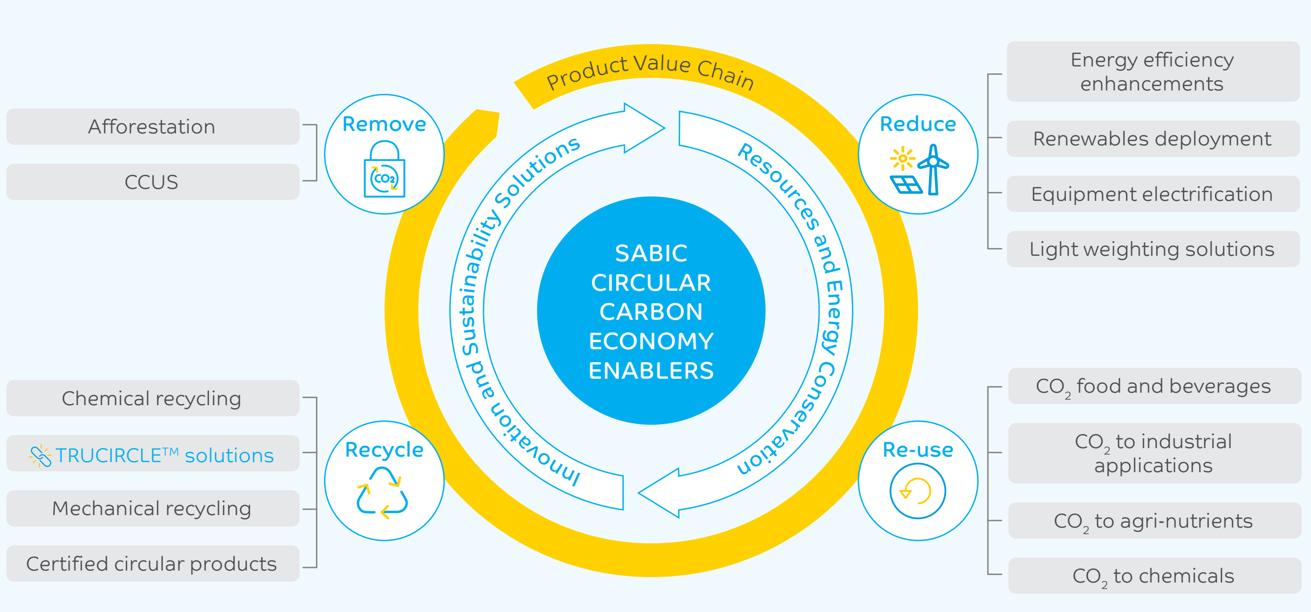
SAUDI ARAMCO

Saudi Aramco and SABIC have been working closely to implement opportunities for synergies in value creation potential. By expanding our product portfolio, supply chain footprint, manufacturing excellence, and market reach, we have transformed our business to achieve a cumulative synergy value of approximately US$ 1.8 Bn. to date, with an estimated US$ 618 Mn. realized in 2023. As a result, SABIC is strongly on track to achieve a recurring annual value of US$ 1.5 – 1.8 Bn. by 2025, generating value for stakeholders where synergies are closely linked to cost optimization, capital optimization, revenue growth, transformational opportunities, and enhancing growth opportunities.

OUR APPROACH TO CIRCULARITY

Our vision of a circular carbon economy centers on creating a system where all value chains loop back on themselves. This includes product design and development as well as our industrial processes including capturing carbon-containing gases and utilizing them as valuable inputs in feedstock. To establish this circular carbon system, we are advancing a strategy and set of innovative solutions that focus on four pillars: reduce, reuse, recycle, and remove.

SABIC CIRCULAR CARBON ECONOMY (CCE)



OUR STRATEGIC FOCUS AREAS

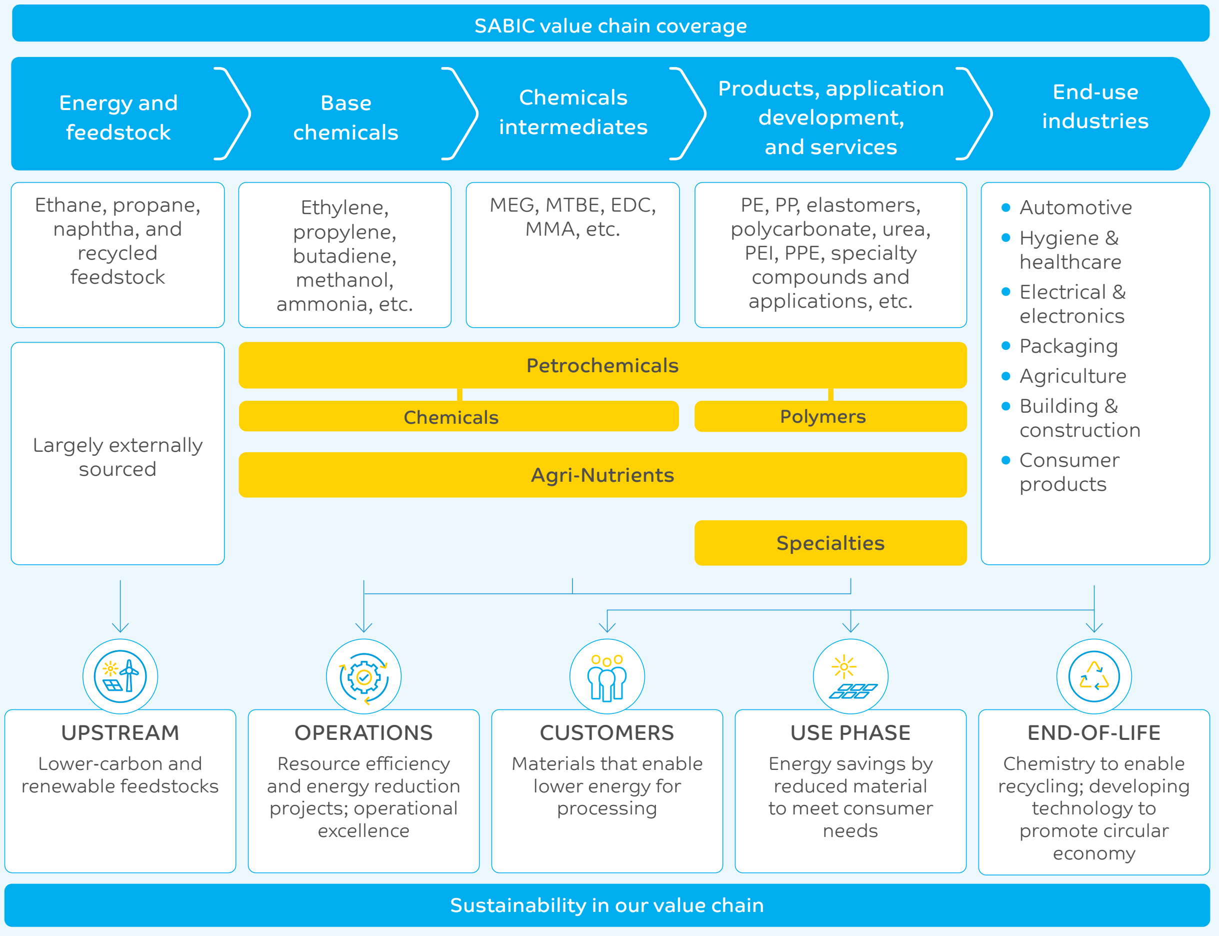
Our key strategic focus areas are to transform SABIC to earn the right to grow, realize targeted value creation and portfolio positions, and grow to win while addressing relevant risks. We will continue to support Saudi Vision 2030 through our role as national chemicals champion, helping to promote manufacturing localization and sustainability with a focus on the circular carbon economy.

We continue to transform and evolve SABIC as part of our strategy. We have changed our operating model in the last decade to ensure we have the required focus and agility to deliver value for our stakeholders. We continuously monitor to ensure that we have the necessary talent supported by a performance-driven culture so that together we deliver value creation and growth with a relentless focus on environment, health, safety, and compliance.

We emphasize value creation from existing businesses and drive profitable growth through focused portfolio roles and priorities. This includes realizing synergies with Saudi Aramco, meeting our carbon neutrality and circularity ambitions and targets, and, thereby, delivering returns for our shareholders. Our Hadeed share purchase agreement with the PIF was the latest action to realize this portfolio position focus.

We continue to actively manage and take action to address key strategic risks through a robust risk management process and governance.

SABIC VALUE CHAIN PRESENCE



OUR BUSINESS STRATEGY

Our segment structure consists of three segments: Petrochemicals (including Chemicals and Polymers), Specialties and Agri-Nutrients. These segments participate across the chemical value chain, delivering products, applications, and solutions to our end-use industries.

PETROCHEMICALS

CHEMICALS

SABIC has globally leading positions in olefins, glycol, and oxygenates. The leading positions are a direct result of our decades-long growth and building of value-creation positions. We aim to enhance value and grow the chemicals business by

- profitably growing through competitive feedstock, assets and platforms, selective integration, competitive technology, winning partnerships, and synergizing with Saudi Aramco
- delivering on our carbon neutrality and circularity ambitions and targets
- enhancing operational excellence of existing and growth businesses while ensuring safety and reliability
- sustaining and enhancing our global leadership positions in chemical products across key markets.

We continue to assess multiple growth options that address the competitive advantages mentioned above. Our recent announcement of our final investment decision for the SABIC Fujian Petrochemical Complex (Sino-Saudi Gulei Ethylene Complex Project) in China shows how we are executing our value creation strategy while strengthening our commitment to China. In Saudi Arabia, we are studying the establishment of a complex to convert oil and liquids into chemicals (L2C) in Ras Al-Khair in Saudi Arabia in cooperation with the Saudi Ministry of Energy and Saudi Aramco. This is to achieve our desired goal of maximizing the benefits of the hydrocarbon resources for the company's shareholders, strengthening SABIC's global position, developing its human capabilities, preserving its technical know-how, supporting its customers locally and globally, and contributing to achieving the goals of Saudi Vision 2030.

POLYMERS

SABIC has leading global positions in key polymers, particularly in polyolefins and engineering thermoplastics products and markets. Our key end-use markets are growing and are very resilient with increasing requirements for sustainable products and services. SABIC is positioned to address growth and sustainability requirements and realize ambitions to be the global polyolefin leader through

- strengthening our portfolio, technology, and market-leading positions globally
- accelerating leadership in circularity
- enhancing commercial, supply chain, and operational excellence.

SPECIALTIES

Our Specialties business focuses on the high-performance plastics segment. It is a global leader in this business with close customer relationships and partnerships with multiple OEMs. Its main competitive advantages are uniqueness around customer intimacy; leading innovation and technology capabilities; and an innovative portfolio of products, applications and, services. These advantages secure sustainable value creation for all stakeholders. They also help the business to be the most reliable supplier in fast-growing and disruptive markets and be the “first to be specified” innovation leader. We continue to expand and strengthen these aspects of our business. Specialties also leverages its global leadership and competitive advantages to help enable Saudi Vision 2030 and the National Industrialization Strategy (NIS).

AGRI-NUTRIENTS

SABIC Agri-Nutrients Company was launched on January 1, 2022, after all related investments and assets were consolidated. Since then, the company has continued to make progress in positioning itself for future opportunities driven by energy transition while capitalizing on the favorable supply-demand outlook of the global nitrogen industry.
The company aims to enhance its leadership in global fertilizers markets, position itself in the evolving low-carbon ammonia space, and realize its role as national chemicals champion in Saudi Arabia, enabling Saudi Vision 2030.
To achieve this, Agri-Nutrients is leveraging its competitive assets and feedstock platforms, operational excellence, global leadership, and technology and innovation capabilities, while selectively extending its position along the value chain.

FUTURE PERSPECTIVES

Project	Description
GROWTH	
SABIC-Fujian project China	During 2022, SABIC signed multiple licensing and engineering agreements to develop process design packages (PDPs) for a world-class mega petrochemical complex in China. SABIC announced the final investment decision for the SABIC Fujian Petrochemical Complex (Sino-Saudi Gulei Ethylene Complex Project) in China's Fujian province. SABIC FUJIAN Petrochemicals Co. Ltd, a 51:49 JV between SABIC Industrial Investment Company (wholly owned by SABIC) and Fujian Fuhua Gulei Petrochemical Co., Ltd. (holding by Fujian Energy and Petrochemical Group) decided to build the complex in Fujian's Gulei Industrial Park. With an estimated total investment of RMB 44.8 Bn. (US$ 6.4 Bn.), it is another centerpiece of SABIC's investment footprint in China and by far the largest foreign investment in Fujian. The complex will consist of a mixed feed steam cracker, with an expected annual ethylene capacity up to 1.8 million tons, with a series of world-class downstream facilities, including EG, PE, PP, PC, and several other units. The construction of the project is targeted to be completed in 2026. SABIC press release
SSTPC PC project China	SABIC and SINOPEC announced the commercial operation of a new PC plant at their 50-50 JV—SINOPEC SABIC Tianjin Petrochemical Co. Ltd. (SSTPC). With an annual designed capacity of 260kt, the new PC plant is a vital component of SABIC's PC growth strategy in China, allowing for further collaborations with global and local customers and unlocking growth opportunities that complement the national agendas of Saudi Arabia and China. SABIC press release
Petrochemical complex study Oman	SABIC, OQ, and Kuwait Petroleum International (KPI) signed a joint Project Development Agreement to study the establishment of a jointly-owned petrochemical complex situated in the Special Economic Zone at Duqm (SEZAD), the Sultanate of Oman. The complex will consist of a steam cracker, derivative units, and a natural gas liquid (NGL) extraction facility, and aims to deploy the latest technology to incorporate circular economy aspects, and support the region's development aspirations. In 2023, the feasibility study was completed and presented for internal decision to assess whether progress is being made according to plan and in the correct direction.

Project	Description
Localizing manufacturing Saudi Arabia	SABIC announced a strategic project to manufacture catalysts with the aim of transforming Saudi Arabia into a manufacturing hub for specialized materials as part of the first package of Shareek projects, involving large companies in Saudi Arabia working to improve the competitiveness of the energy sector, and raise the level of local content in this industry as part of Saudi Arabia plan to boost industrial advancements in line with Saudi Vision 2030.
MTBE plant at Petrokemya Saudi Arabia	Construction began on the largest MTBE plant in the world at SABIC's fully-owned manufacturing subsidiary, Petrokemya, in Jubail, Saudi Arabia. The project will capitalize on SABIC's in-house technology to replace existing isobutene dehydrogenation technology and modify the existing isomerization and MTBE synthesis units to achieve 1,000kt per annum of MTBE.
Ras Al-Khair oil-to-chemicals project Saudi Arabia	SABIC commenced a feasibility study and initial engineering work on the establishment of a complex in Ras Al-Khair, Saudi Arabia, to convert about 400,000 barrels of oil and liquids into chemicals daily. The initiative will contribute to the realization of Saudi Arabia's program to convert oil and liquid hydrocarbons into chemicals to offer cost efficiencies on a large scale, opening new value creation opportunities for the energy and chemical industry.
SABIC Agri-Nutrients acquires 49% of EIHL Saudi Arabia	SABIC Agri-Nutrients Company completed its acquisition transaction with the ETC Group (ETG) to acquire a 49% stake in the ETG Inputs Holdco Limited (EIHL) as part of SABIC Agri-Nutrients' strategy to integrate the value chain and include the blending and distribution of agri-nutrients in the global markets. SABIC Agri-Nutrients will also benefit from EIHL's presence across Sub-Saharan Africa through distribution and blending of fertilizers, seeds, and crop protection items, which will help it move closer to farmers and end-customers.

Project	Description
SUSTAINABILITY	
Electrically heated steam cracker furnace (demonstration plant) Germany	In September 2023, the last transformer was installed at the demonstration plant where the world's first large-scale electrically heated steam cracker furnace is being built in partnership with BASF and Linde. Combining novel heating concepts and using electricity from renewable sources instead of natural gas, this technology holds the potential to reduce CO_2 emissions by at least 90% compared to conventional technologies. A stepwise commissioning phase will begin in 2024. SABIC press release
Advanced plastic recycling project Saudi Arabia	In July 2023, Saudi Aramco, TotalEnergies, and SABIC, for the first time in the Middle East and North Africa, successfully converted oil derived from plastic waste into ISCC PLUS certified circular polymers. The chemical recycling process allows the use of non-sorted plastics, which can be difficult to recycle mechanically, and consequently contributes to solving the challenge of end-of-life plastics. A first milestone for the project was obtaining ISCC PLUS certification to assure transparency and traceability of the recycled origin of feedstock and products. The pyrolysis oil was processed at the SATORP refinery jointly owned by Saudi Aramco and TotalEnergies, and it was then used as a feedstock for polymers manufactured by SABIC affiliate Petrokemya. SABIC press release
Decarbonizing the chemical industry Saudi Arabia	SABIC entered into a Memorandum of Understanding with Scientific Design (SD) and Linde Engineering to explore collaboration opportunities to decarbonize the SD Ethylene Glycol Process, leveraging SABIC's proprietary CO_2 technology at the largest CCU plant at United to SD-licensed manufacturing glycol plants worldwide.
Advanced recycling unit The Netherlands	The Advanced Recycling Unit in Geleen, the Netherlands, a JV between SABIC and Plastic Energy to process 20,000 tons of plastic waste per annum into circular materials is expected to be completed in 2024. The new unit will enable SABIC to significantly upscale the production of certified circular polymers to provide customers with greater access to sustainable materials that have been recycled, repurposed, and produced in a way that can help protect our planet's natural resources, while acting as a drop-in solution.

Project	Description
STRATEGIC PORTFOLIO OPTIMIZATION	
Strategic repositioning Europe	SABIC's European operations are in the midst of a transition and repositioning phase. Europe is a vital market for SABIC and these moves, which involve both suspending some plants and investing in new ventures, will allow the company to remain competitive in the region. Overall, these decisions are driven by both sustainability and economic factors.
Hadeed divestment Saudi Arabia	The PIF signed a share purchase agreement to acquire a 100% shareholding in the Saudi Iron & Steel Company (Hadeed) from SABIC, a cross-conditional share exchange agreement, that will allow Hadeed to acquire a 100% shareholding in Al Rajhi Steel Industries Company. The transactions are part of PIF's broader efforts to accelerate Saudi Arabia's industrial development, contributing towards the growth of key downstream sectors, such as local construction, automotive, utilities, renewables, transport, and logistics, in line with Saudi Vision 2030. The deal was announced on September 3, 2023 and the enterprise value of the transaction is SAR 12.5 Bn. The transaction is subject to customary conditions and regulatory approvals. It is expected to be closed before the end of the second quarter of 2024. Please refer Note 34 of the 2023 Consolidated Financial Statements. Farewell Hadeed
Sale of 100% of SABIC's Functional Forms business to Röhm Saudi Arabia	Functional Forms is a downstream polycarbonate resin extrusion business, which is quite different in complexity, production method, and product offerings compared to SABIC's core commodity and specialty plastics businesses. SABIC believes the Röhm group offers an ideal home for the Functional Forms business given that their downstream business segments match perfectly. (Deal announced December 2022, sale purchase agreement signed in June 2023.)

BUILDING COMPETITIVE AND SUSTAINABLE ASSETS

As a capital-intensive company, SABIC recognizes the pivotal role that efficient asset construction plays in creating a competitive advantage and advancing sustainability objectives from project inception. Spearheading the development of assets vital to our growth trajectory is our Engineering & Project Management (E&PM) team. Our key focus areas include fostering alignment and collaboration within the operational ecosystem, enhancing value propositions across the asset life cycle, and nurturing in-house engineering expertise through extended engineering solutions.

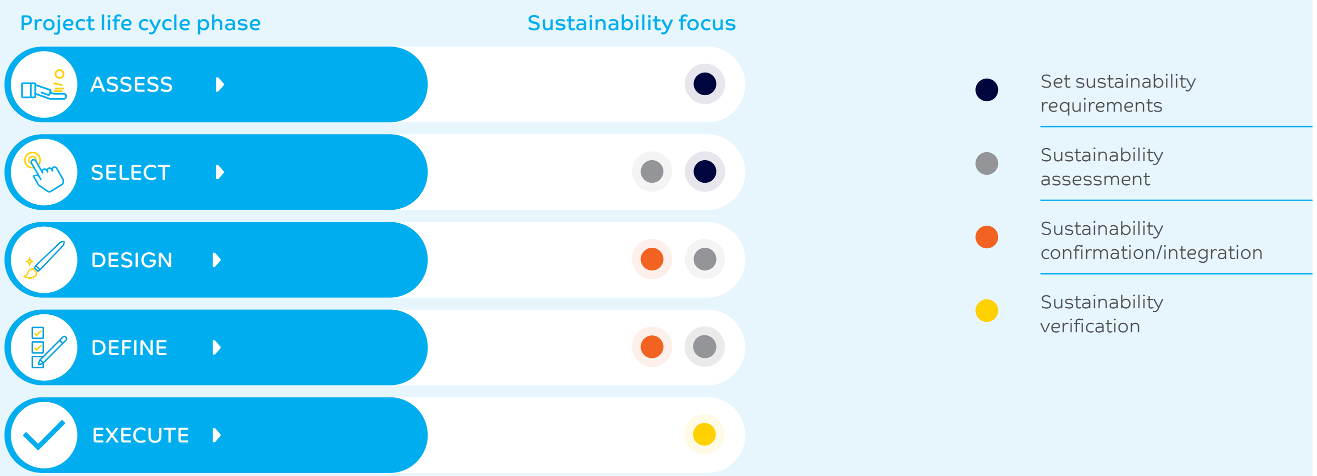
CAREER PATHWAYS FOR SAUDI WOMEN IN ENGINEERING DESIGN AND DRAFTING

SABIC recently opened an engineering design and drafting school in the new SABIC Jubail building, Saudi Arabia, in collaboration with Fluor, a leading engineering and construction company. The school offers postgraduate training in this specialized area, and it is the first such program at SABIC.

By localizing drafting services, this initiative helps protect the company's intellectual property and drive growth projects, and, more broadly, it supports the goals of Saudi Vision 2030 through contributing to the development of local talent and fostering innovation within the Kingdom.

Importantly, this SABIC-based places an emphasis on recruiting female designers and opening up further opportunities for women in engineering design and drafting. The school currently has 34 female SABIC employees enrolled (as well as 6 male employees).

SUSTAINABILITY THROUGHOUT THE PROJECT LIFE CYCLE



Sustainability and innovation are deeply ingrained within SABIC's value creation model and growth strategy, and guide decision-making processes at every juncture of the project life cycle. In planning and executing our projects, we prioritize occupational and process safety, environmental stewardship, and the welfare of surrounding communities. We conduct rigorous sustainability assessments at each stage of project design and execution to evaluate and act on economic, social, environmental, and health-related risks and opportunities. Moreover, we engage with communities and stakeholders to promote transparency, inclusivity, and responsible development throughout the process. Ultimately, our fundamental aim is to build assets that are not only competitive but also address sustainability imperatives.

SABIC has been an ISO 9001:2015-certified organization since 2014. Additionally, SABIC obtained the ISO 21500:2021: Project, Program, and Portfolio Management certification for all regions globally in 2023. Delivering the highest standards of service to our stakeholders is an integral part of our quality policy and business operations, and this certification is an indication of our commitment to customer focus and a continually improving process approach throughout the organization.

MATERIALITY

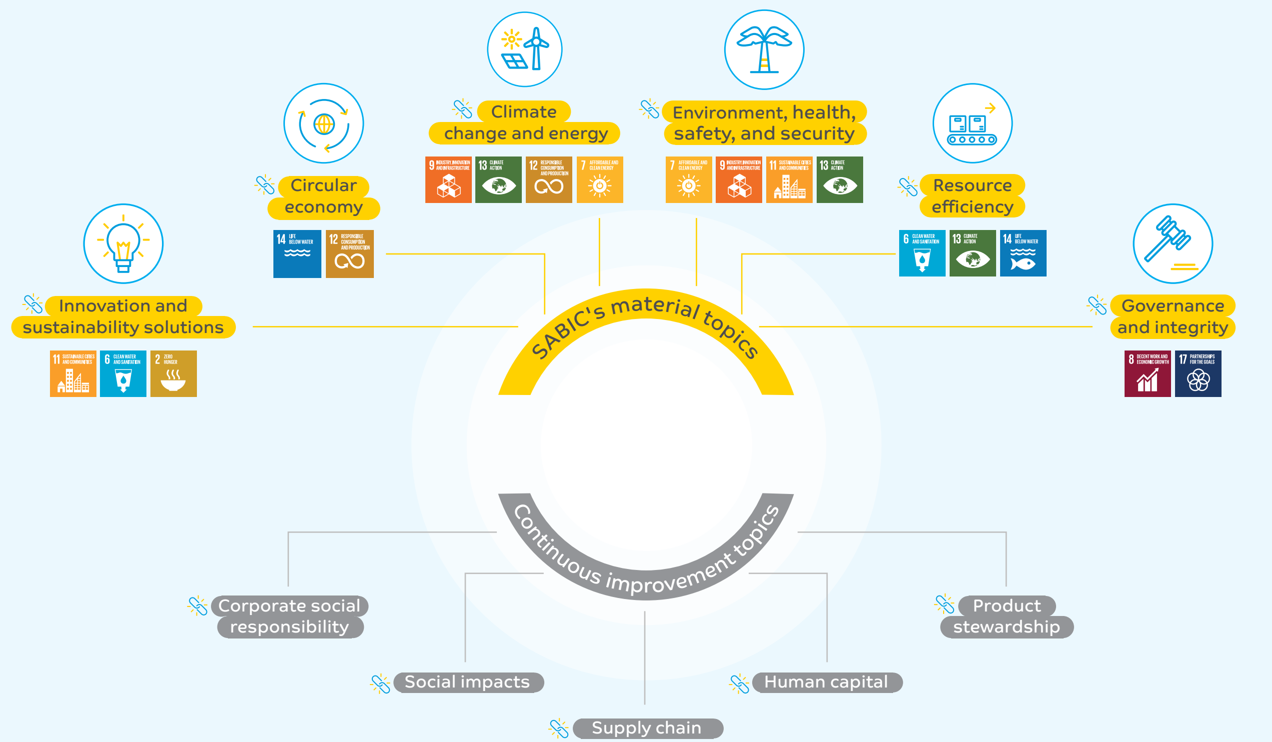
GRI 3-1; 3-2

Materiality analyses help us determine how to direct our resources toward the most pressing issues for our company and stakeholders. Since conducting our first materiality analysis in 2011, we have refreshed our analysis every 3-4 years with input from our stakeholders. As part of these analyses, we examine our internal and external stakeholder needs, major trends, benchmarks, and relative business impacts to determine the most relevant priorities for SABIC.

The materiality topics that anchor this report were generated in 2018 and are reviewed annually as part of the report-preparation process. We have six priority materiality areas: resource efficiency; climate change and energy; innovation and sustainability solutions; circular economy; governance and integrity; and EHSS. These six areas are aligned with 10 of the 17 UN Sustainable Development Goals (SDGs) where our business can have the greatest impact, addressing issues such as poverty, climate change, environmental degradation, human rights, labor, and anti-corruption.

MATERIAL AND CONTINUOUS IMPROVEMENT TOPICS

Click topics to read more



SABIC's UN SDG Roadmap

KEY NON-FINANCIAL TARGETS

Annual targets

- Strive towards **zero incidents**

2025 targets
(from 2010 baseline)

- **GHG intensity**
  25% reduction
- **Energy intensity**
  25% reduction
- **Material loss intensity**
  50% reduction
- **Flaring**
  65% reduction
- **Water intensity**
  25% reduction

2030 targets
(from 2018 baseline)

- **Absolute GHG** emissions
  20% reduction
- **Renewable energy**
  50% of total electricity mix
  Revised target
- **Circular solutions**
  1 mn. metric tons of annual TRUCIRCLE™ sales
  New target
- **Thriving at SABIC**
  More than 90% of our employees feel like they can thrive at SABIC
  New target

targets 2050
(from 2018 baseline)

- **Absolute GHG emissions**
  All operations under SABIC control are **carbon neutral**

UPDATING OUR MATERIAL TOPICS

A new materiality assessment and stakeholder analysis was conducted in 2023 and will be finalized in 2024. The materiality refresh was based on the concept of double materiality, which will help us understand not only the impact SABIC has on society and the environment, but the impact that society and the environment have on the company as well. The EU Taxonomy, the GRI standards, the CSRD, and the ISSB (IFRS S1 and S2) standards were among key reference points informing our application of both the impact materiality (inside-out) perspective and the financial materiality (outside-in) perspective.

Prior to stakeholder engagement, we pre-selected potential material topics by referencing reporting frameworks, the company's strategy, regulatory requirements, peer benchmark analyses, consumer trends, and value chain analysis, among other external sources. The longlist of topics was presented to internal and external stakeholders to solicit qualitative and quantitative feedback on the significance of the topics in terms of both impact and financial materiality.

These pre-selected material topics will be prioritized based on the double materiality approach considering the scoring of a combination of impact and financial assessments. The results of the double materiality assessment and validation exercise will be presented to the executive committee for endorsement in 2024, where SABIC's business strategy will be shaped by the outcomes. Based on these results, we will develop new initiatives, targets, and KPIs that align with results of this assessment.

STAKEHOLDER ENGAGEMENT

GRI 2-28; 2-29; 3-3 (415)

As one of the largest chemical companies in the world, with operations in over 45 countries and sales in more than 140 countries, SABIC has many stakeholders to consider. Our objective in engaging with our stakeholders is to understand our effect on them, their priorities and expectations, and how we can collaborate and create value. By identifying each stakeholder group's priorities through soliciting feedback at varying intervals, we attempt to balance interests, requirements, and expectations.

As part of our 2023 materiality assessment refresh, a new stakeholder mapping and identification process was conducted, and surveys and interviews were sent out to over 150 internal and external stakeholders—internal business units and corporate functions, suppliers, customers, shareholders, government organizations, universities, NGOs, and investors—considering the multiple geographies where SABIC operates. These engagements gathered critical feedback on SABIC's outward impact on the environment and society, as well as the financial impact of these topics on SABIC in the short, medium, and long term.

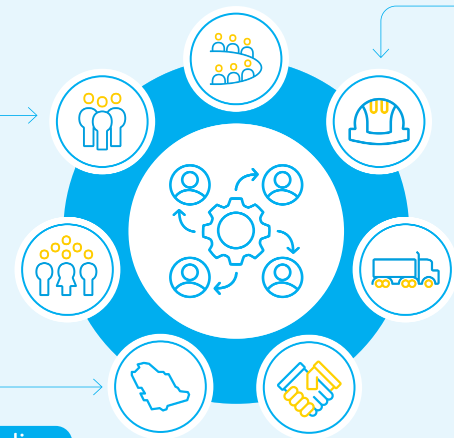
SABIC STAKEHOLDERS AND THEIR MOST RELEVANT MATERIAL TOPICS

Customers
- Innovation and sustainability solutions
- Circular economy
- Climate change
- Product stewardship

Shareholders and investors
- Governance and integrity
- Climate change

Employees and their families
- EHSS
- Human capital
- Governance and integrity

Community and society
- EHSS
- Governance and integrity



Suppliers and alliance partners
- Governance and integrity
- Circular economy
- Climate change
- Supply chain

Governments and regulatory bodies
- Governance and integrity
- Climate change
- Corporate social responsibility and social impacts

External initiatives, collaborations, and trade associations
- Governance and integrity
- Innovation and sustainability solutions
- EHSS

Shareholders and investors

Principal mechanisms to engage stakeholders	Stakeholder expectations	Current focus issues	Our response
• Annual General Meeting • Conferences • Non-deal roadshows • Earnings calls • One-on-one engagements • Investor Day • Investor Relations section of our website	• Focus on long-term value creation • Maintain the economic performance • ESG aspects in the company strategy • Robust and transparent decision-making processes that build trust • Business ethics and anti-corruption	• Financial, operational and sustainability performance • Capital allocation and dividends • Geopolotical issues causing volatility to investors • High interest rates • Transparency demands • Improving representation of minority shareholders	**General:** • Corporate governance system that meets stakeholder and regulatory requirements • Reporting on financial and operational KPIs • Transparent dividend aspiration and capital management **In 2023:** • Held more than 40 engagements, reaching over 800 investors and analysts, while participating in regional, emerging, and international chemicals conferences. Examples include the C-Suite non-deal roadshow in the US, the Saudi Capital Market Forum, and conducting sustainability reporting training for Saudi-listed entities in coordination with Saudi Exchange.

Customers

Principal mechanisms to engage stakeholders	Stakeholder expectations	Current focus issues	Our response
• Conferences and forums • Industry trade shows • Compliance reporting • Commercial contacts • Customer events and visits	• Support customer meeds • Quality service • Safe, secure, and reliable product supply • Compliance and transparency on ESG topics • Need for innovative and circulat solutions • Capture sustainable and economic opportunities • Responsible handling of chemicals	• Increasing customer satisfaction by providing top-tier quality and reliability • Strong partnerships • Quality assurance of products • Meeting customer's GHG emission reduction targets and, more broadly, promiting sustainability targets across the value chain • Product carbon footprint • Keeping pace with demand for circular materials	**General** • Provide good quality of service support, reliability and coverage • Product stewardship **In 2023:** • 63% of our revenues underwent a portfolio sustainability assessment to give more transparency to our customers and steer our portfolio toward more value derived from sustainability solutions. • We participated in customer events throughout the year. Examples include Plastindia 2023 (New Delhi, India) and Plastico Brasil 2023 (Sao Paulo, Brazil).

Employees and their families

Principal mechanisms to engage stakeholders	Stakeholder expectations	Current focus issues	Our response
• Global employee survey • Annual performance reviews • Employee conversations (TALK5) • Competency assessment framework • Compliance reporting process (Speak Up) • Ethics and compliance program • Integrity culture survey • Employee networks • Work councils and committees • Our intranet and EYE portal	• Employee value proposition • Established performance frameworks to provide a compass for the employee journey • Open, safe reporting environment, free from retaliation and accessible to all • Opportunities for professional development • Job safety and security • Access to health-related tools and services • Work-life balance • Engagement on sustainability principles	• Performance review and feedback processes • SABIC scholarship program and other educational benefits • Training and professional development • Compensation and benefits • Employee engagement and wellbeing • Talent attraction and retention especially in high-growth markets • Employee expectations of a post-COVID-19 workplace • Partnering to achieve Saudi Vision 2030	**General:** • Occupational safety initiatives and networks • Continuous improvement of employee development through performance, talent and career solutions with structured processes and tools • Continuous communication initiatives and mechanisms from leadership and within the employee communities • Best practice SABIC Leadership Way model linked to core values • Fostering a Sense of Belonging and DEI&B environment for all in line with SABIC's new diversity statement **In 2023:** • Average training hours per direct hire in 2023: 44 • More than 95% employees participate in annual bonus plans designed to reward them based on a combination of company and individual performance. • A total of 407 employees completed leadership development programs starting from entry level up to mid-career. • UMATTER 23 – a global roadshow connecting employees in 40+ locations across 26 countries

Suppliers and alliance partners

Principal mechanisms to engage stakeholders	Stakeholder expectations	Current focus issues	Our response
• SABIC supplier portal • Vendor meetings • Industry conference and exhibitions • Compliance training for suppliers and other third parties • Coorporation in associations	• Become a partner and/or maintain long-term partnerships • Transparency, fair, speed and clarity of the procurement process • Business increase • On-time payments	• Establish long-term relationships with suppliers based on communication and transparency • Adapting advanced technologies to collaborate with out suppliers and service providers • Labor safety and labor rights • Energy and pollution prevention	**General:** • Implemented a supply-chain visibility tool to increase delivery reliability • Support in complying with our Supplier Code of Conduct **In 2023:** • SABIC's supply chain delivers more than 31 million tons of products to some 20,000 locations in over 140 countries every year. • SABIC joined Together for Sustainability (TfS), a procurement-driven initiative created by chemical companies to enhance sustainable supply chain practices.

Governments and regulatory bodies

Principal mechanisms to engage stakeholders	Stakeholder expectations	Current focus issues	Our response
• Engaging with governments and global forums • Participation in industry associations • Providing support and expertise for development of regulations, programs and national projects	• Adequate and timely information disclosure • Commitment to country programs • Operation in compliance with laws and regulations • Safety and environmental protection • Industrial innocation and development • Commitment to country programs • SABIC's commitment to sharing its leadership experiences with government sector organizations • Community aid	• Navigating the complex and evolving regulatory environments • Government engagement is a key part of ensuring compliance with prevailing regulations, sustainable development, and supplying our products and services to stakeholders • Effectively advocating for smart and responsible policy in areas where we do business • Contributing to local employment • Driving people development and provision of leadership training through continued alliances between the SABIC Academy and the Saudi government	**General:** • Compliance with laws and regulations • Regular reporting • SABIC governance is guided by its Code of Ethics and corporate values, which set out our commitments to integrity and fair business practices and engagement with governments • More on Government engagement **In 2023:** • SABIC Academy conducted three SABIC leadership programs for 88 government executive leaders.

Community and society

Principal mechanisms to engage stakeholders	Stakeholder expectations	Current focus issues	Our response
• Local employement portals • Employee and leadership engagement with the community • CSR programs • Media (social, traditional) • Compliance reporting • Regular press conferences • Meetings with local suppliers	• Improving the quality of life in the communities in which we operate • Sensitivity to local environmental and social issues	• Build and sustain effective partnerships with local community organizations • Environmental and health issues • Skills and development and local employment • Procurement from local businesses • Global CSR initiatives across four focus areas (Science & Technology in Education, Health & Wellness, Environmental Protection, Water and Sustainable Agriculture)	**General:** • Developing effective communication and engagement channels that resonate with different communities • Driving local content engagement and development through NUSANED™ and dedicated local content department • Working with the NGO Pearl Initiative to support students, female workers, and small and medium enterprises (SMEs) with awareness sessions • Dedicated CSR department and CSR policy **In 2023:** • 87% of our hiring is from local communities • SABIC invested US$ 12.8 Mn. in 121 CSR programs across 27 countries with the help of 3,600 SABIC volunteers

External initiatives, collaborations, and trade associations

Principal mechanisms to engage stakeholders	Stakeholder expectations	Current focus issues	Our response
• Meetings • Workshops • Conferences, forums and summits	• Acceleration of action to reduce GHG emissions and address climate change • Aligning with UN SDGs as reference for sustainability priorities on a global scale • Human rights	• Investment in entrepreneurial sector and new technologies • Seek solutions to industry specific issues (e.g., climate change, waste plastic) • Industry cooperation and consensus • New partnership models require a robust intellectual property and governance structure in compliance with prevailing laws and regulations	**General:** • Participation in a variety of advocacy coalitions and associations • Developed roadmaps for carbon neutrality by 2050 • Establishing venture capital channels • Human Rights portal **In 2023:** • Announced 1 million metric tons of annual TRUCIRCLE™ sales by 2030 • COP28 Saudi delegation • Renewed Alliance to End Plastic Waste (AEPW) membership at executive committee level • Founded the Global Impact Coalition in collaboration with major industry peers • Launched Mega Green Accelerator, an incubator for innovators developing solutions for sustainability challenges, together with key strategic partners

PARTNERSHIP ECOSYSTEM

We engage with our stakeholders to educate, raise awareness, and improve overall industry standards to ensure we create impactful sustainable value for all our stakeholders. This year, we continued to work with leading global companies and international bodies to develop innovative solutions to drive industry sustainability. People and collaborations

Academia
- Cardiff University
- Fraunhofer Gesellschaft
- Ghent University
- King Abdullah University of Science and Technology (KAUST)
- Massachusetts Institute of Technology (MIT)
- RWTH Aachen University
- University of Bayreuth
- University of Bradford
- University of Toronto

First adopters
- BASF
- Global Impact Initiative
- Linde
- TotalEnergies

Ventures

Joint ventures

Climate action
- CDP climate, water, and supply chain programs
- Clean Development Mechanism, Designated National Authority (CDM-DNA)
- Houston Energy Transition Initiative (HETI)
- Saudi Ministry of Energy Circular Carbon Economy National Program

Plastic waste and circularity
- Alliance to End Plastic Waste (AEPW)
- Brightlands Circular Space
- Chemelot Circular Hub
- International Sustainability & Carbon Certification Association
- Operation Clean Sweep (OCS)

Sustainable value chains
- EcoVadis
- Together for Sustainability

Competency building
- Center for Creative Leadership
- Duke Corporate Education
- IMD
- London School of Economics
- Thunderbird School of Global Management

Governance and integrity
- Ethisphere Institute
- Pearl Initiative

Global
- Association of International Chemical Manufacturers (AICM)
- Hydrogen Council
- International Council of Chemical Associations (ICCA)
- Methanol Institute
- Polyolefin Circular Economy Platform (PCEP)
- UN Global Compact
- World Business Council for Sustainable Development (WBCSD)
- World Economic Forum (WEF)
- World Plastics Council (WPC)

Asia
- All India Plastics Manufacturers Association (AIPMA)
- Boao Forum for Asia
- China Business Council of Sustainable Development (CBCSD)
- China Petroleum and Chemical Industry Federation (CPCIF)

Americas
- American Chemistry Council (ACC)
- Latin American Petrochemical and Chemical Association (APLA)

Europe
- Dutch Chemical Industry Association (VNCI)
- European Chemical Industry Council (Cefic)
- European Petrochemical Association (EPCA)
- Petrochemicals Europe (PE)
- Polyolefin Circular Economy Platform (PCEP)
- Plastics Europe (European Plastic Industry Association)
- Sustainable Fuels Europe
- UK Chemical Industries Association (CIA)

Middle East
- Gulf Petrochemicals Association (GPCA)
- Future Investment Initiative (FII)
- Saudi Green Initiative (SGI)

COLLABORATIONS IN FOCUS

ALLIANCE TO END PLASTIC WASTE

AEPW was launched in early 2019 by 20 members including SABIC. The Alliance focuses on harnessing innovation, incubating ideas, and scaling up new solutions, business models, and technologies that can eventually be replicated to serve communities to create a circular economy for plastics. Some of the world's leading companies in the chemical, plastic, consumer goods, and waste management sectors have joined the network, committing their resources, expertise, and capabilities to advance the alliance's mission around the world. SABIC's engagement with AEPW spans from representation at the board to regional strategic and implementation task force groups.

In 2023, AEPW and Lombard Odier Investment Managers (LOIM) joined forces to launch the Circular Plastics Fund with the objective of generating positive environmental, social, and economic impact together with attractive financial returns.

GLOBAL IMPACT COALITION

In 2023, the Low-Carbon Emitting Technologies initiative was relaunched as the Global Impact Coalition (GIC), a CEO-led effort between nine industry giants—SABIC, BASF, Covestro, Clariant, LyondellBasell, Mitsubishi Chemical Group, Sabanci, Siemens Energy, and Syensqo—to help the chemical industry reach carbon neutrality by 2050. SABIC serves as a co-chair on the group and is spearheading efforts to foster new partnerships to address challenges, serving as a platform to drive meaningful projects and R&D collaborations.

This year, one of the first tangible projects launched under the new independent legal entity aims to accelerate the implementation of advanced chemical and mechanical recycling for plastics, while also focusing on expanding recycling and lowering the CO_2 footprint. GIC holds the potential to deliver promising results on a large scale that will achieve significant results in shifting towards a carbon neutral world in the decades to come.

CLIMATE ADVOCACY

As a leader in the chemicals industry, we believe we have a duty to help drive industry efforts in combating climate change, and we participate in a variety of associations and forums at multiple levels. In various engagements across 2023, including the United Nations MENA Climate Week, COP 28, and the Saudi Green Initiative (SGI) Forum in Dubai, United Arab Emirates, we reaffirmed our commitment to supporting national and international efforts to combat climate change and highlighted our own initiatives to accelerate progress towards carbon neutrality.

Also in 2023, together with PepsiCo, AstroLabs, and other strategic partners, we announced the launch of the Mega Green Accelerator, a new initiative to nurture the next generation of innovators in the region to develop solutions to both regional and global sustainability challenges such as circularity and energy transition.

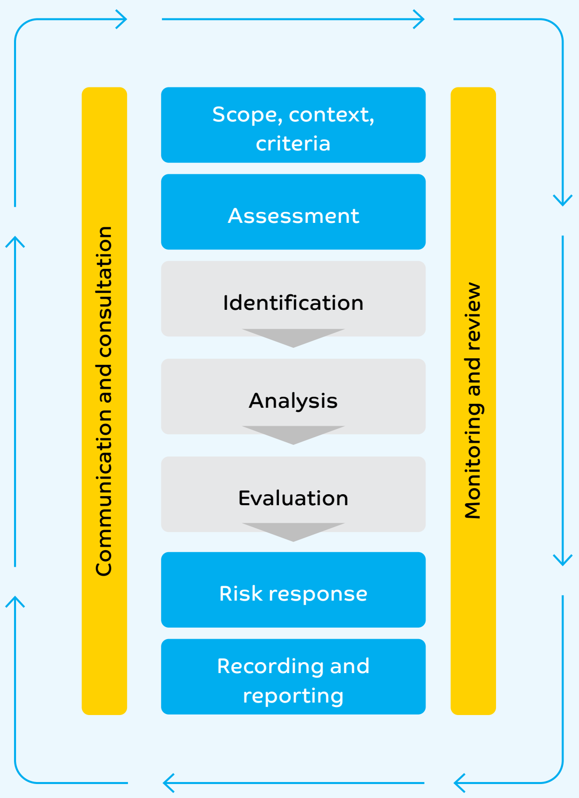
RISKS AND OPPORTUNITIES

ENTERPRISE RISK MANAGEMENT AND GOVERNANCE

Enterprise Risk Management (ERM) at SABIC plays an essential role in employing an inclusive risk management and business continuity approach. This includes identifying risks, working through resilience phases with all stakeholders to understand potential risks, and mitigating risks before they occur or reducing their effects when they occur. ERM also works to secure the resilience of critical infrastructure to ensure business continuity in the provision of essential products and services.

SABIC has an established risk management policy and an integrated governance system. SABIC's risk management process is based on the guidelines provided by ISO 31000. Its goals are to effectively identify, understand, and manage the threats facing the company and affecting our business performance as well as to leverage opportunities for pursuing our strategic goals. It also aids in setting appropriate risk appetite risk limits and controls, and monitoring/reporting rhythms to enable our business units and corporate functions to achieve their objectives.

SABIC'S RISK MANAGEMENT PROCESS



The Board Audit Committee (BAC) oversees the internal control systems, including: (i) reviewing internal and financial controls and risk management systems and ensuring their effectiveness through regular reports and following up on the execution of actions; and (ii) reporting to the board on the adequacy of internal control systems.

SABIC's risk management framework, policy, documents, and practices are regularly reviewed and updated for suitability, adequacy, and effectiveness of the way risk management processes are implemented and integrated. The risk management policy and framework are reviewed every three years to reflect changes in market conditions and SABIC activities. We refer to and gather inputs from:

- international risk management standards
- international mandates
- external context parameters
- Internal Audit
- inputs and review by Corporate Governance
- stakeholders (e.g., regulators, shareholders, partners, customers, and suppliers)

Based on the outcomes from the above inputs, the ERM team implements the immediate required enhancements and earmarks those to be considered for future versions of the risk management framework and policy. The risk management framework contains the tools and mechanisms to support the management and provide oversight of various categories of risks that the company and its global affiliates are facing. The framework also contains a structured process for risk management and monitoring to be applied consistently across the organization. The implementation of the risk management policy and framework is the responsibility of the Chief Executive Officer (CEO), while the board, through its Risk and Sustainability Committee, monitors the implementation of the policy and framework along with assessing the key business risks facing the company. The committee meets three times a year to review and evaluate the ERM department's detailed reports on the company's major risks, gain assurance on the effectiveness of the risk management system, and make appropriate recommendations to the board on the efficacy of measures taken to minimize the impact of all risks. Moreover, all SABIC's business units and corporate functions provide quarterly, coordinated reports to the Executive Risk Management Committee on risks at strategic, tactical, and operational levels. All ERM activities are supported through SABIC's Global Risk Champion Network comprised of senior leaders from the business, who have been assigned additional responsibilities to coordinate periodic risk assessments, promote the link between risk management and the business, and improve the culture of risk management within their entity.

SABIC pursues its strategic goals to maximize shareholder value through taking calculated risks in accordance with the organization's risk management framework. The ERM department supports SABIC's management by providing early warning of potential and emerging risks arising from internal or external events, which could impact the achievement of the company's strategic goals. The integration of SABIC's risk management framework and process into the company-wide decision-making processes demonstrates assurance to our stakeholders (e.g., regulators, shareholders, partners, customers, and suppliers) on our commitment to effective risk management. Moreover, integrating SABIC's risk management process into the Operations Management System (OMS) provides a thorough risk management framework suitable for all manufacturing affiliates/sites.

In 2023, ERM went through an extensive risk refresher exercise with the SABIC leadership team and conducted both internal and external due diligence to refresh SABIC's top risks (i.e. risks that could impact SABIC's long-term strategy within a 5–10 year horizon). This exercise was conducted in line with changing business dynamics and external factors.

RISK CULTURE AND EXCELLENCE

In pursuance of achieving its goals, SABIC does not tolerate any scenarios or events leading to safety and security incidents that threaten the wellbeing of its employees, contractors, and the public and/or impact the environment. SABIC has zero tolerance for scenarios or events in relation to integrity, ethical/ regulatory non-compliance, and intellectual property breaches and/or infringement.

SABIC has a strong risk culture; we consider all our employees to be custodians of this culture and entrust them to adhere to our standards and risk mindfulness in executing SABIC's strategy. We continuously aim to enhance the risk management awareness among all SABIC's employees, which promotes their understanding, commitment, and empowerment to identify and manage risks. SABIC's ERM, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. Regular (i.e., every three years) surveys are conducted for business units and corporate functions to assess risk management maturity and implement initiatives to advance risk maturity further.

Hosting the Institute of Risk Management (IRM) Saudi Arabia and Bahrain regional event at SABIC headquarters, Riyadh.

In 2023, we hosted the Institute of Risk Management (IRM) Saudi Arabia and Bahrain regional event at SABIC headquarters in Riyadh. SABIC's hosting of this event demonstrated our leadership's commitment towards the importance of risk management at SABIC, especially for building resilience in the context of a volatile global energy market. This event is also part of our broader efforts in knowledge exchange and in championing risk management in the region. The event was attended by over 100 risk professionals, both external attendees and internal risk champions.

2023 RISK LANDSCAPE

In 2023, petrochemical companies faced intensified supply chain and energy cost risks due to geopolitical uncertainties and the global economic slowdown. Challenges included disruptions to feedstock supply, surging shipping costs, and labor shortages. Rising energy prices and heightened competition for resources further strained production costs.

EMERGING RISKS

SABIC continues monitoring the impacts of various global and geopolitical events as well as climate change and natural disaster weather events. Noteworthy issues of focus included the Russia-Ukraine war, China -Taiwan tensions, inflation impact on banks, Pakistan debt crisis, Gaza war, Turkey and Syria earthquake, severe drought, wildfires in Hawaii, and floods in Europe. Additionally, recent advances in AI have the potential to pose unfamiliar risks to our business and operations.
In each case, effective risk assessment is carried out to ensure business continuity and resilience.

The impact of global and regional conflicts during 2023 on supply chains is evidenced by the constraints on energy and goods supply and the disruption of major transportation routes, raising prices across the board. SABIC has developed response plans to minimize these impacts, which include updating inventory, considering alternative shipping routes, utilizing storage vessels, and activating swap deals.

Moreover, the Silicon Valley Bank (SVB) crisis was a serious event in 2023 with potential for significant consequences. In SABIC, we have evaluated and treated the SVB crisis as an emerging risk that could have a negative impact on our business and operations.

The instability in the Middle East also has the potential to disrupt SABIC's supply chain. Interruption in the operations of the Suez Canal, the Bab el-Mandeb and the Strait of Hormuz, whether due to military action or heightened tensions, could lead to increase of transportation costs, longer delivery times, higher insurance premiums, and potential congestion at alternative ports.

RISK FACTORS

SABIC may face various inherent risks in the global oil, gas, and petrochemical industries, as well as risks related to compliance with existing and potential future regulations and opportunities related to ESG. The impacts of these risks (i.e. threats and opportunities) are managed by considering and implementing various strategies and approaches. Some of these risk factors are not within the company's control and could adversely affect our business and financial and operating results and conditions.

STRATEGIC RISKS

- Highly competitive industries
- Cyclical nature of the petrochemicals industry and market conditions
- Climate change
- Rapidly evolving regulations around sustainability and ESG
- Loss of market share for SABIC products
- Digital transformation and artificial intelligence

OPERATIONAL RISKS

- Talent management
- Disruptions of supply chain services
- Geopolitical instability and pandemic
- Ease of information technology
- Inherent process safety
- Projects under development

FINANCIAL RISKS

- Customer credit
- Foreign exchange
- Insurance policies

COMPLIANCE RISKS

- Intellectual property and technology licenses
- Disputes and/or litigation
- International trade controls
- Use and handling of SABIC's materials and products
- Regional chemical regulations

STRATEGIC RISKS

Theme

Highly competitive industries

SABIC is exposed to the competitive characteristics of several different geographic markets and industries, which gives rise to exposure to operational and market risks (e.g. higher cost of production and selling price). SABIC's principal competitors vary from product to product and range from large global petrochemical companies to numerous smaller regional companies. Potential outcomes include a failure to meet performance expectations related to quality, time to market, costs, and innovation.

Risk(s)

1. SABIC might face difficulties in developing new products and processes, or bringing them to the market in a timely and economically feasible manner compared to its competitors
2. SABIC also might fall behind its competitors in technology advancements and innovation in its operations
3. SABIC might not be able to manufacture products more economically compared to its competitors
4. Potential worldwide and regional petrochemicals capacity expansions

Driver

- Inadequate research and marketing resources
- Inadequate assurance that SABIC will have access to the most advanced technology developed by its licensors in the future
- Raw material suppliers may expand their value chains

Potential impact

- Could result in ineffective and costly implementation of SABIC strategy – or failure to implement SABIC's strategy and remain competitive
- Could result in shrinking of the available market for SABIC's products
- Could result in petrochemicals production capability exceeding product demand and lead to short- or long-term downward pricing pressures

Response plan

In response to these potential risks, SABIC strives for a competitive advantage selectively through process, catalyst, and application development; and improving efficiencies in its core areas of manufacturing, commercial, supply chain, and cost management.

SABIC is capitalizing on its own competitive advantages from Saudi Aramco, which include availability and access to competitive feedstock, petrochemical refinery integration, advanced technology, such as liquid-to-chemicals (LTC) projects, and strong strategic partners where relevant.

SABIC aims to enhance its leadership position by expanding its presence in fast-growing and emerging regions. SABIC provides products and solutions with a customer-focused mindset, leveraging technology, innovation, and sustainability to address a range of end-user markets that include automotive, building and construction, healthcare and personal hygiene, packaging, and consumer and household goods. SABIC continues to devote substantial resources to the research and development functions of its business and to the development and marketing of new, advanced products and processes.

SABIC also continues to invest in an integrated global supply chain and build a resilient network to meet customer requirements and sustain competitiveness. In particular, SABIC is investing in installing new systems and equipment in its production facilities to meet and comply with all applicable laws and regulations.

Theme

Cyclical nature of the petrochemicals industry and market conditions

The petrochemicals industry is subject to the cycles of expansion and contraction in line with movements in the global economy, which creates swings in the supply and demand of petrochemicals products and volatility in the prices of feedstock and finished petrochemical products. The price of feedstock and products depends on the location of the production facility, the type of product, and the location of the customer.

In the last decade, the global economy has experienced periods of slowdown, high volatility, reduced business activity, unemployment, and decline in interest rates, and erosion of consumer confidence, all of which have affected downstream demand for chemical and plastic products in certain industry sectors and regions.

Risk(s)	1. Inability to accurately predict the duration and dates of the economic trends and cycles 2. Potential downturn in regional or global economy, market crisis or prolonged periods of instability
Driver	• The cyclicality of the global petrochemical markets (i.e., supply and demand) and external impacts (e.g., geopolitical tensions) • Extended recession in any of the geographies in which SABIC operates
Potential impact	• Could significantly influence SABIC's operations and/or financial condition • Could lead to a substantial decrease in the demand for SABIC's products, creating an adverse impact on SABIC's business
Response plan	To reduce the impact of these potential risks, SABIC conducts continuous horizon scanning to monitor upcoming/expected changes related to the petrochemicals industry and market, and we maneuver our business model accordingly. We also conduct robust scenario planning to build a product portfolio that can withstand changes in various trends and consumer demand.

Theme	**Climate change** Climate change poses a significant threat to the global economy, impacting businesses and financial institutions through both physical and transition risks. The physical risks are the direct impacts of climate change, such as extreme weather events, rising sea levels, and changes in temperature and precipitation patterns. These can damage infrastructure, disrupt supply chains, and lead to increased insurance claims. The transition risks are the risks associated with the shift to a low-carbon economy, such as changes in government policies, technological advancements, and consumer preferences.
Risk(s)	Delays and difficulties in executing our GHG emissions reduction roadmap
Driver	Political commitment to issues concerning climate change adaptation and mitigation through regulation
Potential impact	Could impact SABIC's business and operations
Response plan	SABIC conducts physical climate risk assessments and evaluates its exposure and vulnerabilities to climate change hazards such as flooding, heatwaves, droughts, and storms. These assessments help us identify our most vulnerable business operations and assets, determine the likely impacts on productivity and continuity, and take appropriate adaptation measures to strengthen resilience. It also allows us to improve preparedness, meet regulatory requirements, safeguard shareholder value, and future-proof investments against climate uncertainty. SABIC's efforts to mitigate transition risks are well defined under our Carbon Neutrality roadmap, which identifies five pathways to decarbonization including: reliability, energy efficiency and improvements; renewable energy; electrification; carbon capture; and low-carbon hydrogen. This roadmap commenced with a thorough review of the available and emerging technologies to lower carbon emissions. Climate, energy, and resource efficiency

Theme	**Rapidly evolving regulations around sustainability and ESG** In recent years, there has been a growing awareness of the impacts of business activities on the environment and society. This has led to a number of changes in regulation and public expectations, which are creating new threats and opportunities for businesses. In SABIC, we recognize that our success increasingly depends on integrating ESG principles into every aspect of our business. SABIC is committed to reducing its environmental impact, including GHG emissions, water usage, and waste generation, recognizing that these changes may require increased operating costs.
Risk(s)	Potential delay in delivering against sustainability or carbon-neutral goals and ESG reporting
Driver	Fast-evolving regulations, capital availability, aging plants, or lack of mature renewable technology
Potential impact	A negative impact on SABIC's reputation and a decreased demand for SABIC goods and services

Response plan	SABIC adapts to changes in regulation by frequent review and updating of its business model. SABIC complies voluntarily with a complex network of reporting regulations, ratings, and disclosure frameworks. Our sustainability agenda is to run a responsible and profitable business for the long term. SABIC's sustainability strategy is driven by four key motivating factors: addressing stakeholder needs; meeting evolving regulations; enabling responsible long-term growth; and driving a sustainable portfolio. To address these factors, we are integrating ESG principles into every function of our business. SABIC also champions the idea that reworking supply chain strategies by incorporating climate change considerations along with other ESG matters creates value for our organization, our customers, and the planet. We are transforming our chartered chemical tanker fleet, gradually replacing the standard vessels with newer or upgraded optimal eco-designed, fuel-efficient vessels. All of our global suppliers are also subject to the SABIC Supplier Life Cycle Management (SLM) program, which includes robust due diligence to ensure SABIC suppliers meet our sustainable supply chain and procurement requirements and to demonstrate their compliance practices in areas such as safe working conditions, anti-corruption, and environmental responsibility. Sustainability at SABIC Our approach to circularity
Theme	**Loss of market share for SABIC products** Introduction of laws and policies designed to control the production and use of single-use plastic products
Risk(s)	Emerging and rapidly evolving legislation and regulations targeting the use of plastics globally
Driver	Growing pressures from regulatory bodies in several areas (including single-use plastics, extended producer responsibility, recycling usage mandates, product safety, and plastic production caps) and negative perception of plastics
Potential impact	Could result in additional compliance costs, an uncompetitive position, low demand for SABIC 's product, and bottom-line impact
Response plan	SABIC is reducing the impact of this risk through continuous monitoring, evaluation, and reporting of the regulatory changes/highlights through regulatory affairs, product stewardship, and government relations and public affairs teams. These teams manage chemical issues and product advocacy to help ensure that fair and science-based regulatory actions are developed and implemented to protect the global community and value chain actors. SABIC has launched several projects to achieve its circular economy goals via development of renewable and recycled materials in-house or in collaboration with multiple brand owners and value chain partners. SABIC is working to ensure that plastics are reused and remade into new products, collaborating upstream and downstream to achieve a total transformation of the value chain built around circular economy principles. Our TRUCIRCLE™ portfolio is our statement of intent to reduce waste–both in our own operations and by encouraging global suppliers and customers to do the same. With TRUCIRCLE™, we develop a variety of innovative applications used across the value chain. In the past several years, we have focused on five key drivers to address challenges faced by the market: reducing waste; increasing circularity; closing the loop and reusing ocean-bound plastic; using bio-based feedstock solutions; and enhanced functionality and consumer appeal. These projects build on previous commitments to close the loop on soft plastic goods packaging, along with new pledges to create materials using renewable residues from vegetable oil processing. Advancing sustainable solutions

Theme	**Digital transformation and artificial intelligence** The petrochemicals industry is moving quickly to harness the potential of digitalization, and SABIC must keep pace, or be a leader, with respect to its competitors. Effective utilization of digitalization and the power of big data, machine learning, and AI will help SABIC to achieve superior market intelligence.
Risk(s)	Potential delays in improving the reliability of manufacturing plants operations and enhancing market analytics studies
Driver	Effectiveness of big data/analytics tools and manufacturing automation
Potential impact	Could lead to slow enhancement of operations productivity and efficiency as well as market analytics
Response plan	To achieve its digitalization ambitions, SABIC's Global Digitalization team aims at digitalizing key parts of our business—driving greater productivity, efficiency, and cost-effectiveness across diverse areas, while enhancing our ability to meet the needs of our customers. SABIC is accelerating its digitalization efforts through a number of digital initiatives. For example, our manufacturing plants globally are outfitted with Asset Healthcare, a monitoring system that uses AI, to predict potential failures of critical equipment. We are also utilizing smart inspection technologies such as robotics and drones to identify chronic issues such as corrosion under insulation, immersive tank inspection, and flare tips inspection, elevating plant integrity and safety. SABIC leverages advanced AI technologies to address business risks and opportunities from a new perspective. With the growing use of AI, SABIC built its own AI-powered Virtual Experimentation (AIVE) platform that uses machine learning to optimize process and product performance even before a product is manufactured. We are also utilizing big data tools and predictive analytics to achieve superior market intelligence, gain new insights, and become more responsive to our customers, as well as higher productivity and efficiency. Our investments in smart solutions to create fully digitalized value chains will continue, supported by new innovative business models.

OPERATIONAL RISKS

Theme	**Talent management** SABIC's future success depends in part on its continued ability to hire skilled employees. In the industries in which SABIC operates, employees remain in high demand and there is continuous competition for their talents. Furthermore, adoption and optimization of emerging technologies hinge on SABIC's access to new skills that either are in short supply or require comprehensive upskilling and reskilling of existing employees.
Risk(s)	SABIC might be unable to attract and retain the right talent in the right time to support its current and growing business.
Driver	Talent market demand (e.g., difficulty recruiting qualified employees or the unexpected loss of key, skilled SABIC personnel)
Potential impact	Could affect SABIC's business and operations (e.g., implementing new manufacturing technologies, developing new products, improving customer engagement, etc.).
Response plan	SABIC focuses on recruiting qualified employees and minimizing the unexpected loss of SABIC's key, skilled employees who are crucial for implementing new manufacturing technologies, developing new products, and improving customer engagement. etc. SABIC strives to • promote a healthy work environment • understand, monitor, and manage the tone, incentives, and actions that drive the desired behavior within the organization • meet expectations about workforce diversity, equity, and inclusion SABIC's approach to people and human resources is structured to create a work culture that encourages continuous learning, provides exceptional career opportunities, and offers attractive rewards and recognition for performance.

Theme	**Disruptions of supply chain services** SABIC's operations rely on the transportation of materials by sea and overland and we seek cost efficiencies in the distribution of finished products. Any issue affecting cargo transportation (e.g., interruption in marine routes, dangerous conditions, natural disasters, labor market, insurance, etc.) could reduce SABIC's competitive advantage compared to regional producers. Supply chain uncertainty—including the viability of key suppliers, scarcity of supplies, energy sources, unpredictable shipping and distribution logistical issues, and/or the lack of price stability in the supply chain ecosystem—may make it difficult to deliver products or services at acceptable margins.
Risk(s)	Potential delivery delays and significant increases in shipment costs
Driver	Interruption in marine routes, logistics service interruptions, decline in schedule reliability, and volatile freight rate levels
Potential impact	Could result in financial losses and reputational damages
Response plan	SABIC pushes for increasing localization to promote SMEs and Saudi companies in the supply chain to advance Saudi Arabian infrastructure, boosting the organization's export capability. SABIC and Saudi Aramco are aligning with the national agenda of Saudi Arabia in order to expand global logistics capabilities and capacities at key locations. This collaborative approach ensures that we meet customer expectations, contribute to the growth of the industry on a broader scale, and secure the future for both companies in the petrochemicals industry. SABIC is successful in maintaining healthy inventory levels, securing capacity, and balancing customer service levels with cost-effectiveness. We are leveraging our extensive network capabilities and global footprint to collaborate with logistics service partners to improve our cost performance and service levels simultaneously. We have invested in an operating model with a regional focus through hubs in China, Rest of Asia, Middle East and Africa, Europe, and the Americas. This model is highly integrated through a unified supply chain network and a unified IT platform. This ensures maintaining a high level of reliability, agility, and efficiency delivering our products globally. This model provides the necessary visibility, resilience, and ability to optimize operations and advance organizational capabilities. This model also enables us to serve both external and internal stakeholders better through our efforts to sustain healthy inventory levels, secure capacity, and balance customer-service levels with cost effectiveness. SABIC has pre-determined business impact analyses and continuity plans for multiple factors that interrupt the transportation of products and materials.

Theme	**Geopolitical instability and pandemic** Unrest and conflict may cause continued uncertainty in forecasting performance in the near- to mid-term future. Any shutdown or compromise of shipping routes would substantially impede SABIC's ability to transport products. The protracted Russia-Ukraine war and other events of geopolitical unrest are impacting energy and commodity prices. COVID-19 concerns are fading and supply chain stresses easing, but the long-term impacts of both will govern the evolution of global trade and the world economy as countries and companies seek greater independence from reliance on external or potentially hostile suppliers of key technologies and materials.
Risk(s)	Constraints on energy and goods supply and disruption of major transportation routes
Driver	Geopolitical instability or pandemic restrictions
Potential impact	Could impact SABIC's ability to forecast business and operational performance in the near to mid-term, potentially leading to delays in fulfilling customer demand and increased costs

Response plan	SABIC's decisions on where to locate its manufacturing plants are based on regional geopolitical stability, tax and feedstock incentives, and technology and logistics advantages. In the event of geopolitical instability, SABIC starts with establishing a crisis-management team to take the lead on gathering internal and external perspectives, identifying potential risks, and developing mitigation strategies. Continuous updates are provided to the SABIC board and executives on the situation, who review the ongoing mitigation efforts. The SABIC Leadership Way (SLW) framework was selected by global research and advisory firm Gartner as a best-practice model of how to transform global business leadership in light of new internal and external challenges. Our response to the COVID-19 pandemic, Russia-Ukraine war, and Silicon Valley Bank crisis are testament to the success of this leadership behavioral model.

Theme	**Use of information technology** SABIC is exposed to various IT-related risks, such as the loss or theft of data, cyber-attacks, systems failure, and technical obsolescence of IT systems. The non-availability, violation of confidentiality, or the manipulation of data in critical IT systems and applications can lead to the uncontrolled outflow of data and expertise and have a direct impact on SABIC's operations and financial condition.
Risk(s)	Cyber-attacks and leakage of confidential information/data
Driver	Sophisticated cyber-crimes, and improper use of IT systems and networks
Potential impact	Could impact confidentiality, availability and integrity of data, operations and infrastructure of the IT systems, networks, and facilities, leading to production downtime and operational disruptions
Response plan	SABIC has built a very sophisticated cybersecurity system to prevent any cyber-attacks on its global facilities and infrastructure. The cyber security and global digitalization teams oversee all projects and processes, assessing potential risks and raising any security issues to help mitigate their impact. Every new vendor and initiative must undergo the same process to minimize and eliminate any threats that could compromise SABIC. In addition, it conducts regular training and awareness programs for all SABIC employees on how to identify and prevent any cyber-attacks. Other measures include maintaining up-to-date versions and back-ups for IT systems and frequently performing cyber-security attack simulations.

Theme	**Inherent process safety** The nature of petrochemical operations exposes SABIC to environmental, health, safety, and security (EHSS) risks. SABIC and its affiliates must comply with all applicable laws and regulations related to EHSS. These laws and regulations set various standards regulating certain aspects of EHSS quality. Violating these standards could result in various liabilities (e.g., obligations remediate facilities, civil and criminal penalties).
Risk(s)	Personal and process safety related to petrochemical processes
Driver	Complexity of petrochemical operations
Potential impact	Could adversely impact our EHSS performance, exposing us and the communities in which we operate to EHSS risks as well as possible legal prosecutions.
Response plan	SABIC's EHSS strategy is focused on enhancing employee competency to identify EHSS risks and provide high-quality risk-mitigation recommendations. SABIC deploys an operations management system that comprises of five dimension encompassing process and personal safety. SABIC also deploys a process safety capability development program to bring up the competency level of its staff and continuously drive strong and sustainable EHSS performances globally.

Theme	**Projects under development** SABIC has a number of significant capital-intensive projects that are under development or in the planning stages. These projects include investment in new production plants and expansion or upgrading of existing plants. Each of these projects entails a number of risks during construction and commissioning. These risks include investment cost overrun, availability of feedstock, unanticipated liabilities, changes in taxes or duties, difficulties in achieving projected efficiencies and synergies, ability of appointed contractor to comply with contractual obligations, and changes in market conditions.
Risk(s)	SABIC might face potential project time delays and cost overruns for project
Driver	Market dynamics, geopolitical uncertainty, and high demand for materials and workforce
Potential impact	Could result in delay in value realization and financial impact
Response plan	To minimize likelihood of this risk, a new “gate zero” approach will be implemented from January 2024, as part of SABIC's investment process to secure alignment with SABIC's future growth plans. Pre-approval by the Investment Committee is required prior to the regular gating system. Additionally, the cybersecurity and global digitalization teams proactively monitor all projects and processes and assess risks, raising any security issues to mitigate risk.

FINANCIAL RISKS

For more information on financial risks, please see SABIC Consolidated Financial Statements 2023.

Theme	**Customer credit** SABIC provides products and services to a variety of regional and global customers. The exposure to credit risk is influenced mainly by the individual characteristics of each customer.
Risk(s)	Potential non-payment, primarily through trade receivables, for SABIC’s products and services
Driver	Deterioration of economic conditions
Potential impact	Could impact SABIC business and operations
Response plan	SABIC is considering customer demographics, including default risk of the industry and country in which customer operates, as these factors may have an influence on credit risk. SABIC has procedures in place to monitor credit risk on receivables and continuously monitors customers’ credit limits and risk associated with it. SABIC has a policy that requires all customers who wish to trade on credit terms to be subject to credit verification procedures. The credit quality of the customer is assessed based on an extensive internal credit rating scorecard by taking into account the payment behavior, company legal structure, and financial and non-financial profile.

Theme	**Foreign exchange** SABIC's global operations are exposed to foreign exchange risks arising from various currency exposures, primarily to fluctuations of other currencies against the Saudi Riyal (SAR). This exposure is primarily through account receivables, trade payable, and certain non-SAR denominated bank accounts and borrowings.
Risk(s)	Exposure to currency exchange rates fluctuations
Driver	Changes in the dynamic of the global economy
Potential impact	Could result in an adverse impact on SABIC's business and financial condition
Response plan	Although there is no exposure of SAR to US$ as the SAR is pegged to the latter, SABIC manages this risk by conducting a regular review of currency exchange rate fluctuations and the impact on its business.

Theme	**Insurance policies** The operations of SABIC and its affiliates are subject to hazards and risks inherent in refinery and petrochemicals operations. These hazards and risks include fires, explosions, pipeline ruptures, storage tank leaks, chemical spills, discharges or releases of hazardous substances, mechanical failure of equipment, war, terrorism, sabotage, and natural disasters. Many of these risks may cause personal injury and loss of life, environmental pollution, severe damage or destruction of SABIC's properties or the properties of others.
Risk(s)	Limitation of insurance policies to provide optimized risk finance for large losses
Driver	Significant exposures for property damage, business interruption, and third party liability
Potential impact	May influence SABIC's financial condition by the suspension of operations and the obligation for civil or criminal penalties
Response plan	SABIC is mitigating this risk by conducting Risk Finance Optimization studies to ensure that insurance coverage is purchased in amounts that are economically viable and consistent with relevant industry practice, including coverage for the risk of property damage, business interruption resulting from fire, or machinery breakdown and third-party liability.

COMPLIANCE RISKS

Theme	**Intellectual property and technology licenses** SABIC depends upon a wide range of intellectual property to support and grow its businesses, including licensed technologies, which are used in its manufacturing facilities and licensing out SABIC proprietary IP to third parties.
Risk(s)	Potential disclosure, leakage or theft of SABIC's proprietary technology and other intellectual property, including technical data, business processes, data sets or other sensitive information
Driver	Insufficient contractual safeguards, espionage, disclosures, or data breaches
Potential impact	Could have impact on SABIC's reputation, value, business continuity, and operations
Response plan	• Ensuring that all its IP information is well protected against possible infringements through contractual and physical protection • Strong focus and investment in employee awareness and training • Embedding control processes • Establishment of a Licensing Governance function to better ensure compliance and manage risks

Theme	**Disputes and/or litigation** SABIC's business operations could be subject to civil and criminal litigation and regulatory authority proceedings related to legal and regulatory compliance misses. Examples include product liability, competition law, anti-bribery and anti-corruption regulations, trade sanctions and export control regulation, data protection, environmental protection regulations, etc. Violations of these legal and regulatory laws may result in civil or criminal penalties, adversely impact our reputation, or cause other adverse financial consequences for SABIC.
Risk(s)	SABIC could be exposed to civil and criminal litigation and regulatory authority proceedings related to legal and regulatory compliance misses
Driver	Lack of adequate governance and processes to prevent and mitigate such risk from materializing and lack of adequate employees' compliance- and legal-related knowledge
Potential impact	Substantial penalties and adverse branding exposure
Response plan	• Strong investment in a robust Ethics and Compliance program, and governance and integrity culture, including creating an atmosphere where employees and stakeholders are encouraged to raise any integrity-related concerns • Employee adherence to SABIC's Code of Ethics, which lays out the foundation for employees to act with integrity and comply with relevant laws and regulations and internal policies and procedures • Comprehensive compliance training requirements

Theme	**International trade controls** The potential for protectionist barriers being imposed and adversely impacting SABIC's trading opportunities to sell products in other markets is increasing. This is largely due to a combination of de-globalization, an uncertain geopolitical climate, and the economic crisis faced by our industry during 2023 in the regions in which SABIC operates and sells its products. Protectionist barriers may take the form of trade control measures (e.g., export or imports controls, anti-dumping and anti-subsidy) and may have a material and adverse effect on SABIC's ability to trade and sell products at healthy market conditions.
Risk(s)	Potential increase in protectionist barriers by countries in key market regions
Driver	Trade defense measures including additional import duties
Potential impact	May result in financial losses
Response plan	• Monitoring export volume and values and by working with governments and local authorities to avoid or minimize trade restrictions for SABIC's imports and exports • Robust International Trade Controls policy that requires both SABIC employees and entities to comply with all applicable trade regulations • Monitoring and screening all transactions for restrictions on certain sanctioned countries, persons, and prohibited end-uses

Theme	**Use and handling of SABIC's products and materials** SABIC’s products are safe if managed and used properly. However, if not handled correctly, there is a risk that may result in the following: • fire/explosions at SABIC's production or logistics facilities • discharges of toxic gases into the atmosphere • discharge of hazardous chemicals on land or in waterways. Occurrence of the above events, during transportation or at customer facility, could result in a fatality, personal injury, equipment failures or shutdowns, damage to the environment, civil lawsuits, criminal investigations, and regulatory enforcement proceedings, all of which could lead to significant liabilities for SABIC, including the inability to produce or distribute its products, which could result in a significant decrease in SABIC revenues and profits and significant additional cost to replace or repair SABIC's assets.
Risk(s)	Liabilities for fatality, personal injury, property damage, management and disposal of waste materials, and environmental clean-up
Driver	Disposal or release of hazardous substances into the environment
Potential impact	Could impact SABIC’s business and operations
Response plan	• Company commitment to comply with all applicable laws, international standards, and regulations relating to the use, treatment, storage, and disposal of hazardous, toxic substances or waste to help ensure the health and safety of employees, contractors, and the public as well as the protection of the environment • As a certified Responsible Care® company, committing to building a framework towards safe chemicals management and performance excellence • Remaining consistent with Responsible Care® Product Safety Code Management Practices to ensure that extensive risk characterizations are conducted for all priority SABIC products based on hazard, exposure, and risk potential to human health or the environment • Processes established by SABIC Product Stewardship to work with suppliers, customers, and other value chain participants to foster product safety information exchange along the value chain, commensurate with risk

Theme	**Regional chemical regulations** SABIC’s business is subject to a variety of laws and governmental regulations regarding the use of toxic or hazardous materials. For example, to obtain regulatory approval for new products and manufacturing processes, a company must show that the product is safe for its intended uses and that SABIC is capable of manufacturing the product in accordance with applicable rules. Non-compliance with such laws and regulations could be costly (e.g., confiscation, recall, monetary fines etc.), which could prevent or inhibit the development, distribution, and sale of SABIC’s products.
Risk(s)	Potential delay in getting approval to introduce new products or continue distributing existing products
Driver	Variety of laws and governmental regulations regarding the use of toxic or hazardous materials
Potential impact	Material and adverse impacts on SABIC's business, operational results, or financial condition
Response plan	• As a certified Responsible Care® company, commitment to building a framework towards safe chemicals management and performance excellence • Regulatory affairs function within the Product Stewardship department to drive the company’s efforts in understanding and responding to product safety-related government mandates and ensuring compliance with global chemical control laws • Adopting tools and capabilities to digitally screen SABIC products against customer chemical lists. Where applicable, SABIC makes the Life Cycle Assessment (LCA) part of the sustainability product qualification process. It addresses all aspects of a product from production and utilization to disposal.

FINANCIAL AND BUSINESS PERFORMANCE

BUSINESS ENVIRONMENT

GLOBAL ECONOMY

In 2023, a cascade of macroeconomic shocks reshaped the global economic landscape, which resulted in diminished growth coupled with elevated inflation rates that impacted sectors like the chemicals industry. Key drivers of global GDP, such as investment and consumption, were dampened due to various challenges and struggled to return to pre-pandemic norms. As a result, recovery from the impacts of the pandemic, the Russia-Ukraine conflict, and the cost-of-living crisis was slow, and global economic growth decelerated in 2023. However, resilience in key economies has led to more optimism, and growth is expected to remain constant in 2024, with a slight improvement towards the end of the year heading into 2025.

On the inflation front, there was a decline from a peak in 2022, which is expected to continue until the end of 2024. This downturn stems from stringent monetary policies and the ripple effects of reduced global commodity prices. Geopolitical shifts, characterized by evolving cooperation and competition dynamics among countries, are likely to spur fragmentation within commodity markets, inducing instability in the upcoming year. The current aggressive monetary measures have exerted pressure on the global housing market, heightened strain on the banking sector, and pushed the industrial sector toward a potential recession. Nevertheless, a persistent demand surge for domestic services has mitigated some of these vulnerabilities. Despite an anticipated decline in core inflation, achieving ideal levels is not foreseeable until 2025. Amidst these economic shifts, global monetary policy decisions and frameworks remain pivotal in stabilizing inflation expectations. Moreover, the global trajectory hinges significantly on the ramifications of sustained higher policy rates. Should this scenario materialize, it would further elevate financing costs for consumers and capital for businesses, intensifying pressures on the worldwide economy.

ADVANCED ECONOMIES AND EMERGING MARKETS

Advanced economies saw growth decline in 2023, with a further anticipated contraction by 2024. This downturn is attributed to rigorous policy measures, heightened geopolitical uncertainties, less favorable credit conditions, the residual effects of central bank tightening cycles, and inflation rates surpassing targets. Such factors could push some economies perilously close to recessionary levels in the upcoming year. Meanwhile, emerging markets and developing economies experienced a modest growth reduction in 2023, with expectations of maintaining this rate into 2024. Additionally, the prevalence of policy rate cuts in certain emerging markets is projected to become more widespread.

Private consumption rebounded more swiftly in advanced economies compared to their emerging market counterparts. In advanced economies, inflation rates approached their peak, influenced by elevated policy rates, whereas emerging markets have already initiated rate reductions. Despite this, emerging markets, with the exception of China, continued to bolster the global economy with their comparatively higher growth rates.

REGIONAL ECONOMIES

The global economic conditions in 2023 varied significantly across regions. Economic fault lines became increasingly evident worldwide, driven by distinct regional variations in inflation rates and monetary policies. Europe grappled with challenges stemming from tighter financial conditions, elevated energy expenses, subdued demand, a flagging

service sector, and pronounced housing market contractions. Nevertheless, with declining prices juxtaposed against rising wages, Europe appears poised for a gradual recovery in 2024 with certain advanced European economies expecting a modest uptick in growth in 2024. While the strength of this rebound will differ across nations, energy-intensive industrial countries are expected to experience a more sluggish recovery pace. Another factor to monitor is the impact of higher supply chain costs due to the Red Sea situation and Panama Canal restrictions that could impact the supply of goods.

Conversely, the US economy, while contending with challenging financial conditions, showcased robust recovery momentum by late 2023, buoyed by unexpected upticks in consumer spending and investment. After achieving a better-than-anticipated real GDP growth in 2023, a subdued growth rate is projected for 2024. Consumer spending is expected to increase at a restrained rate in the upcoming year, while fiscal spending may transition from being a growth driver in 2023 to exerting a minor drag. Significant declines in business investment and housing activity in 2023 have set the stage for a more favorable performance in 2024, albeit with tempered expectations due to elevated interest rates. Additionally, the robust growth that was observed in the 2023 services sector is anticipated to soften. Inflation rates are expected to ease in both Europe and the US if potential risks associated with persistently high core inflation can be mitigated.

China encountered economic headwinds in 2023, largely stemming from its property sector. Other Asia-Pacific nations sustained momentum, driving global growth. The region presents a varied economic forecast for 2024: while China's growth is projected to decelerate, India is expected to maintain robust expansion. The regional economy expanded in 2023, with a slightly moderated outlook for 2024.

In the Middle East, the slowdown in economic growth was primarily attributed to reduced oil production. Additionally, a combination of global headwinds, domestic challenges, and geopolitical tensions further dampened economic momentum. However, the non-oil sector exhibited resilience with robust growth. Looking forward, economic activity in the Middle East and North Africa region is anticipated to recover in 2024 and 2025 as factors weighing on growth gradually dissipate, including the temporary OPEC+ oil production cuts. However, growth is expected to remain subdued over the forecast horizon due to persistent structural hurdles.

GLOBAL INDUSTRIAL PRODUCTION

Global industrial production decelerated sharply during 2023, with Europe experiencing the most pronounced decline as it contracted due to elevated energy costs and business uncertainties stemming from the conflict in Ukraine. Additionally, historically high borrowing costs, the most elevated in over 22 years, coupled with tight credit conditions and sustained high inflation rates in the US and Europe, exerted considerable strain on production economics and consumer spending. While these challenges are anticipated to persist, albeit at a reduced intensity, Europe's industrial production is expected to slightly improve in 2024, bolstered by government support measures; however, it is unlikely to reach pre-pandemic levels. Conversely, US industrial production is forecast to enter a contraction phase due to tight credit conditions.

In 2023, Asia grappled with reduced exports to the US and Europe. China has not yet been able to regain its pre-pandemic momentum, experiencing sluggish industrial growth attributed to weak global demand for its exports, challenges in its property market, escalating debt levels, and rising geopolitical tensions with Western nations. A prolonged period of oversupply coupled with tepid domestic consumption in China raises concerns about potential deflationary pressures that could further impede China's industrial growth in 2024. Meanwhile, the rest of Asia anticipates reasonable economic growth, though pre-pandemic levels are expected to remain out of reach.

Slow global industrial growth manifested in weak demand for chemicals, exacerbated by expanding capacities in both the US and China that resulted in depressed prices, a saturated market, and financial losses for chemical producers. The anticipated marginal uptick in Asia's industrial production growth is unlikely to alleviate the challenges faced by the beleaguered chemical sector. Factors such as projected increases in feedstock costs, a persistent supply surplus, and depressed prices continue to weigh heavily on the industry's prospects.

FEEDSTOCK MARKETS

In 2023, feedstock prices experienced a decline, primarily influenced by the reduced value of crude, a consequence of the slowing global demand amid an economy facing sluggish growth. Concurrently, an increase in crude supply originating from North and South America and Russia exerted additional downward pressure on prices. Weak downstream demand from both the fuel and chemical sectors accompanied by an increase in feedstock supply from the US and Russia did not positively impact petrochemical profitability, as the decline in feedstock prices was accompanied by a decline in petrochemical prices, which were at historical lows. While 2023 saw a dip in feedstock prices, they remained relatively high from a historical perspective.

Looking ahead to 2024, there is an anticipation of a rebound in feedstock prices. Several factors contribute to this projection: the OPEC+ alliance's strategic management projections of the crude price; the US intention to replenish its Strategic Petroleum Reserve; and a rise in demand from the transportation, jet fuel and gasoline, and energy sectors. Additionally, planned maintenance activities at major refineries throughout 2024 are poised to curtail supply, further bolstering prices. However, while feedstock price hikes are on the horizon, they are expected to outstrip increases in petrochemical prices, continuing to exert pressure on the profitability of the chemicals industry.

In Saudi Arabia, feedstock prices have increased as per the Saudi Arabian Oil Company (Saudi Aramco) notification to producers starting from the first quarter of 2024. The new prices are considered still competitive compared to regional and global price levels. The company continues to enhance its business efficiency and development in a responsible and sustainable manner and invest in innovation and development of production technologies and products, as well as capitalize on the advantages offered by the competitive infrastructure available in Saudi Arabia to achieve its strategic objectives.

PETROCHEMICALS MARKETS

The global petrochemicals market in 2023 continued as 2022 had ended, in a difficult situation due to the capacity wave leading to lowest-ever operating rates in combination with a weaker-than-expected demand growth. The Asian region, in particular, fell short of expectations as the economic rebound after China's lockdowns in the previous year has not fully materialized yet. Since 2020, China has dominated the growth of ethylene and derivatives capacity, which remained high in 2023 but is expected to slow down in the coming years. In general, petrochemical prices were relatively stable throughout 2023, although at low levels, and followed feedstock price developments.

In 2024, the demand for petrochemicals is expected to rise slightly in Asia but growth in Europe will be limited. Although new capacity additions are still planned, the large wave of capacity expansions will slow down in the coming years. The global operating rates will not recover to pre-2020 levels in the short term and 2024 will be another challenging year for the industry. Capacity idling or closures by the industry seems unavoidable to increase operating rates from an all-time low. However, polyethylene, monoethylene glycol, and polycarbonate are expected to gain some momentum in 2024 as the capacity extensions will be more in line with demand growth and operating rates will stabilize or slightly increase. On the other hand, it will take another year for the market of polypropylene to start recovering as capacity extensions continue throughout 2024. The US and the Middle East will remain the largest exporters of PE and MEG due to their cost advantage.

FINANCIAL REVIEW

2023 FINANCIAL HIGHLIGHTS

Revenue
2023: SAR 141.54 Bn.
US$ 37.74 Bn.

2022: SAR 183.08 Bn.
US$ 48.82 Bn.

EBITDA
2023: SAR 19.02 Bn.
US$ 5.07 Bn.

2022: SAR 36.40 Bn.
US$ 9.71 Bn.

EBITDA margin
2023: 13%

2022: 20%

Income from operations (EBIT)
2023: SAR 3.72 Bn.
US$ 0.99 Bn.

2022: SAR 22.91 Bn.
US$ 6.11 Bn.

Net income from continuing operations (attributable to equity holders of the Parent)
2023: SAR 1.30 Bn.
US$ 0.35 Bn.

2022: SAR 15.79 Bn.
US$ 4.21 Bn.

Net (loss) income (attributable to equity holders of the Parent)
2023: SAR -2.77 Bn.
US$ -0.74 Bn.

2022: SAR 16.53 Bn.
US$ 4.41 Bn.

Earnings per share from continuing operations (attributable to equity holders of the Parent)
2023: SAR 0.43
US$ 0.12

2022: SAR 5.26
US$ 1.40

Net cash flow from operating activities
2023: SAR 24.45 Bn.
US$ 6.52 Bn.

2022: SAR 35.81 Bn.
US$ 9.55 Bn.

Free cash flow
2023: SAR 13.96 Bn.
US$ 3.72 Bn.

2022: SAR 25.59 Bn.
US$ 6.82 Bn.

Net debt (cash)
2023: SAR -8.76 Bn.
US$ -2.34 Bn.

2022: SAR -13.92 Bn.
US$ -3.71 Bn.

Total dividend paid to equity holders of the Parent
2023: SAR 11.40 Bn.
US$ 3.04 Bn.

2022: SAR 13.47 Bn.
US$ 3.59 Bn.

Dividend per share
2023: SAR 3.40
US$ 0.91

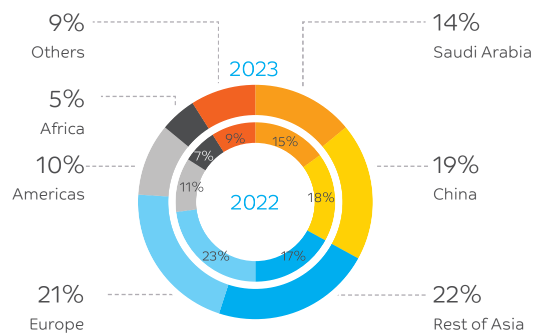
2022: SAR 4.25
US$ 1.13

FINANCIAL PERFORMANCE

While the current market dynamics had a challenging impact on SABIC's earnings this year, our robust balance sheet underlines strength in our financial stability and competitiveness. Efforts to contain costs, optimize working capital, and focus on efficient capital allocation have contributed to maintaining a strong cash flow position. Despite the challenging economic context, SABIC is committed to providing an attractive dividend to its shareholders, reflecting our dedication to delivering long-term value and stability.

GEOGRAPHICAL DISTRIBUTION OF REVENUES

Info



The revenue information above is based on the locations of the customers

SUMMARIZED CONSOLIDATED STATEMENT OF INCOME

SAR in Bn.	2023	2022	change %	2021	2020	2019
Sales	141.54	183.08	-23	174.88	116.95	135.40
EBITDA	19.02	36.40	-48	48.51	20.51	29.95
Income from operations (EBIT)	3.72	22.91	-84	33.60	4.57	11.52
Income tax and Zakat	0.83	2.36	-65	3.59	2.02	2.59
Net income from continuing operations	1.30	**15.79**	**-92**	–	–	–
Net (loss) income from discontinued operation	-4.08	0.74	-648	–	–	–
Net (loss) income	-2.77	16.53	-117	23.07	0.07	5.20

US$ in Bn.	2023	2022	change %	2021	2020	2019
Sales	37.74	48.82	-23	46.64	31.19	36.11
EBITDA	5.07	9.71	-48	12.94	5.47	7.99
Income from operations (EBIT)	0.99	6.11	-84	8.96	1.22	3.07
Income tax and Zakat	0.22	0.63	-65	0.96	0.54	0.69
Net income from continuing operations	0.35	**4.21**	**-92**	–	–	–
Net (loss) income from discontinued operation	-1.09	0.20	-648	–	–	–
Net (loss) income	-0.74	4.41	-117	6.15	0.02	1.39

Consolidated Statement of Income

Sales of SAR 141.54 Bn. compared to SAR 183.08 Bn. in 2022, a decrease of SAR 41.54 Bn. or 23%, primarily driven by lower average selling prices by 21% across all key product lines.

Income from operations (EBIT) of SAR 3.72 Bn. compared to SAR 22.91 Bn. in 2022, a decrease of SAR 19.19 Bn. or 84% largely impacted by lower profit margins for most key products and lower results from integral joint ventures mainly attributable to the decrease in their sales quantities and lower selling prices.

Effects from reduced capacity utilization, impairments, and restructuring provisions related to petrochemical assets mainly in the Europe and Americas regions as well as provisions pertaining to a construction project in Saudi Arabia were partially offset by a decrease in logistic costs.

Income tax and Zakat charges amounted to SAR 0.83 Bn. compared to SAR 2.36 Bn. in 2022, a decrease of SAR 1.53 Bn. mostly reflecting the lower taxable income in 2023 and the release of uncertain tax provisions.

Net losses from discontinued operations were primarily driven by losses of SAR 2.93 Bn. from the fair valuation of the Hadeed assets as well as losses from the running Hadeed business of SAR 1.15 Bn.

In 2023, a **total net loss** of SAR 2.77 Bn. was reported as compared to the net income of SAR 16.53 Bn. in 2022.
The decrease of SAR 19.30 Bn. was primarily driven by lower profit margins due to soft global demand leading to a decline in average selling prices as well as losses from discontinued operations. Impairments and restructuring provisions were partially offset by fair value gains in embedded derivatives in joint venture agreements, which were recorded in financial income as well as tax and Zakat gains.

SUMMARIZED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SAR in Bn.	2023	2022	Change %	2021	2020	2019
Total assets	294.38	313.11	-6	319.36	295.47	300.48
Total liabilities	99.10	95.49	4	107.52	101.23	93.67
Total equity	195.28	217.62	-10	211.83	194.24	206.81
Non-controlling interests	27.85	31.57	-12	31.69	26.61	28.09
Equity attributable to equity holders of the Parent	167.43	186.05	-10	180.14	167.63	178.72

US$ in Bn.	2023	2022	Change %	2021	2020	2019
Total assets	78.50	83.49	-6	85.16	78.79	80.13
Total liabilities	26.43	25.46	4	28.67	26.99	24.98
Total equity	52.08	58.03	-10	56.49	51.80	55.15
Non-controlling interests	7.43	8.42	-12	8.45	7.10	7.49
Equity attributable to equity holders of the Parent	44.65	49.61	-10	48.04	44.70	47.66

Consolidated Statement of Income

Total assets at year-end 2023 totalled to SAR 294.38 Bn. as per December 31, 2023, a reduction of SAR 18.73 Bn. or 6% compared to the previous year (SAR 313.11 Bn. as at December 31, 2022). The assets of Hadeed were reclassified as assets held for sale. The absolute reduction in total assets in continuing operations is owed to the reduction in cash positions and the reduction in inventories. In addition, investments in property, plant, and equipment fell short of regular depreciation and extraordinary impairments, resulting in a net reduction in property, plant, and equipment recognized in the balance sheet as per the reporting date.

Total liabilities amounted to SAR 99.10 Bn. compared to SAR 95.49 Bn. as per December 31, 2022, an increase of SAR 3.61 Bn. or 4%. The movement was mainly driven by higher dividends payable and partially offset by lower trade payables.

Equity attributable to equity holders of the Parent totalled SAR 167.43 Bn. at year-end 2023 compared to SAR 186.05 Bn. in 2022, a decrease of SAR 18.62 Bn. or 10%. This decline was mainly due to the declared dividends to the shareholders of SAR 16.20 Bn. and reported losses for the year by SAR 2.77 Bn.

SUMMARIZED CONSOLIDATED CASH FLOWS

SAR in Bn.	2023	2022	Change %	2021	2020	2019
Net cash generated from operating activities	24.45	35.81	-32	39.49	22.15	33.83
Net cash used in investing activities	-11.76	-12.57	-6	-8.92	-13.96	-12.36
Net cash used in financing activities	-18.90	-25.42	-26	-17.82	-14.52	-23.04
(Decrease) increase in cash and cash equivalent	-6.22	**-2.17**	**186**	**12.75**	**-6.34**	**-1.57**
Cash and cash equivalent at the end of the year	33.80	40.04	-16	42.31	28.94	35.29
Capital expenditures	10.49	10.22	3	10.97	13.26	18.54
Free cash flow	13.96	**25.59**	**-45**	**28.52**	**8.89**	**15.29**

US$ in Bn.	2023	2022	Change %	2021	2020	2019
Net cash generated from operating activities	6.52	9.55	-32	10.53	5.91	9.02
Net cash used in investing activities	-3.14	-3.35	-6	-2.38	-3.72	-3.30
Net cash used in financing activities	-5.04	-6.78	-26	-4.75	-3.87	-6.14
(Decrease) increase in cash and cash equivalent	-1.66	**-0.58**	**186**	**3.40**	**-1.69**	**-0.42**
Cash and cash equivalent at the end of the year	9.01	10.68	-16	11.28	7.72	9.41
Capital expenditures	2.80	2.73	3	2.93	3.53	4.94
Free cash flow	3.72	**6.82**	**-45**	**7.61**	**2.37**	**4.08**

Consolidated Statement of Cash Flows

Net cash generated from operating activities was SAR 24.45 Bn. compared to SAR 35.81 Bn. in 2022, a decrease of SAR 11.36 Bn. or 32%, mainly a result of lower profitability partially offset by cash release from working capital.

Net cash used in investing activities was SAR -11.76 Bn. compared to SAR -12.57 Bn. in 2022, a decrease of SAR 0.80 or 6%, driven primarily by lower cash outflow from short-term financial investments partially offset by an increase in the capital injections in investments of associates and joint ventures as well as higher capital expenditures.

Net cash used in financing activities was SAR -18.90 Bn. compared to SAR -25.42 Bn. in 2022, a decrease of SAR 6.51 Bn. or 26% primarily reflecting lower dividend payments to both equity holders of the Parent and non-controlling interests as well as higher net borrowing in 2023 versus the prior year.

Cash and cash equivalent at December 31, 2023, was SAR 33.80 Bn. compared to SAR 40.04 Bn. in 2022, a decrease of SAR 6.24 Bn. or 16%.

Free cash flow was SAR 13.96 Bn. compared to SAR 25.59 Bn. in 2022, a decrease of SAR 11.63 Bn. or 45%.

FINANCING

Our financing policy aims to ensure sufficient liquidity levels at all times, while optimizing returns to our shareholders. We use leverage prudently to fund our global growth ambitions. Our standalone credit ratings have been consistently on the A+/A1 band, among the highest-rated global chemical companies, demonstrating consistent resilience over the last decade versus some of our peers. Both Standard & Poor's and Fitch raised their rating in 2023 from A- to A and from A to A+, following the upgrade of Saudi Arabia's sovereign rating.

Our primary sources of liquidity are the cash flows generated from our operations and borrowings under committed bank facilities. The primary use of this liquidity is to fund our ongoing operations and our capital expenditure requirements, including investments in joint ventures and other minority-owned investee companies as well as dividend distribution to our shareholders.

TOTAL DEBT PORTFOLIO OVERVIEW

SAR in Bn.	Opening balance	Additions	Repayments	Non-cash*	Ending balance	Original loan amount	Period of the loans
Long-term debt	16.35	7.50	-5.96	0.15	18.03	34.82	1-9 years
Short-term debt	0.90	1.50	–	0.02	2.41	3.00	1 year
Bonds	11.20	–	-3.75	0.08	7.53	11.25	5-27 years
Financial lease (short and long-term)	6.37	–	-1.74	0.89	5.53	6.37	1-99 years
Total	**34.81**	**9.00**	**-11.44**	**1.13**	**33.50**	**55.44**	

US$ in Bn.	Opening balance	Additions	Repayments	Non-cash*	Ending balance	Original loan amount	Period of the loans
Long-term debt	4.36	2.00	-1.59	0.04	4.81	9.28	1-9 years
Short-term debt	0.24	0.40	–	0.01	0.64	0.80	1 year
Bonds	2.99	–	-1.00	0.02	2.01	3.00	5-27 years
Financial lease (short and long-term)	1.70	–	-0.46	0.24	1.47	1.70	1-99 years
Total	**9.28**	**2.40**	**-3.05**	**0.30**	**8.93**	**14.78**	

** This is mainly due to FX and amortization effects.*

Note 22: Debt

The total debt portfolio as of December 31, 2023, can be **broken down by lending party** as follows:

Lending Party	SAR in Bn.	US$ in Bn.	%
Banks	16.03	4.27	48
Capital market investors (bonds)	7.53	2.01	22
Industrial Development Fund (IDF)	0.64	0.17	2
Related party	3.78	1.01	11
Finance leases	5.53	1.47	16
Total debt and lease liabilities	**33.50**	**8.93**	**100**

SABIC's **debt-to-equity ratio** developed as follows:

In Bn.	2023 SAR	2022 SAR	2023 US$	2022 US$
Total debt and lease liabilities	33.50	34.81	8.93	9.28
Less: Cash and cash equivalents	-32.41	-40.06	-8.64	-10.68
Less: Short-term investments	-9.84	-8.68	-2.62	-2.31
Net debt (cash)	-8.76	**-13.92**	-2.34	**-3.71**
Total equity	195.28	217.62	52.07	58.03
Net debt to equity ratio	-4%	**-6%**	-4%	**-6%**
EBITDA	19.02	36.40	5.07	9.71
Net debt to EBITDA ratio	-0.46x	**-0.38x**	-0.46x	**-0.38x**

DEBT INSTRUMENTS ISSUED BY EACH AFFILIATE

	Debt Instrument							Balance as at December 31, 2023[1]
Subsidiary (in SAR Bn.)	Bonds	Conventional loans	Murabaha long-term loans	Saudi Industrial Development Fund	Murabaha – revolving credit facility (RCF)	Related party borrowings RCF	Bank overdrafts	Grand total
Jubail Chemical Storage and Services Company (CHEMTANK)	–	–	1.37	–	–	–	–	1.37
National Industrial Gases Co. (GAS)	–	–	0.32	0.49	–	–	–	0.81
Arabian Industrial Fibers Company (IBN RUSHD)	–	–	2.94	–	–	–	–	2.94
National Methanol Company (IBN SINA)	–	–	0.27	–	–	–	–	0.27
SABIC Capital B.V. and its subsidiaries	7.53	–	–	–	–	3.78		11.30
Saudi Methyl Acrylate Company (SAMAC)[2]	–	0.43	–	–	–	–	–	0.43
Saudi Kayan Petrochemical Company's (SAUDI KAYAN)	–	–	7.33	0.15	2.41	–	–	9.89
SABIC International Holdings B.V. (SIH)	–	–	–	–	–	–	0.003	0.003
Jubail United Petrochemical Company (UNITED)	–	–	0.96	–	–	–	–	0.96
Total	**7.53**	**0.43**	**13.19**	**0.64**	**2.41**	**3.78**	**0.003**	**27.97**

[1] Represents 100% of the balance as reported in the respective subsidiaries' balance sheet

[2] Joint Operations arrangement

TAX

STRATEGY AND APPROACH

SABIC has a tax strategy that is reviewed annually and publicly available on our website. As part of our strategy to support SABIC to be the preferred world leader in chemicals, we

- partner with business functions to optimize decision-making; and
- fully meet all tax compliance and reporting requirements to protect SABIC's global assets base and reputation.

SABIC also has a tax policy that was approved by SABIC's board in 2023. The tax policy sets out key principles towards ensuring tax compliance, proactive tax risk management, and establishing cooperative relationships with taxing authorities in Saudi Arabia and other key jurisdictions in which SABIC operates. This policy will be reviewed regularly by the board, or if changes in business circumstances require it following recommendation from the BAC.

SABIC's approach to tax is to ensure robust tax governance across the group, alignment with SABIC's overall business objectives, and transparency and compliance with local tax authorities. In all our activities, we are committed to achieving the highest standards in corporate governance and business conduct. Our tax responsibilities are managed in line with this commitment, and we take pride in being regarded as a good corporate citizen.

Based on existing governance procedures, the tax function is involved when business decisions are made to evaluate potential tax consequences in order to ensure compliance and enable the business to drive and create value. Tax positions are carefully considered and we do not use tax structures without commercial substance or tax havens for tax avoidance.

SABIC adheres to high standards to ensure timely filings and payments to any tax authority and to deliver on the commitment to be fully compliant. SABIC complies with applicable tax laws to ensure we pay the amount of tax legally due in each relevant jurisdiction. SABIC also considers in this respect the spirit of the law when available.

ENGAGING WITH KEY STAKEHOLDERS

SABIC's tax team has a focus on establishing working relationships with tax authorities in Saudi Arabia and other key jurisdictions in which SABIC operates. This engagement with tax authorities entails, amongst others, entering into formal or informal agreements and co-operative compliance arrangements. Where appropriate, SABIC utilizes tax incentives, reliefs, and exemptions, when transparent, that are publicly published and endorsed by local authorities. SABIC also ensures efficient completion of tax audits and inquiries in accordance with SABIC's risk management policy. This means not only being a responsible taxpayer but also responsive taxpayer towards authorities in general, and avoiding tax positions that might create reputational risk. By acting this way, SABIC supports the best tax practices as articulated by the BAC in their September 2023 statement.

SABIC respects the rights of governments to determine their own tax regimes and policies. SABIC actively engages with both local and international NGOs to encourage efficient and simplified reporting and filing; promote common international standards in the taxation of profits; and establish a framework for effective and efficient dispute tax resolution.

We conduct various initiatives to capture valuable views of external and internal stakeholders, as we believe that integrated business partnering is fundamental to creating and protecting value for our current business and strategic growth. SABIC has robust internal business and tax processes to ensure that crucial business and functional inputs and considerations are captured collectively before key decisions are made, supported by audit trails and documentation. These engagements also include stakeholder surveys, participating in internal forums/committees and centrally managed strategic projects with key stakeholders based on clear governance procedures. The overarching aim of all these initiatives is to ensure optimal and sustainable business decisions.

We continue to strive for the best collaboration with external stakeholders (such as tax authorities, governments and NGOs, and our strategic shareholders) and provide in a transparent way the required level of information in SABIC's tax positions in line with the legislative and regulatory framework.

RISKS AND CONTROL

The impact of taxes and associated risks are always considered as part of any tax compliance, implementation, documentation, and optimization. SABIC's tax risk profile is high, taking into account the complexities of

- a business structure reflecting the risks arising from operating with a high-volume supply chain in many countries, in multiple divisions, with many business models and with high, unprecedented growth ambitions towards the future,
- intensive integration activities arising from strategic growth, financing, mergers and reorganizations, and
- a diverse and increasingly demanding external tax landscape.

To mitigate related potential tax risks, SABIC's approach to tax is well-embedded in the organization. SABIC has a comprehensive and robust Tax Control Framework (TCF), which allows us to effectively manage and control all global tax positions and to create awareness of possible tax exposures. The positions are periodically reported to the Global Tax Leadership team, who ultimately reports to the Chief Financial Officer (CFO). The TCF sets out the governance and processes to ensure all tax risks are captured in business decision-making. SABIC maintains robust internal policies and authorization procedures that are applicable to all employees, to support its TCF.

To identify and assess tax positions, the tax function relies on its in-house tax experts and seeks advice from external advisors, including practitioners, lawyers, and accountants, as appropriate. All tax positions are closely monitored by the Global Tax Risk Management team on a regular basis including tax risks with mitigation actions and clear owners.

Tax controls testing is an annual activity performed internally to review and confirm that all tax controls are operated during the tax compliance process. Furthermore, our TCF is regularly shared with tax authorities of key countries for providing narrative, awareness, review, and continuous improvement.

GOVERNANCE, ACCOUNTABILITY, AND INTEGRITY

Our governance structure in place ensures that tax decisions are made at the appropriate level. SABIC has specific board and management approval requirements and processes that are accurately executed and monitored.

SABIC's management is authorized to issue Tax strategy statements consistent with the content of the ax policy, to comply with the applicable law. The tax strategy is signed by the Head of Tax and the CFO as the authorized management to issue these statements, in accordance with SABIC's Master Authority Schedule that manages the delegation of executive approval on material transactions within SABIC.

The CFO is the member of SABIC's Executive Committee ExCom with responsibility for SABIC's tax function. The ExCom requires compliance, including tax compliance, with laws and regulations in all countries where SABIC operates. Being compliant is the norm within SABIC.

SABIC treats integrity seriously, and we create an atmosphere where employees are encouraged to raise any integrity-related concern, including tax concerns. Within SABIC, we all have an obligation to uphold the Code of Ethics, our policies, and the law. It is our duty to enhance our integrity culture and protect our company by bringing any potential concerns to light. In addition to our employees, our procedures for reporting and investigating integrity concerns allow any stakeholder, including suppliers, customers, community members, and civil society to raise any kind of concern.

SABIC's TCF provides assurance on its global tax compliance, tax accounting, and reporting activities. The BAC, with independent members, has responsibility for the oversight of: i) SABIC's financial reporting, ii) internal control system, iii) internal audit, iv) external auditor, and v) compliance. SABIC's external auditor provides assurance on SABIC's financials, including its tax accounting position. Reference is made to the independent auditor's report included in SABIC's group financial statements.

ADDITIONAL FINANCIAL INFORMATION

The **statutory amounts paid and payable** at the end of the reporting year were as follows:

SAR in billions	2023		2022	
	Statutory amounts paid	Statutory amounts payable	Statutory amounts paid	Statutory amounts payable
Zakat	1.88	1.41	2.25	2.16
Income taxes	1.11	0.60	1.12	0.83
Others	0.66	0.09	0.61	0.09
Total	**3.65**	**2.10**	**3.98**	**3.08**

US$ in billions	2023		2022	
	Statutory amounts paid	Statutory amounts payable	Statutory amounts paid	Statutory amounts payable
Zakat	0.50	0.38	0.60	0.58
Income taxes	0.30	0.16	0.30	0.22
Others	0.18	0.02	0.16	0.02
Total	**0.97**	**0.56**	**1.06**	**0.82**

Note 31: Zakat and Income Tax

The provision for **employee benefits** at the end of the reporting year were as follows.

	SAR in billions		US$ in billions		
	2023	2022	**2023**	2022	Change %
Defined benefit obligations					
End-of-service benefits	10.61	11.57	2.83	3.09	-8
Defined benefits pension schemes	1.29	1.35	0.34	0.36	-5
Post-retirement medical benefits	0.88	0.94	0.24	0.25	-6
Total	**12.78**	**13.86**	**3.41**	**3.70**	**-8**
Other long-term employee benefits and termination benefits					
Long-term service awards	0.06	0.08	0.02	0.02	-19
Early retirement plans	0.05	0.07	0.01	0.02	-27
Other long-term benefits	–	0.07	–	0.01	-100
Total	**0.11**	**0.22**	**0.03**	**0.05**	**-48**
Grand total	**12.90**	**14.07**	**3.44**	**3.75**	**-8**

Note 23: Employee Benefits

DETAILS OF AFFILIATES, JOINT VENTURES, AND ASSOCIATED COMPANIES

Refer to Note 41 of the Consolidated Financial Statements

Notes:

- Certain prior year figures have been re-classified to confirm with the presentation in the current period. None of the re-classifications impacted net income or shareholders' equity. Please refer to Note 2 and Note 34 of the Consolidated Financial Statements for more details.
- For the year ended 2023, asset and liabilities balances have been reclassified under 'held for sale' while the financial performance has been presented under 'discontinued operation' in both years 2022 and 2023, whereas the Hadeed for the prior years was classified as a 'subsidiary', and related balances and transactions have been presented against each financial line item.
- US$ to SAR rate is 3.75.

BUSINESS SEGMENT REVIEW

FINANCIAL METRICS

Petrochemicals (Chemicals and Polymers) and Specialties

Revenue -20%	2023: **SAR 131.26 Bn.** **US$ 35 Bn.**	2022: SAR 164.85 Bn. US$ 43.96 Bn.
EBITDA -42%	2023: **SAR 14.62 Bn.** **US$ 3.90 Bn.**	2022: SAR 25.10 Bn. US$ 6.69 Bn.
Income from operations (EBIT) -98%	2023: **SAR 0.20 Bn.** **US$ 0.05 Bn.**	2022: SAR 12.45 Bn. US$ 3.32 Bn.

Agri-Nutrients

Revenue -44%	2023: **SAR 10.28 Bn.** **US$ 2.74 Bn.**	2022: SAR 18.23 Bn. US$ 4.86 Bn.
EBITDA -61%	2023: **SAR 4.4 Bn.** **US$ 1.17 Bn.**	2022: SAR 11.30 Bn. US$ 3.01 Bn.
Income from operations (EBIT) -66%	2023: **SAR 3.52 Bn.** **US$ 0.94 Bn.**	2022: SAR 10.46 Bn. US$ 2.79 Bn.

OPERATIONAL METRICS

Petrochemicals

Polymers

Production volumes -11%	2023: **9.1 Mn. t**	2022: 10.3 Mn. t
Sales volumes -4%	2023: **15.5 Mn. t**	2022: 16.2 Mn. t

Chemicals

Production volumes -4%	2023: **36.2 Mn. t**	2022: 37.6 Mn. t
Sales volumes 0%	2023: **23.4 Mn. t**	2022: 23.5 Mn. t

Specialties

Production volumes -21%	2023: **53 kt**	2022: 67 kt
Sales volumes -21%	2023: **218 kt**	2022: 277 (kt)

Agri-Nutrients

Production volumes -2%	2023: **8.1 Mn. t**	2022: 8.3 Mn. t
Sales volumes 0%	2023: **6.7 Mn. t**	2022: 6.7 Mn. t

Note 35: Segment Information

BUSINESS COMMENTARY

In 2023, the revenue of the Petrochemicals segment was SAR 131.26 Bn. (US$ 35.00 Bn.), representing a decrease of 20% compared to 2022; similarly, the EBITDA of SAR 14.62 Bn. (US$ 3.90 Bn.) in 2023 decreased by 42% against SAR 25.10 Bn. (US$ 6.69 Bn.) in 2022. These decreases were largely driven by an 18% lower average selling price versus last year.

Within the Petrochemicals segment:

- Chemicals: Methyl tertiary-butyl ether global prices decreased by 8% compared with the previous year, following the lower oil prices. MEG global prices decreased by 15% compared with the previous year, driven by overcapacity.
- Polymers: PE and PP global prices were lower by 22% and 23%, compared with the previous year, driven by weak demand and overcapacity. PC global prices were lower by 22%, compared with the previous year, driven mainly by weak demand globally.

For Agri-Nutrients, the revenue decreased to SAR 10.28 Bn. (US$ 2.74 Bn.) on 2023 from SAR 18.23 Bn. (US$ 4.86 Bn.) in 2022. EBITDA decreased to SAR 4.40 Bn. (US$ 1.17 Bn.) in 2023 from SAR 11.30 Bn. (US$ 3.01 Bn.) in 2022. These decreases were largely driven by a 43% lower average selling price versus last year.

A WORD OF GRATITUDE AND FAREWELL TO HADEED

SABIC has an ambitious growth agenda for the next decade as we look to establish our position as the preferred world leader in chemicals. But we also believe we have to earn the right to grow—i.e., pursue the right kind of growth in our core business channels. While this requires meaningful investments and additions, it sometimes also requires divestments in the interests of focus and clarity.

It is this approach that is behind our agreement to sell our subsidiary Hadeed to the PIF for an enterprise value of SAR 12.5 Bn. (US$ 3.33 Bn.). The transaction is expected to close before the end of the first half of 2024, and proceeds from the sale will be used to support our continued growth in the chemicals industry.

Since its inception in 1979, Hadeed has grown into the first fully integrated iron- and steel-making complex in Saudi Arabia, becoming the national steel champion in the process. As one of the biggest steel manufacturers in the Middle East and Africa region, Hadeed produces steel for local and regional markets under two main streams of diversified long and flat steel, playing a vital role in the industrialization and development of some of the world's fastest-growing economies.

Hadeed has been a key contributor to SABIC's success and value creation. As we have both grown, however, we realize that organizational separation will create benefits for both companies. The petrochemicals and metals segments serve distinct markets with different dynamics. Separation will enable both businesses to allocate resources more accurately, become more agile in responding to shifts in their respective industry landscapes and customers' needs, and increase operational efficiencies and speed. Ultimately, the strategic clarity created by this separation will make SABIC and Hadeed more competitive and dynamic, setting them on a new course of growth.

For Hadeed, in particular, the partnership with PIF will unlock possibilities in alignment with broader national initiatives to accelerate industrial development and economic diversification in Saudi Arabia under Saudi Vision 2030. With immense respect and gratitude for our 44 years of collaboration, we will follow its new journey with enthusiasm and encouragement.

PETROCHEMICALS
CHEMICALS

1,000+
customers

50
countries

Products/product groups

Ethylene, propylene, butadiene, styrene, benzene, glycols products, industrial gases, methanol, MTBE, oxo and performance monomers, ethylene dichloride, caustic soda, catalyst, and others

PERFORMANCE

Increased feedstock costs, coupled with depressed product prices, squeezed profit margins in 2023. The MEG market is oversupplied due to massive expansions over the last four years, leading to low operation rates and low cash margins. Additionally, the coal-based MEG market is experiencing a faster recovery supported by low coal prices and developing technology; however, this market is under huge pressure to meet sustainability targets. On a more positive note, competitive feedstock prices for methanol supported improved margins.

Overall market conditions required heightened attention to optimizing feedstock supply and production-planning processes to minimize its impact. Chemicals' approach across 2023 has been to deploy higher volumes to regions and markets with better value realization; leverage spot sales as an avenue for opportunistic value creation; and grow the customer base by targeting medium-sized customers with high potential for growth.

SABIC's integration with Saudi Aramco continued to progress at a good pace with synergies in multiple areas including the development of joint growth projects for both companies inside Saudi Arabia as well as globally. This integration will enable SABIC to drive profitable growth and mitigate any associated risks.

2023 HIGHLIGHTS

GROWTH

- **SABIC glycols position in China:** The MEG market has become more and more dynamic in recent years with tough competition from local players and exporters. SABIC anticipated such competition; SABIC introduced RMB business in China several years ago as the only foreign supplier to provide cargo in local currency. This business gives us the advantage to act as a local player and expand our customer base.

  As a local player, local facilities are also very important. With the establishment of SSTPC, SABIC successfully gained a presence in North China. This strategic location is supporting us in securing a bigger market share in that region, while our imports from Saudi Arabia are enabling us to lead in East China.

  With SABIC's announcement of the Fujian project, SABIC can efficiently serve increasing demand in South China as well as enhance material supply stability. In the future, SABIC will have a strong supply network from North to South China. It will cover more than 90% of downstream demand. Furthermore, the Fujian Project will not only serve China but can be expanded to serve other nearby countries.
- **New MTBE plant at Petrokemya, Jubail, Saudi Arabia:** The plant—the single largest MTBE production plant in the world—will replace the existing Petrokemya North Isobutane Dehydrogenation unit with a new SABIC-licensed unit. It is the first MTBE project to be licensed by SABIC. The plant will meet the sustainability requirements of the Saudi Energy Efficiency Center (SEEC). It will help in eliminating existing chronic issues including safety, operability, and reliability, besides increasing the plant's nameplate capacity to 1,000 KTA.
- **Functional chemical:** Capitalizaing on the synergies with Saudi Aramco, a noteworthy expansion in our product portfolio includes Propylene oxide and Propylene Glycol from three assets, PRC, S-Oil and Sadara; these achievements emphasize our dominance in the petrochemical sector and reinforce our role as the chemical arm for Saudi Aramco.
- **Bureau of Indian Standards (BIS) Certification:** SABIC obtained the Bureau of Indian Standards (BIS) License for MEG and methanol for various SABIC affiliates to ensure business continuity and uninterrupted supplies to India market.

COLLABORATIONS AND PARTNERSHIPS

- **2023 China chemicals customer forum:** Following three years of challenges with in-person gatherings during the pandemic, the 2023 China Chemicals Customer Forum was hosted in Lijiang, under the theme "Accelerate Growth, Win Together". The SABIC Chemicals team engaged with over 71 key strategic customers to foster closer collaboration and achieve further success together.
- **Carbon neutrality webinar on methanol in China and Rest of Asia:** SABIC's Chemicals team organized a webinar for its methanol business. The event witnessed the participation of over 80 key customers based in the region. The webinar offered an opportunity for the customers to interact with industry experts and discuss market outlooks, industry trends, and the latest developments related to low-carbon projects in the methanol industry.

Carbon neutrality webinar on methanol in China and Rest of Asia.

CIRCULAR ECONOMY AND SUSTAINABILITY

- **United CO_2 capture:** In line with our carbon neutrality and circular economy goals, a synergy between United and Ar-Razi was established, whereby the CO_2 stream from the United glycols plant is to be injected as an additional feedstock stream to Ar-Razi's methanol plants. This initiative will improve the overall energy consumption and reduce SABIC's carbon footprint.
- **Liquid CO_2 supply to ADAHI project during Hajj season:** As a part of SABIC's commitment to sustainability and social engagement, the company played a crucial role during the Hajj season by supplying liquid CO_2 via its ADAHI project, producing dry ice to freeze tons of sacrificial meat and thereby eliminating any meat wastage that could arise due to weak freezing processes.
- **First Americas site to receive ISCC PLUS certification:** The US Styrene Monomer business unit at SABIC's Cos-Mar site (Louisiana, US) became the first site in the Americas to receive the ISCC PLUS certification, which will enable production and sale of circular/bio-renewable styrene to downstream derivative producers.
- **Renewable ethylene and propylene:** The European team successfully delivered renewable ethylene and propylene, a key part of our TRUCIRCLE™ product portfolio, to support a customer in launching a sustainable rubber product, demonstrating the usefulness of SABIC's renewable olefins as a drop-in solution for customers.
- **Bio-MTBE:** SABIC successfully produced Bio-MTBE by substituting conventional methanol feedstock with bio-based methanol, delivering on the needs for bio-fuels for the European gasoline market. SABIC has successfully completed a deal and sold bio-MTBE in Europe.

PETROCHEMICALS
POLYMERS

15,000+
customers and value chain partners

1,600+
international routes

Products/product groups

Polyethylene, polypropylene, polycarbonate, elastomers, polyethylene terephthalate, polystyrene, polyvinyl chloride, and others

PERFORMANCE

THE POLYMERS MARKET

- **Major drivers for growth:** the increasing world population, increasing plastic consumption through urbanization in emerging economies, and rising demand for sustainable and circular polymers.
- **Major challenges:** environmental concerns over plastic waste and pollution, the regulatory pressures to reduce plastic usage, and global supply chain disruptions.
- **Major trends:** development of new products with improved properties and performance to satisfy unmet customer needs, the adoption of recyclable and circular polymers, and the emergence of digitalization.

During the past two years, the polymers industry encountered a series of formidable challenges, including geopolitical uncertainties, volatile commodity prices, and the persistent impact of global supply chain disruptions. The industry also faced heightened regulatory scrutiny and increasing pressure to adopt sustainable practices. Despite these challenges, SABIC, with its strong commitment and strategic foresight, demonstrated remarkable resilience in navigating through such a complex landscape. Our dedication to innovation, operational excellence, and sustainable solutions allowed us to emerge with a resilient performance in the face of these challenges.

2023 HIGHLIGHTS

GROWTH

Two projects in 2023, both in China, will be crucial for SABIC's polymers business in the coming years. First, building on our position as one of the world's leading polycarbonate manufacturers, SABIC and SINOPEC announced the commercial operation of a new PC plant. Second, SABIC announced the final investment decision for the SABIC Fujian Petrochemical Complex (Sino-Saudi Gulei Ethylene Complex Project) in China's Fujian province.

PRODUCTS

In 2023, SABIC was at the forefront of innovation through developing cutting-edge solutions. Our innovation commitment is proven by the introduction of several new grades. These include, but are not limited to, formulations designed to enable recyclability, elevate performance, and address evolving customer needs.

CIRCULAR INNOVATIONS DURING 2023

- **Reducing waste and enabling recycling in automotive:** We collaborated with an electronic vehicle (EV) manufacturer to develop a structural dashboard carrier based on use of our STAMAX™ long-glass fiber polypropylene with 25% mechanically recycled post-industrial content. Use of this material solution—a global industry first for a safety-critical automotive application— reduces carbon emissions by up to 15% and results in energy use savings of up to 25%.
- **The right mix to reduce emissions and drive circularity:** With stricter environmental regulations, automotive manufacturers are striving to enhance the efficiency and sustainability of vehicle heating and cooling systems. To help the industry respond effectively, we developed a unique hybrid solution based on polypropylene compound that combines mechanically recycled and certified renewable content. The solution can be fine-tuned to comply with automakers' distinct requirements and support significant emission reductions and energy use savings.

POLYMERS

KEY PRODUCTS LAUNCHED IN 2023

Automotive

- Flame retardant STAMAX™ 30YH570 long-glass fiber polypropylene resin, developed under SABIC's BLUEHERO™ electrification initiative, became the industry's first polymer for use in EV battery systems to earn a UL Verified Mark for its flame delay performance.
- A new long-glass fiber polypropylene under our STAMAX™ resin brand was developed with a high-quality appearance for visible structural parts, while minimizing the potential for surface defects and delivering all other performance requirements at an acceptable cost. This product is well suited for structural parts such as the visible interior surfaces of tailgates.

Building & Construction

- A hydrogen-ready pipe solution based on SABIC PE100-RC Vestolen A RELY 5922R, PE112 P6006AD and PE100 Vestolen 6060A has received the "H2 Ready" certificate from the German third-party lab DBI. These solutions can help in providing a more suitable solution for hydrogen distribution.
- SABIC launched a new pipe grade P4200RT for a district heating system. It shows strong heat resistance and mechanical performance.

Electrical & Electronics

- SABIC launched a series of thin wall flame retardant products with excellent low temperature impact performance to address the needs of lightweight, good impact performance, and complex design freedom.
- Optical Quality (OQ) LEXAN™ resins were successfully implemented in the high transparent diffuse lighting tube/bulb/lamp applications because of design flexibility as glass replacement solutions. Meanwhile, to address the needs of the management of light distribution, SABIC launched a broad portfolio of LEXAN™ diffusion grades to help customers achieve a different LED lighting scattering effect.

Hygiene & Healthcare

- A new series of PP random, LDPE, and ABS Healthcare grades were introduced to serve the increasing medical application requirements:
  - SABIC® PP PCGR45 resin grade for syringe applications
  - SABIC® LDPE PCG0330 and PCG0830 resin grades for Blow Fill Seal applications such as IV bottles and ampules
  - CYCOLAC™ HMG94MD resin grade for housings of medical devices such as continuous blood glucose monitors

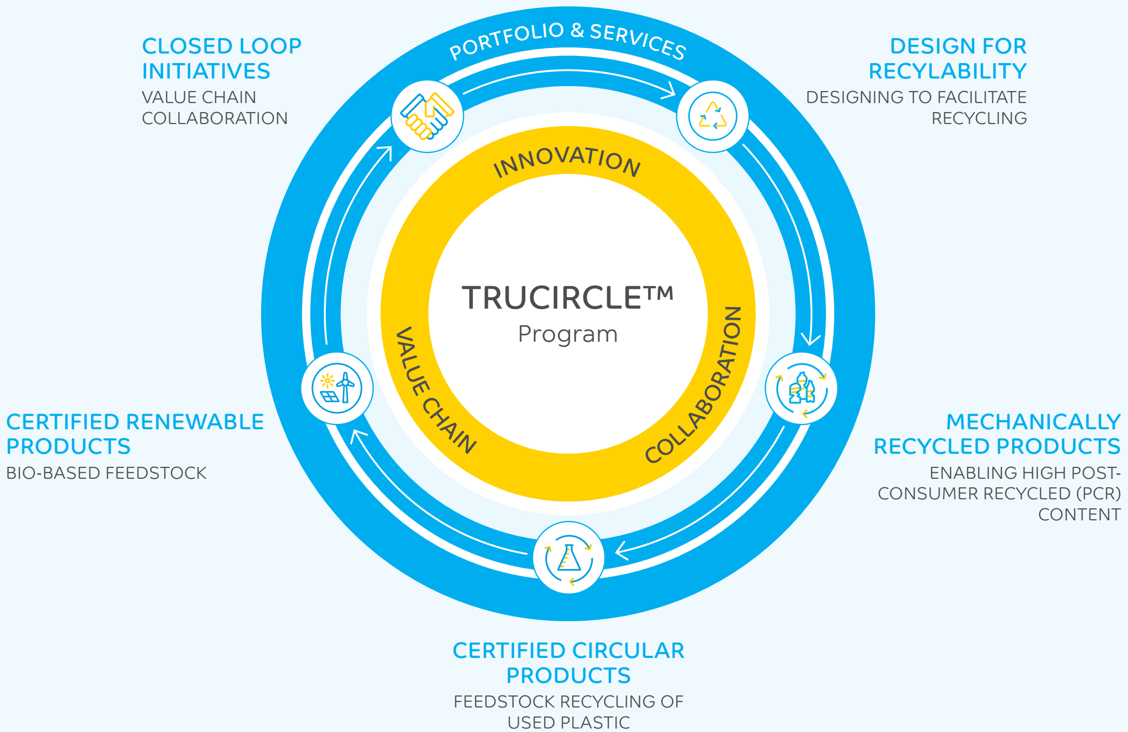
Advanced Consumer Solutions

- SABIC® PP FPC105 is a new member of the SABIC® PP FLOWPACT portfolio solutions dedicated to the thin wall packaging applications such as yellow fats, margarine tubs, dairy products, frozen, chilled and ambient food, houseware, and compounding. SABIC® PP FLOWPACT FPC105 is a phthalate-free polypropylene impact copolymer, offering very high flow and down-gauging opportunities and very good stiffness/impact balance and excellent organoleptic properties for food and non-food ultra-thin wall packaging applications.

TRUCIRCLE™: EMBRACING THE CIRCULAR ECONOMY

Under the TRUCIRCLE™ portfolio, we develop a variety of innovative applications used across the value chain, especially in the packaging industry. In the past three years, we have focused on five key drivers to address challenges faced by the market: reducing waste; increasing circularity; closing the loop and reusing ocean-bound plastic; using bio-based feedstock solutions; and enhancing functionality and consumer appeal. These efforts build on previous commitments to close the loop on soft plastic goods packaging, along with new pledges to create materials using renewable residues from vegetable oil processing.

TRUCIRCLE™ PORTFOLIO AND SERVICES



TRUCIRCLE™ SALES TARGET

In the first quarter of 2023, we announced our commitment to processing at least 1 million metric tons of our TRUCIRCLE™ products annually by 2030 from bio-based or recycled feedstock.

In this first year of the commitment, we sold 18kt. This is a small yet steady start, setting a solid groundwork of partnerships and collaborations. The Circular Technology roadmap issued in October 2023 provides an aligned strategy to build on this foundation and achieve this ambitious goal.

In 2023, we focused on developing competences in life cycle assessments and the digital circular economy, such as using blockchain technology and robotic sorting; new enhanced sorting and separation technologies; solvent-based recycling; building new business models related to closed loops; enhancing analytical skills on waste and pyrolysis oil; and applying deeper application knowledge for circularity design. We commercialized many new products containing post-consumer recycled content while new customers started to embrace and accept solutions using circular and bio-based materials on a wider scale. We have a clear T&I carbon emission roadmap, implementing pyrolysis oil globally and developing new technologies to reduce the carbon footprint of advanced recycling.

In the Netherlands, SABIC has achieved another milestone related to advanced chemical recycling with the successful completion of its first hydro-treatment unit. These strategic advancements underscore SABIC's dedication to driving sustainable initiatives globally, reinforcing our position as a leader in responsible and innovative solutions. Additionally, the first commercial advanced recycling unit at Geleen, the Netherlands, is in the final stages of construction and will significantly upscale production of certified circular polymers derived from used plastic to expand the possibilities within the TRUCIRCLE™ ecosystem.

SABIC is progressing in both renewable and recycled materials. We have a portfolio of mechanical recycled-based compounds for automotive and electrical and electronics, and are developing solutions enabling the use of mechanical recycled PCR materials in non-food packaging. Furthermore, we developed mono-material solutions for packaging, such as PE stand up pouches and PE hinge caps that will contribute to the circular economy.

In terms of mechanical recycling, SABIC has developed multiple grades that enable the use of recycled content up to 70%. These solutions are either in the form of compounds or booster grades. In terms of market development, SABIC has collaborated with multiple brand owners and value chain partners. For example, SABIC is providing Microsoft with a new XENOY™ resin for the Microsoft Ocean Plastic mouse as part of SABIC'S TRUCIRCLE™ portfolio and services. This new XENOY™ resin can help reduce plastic waste in the ocean: based on a resin grade comprised of 20% recycled content, for every 1 kt of product containing recycled ocean-bound plastic XENOY™ PC/PET compound, an equivalent of 24 million single-use 0.5 l PET water bottles is removed from the ocean, ocean-feeding waterways, or ocean-adjacent shores.

ISCC PLUS CERTIFICATIONS

SABIC's certified circular and certified renewable products are verified and authenticated in a mass balancing approach under the International Sustainability and Carbon Certification (ISCC) PLUS scheme.

The US Styrene Monomer business unit at SABIC's Cos-Mar site (Louisiana, US) became the first site in the Americas to receive the ISCC PLUS certification, which will enable production and sale of circular/bio-renewable styrene to downstream derivative producers.

In a significant stride toward sustainable practices, SABIC has additionally secured ISCC PLUS certification for multiple assets in Saudi Arabia, marking a crucial milestone in the pursuit of circular solutions. This certification empowers SABIC to expand its circular offering in the region through advanced recycling. Demonstrating our commitment to closing the loop, SABIC achieved successful processing of pyrolysis oil feedstock within Saudi Arabia, resulting in the production of certified circular polymers in local facilities.

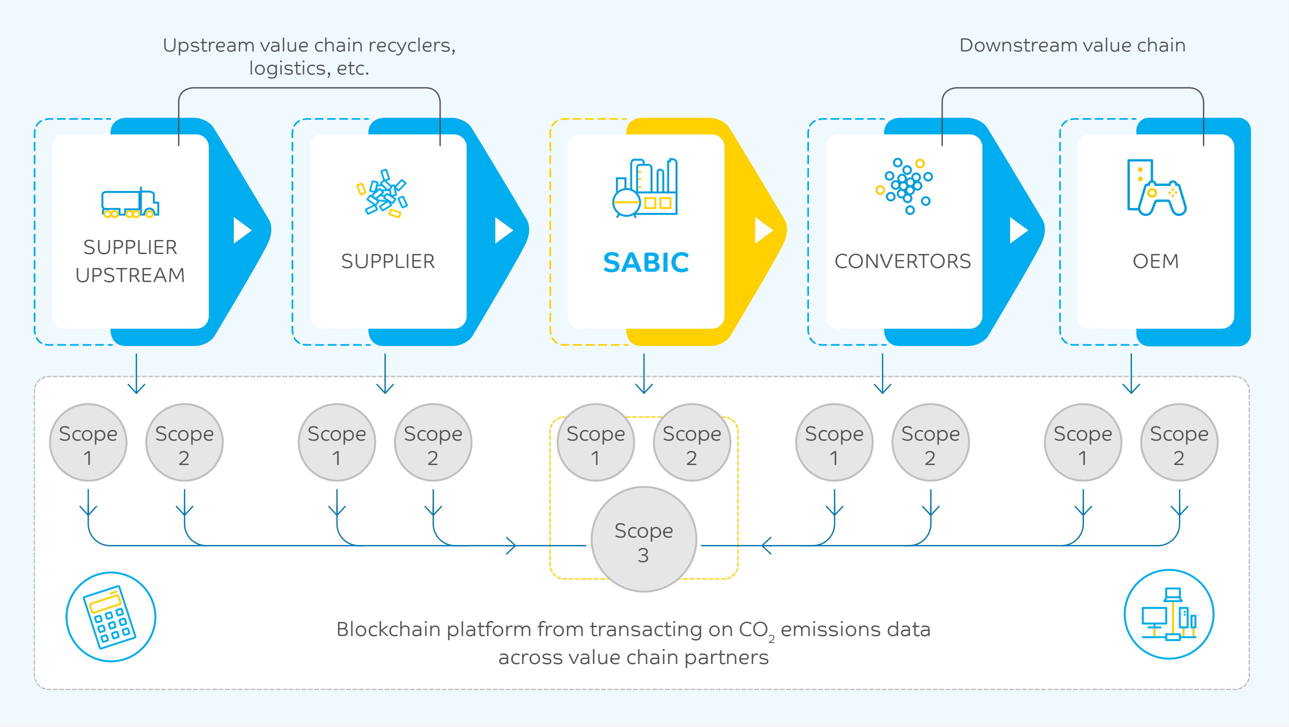
In 2023, we introduced circular products with technology innovations bringing differentiated value for customers. These examples include:

- **Microsoft Surface Thunderbolt™4 dock:** The Microsoft Surface Thunderbolt™4 dock is the first surface dock and power supply in the consumer electronics market with enclosures using PC derived from advanced recycled ocean-bound plastic from SABIC's TRUCIRCLE™ portfolio. SABIC was able to meet performance requirements with an ocean-bound resin solution that will help move industry efforts forward to increase recycled content use for plastics, achieving EPEAT eco-labeling goals and certified circular by ISCC PLUS. SABIC case study
- **Microwavable instant rice bowls:** SABIC and CJ CheilJedang collaborated on world-first ready-to-eat rice packaging. Rigid, thermoformed bowls of Hetbahn instant white rice are made with 25% certified renewable SABIC® PP, offering high dimensional stability and heat resistance for microwaving. SABIC press release
- **Cosmetics refill container:** SABIC's polyolefin resins feature in new refill containers is designed for use with STELLA Alter-Care Serum and Restore Cream. The resins combine mass-balanced certified renewable feedstock content of up to 90% and meet with the vegan branding of the cosmetics manufacturer. SABIC press release
- **Market-first mono-material pasta packaging with PCR:** Made with certified circular SABIC® PP in collaboration with Italian pasta maker Garofalo, this is the market's first pasta bag using a basic flexible BOPP film from Polivouga and a cast PP film from GT Polifilm for a mono-material packaging solution with 30% advanced recycled post-consumer plastics, and it can easily be recycled in existing PP waste streams. SABIC press release
- **Mono-PP food containers with in-mold labeling:** In this collaboration with Taghleef Industries, Karydakis IML S.A. and Kotronis Packaging, SABIC's certified renewable PP resins from its TRUCIRCLE™ portfolio are being used for the production of mono-PP thin-wall containers with in-mold labeling (IML). SABIC press release

BLOCKCHAIN PILOT PROJECT

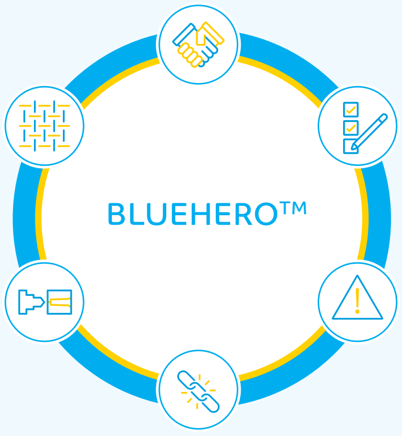
SABIC has launched a pilot project with Circularise to use blockchain technology in tracing the carbon footprint of material streams. Generating accurate data on carbon emissions across the value chain is challenging, and blockchain technology offers a solution to improve transparency, accountability, and risk management. This project aims to capture emissions across the value chain, reduce administrative efforts, and provide access to data from various value chain partners.

This collaboration with Circularise is SABIC's second blockchain application project, following a previous pilot project with Finboot, Plastic Energy, and Intraplás. The use of blockchain technology will enable SABIC to capture emissions, generate CO_2 emissions data, and support end-to-end digital traceability of circular feedstock in customer products.



BLUEHERO™: A STRATEGIC INITIATIVE TO ACCELERATE ENERGY TRANSITION

ENABLING ELECTRIFICATION



SABIC'S BLUEHERO™ electrification initiative aims to deliver solutions that can accelerate the world's transition to electric power. Its initial focus is supporting the automotive industry's mission to create safe, high-performing, and efficient EVs. To do so, SABIC intends to expand this ecosystem of materials, expertise, and solutions through new investments.

Under BLUEHERO™, we intend to deliver industry-specific solutions, including lightweight and cost-effective products with lower environmental impact, to support the industry's efforts. This includes making it possible to meet ever-increasing safety and performance standards.

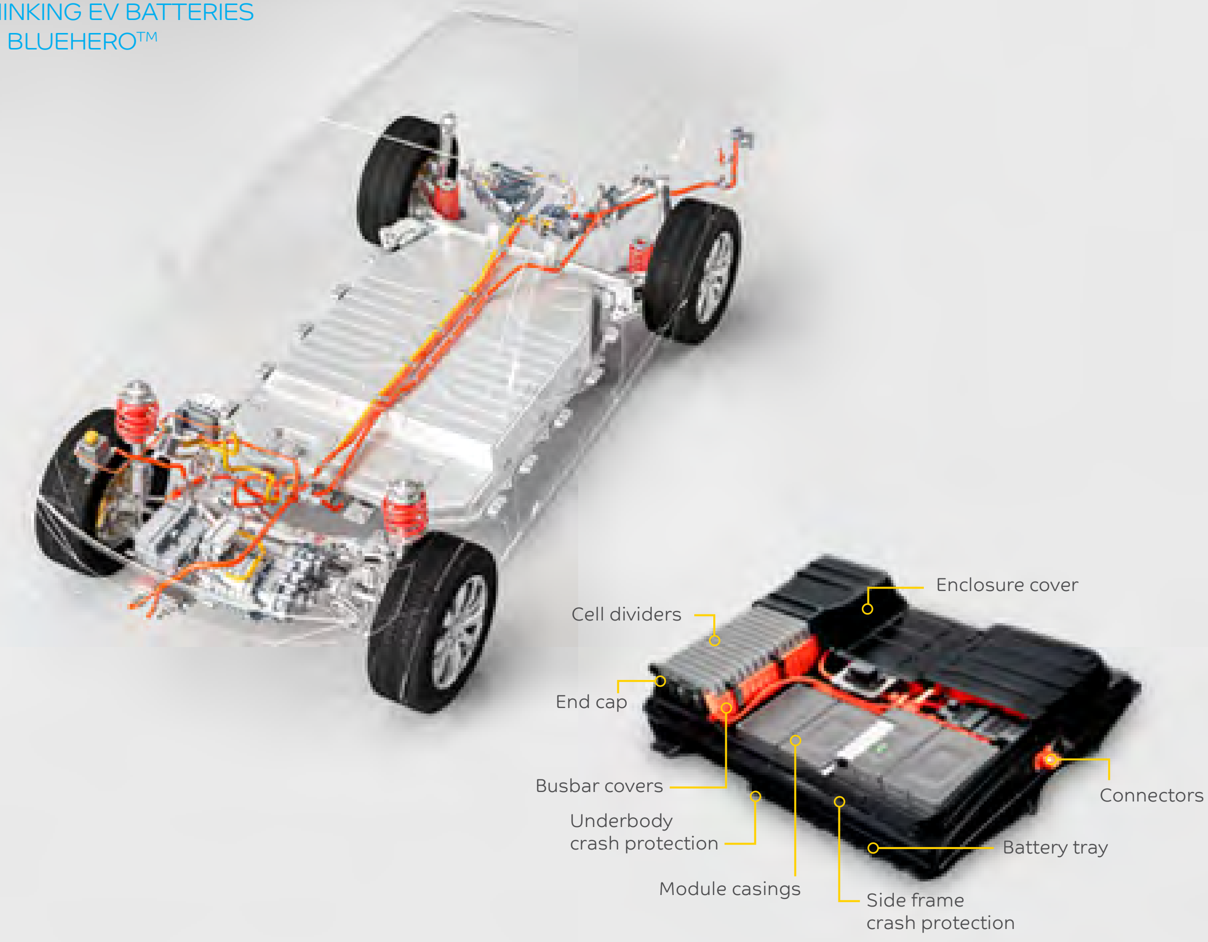
In 2023, SABIC's efforts were primarily devoted to solutions for EV battery and electrical system applications. We built exceptional momentum in support of developing fire-safe battery solutions using SABIC materials, from our expanding range of flame-retardant materials.

Overall, the year's work has resulted in a strong pipeline of potential application programs, which are helping SABIC stay on track as a leading and preferred thermoplastic solutions provider for the EV space.

Other 2023 key developments include:

- **Enabling large EV battery part manufacturing:** With close collaboration with value chain partners, the molding of a 2.2-meter EV battery pack top cover with flame retardant STAMAX™ long-glass fiber polypropylene was successfully approved. Based on this development work, we are collaborating with various manufacturers to advance the injection molding of large parts for EV battery packs – potentially enabling the industry to reduce the complexity, weight, and cost of those systems, as well as their environmental impact.
- **New materials for heavy lightweighting of EV battery components:** Two new breakthrough materials well suited for the extrusion and thermoforming of large, complex structural EV battery parts such as top covers, enclosures, and module separators. Each product—SABIC® PP compound H1090 and STAMAX™ 30YH611 resin—provides excellent thermal barrier properties to help delay or contain thermal runaway events and offers design, system cost, inherent thermal and electrical insulation, and weight advantages vs. stamped sheet metal. SABIC press release
- **Thermal runaway barrier solution for electric two-wheeler batteries:** SABIC developed a novel thermal runaway (TRA) barrier solution to increase the fire safety of two-wheeler batteries, leveraging its existing flame retardant STAMAX™ resin technology. SABIC press release
- **Advancing busbars used in EV batteries with flame retardant polypropylene solution:** One of SABIC's flame retardant materials, SABIC® polypropylene compound H1030, is poised to help transform the manufacturing of high voltage busbars (critical components for transmitting power from the battery to various electric drivetrain components) in electric vehicle battery packs. SABIC press release

RETHINKING EV BATTERIES WITH BLUEHERO™



SPECIALTIES

2
Edison awards

1
R&D 100 award

Products/product groups

High heat families of ULTEM™ resins – polyetherimide (PEI), SILTEM™ resins – copolymer of polyetherimide and siloxane, and EXTEM™ resins – thermoplastic polyimide (TPI); LNP™ resins and compounds, LNP™ PC copolymers, and NORYL™ resins and compounds – polyphenylene ether (PPE)

PERFORMANCE

From a macroeconomic perspective, growth is slowing globally while geopolitical tensions have continued to affect the business environment. The external operating environment has experienced significant changes during 2023 that have an impact not only for SABIC's Specialties business, but across the entirety of the chemical industry. SABIC's Specialties business has navigated these external factors to continue its path to become the most reliable supplier and "the first to be specified" innovation leader.

CIRCULAR ECONOMY

In 2023, we introduced circular products with technology innovations bringing differentiated value for customers. These examples include:

- **New sustainable non-brominated/non-chlorinated flame retardant LNP™ compound for electrical industry:** The new compound is a sustainable LNP™ ELCRIN™ iQ resin suited for electrical applications capable of increasing SABIC's already significant diversion of post-consumer polyethylene terephthalate (PET) water bottles. SABIC press release
- **New PCR-based NORYL™ portfolio to help customers reduce carbon footprint:** SABIC's new PCR-based NORYL™ resin technology aims to provide additional, sustainable material options for customers, capable of lowering its global warming potential by 10%, and can be incorporated into more than 200 existing NORYL™ resin grades, as well as an unlimited number of new grades based on specific customer requirements. SABIC press release
- **Bio-based versions of all NORYL™ resin grades for advancing plastics bioeconomy:** SABIC offers bio-based versions of all NORYL™, Flexible NORYL™, NORYL™ GTX and NORYL™ PPX resin grades to help customers meet increasingly rigorous sustainability goals. The bio-based versions are applicable for usage in housings and enclosures, heating/ventilation/air conditioning (HVAC) components and photovoltaic/solar junction boxes (NORYL™ NH5120BIO4); indoor and outdoor applications in the building & construction and lawn and garden industries (NORYL™ GFN2BIO3); and automotive wheel covers, automotive electrical components, and painted automotive trim (NORYL™ GTX902BIO3). SABIC press release
- **Higher PCR content in LNP™ ELCRIN™ copolymer resin with enhanced performance:** Capable of reducing carbon footprint while delivering desirable performance properties and aesthetics, the new PC-based copolymer materials may be suitable for applications such as housings of consumer electronic devices and chargers, enclosures for 5G base station infrastructure, and industrial components such as circuit breakers; or for exterior grilles, pillars, and trim in the automotive industry. SABIC press release

COLLABORATIONS

We collaborate closely with customers to create long-lasting partnerships and help to better address market needs. Examples of our collaborations with customers include:

- **LLVision's augmented reality (AR) eyeglasses:** SABIC's innovative ULTEM™ resin provides lightweight comfort for the AR eyeglasses aimed at hearing-impaired and multi-language users. The material helped LLVision to minimize the weight of the legs in the eyeglasses, and the application makes it possible to deploy AR to compensate for hearing loss by providing spoken language translation that can display voice translations (in text form) on the lenses in real time. SABIC press release
- **Blovelight and ULTEM™ resin for integrated, single-mode WDM modules:** In collaboration with China's Blovelight, Ltd., SABIC developed one of the first integrated, single-mode fiber optic lens arrays suited for a wavelength-division multiplexing (WDM) module that could usher in more affordable single-mode WDM communications via reduced costs and streamlined manufacturing and assembly, helping to expand data center capacity. SABIC press release
- **INTELLINIUM and next-generation ATEX smart personal protective equipment:** This collaboration led to the successful development of ATEX-certified Personal Protective Equipment (PPE) that marks a breakthrough in ATEX PPE development via SABIC's LNP™ STAT-LOY™ compound. SABIC press release

SPECIALTIES

KEY PRODUCTS LAUNCHED IN 2023

Infrastructure

Transmitting larger data at faster speeds

5G towers, 5G antennas, printed circuit boards, fiber optic connector

Empowering miniaturized, high-precision design for connectors and other thin-wall components: The new high-heat glass fiber-reinforced ULTEM™ resin grades deliver high flow, custom colorability, and high strength, ideal for thin-wall components like fiber optic and electrical connectors, and available as ISCC PLUS certified renewable versions to advance sustainability.

Electronics

Enabling connectivity in sustainable smart devices

Smart phones, laptop and tablets, AR/VR, smart appliances

Facilitating the adoption of LDS antennas and advance device production: SABIC introduced a new LNP™ THERMOCOMP™ WF006V compound that is ideal for laser direct structuring (LDS) of antennas that are integrated into the housings and covers of consumer electronics devices, appliances, and other electronic components. It offers better chemical resistance, hydrolytic stability, and lower warpage, and delivers good surface quality for attractive aesthetics, and good signal gain and LDS performance that will enable customers to accelerate production and reduce system costs.

Industrial

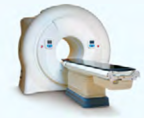
Delivering solutions for the next generation of connected devices (IOT)

Robotics, smart manufacturing, connected home, smart water meters

Helping industrial and mobility customers design for durability: New LNP™ ELCRES™ CRX copolymer resins offer material alternatives that are resistant to harsh chemicals and challenging environmental conditions, while its extended life span advances sustainability goals by lowering demand for raw materials, energy, and other resources, thus opening opportunities for applications in market sectors such as consumer electronics and medical devices.

Hygiene and healthcare

Convergence of connectivity and medical devices



Remote diagnostics, distant patient monitoring, drug delivery, remote surgical devices

Improving medical device durability and sustainability: New LNP™ ELCRES™ CRX copolymer resins offer better impact resistance, thin-wall transparency, and dimensional stability that would benefit device applications such as clear covers, screens, and display lenses, overcoming the key drawbacks of existing PC and co-polyester resins when exposed to disinfectants or aggressive chemicals.

Automotive

Powering EV and EV batteries

Capacitor films, EV charging stations, sensors and shielding, battery protection

Advancing ADAS radar and improving safety: We expanded the specialty materials portfolio for advanced driver assistance systems (ADAS) to further strengthen occupant and pedestrian safety. The two new LNP™ STAT-KON™ compounds are suited for ADAS radar absorbers and the adoption of millimeter wave (mmWave) radar that could provide robust and high-resolution information about remote objects, crucial in enhancing driving safety and propeling the use of autonomous vehicles.

AGRI-NUTRIENTS

2 Edison awards	11,000t of certified low carbon ammonia shipped to customers

Products/product groups

Nitrogen-based inorganic fertilizers and phosphates; technical grade urea (TGU); differentiated products (e.g. zinc-coated urea, stabilized urea, and bio-enhanced urea); low-carbon ammonia and urea

PERFORMANCE

Food security, climate change, and energy transition are the most urgent issues for SABIC Agri-Nutrients over the next several decades. Usage of traditional nitrogenous and phosphate-based fertilizers, such as urea, monoammonium phosphate (MAP), and diammonium phosphate (DAP), will continue to increase in order to feed a growing global population. Regulatory changes from governments are discouraging the supply of traditional carbon-intensive fertilizers and encouraging investment in low-carbon alternatives. Climatic, dietary, and regulatory changes are driving a steeper demand for differentiated and more sustainable fertilizers in the future.

Continuous improvement of asset reliability coupled with high resource-efficiency have enabled the company to maintain cost-efficiency while meeting production targets. SABIC Agri-Nutrients' global go-to-market strategy and new downstream integrations, through acquisition and expansion, have resulted in high sales volumes despite a down-turn in prices.

Strong research and innovation capabilities enable SABIC Agri-Nutrients to develop and produce differentiated, value-added, and low-carbon products that support the evolving needs of end-users and the global drive for decarbonization. SABIC Agri-Nutrients, together with Saudi Aramco, continues to pioneer the low-carbon fertilizer business, developing new products and achieving global-firsts in shipments of low carbon, clean ammonia, and low-carbon urea.

2023 HIGHLIGHTS

- **Low-carbon ammonia:** SABIC Agri-Nutrients became the first company to introduce low-carbon ammonia to the Indian fertilizer sector with a shipment of 5,000t to the Indian Farmers Fertilizer Cooperative Limited (IFFCO). Further shipments of 5,000t to the Taiwan Fertilizer Co. (TFC) and 1,000t to Agroplychim AD in Bulgaria were landmark achievements.
- **Low-carbon urea:** SABIC Agri-Nutrients dispatched its first ever global shipment of low-carbon urea (2,700t) to New Zealand, marking a significant step in continuing efforts toward its carbon neutrality commitments.

COLLABORATIONS

- Partnerships and collaborations, such as with BiOWiSH, are enabling SABIC Agri-Nutrients to bring differentiated bio-enhanced fertilizer products to the market after achieving successful regulatory approvals in multiple countries. The first bulk shipment of SABIC bio-enhanced urea is expected to arrive in the US in early 2024.
- SABIC Agri-Nutrients signed an exclusive agreement to pursue ammonia production using Atmonia's technology in the Middle East. Atmonia ehf is an Icelandic company developing a sustainable production process for ammonia in a single-step process, using only water, nitrogen from air, and clean electricity.

AWARDS AND RECOGNITIONS

INNOVATION AND SUSTAINABILITY SOLUTIONS

- **Edison Awards 2023:**
  - SABIC was recognized in the “Material Science” category for its innovative heat-resistant resins that can be used in electric vehicles and on cutting-edge circuit boards:
    - SABIC’s NORYL™ resin, which can be used as an insulation film on EV batteries and charging systems to increase safety, received the bronze award in the “Enhanced Performance” subgroup.
    - SABIC’s EXTEM™ resin, which received the gold award, is capable of offering manufacturers the capability to mount optical connectors onto printed circuit boards, simplifying assembly processes and enabling mass production of circuit boards needed for technology products.
  - SABIC’s TRUCIRCLE™ certified circular polyethylene portfolio was recognized with the Gold Award in the “Green Remediation” category for developing a frozen food packaging solution using recycled ocean-bound plastic, in collaboration with flexible film products manufacturer, Polivouga, and Nueva Pescanova Group, specializing in products like frozen seafood.
  - SABIC Agri-Nutrient’s innovative manufacturing solution for low-carbon urea was recognized with a prestigious Edison Award (gold) under the Food and Agriculture Advancements Soil and Crop category.
  - SABIC Agri-Nutrients’s unique multi-nutrient foliar fertilizer providing nutrition and stress protection for crops was recognized with an Edison Award (bronze) in the Food and Agriculture Advancements category.

- **R&D 100 Award 2023:**
  - SABIC won the top prize for its LNP™ ELCRES™ CRX copolymer resin, a polycarbonate-based copolymer resin that is suited for photovoltaic (PV) connector bodies, delivering a solution that is cost-effective and performs better than competitive materials such as glass-reinforced nylon, polyphenylene ether, and standard polycarbonate.
  - Bob Maughon, SABIC Executive Vice President, Technology & Innovation, received a special recognition as “R&D Sustainability Innovator of the Year”.

- **Innovation Award at Foam Expo China:** SABIC was recognized for its unique SABIC® PP-UMS (Ultra Melt Strength) resin, a new generation of high melt strength foamable polypropylene that is lighter in weight, offers potential cost optimization, and is designed for demanding applications.
- **“Partner with Purpose” Transformation Award:** World-leading consumer goods company Unilever recognized SABIC for its pioneering work in launching the industry’s first commercial food-grade recycled packaging based on certified circular polymer from the TRUCIRCLE™ portfolio.
- SABIC's closed-loop collaboration project with brand owner Kraft Heinz, developing Heinz Beanz pots made with 39% recycled plastic that is handy, snappable, and microwave-ready without compromising freshness, won two awards:
  - Gold winner in the Environmental Packaging Awards 2023
  - Silver winner in the Packaging Innovation Awards
- **2023 Ringier Technology Award:** SABIC was recognized for developing the STAMAX™ resin for use as a Honda plug-in hybrid EV battery pack cover.
- **“Partnering for Success” Sustainability Award:** SABIC’s Caps & Closure Segment was recognized by Aptar, one of the world's leading packaging dispensing systems for the cosmetics industry.
- **American Chemistry Council 2023 Sustainability Leadership Award:** SABIC was awarded this prestigious award for exemplary achievements in circularity in recognition of SABIC’s pioneering TRUCIRCLE™ solutions to use recovered ocean-bound plastic to make high-quality flexible packaging materials.
- **2023 Golden Apple Award:** The SABIC® PP T5G01M compound from the TRUCIRCLE™ portfolio was recognized for its multi-purpose uses in a wide range of applications and industries. As the first post-consumer-recycle (PCR) grade with GRS certificate within SABIC's global product line, SABIC® PP T5G01M compound achieves 53% PCR content and is able to reduce 22% carbon emission compared with conventional material.
- **The Label Industry Global Sustainability Award:** Our collaboration project with UPM Raflatac for its Ocean Action label made with SABIC's certified circular PP based on advanced recycled ocean-bound plastic was recognized at Label Expo Europe 2023.

SUSTAINABILITY/ESG PERFORMANCE

- SABIC’s ESG efforts were recognized for the second consecutive year with the **Best ESG Award** at the Saudi Capital Markets Forum in February 2023.

INVESTOR RELATIONS

- SABIC was recognized with the **Best Investor Relations Program Award** at the Saudi Capital Markets Forum.

OUR PEOPLE

- SABIC was recognized by the Top Employer Institute for its continued efforts towards the development and wellbeing of its employees with the following awards:
  - **Top Employer Asia Pacific 2023** (10th year in a row)
  - **Top Employer 2023 China** (13th year in a row)
  - **Top Employer 2023 India, Japan, Singapore, South Korea** (10th year in a row)
- SABIC received the **Women Leadership Award** by Shanghai Daily, China, for efforts in pursuing diversity, equity and inclusion and promoting female leadership across the organization.

PRODUCT STEWARDSHIP

- SABIC was **ranked first among 50 global chemical companies in the 2023 ChemScore report** published by the International Chemical Secretariat (ChemSec), an independent non-profit organization that assesses and grades the world's largest chemical companies on their efforts to reduce hazardous chemical production and boost investments in safer and greener alternatives. Notably, our rating improved by 13 points, underscoring the steady progress of our product stewardship and circularity programs, our drive to increase transparency about the overall chemical profile of our product portfolio, and our thought leadership in this field.
- SABIC's Product Stewardship scored in the 99th percentile compared to industry peers according to S&P Global's Dow Jones Sustainability Index (DJSI) with a score of 94 out of 100.

ENVIRONMENT, HEALTH, SAFETY, AND SECURITY

- In 2023, SABIC won two **Gulf Petrochemicals and Chemicals Association (GPCA) Responsible Care® Excellence Awards –** in the Performance Metrics (Operational Excellence) and Process Safety categories – during the GPCA Responsible Care® Conference in Bahrain.
- SABIC China was awarded the **Best Responsible Care® Company Award and the Environment-Friendly Award** by the Association of International Chemical Manufacturers (AICM) in 2023 for the efforts in practicing Responsible Care® in China alongside its long-term commitment to sustainability.
- In the Americas region, Mt. Vernon was recognized with a **Responsible Care® Energy Efficiency award** for its Regenerative Thermal Oxidizer Project and received an Exceptional Merit for its Chlorine Technology Upgrade-Membrane Project. Selkirk also received an Exceptional Merit for Increased Uptime of Mechanical Vapor Recompression to Offset Steam Demand.
- In 2023, the Rayong plant was recognized with the **Zero Accident Campaign Award** by Department of Labor Protection and Welfare (Ministry of Labor); and received the **Best EHSS Management Award** from the Thailand Institute of Occupational Safety and Health, Ministry of Labor for the 17th consecutive year.
- The SABIC Chongqing plant in China received a rating as a **"Leading Company"** for air emission control in 2023 by the Chongqing environmental authority.

SUPPLY CHAIN

- SABIC received three awards at the 14th Gulf Petrochemicals and Chemicals Association (GPCA) supply chain conference:
  - **First place for Supply Chain Innovation** for our groundbreaking Supply Chain Digital Transformation project to promote digitization maturity via robust collaboration and strategic engagements.
  - **First place for Excellence in Sustainability** for our innovative, sustainable, and safe-packaging project of a 12-layer pallet for packaged polymers, resulting in an 8% reduction in our CO_2 footprint, alongside wooden pallet usage efficiency and cost savings.
  - **Runner-up in the Women in Supply Chain** for SABIC employee Khaoula Badri.

GOVERNANCE AND INTEGRITY

- SABIC was awarded the **EcoVadis Gold medal,** scoring 72 out of 100 and putting it in the top 2% in ethics, top 7% in Environment, and top 5% of companies manufacturing basic chemicals, fertilizers and nitrogen compounds, plastics, and synthetic rubber; overall, these scores put SABIC in the 96th percentile of companies in this peer group.
- In 2023, SABIC earned the **Compliance Leader Verification™ for 2024 and 2025 from the Ethisphere Institute,** marking the third consecutive verification and affirming the strength and depth of the company's Ethics and Compliance program and integrity culture.

- The General Authority for Competition in Saudi Arabia awarded SABIC a **competition law compliance program certificate** for upholding the highest standards of work ethics in ensuring compliance with competition laws and regulations, affirming the effectiveness of governance and internal audit procedures, and highlighting the important role of the company's employees in adhering to regulations.

VALUE CHAIN IMPACT

PORTFOLIO

CUSTOMER CENTRICITY

Our partnership culture with customers is built through various engagement channels, an emphasis on collaboration beyond a typical customer-supplier relationship, and an ethos of always asking: how can we make things better for our customers?

OUR APPROACH

We are committed to developing solutions for specific segment demands, investing in R&D, and prioritizing sustainability. We seek to play a role in the progress of our customers' businesses by supplying products that address modern world requirements and pave the way for a better future. We also recognize the importance of participating in seminars, events, fairs, and forums with customers to develop solutions, promote business evolution, and meet customer expectations.

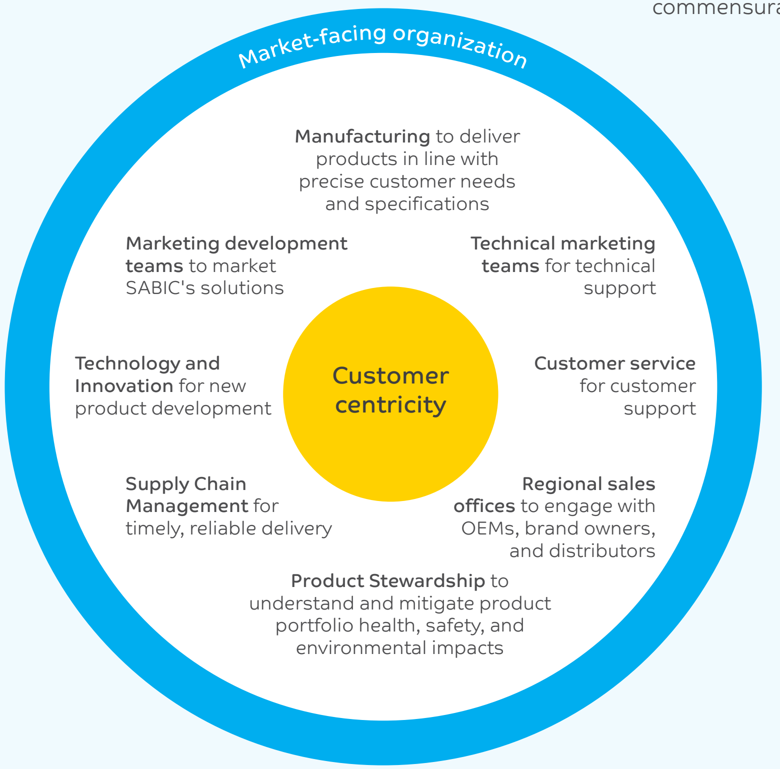
MARKET-FACING ORGANIZATION

In 2023, a crucial area of focus was to initiate a company-wide reorganization and realignment directed at strengthening our relationships with our customers. Our aim is to implement an orientation that is market-facing and customer-centric from the ground up, with a focus on market development and sales to drive strategic customer growth. This reorganization will support our approach of working back from customer needs to create integrated offerings and develop long-term solutions and partnerships for market breakthroughs.

Throughout the year, we implemented various elements of this reorganization. A highlight was a new Customer Relationship Management (CRM) portal that was progressively rolled out by the Polymers business unit (with plans for further extension across the company). The new digital tool was implemented to address fast-changing customer needs, shorten time-to-market, and improve the response time to different customer requests.

OUR CUSTOMERS AT THE CORE

A distinctive market-facing approach, tailored to each region and business based on market maturity and commensurate growth and differentiation opportunities



Diverse product portfolio

Specific industry segments

Presence in local markets

Click to read more

CUSTOMER FEEDBACK

We view our Net Promoter Score (NPS) methodology as an enabler of continuous improvement. Our aim when soliciting feedback is to hear layered responses from our customers that cover all aspects of the business transaction, including collaborations on technical matters, interactions with our sales and business teams, and supply chain logistics. For SABIC, a "happy customer" is a target to achieve and a mission to accomplish, and so we do not simply celebrate customers who are classified as promoters, but also view neutral and detractor customers as an opportunity for analysis and improvement. In the case of detractors, in particular, we connect with the customer within 48 hours of receiving their feedback to investigate further and work towards offering them a better business relationship and experience.

SABIC achieved an NPS of 53 for 2023, based on over 2,300 customer surveys globally. Based on an analysis of the last three years' feedback details, our strengths remain product quality, services (including sales services), and ease-of-doing business. Meanwhile, areas like delivery, availability, and price remain challenging due to current market dynamics and external factors. We are driving improvements in our areas of weakness by working closely with our service vendors and monitoring our manufacturing schedules and pricing models. Next year, we aim to increase our surveys to have an even better gauge of our customers' perceptions of SABIC.

We encourage our customers to raise complaints through different channels, including online on the SABIC e-commerce portal or SABIC.com, or directly via the relevant customer-facing team. We view a customer compliant as a valuable source of insight—similar to how we would view a consumer report of an issue related to a product or a service. Claims serve as the basis for a root cause analysis with different functions. Complaints are categorized as high, medium, or low depending on the situation and criticality so that we can respond appropriately to meet the customer's expectation.

INNOVATION AND SUSTAINABILITY SOLUTIONS

Material topic

As a materials company positioned between the extraction and the consumer goods industries, innovation is the linchpin that connects our ambitious growth agenda with our focus on the needs of our customers and our sustainability goals.

11,070 Total active patent portfolio *(inclusive of 73 from Hadeed)*	224 New priority patent applications	632 open active R&D projects of all types
67% % of total active patent portfolio* with a PSA-derived sustainability classification	68% % of new priority patent applications* with a PSA-derived sustainability classification	SAR 1.89 Bn. (US$ 504.8 Mn.) R&D expenses

**associated with ongoing research projects*

OUR APPROACH

We aim to deliver differentiated and sustainable product and application solutions and sustainable cost-advantaged process innovation to meet the needs of our customers and the value chain over the near, mid-, and long-term horizon. From innovative products made with recycled plastic, to process improvements that reduce our emissions, and collaboration with industry partners to deliver improved performance while minimizing environmental impact across the value chain, SABIC is committed to discovering avenues that benefit our business, our customers, and society.

PORTFOLIO SUSTAINABILITY ASSESSMENT (PSA)

The PSA approach, sponsored by the World Business Council for Sustainable Development (WBCSD), is a robust methodology and framework of sustainability criteria to analyze companies' product portfolios. SABIC, along with several other industrial peers in the chemical sector, has participated in the design and development of this methodology since its inception.

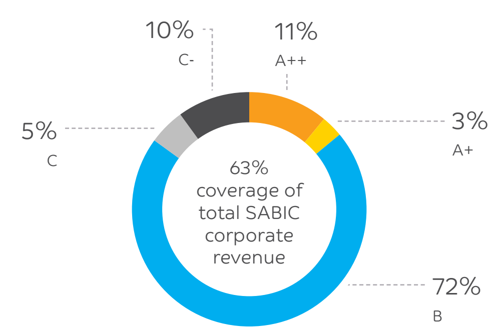
SABIC conducts assessments of the sustainability of its applications and products to enable better decision-making and more impactful, market-driven sustainability and innovation strategies. This, in turn, allows SABIC to create stronger and long-lasting partnerships with our customers and meet stringent environmental regulations.

The PSA methodology includes consideration of basic stakeholder requirements, such as the safety compliance of the substances in the final product and risks, regulatory trends, and relevant sustainability ambitions in the value chain. In addition, the methodology analyzes the performance of the products in specific applications against benchmarks.

A more advanced cross-business unit PSA methodology has been developed in accordance with the PSA v2.0, launched by WBCSD in September 2023. SABIC's enhanced methodology has a sharper focus on capturing risk and opportunities to steer portfolios towards sustainability value. In 2023, an independent external consultant assisted SABIC in implementing PSA v2.0 and further improving the completeness and accuracy of our product portfolio analysis.

2023 PSA COVERAGE BY REVENUE (%)

Info



We applied the PSA methodology to a broad part of our business for the first time in 2022 covering 48% of revenues at corporate level. This year, we increased coverage to 63% of total corporate revenue by including most of our chemical products in the assessment. We have assessed 430 grades in 179 products/applications. To date, we have identified 14% of our portfolio as either Advanced (A++) or Progressing (A+) solutions, which include product/applications such as foam insulation, light-weighing applications in key segments such as mobility, high purity applications in healthcare and hygiene segments, and low-carbon products. Such products contribute to reducing customers' carbon footprints or to the conservation of resources at the application level. In addition, we have identified 15% of either Flagged (C-) or Challenged (C--) product/applications in our portfolio. These negative scores are related to aspects of the product applications such as substances of concern used in additives, which are addressed by SABIC's Safer Chemistry program, or related to risks derived from regulatory developments, customer expectations, and end-user responsibility, which are being addressed by SABIC's TRUCIRCLE™ portfolio and other low-carbon solutions.

We aim to expand our PSA coverage and enhance the granularity of our PSA, specifically in relation to assessments of risks and opportunities. In the coming years, the PSA will be a crucial tool in enabling SABIC to accelerate growth in sustainable sectors and increase our abilities to help challenged sectors become more sustainable, while also promoting a circularity model. The PSA will identify and document the sustainability contribution of new technological developments, such as our TRUCIRCLE™ product line, as well as changes in processes, such as the use of renewable electricity, enabling a lower carbon portfolio. Ultimately, the PSA will be a robust tool to steer our product portfolio toward more sustainable solutions.

EMBEDDING LIFE CYCLE CONCEPTS

A successful sustainability strategy requires a focus on all points in the life cycle, including basic raw materials, manufacturing processes, distribution, customer conversion processes, consumer use, and end-of-life. SABIC's sustainability program is founded on life cycle thinking—a concept that guides us in considering multiple types of environmental impacts across the full product value chain. Using a LCA approach, we can identify which steps in a product life cycle offer the best opportunity for improvement. Changes to environmental impacts often occur outside SABIC process operations, such as in the use phase for lighter automotive materials or building materials with better insulating properties. LCA is used to determine product stages at which environmental benefits or burdens occur and whether a change might cause burdens to shift between stages or between environmental impact categories. Understanding the potential impacts early in the development process allows for improved decision-making, which helps SABIC to develop a more sustainable product portfolio.

PRODUCT CARBON FOOTPRINT

This year, a Product Carbon Footprint (PCF) pilot project was launched targeting two of our manufacturing sites: Al-Bayroni Ammonia and Urea plants in Jubail, Saudi Arabia, and the Bergen op Zoom Polycarbonate plant in The Netherlands. Scaling up this project across our operations will enable SABIC to efficiently evaluate PCFs for its business portfolio using standardized, industry-based calculation. This, in turn, will allow us to respond to our customer's increasing expectations of transparency about the carbon footprints of our products while providing critical insight for our approach to reducing GHG emissions and implementing our carbon neutrality roadmap as well as helping to mitigate transitional and financial risks for the company.

PATENT PORTFOLIO AND OTHER INTELLECTUAL PROPERTY

Strategic Intellectual Property protection is one of the cornerstones of SABIC's technology development efforts. By the end of 2023, SABIC's active patent portfolio stood at 11,070 granted patents and pending applications, including 200+ new priority patent applications filed during the year. Innovation around sustainable technologies such as emissions reduction, circularity, process improvements, operational efficiencies, light-weight solutions, chemical safety, and sustainable applications continues to be a key driver for SABIC research efforts and is systematically monitored by the organization. 67% of SABIC's total active patent portfolio is associated with ongoing research projects with a PSA-derived sustainability classification. Similarly, 68% of new priority patent applications are associated with ongoing research projects with a PSA-derived sustainability classification.

TECHNOLOGY LICENSING

SABIC acquires licenses of technologies it does not own from third parties, selecting the vendors' technologies after a rigorous assessment. We also actively deploy our own proprietary technologies by selling licenses to our affiliates and growth projects, as well as licensing to third-parties. All licenses include the ability to apply the latest technologies to meet sustainability targets; in this aspect, SABIC aims to include its proprietary CO_2 technologies—as employed in our CCU plant in Jubail—where possible.

The licensing organization within SABIC's T&I function checks that all license agreements include use rights and that the associated process design packages contain the latest capabilities related to sustainability with stipulations to include future improvements where sustainability is concerned. Together with SABIC's Ventures team, they enable the access of sustainability-related technologies from target venture companies by creating an agreeable licensing structure that allows access expediting of the related knowledge.

A new function, Licensing Governance, has been established with the primary objective of enabling effectiveness and continual improvements in all licensing functions while remaining compliant, managing risks, and upholding SABIC values. This significant development represents a substantial step towards effectively governing all our operations.

Key developments in 2023 include the following:

- As part of SABIC's ambitions to leverage technology innovation and licensing capabilities, SABIC sold 18 SABIC technology licenses to two mega projects in China and Saudi Arabia.
- As part of our commitment towards Saudi Vision 2030 and in support of our growth ambitions, including Liquid To Chemicals projects (LTC), SABIC signed over 20 strategic agreements with key technology licensors covering framework agreements, localization MOUs, Master Service Agreements, and growth projects license agreements.

COLLABORATING FOR INNOVATION

We view external collaborations as essential to accelerating technology delivery and advancing disruptive innovation. Our collaborators include international universities and institutes (such as the Massachusetts Institute of Technology, Peking University, and the University of Toronto); technology ventures (such as Finboot Tech, LO Circularity Fund, and BiOWiSH Technologies); and Saudi Arabian universities and institutes (such as King Saud University, King Abdulaziz City for Science and Technology, and Qassim University).

Building a robust external innovation ecosystem positions SABIC to

- acquire new and unique competencies
- support projects and expand capabilities
- scout for new opportunities
- extend capacity and reduce trailing 12 months and cost
- build talent to create a pipeline of groundbreaking ideas
- impact our partnerships with Saudi Arabian universities by helping develop their capabilities through knowledge-sharing and collaborations.

SYNERGIES WITH SAUDI ARAMCO

Saudi Aramco and SABIC collaborate across the value chain, merging expertise in extraction, efficient manufacturing of chemicals and plastics, novel material and application development, and recycling of materials. Together, we innovate in sustainable chemical production, streamlining processes, and developing novel catalyst systems to enhance efficiency and reduce waste.

Saudi Aramco and SABIC's respective research and innovation teams are collaborating on a number of joint projects under work streams covering decarbonization, circular plastics, licensing and technology deployment, venturing, liquid-to-chemicals conversion, and non-metallics, among others. We jointly develop solutions for high-pressure demands for oil and gas pipelines, electric vehicles, and solar panels, aiming for substantial sustainability enhancements. Our efforts also extend to circular polymers via novel chemical or mechanical recycling routes, joint developments for lower-carbon products, and advanced assessments in low-carbon ammonia and hydrogen production.

One specific example is developing a sustainable solution for asphalt compatibilization based on a proprietary functionalized polypropylene platform developed by SABIC and Material Science Ltd. This compatibilizer will enable incorporation of post-consumer ground tire rubber into roads at twice the weight percentage compared with the incumbent best-in-class solution based on styrene-butadiene rubbers.

Both Saudi Aramco and SABIC also manage critical processes and engage in university collaborations and new business opportunities and partnerships to explore and develop sustainable technology innovations.

VENTURES FOCUS AREAS

Focus area	Portfolio companies
Advanced materials/processes	Boston Materials, HydroPoint
Product differentiation	carbon, VOID Technologies
Circular economy	Synova, ReVentas, inex, Circularise, finboot tech, refiniti, niocycle, Vaulta
Low-carbon/zero-carbon innovations for Agri-Nutrients	BiOWiSH Technologies, NewLeaf symbiotics
Carbon neutrality	Rondo, Qpinch, imtex
Fund investments	Rich Land Capital, CM Venture Capital, emerald Technology Ventures, Lombard Odier

KING ABDULLAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SABIC and King Abdullah University of Science and Technology collaborated to develop a new technology for metallizing plastics that eliminates the use of hexavalent chromium, a carcinogenic and mutagenic chemical classified as a substance of very high concern by the European Union. The new plating method uses SABIC's proprietary polymer formulation is a green chemistry process, resulting in a sustainable, durable, and corrosion-resistant metallized finish on plastics.

JOINT VENTURE AT FUJIAN, CHINA

A number of technology solutions developed by SABIC were included in the scope of the Fujian JV, where the guaranteed portfolio is based on SABIC proprietary grades and catalyst platform. Contractors were properly selected for different engineering phases in order to mitigate competence gaps within SABIC, and ensure the proper de-risking.

SOLARGE

In collaboration with Solarge, an innovative manufacturer of circular lightweight solar panels, SABIC successfully developed low-carbon footprint solar panels made from SABIC® PP compounds. These compounds offer a 50% reduction in weight and a more than 25% reduction in carbon footprint. Additionally, solar panels made with this material can be reused within their own production chain after 25 years. These features attract a high demand for applications on industrial roofs as customers in the commercial and industrial building segment seek lighter and more energy-efficient alternatives.

SABIC press release

BASF AND LINDE E-FURNACE DEMO, LUDWIGSHAFEN, GERMANY

Our partnership with BASF and Linde to build the world's first large-scale electrically heated steam-cracker furnace reached a crucial milestone as the last transformer was installed at the demonstration plant. A stepwise commissioning phase will begin in the first quarter of 2024. This plant is the first of its kind to showcase the operation of cracker furnaces using electricity, a significant step forward in decarbonization of the petrochemical industry. SABIC press release

SYNOVA AND TECHNIP ENERGIES

At the end of 2022, we signed a Joint Development and Cooperation Agreement with Synova and Technip Energies (T.EN) to collaborate on the development and realization of a commercial plant, which would produce olefins and aromatics from plastic waste. The plant will use a combined technology developed by Synova and T.EN and will be integrated with one of SABIC's steam crackers. As such, the plant will contribute to SABIC's vision of closing the loop on used plastic. During 2023, we concluded the feasibility study on the project. SABIC press release

RONDO ENERGY

SABIC was one of several external companies that invested in Rondo, a thermal energy storage company, which is important to decarbonize the utilities within chemical plants, to help speed the rollout of Rondo Heat Batteries worldwide that have the potential to transform the global energy storage market. Rondo Heat Batteries store energy at half the cost of other technologies such as low-carbon hydrogen and chemical batteries, basing its innovative technology on brick and iron wire to eliminate the risks associated with safety, durability, and supply chain hazards that are faced by other storage technologies.

BATTERY RECYCLING INITIATIVES WITH VAULTA AND NOVOCYCLE

SABIC invested in Novocycle and Vaulta to enable full circularity of plastics and other materials that go into batteries fueling the clean energy transition in automotive and grid storage. Today, batteries at the end of life are crushed and subjected to high heat to create black mass. This black mass is subjected to hydrometallurgy or pyrometallurgy to extract critical metals such as nickel, cobalt, and lithium. This process is energy-intense and materials such as plastics are not typically recovered. SABIC has invested in Vaulta, which has patented a technology to make thermoplastic-intensive battery packs easy to assemble, disassemble, and repair improving the overall sustainability of batteries, while Novocycle can take the disassembled cells from a battery pack and use an automated process to separate plastics and other materials that constitute the cell. This enables recycling with very high material efficiencies (including plastics) at a lower energy footprint. Through this combined value chain approach, the overall sustainability of the battery packs is improved by extending the life of packs and increasing the number of uses before end of life and better end-of-life management. Those partnerships are critical for SABIC to realize the complete benefits of a thermoplastic intensive battery pack and improve the overall sustainability of the energy storage solutions enabled by its BLUEHERO™ initiative.

BEIJING AEROSPACE PETROCHEMICAL TECHNOLOGY AND EQUIPMENT ENGINEERING CORPORATION LIMITED (BAPTEEC)

SABIC signed a license agreement with Beijing Aerospace Petrochemical Technology and Equipment Engineering Corporation Limited (BAPTEEC LTD), a wholly owned subsidiary of Beijing Aerospace Propulsion Institute (“BAPI”, affiliate to China Aerospace Liquid Propulsion Technology Academy of China Aerospace Science and Technology Corporation). The agreement enables SABIC to access BAPI’s SHCP® pyrolysis technology that has the potential to scale up chemical recycling of waste plastics with high heat transfer efficiency and low waste.

BIOWISH AND ATMONIA

Partnership and collaborations, such as with BiOWiSH, are enabling SABIC Agri-Nutrients to bring differentiated bio-enhanced fertilizer products to the market after achieving successful regulatory approvals in multiple countries. The first bulk shipment of SABIC Bio-Enhanced Urea is expected to arrive in the US in early 2024. SABIC Agri-Nutrients also signed an exclusive agreement to pursue ammonia production using Atmonia’s technology in the Middle East. Atmonia ehf is an Icelandic company developing sustainable production process for ammonia in a single-step process, using only water, nitrogen from air, and clean electricity.

PRODUCT STEWARDSHIP

GRI 3-3 (416); 416; 3-3 (417); 417; 3-3 (418); 418

Continuous improvement topic

Understanding and mitigating the health, safety, and environmental impacts linked to our diverse product portfolio is core to our mission. Our product stewardship approach is one of constant learning and progression towards excellence day by day, year over year.

12,428 customer product inquiries answered	260 Reviews of T&I projects in Accolade in progress	89,743 Safety Data Sheets (SDS) published
11 Chemicals of Concern social and environmental responsibility commitments to date	0 Non-compliance incidents with regulations and voluntary codes concerning marketing communications	

OUR APPROACH

The foundation of SABIC's success is built on maintaining information on the safety, health, and environmental hazards of our products and raw materials, and collecting information on exposure and use scenarios. New products and formulations go through a rigorous screening and approval process to characterize, manage, and mitigate risk throughout the product life cycle. We actively seek alternatives in cases where there is an opportunity to lower the hazard profile of the product. We communicate product stewardship information to internal and external stakeholders globally so that products are managed and handled safely as intended. We aim to meet and, where possible, surpass regulatory requirements. We strive to continuously improve our culture and processes for both new and existing products to add business value and reduce health, safety, and environmental risks for SABIC, our customers, our partners across the value chain, and our global communities.

PRODUCT STEWARDSHIP KEY OBJECTIVES

Immediate/short-term focus

- Continue to execute key operational activities and established major programs
- Maintain chemical compliance for SABIC products
- Support growth programs to ensure future licenses to manufacture and sell are available globally
- Ensure that customers obtain information regarding SABIC products to meet their safety and sustainability ambitions

Mid-term focus (2-3 years)

- Establish new Responsible Care® product safety code management practices to drive continuous improvement in product stewardship
- Support SABIC sustainability initiatives such as portfolio sustainability assessments (PSAs) and life cycle evaluations that require product safety and regulatory information
- Increase transparency of information on key product safety criteria

Longer-term focus (4+ years and beyond)

- Continue to build sustainable chemistry programs and initiatives
- Maintain priorities outlined in our Responsible Care® 2.0 self-assessment initiative
- Enhance our status in the industry as a thought leader

PRODUCT STEWARDSHIP SCOPE

1. Product and raw materials risk assessment
- Characterizing and lowering risks emerging from product design throughout the product's life cycle
- Substituting, reducing or eliminating chemicals of concern via Safer Chemistry principles

2. Product hazard communications
- Communicating product safety risks and management practices across the value chain
- Publishing product SDSs, labels, and product summaries for our customers

3. Regulatory monitoring and communications
- Understanding and responding to product safety-related government mandates
- Leading SABIC chemical compliance programs around the world

4. Clearance to manufacture, import, and sell
- Assisting our business units in obtaining the relevant licenses required to do business by managing chemical registrations, notifications, and certifications
- Facilitating government chemical reporting

5. Product regulatory advocacy
- Representing SABIC on industry trade groups to ensure fair product regulatory development and policies
- Advocating for and protecting key chemicals and products with scientific weight of evidence

6. Enhance product stewardship culture through standards and tools
- Initiatives such as Product Stewardship SHEMS and training
- Improving data management and Product Stewardship-related IT systems
- Executing Responsible Care® Product Safety Code Management Practices

GOVERNANCE FRAMEWORK

Our Global Product Stewardship department is comprised of three functional teams: Regulatory Affairs, Product Safety & Toxicology, and Compliance Systems & Master Data. These teams work cohesively together to serve the global SABIC business portfolio. Our governance process is set up to ensure that our product stewards and toxicologists are afforded appropriate oversight and that meaningful and measured progress is made throughout each year. The highest level of Product Stewardship governance is the SABIC Executive Council, consisting of the CEO and the executive leadership. The Global Product Stewardship department reports to the Vice President of Corporate Sustainability and works to meet the current and future needs of the business and its stakeholders with regards to product compliance and safety.

Global Product Stewardship
- Product Safety & Toxicology
- Regulatory Affairs
- Compliance Systems & Master Data

2023 DEVELOPMENTS

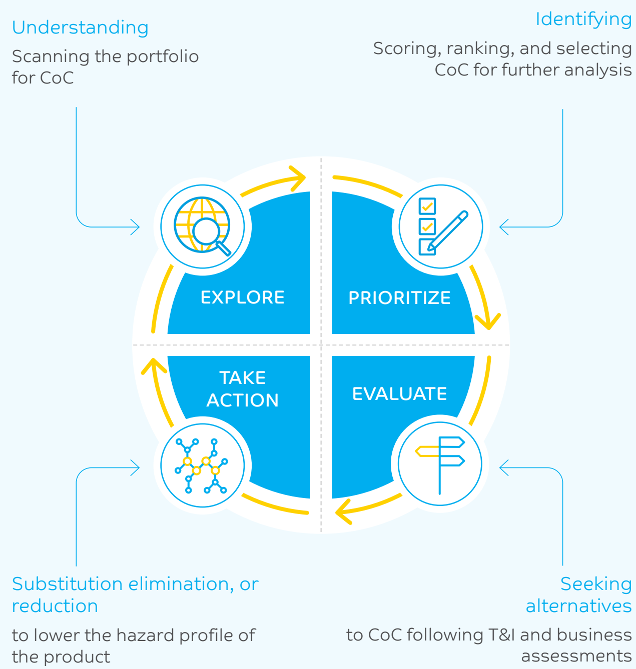
SAFER CHEMISTRY

An essential part of our efforts to lower the human and environmental hazard profiles of our products and raw materials is our Safer Chemistry program, a voluntary initiative aiming to substitute, eliminate, or reduce the use of Chemicals of Concern (CoC) beyond current global regulations. We understand the expectations of brand owners, NGOs, and ESG-rating communities to drive hazardous chemical management and the expectation to increase transparency. We share this ambition and aim to continue providing information about our Safer Chemistry approach and progress.

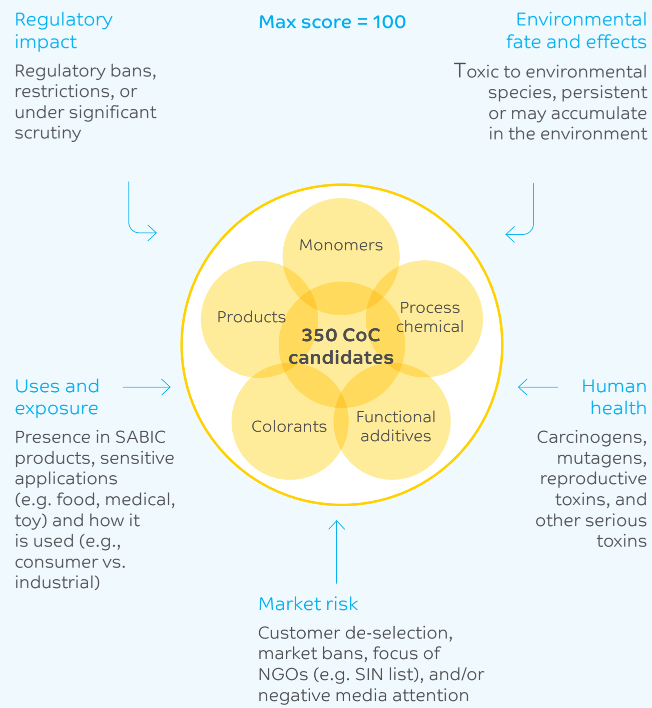
Safer Chemistry is an evolving journey that started within SABIC in 2021. After scrutinizing the first two batches of 25 CoCs over the past two years, we developed a third batch of 25 CoCs in 2023 for assessment in 2024. This third batch was selected and prioritized based on the results of SABIC's ongoing PSA initiative.

Among this year's Safer Chemistry initiatives were developing new internal business metrics and creating a communications strategy to increase visibility of the program among internal and external stakeholders. Additionally, SABIC Product Stewardship leaders represented SABIC at several key conferences in 2023, addressing in particular SABIC's experience with sustainable chemistry and reducing its chemical footprint.

SAFER CHEMISTRY – A VOLUNTARY INITIATIVE



COC ARE PRIORITIZED BY SABIC USING A SCORING PROCESS COVERING FIVE KEY AREAS



MANAGING COC IN 2023

Percentage of products that have undergone a hazard assessment	100% - All products and raw materials are evaluated for their hazard potential using the GHS for classification and labelling of substances. All hazards are disclosed in our Product SDS when present at or above the regulatory threshold of 0.1%.
Number or percentage of products that contain REACH substances of very high concern (SVHC)	< 0.01% of SABIC products (from thousands of product formulations) contain five SVHC compounds intentionally added above the 0.1% regulatory threshold. All SVHC that may be present above 0.1% are disclosed on our Product SDS. Details on the SVHC compounds and the specific grades impacted can be found on our Regulatory Data Sheets (RDS) for engineering thermoplastics (ETP), polyolefins, several chemical products, and our Specialties products.
Number of chemicals used listed by California Prop65	All California Prop65 chemicals (e.g., bisphenol A, tetrabromobisphenol A, styrene, carbon black, antimony trioxide, dichloromethane, acrylonitrile, and 1,3-butadiene) that are listed by the State of California are disclosed on our Product SDS where applicable. SABIC's product regulatory documents
Number of CoC	Approximately 350 out of 1,800 raw materials, monomers, process chemicals, additives, impurities, and products

INNOVATION PARTNER

Similarly, SABIC's process for the development and commercialization of new products includes review of potential environmental and health risks and mitigation of any significant risks identified. Mitigation measures considered for significant risks include substitution, hazard warnings to purchasers, or discontinuation of the product. As a Responsible Care® company, SABIC applies risk assessment principles set forth in that program's product safety code management practices.

SABIC uses the innovation portfolio management tool, Accolade, which helps enable Product Stewardship to engage with the company's corporate Technology & Innovation organization to help identify potential new hazards and risks early in project development via a stage gated process. Several hundred innovation projects underwent a Product Stewardship review for hazard potential, regulatory compliance, and overall risk to human health and the environment. Also in 2023, the Product Stewardship team enhanced the product safety questionnaire within Accolade to incorporate our Safer Chemistry concepts, with follow-up training for product developers scheduled in 2024.

HAZARD COMMUNICATION

Accurate, compliant, and up-to-date product safety information and labeling are critical to SABIC's relationships across the value chain and customers across the globe. A primary focus of the Product Hazard Communications pillar is to ensure that we respond promptly to the large volume of customer inquiries we receive each year so that they, in turn, are better able to comply with applicable chemical substance regulations, laws, and market demands to support our customers' sustainability ambitions.

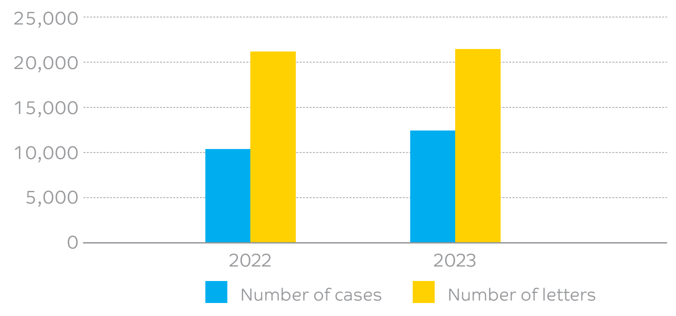
The main conduit for processing our inquiries continues to be our Customer Declaration Portal, a tool developed and refined by the Product Stewardship team and SABIC's IT department over the last decade that enables SABIC to field customer inquiries and ensure they are directed to the appropriate expert.

Responses to customers take several forms, including standardized letters on specific topics (e.g. food contact status, halogen-free declaration), customized responses (based on the exact product grade recipe), or a comprehensive RDS that answers multiple questions on regulatory topics in a single document.

During the course of 2023, we responded to 12,428 inquiries, an increase from 10,411 in 2022. This 19% higher case count year-over-year is primarily due to increased concern over perfluoro-related chemicals (PFCs) and the more frequent regulatory listing updates driven by government agencies globally.

CUSTOMER INQUIRIES
2022 vs 2023

Info



SABIC RDS have been developed and maintained for several product families within the Polymers (e.g, PC, Polyolefins), Specialties, and Chemicals product families. Most are made publicly available on the corporate SABIC website. RDS contain product compliance information with respect to specific regulations, laws, and directives such as RoHS, REACH-SVHC, POPs, and other restricted substances. Since our RDS have been made available on the company website, customers have downloaded them thousands of times each year. In 2023, RDS were downloaded over 40,000 times, followed by food contact (> 20,000), and toy (approximately 1,000) standard declarations.

An SDS is a hazard communication document that complies with the Globally Harmonized System (GHS) of classification and labeling for chemicals in each country and language where we operate or sell products. An SDS is available for all SABIC products and contains a wide range of product information on composition, physical, chemical, human, and environmental health, safe usage, storage, and disposal. This information helps all relevant stakeholders to take protective measures for human, environmental, and occupational safety.

Completed in 2023, the OneSDS (One Safety Data Sheet) project streamlines the management of regulatory content that includes over 250,000 substances, with 9,000 multilingual phrases across 100 countries and over 40 languages. OneSDS also presents a single location portal available to all stakeholders, thereby contributing to global alignment across all business units and providing greater access to product safety information. Through OneSDS, we are advancing the effectiveness in governing compliance to meet safety and regulatory commitments, which allows for a strong foundation for building future IT system enhancements.

In 2023, we published 89,743 SDSs, a decrease of about 30,000 from the previous year. This decline was attributed to a European regulatory change in 2022, which mandated updates to our product SDS documents within that year. Additionally, during this period, we were engaged in a system integration project to transition SDS publishing to the new OneSDS system.

GLOBAL PRODUCT COMPLIANCE

As a global leader in the chemicals sector, SABIC is navigating a complex, dynamic regulatory environment with increasingly stringent compliance mandates. SABIC's Product Stewardship team is responsible for identifying legal requirements restricting or prohibiting the manufacture, use, and sale of certain chemical substances. We continually monitor developing and new chemical substance requirements in all relevant countries and regions, including the EU, China, Japan, and the Americas. It is SABIC's policy to comply with applicable laws and regulations. While heightened scrutiny on substances like per- and polyfluoroalkyl substances (PFAS) and bisphenol A (BPA) can present short-term constraints, it presents an opportunity to develop new sustainable substitutes for our customers while aligning our operations with global environmental and safety standards.

Although SABIC does not manufacture PFAS we acknowledge our role as a user of these substances and we are proactively seeking substitutes to phase PFAS out of operations. In light of upcoming PFAS restrictions published by the European Chemicals Agency (ECHA), socio-economic assessments carried out by the European Chemical Industry Council (CEFIC) (in which SABIC participated), and several state legislations related to the use of PFAS in various applications, we have carried out in-depth impact assessments and identified relevant mitigation steps to be taken.

These regulatory developments have prompted increased customer awareness and greater demands for transparency, meaning that one of the biggest risks on SABIC's radar is the potential for customer deselection. To counter this risk, an important Product Stewardship initiative was building a sophisticated tool capable of tracking over 80 of our customers' restricted substance lists alongside projects planned for data mining and risk mitigation. Finalized in 2023, the tool contributes to multiple product stewardship programmes and projects including Responsible Care® 2.0, Safer Chemistry, PSAs, and ongoing monitoring of chemical regulations, advisories on CoCs, customer restricted substance lists, and animal welfare requirements.

International advocacy institutions and ESG rating agencies wield significant influence on the petrochemical industry, shaping benchmarks and investor perceptions, with scrutiny impacting not just reputational standing but also serving as a catalyst for improvement. Leveraging SABIC's expertise to help shape policies that promote innovation and sustainable practices, we engage in global advocacy on key environmental and industry-specific issues. In 2023, SABIC continued collaborating with the American Chemistry Council (ACC), the European Chemical Industry Council (CEFIC), the Gulf Petrochemicals and Chemicals Association (GPCA), the International Council of Chemical Association (ICCA) and others in the Asia-Pacific region including the Association of International Chemical Manufacturers (AICM).

In 2023, SABIC had zero incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services, and zero incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling.

CULTURE AND COMMITMENT

We aim to continuously strengthen SABIC's culture of product stewardship and safety by sharing knowledge, developing appropriate tools, and staying abreast of global trends to meet the product compliance needs and growth aspirations of the company. Alongside regular and diligent Product Stewardship incident tracking and appropriate root cause analyses, we bolster the relational side of Product Stewardship by strengthening internal partnerships via strategic business focal points.

Development of toxicology tools through integration of scientific advances and concepts into Standard Operating Procedures (SOPs) enables our teams to better integrate product stewardship elements across our operations and corporate functions. We aim to identify, and where applicable, institutionalize new toxicology tools each year to enhance our risk assessment processes and to help minimize animal testing. We are committed to ensuring the safety of our products throughout the product's life cycle. SABIC currently follows the "3R Concept" for product safety testing: (a) to Reduce animal testing by minimizing the numbers of animals in product safety studies, (b) to Refine animal testing by using methods that minimize distress and improve animal welfare and enrichment, and (c) to Replace animal testing by using non-animal alternative test methods, as appropriate. SABIC has published its Animal Welfare Guidance on its corporate website.

Additionally, SABIC mainstreams connectivity to EHSS aspects and manufacturing processes through manufacturing focal points (MFPs). A pivotal component involves periodic review of our Safety, Health, Environment, and Management Standards (SHEMS), wherein product stewardship principles and the product safety code expectations are integrated into the system to exemplify a holistic approach to sustainability and safety within the organizational framework.

At the Product Stewardship employee level, our commitment to continuous improvement is manifested in efforts to build technical competencies, boosting both individual and team skills, and providing training, coaching, mentoring, and project leadership opportunities.

An important development in 2023 was the formation of Compliance Systems and Master Data (CS-MD) functional team within Global Product Stewardship to develop, maintain, and enhance product compliance system domains. These functional areas include SDS publishing, as well as master data governance, and analytics reporting. The team oversees the architecture, design, and maintenance of our system landscape, process enhancements and digital tools that are leveraged by SABIC's product stewardship function to support its operational and sustainability ambitions. This new CS-MD team joins the other two Product Stewardship functions of Regulatory Affairs (Stewardship's eyes to the regulatory world) and Product Safety (our Product Stewardship interface to the downstream value chain) and Toxicology (our assessors of human health and environmental risks of SABIC's raw materials and products).

PRODUCT STEWARDSHIP EXPERIENCE

A strategic project several years in the making, the Product Stewardship Experience is a six-module course for SABIC employees designed to instill and elevate a culture of product stewardship within the company.

The course engages the many aligned and cross-cutting roles within SABIC that interface with Product Stewardship and provides a comprehensive understanding of toxicology concepts and principles, regulations, hazard communication and incident reporting, manufacturing best practices, product risk, and other emerging issues in the product safety sphere.

In 2023, the course added in classroom learning methods to complement the virtual training format. To date, we have over 300 graduates. We added several new Product Stewardship trainers, bringing our total to over 20 to help roll out the program across the globe. Course content is reviewed and refreshed regularly.

LOOKING FORWARD

In order to meet our ambitious strategic initiatives over the coming years, SABIC's Product Stewardship function will continuously evolve its compliance management systems; develop new tools; and pioneer new technologies (e.g. non-animal testing, AI capabilities), to enable improved efficiencies and better product risk mitigation.

We will continue to utilize the Product Stewardship Experience modules and other learning opportunities to advance a culture of product stewardship and safety across SABIC, while simultaneously working with partners to identify best practices and establish industry benchmarks to advance our product sustainability needs.

SABIC's Safer Chemistry program will enable us to deliver new products with better human health and environmental outcomes, while managing chemical risks associated with existing products in the value chain. Circularity will be a key focus area of our external stakeholder engagement, particularly focused on government chemical regulatory developments, to unlock new technologies and produce renewable and recoverable feedstock for the production of chemicals and plastics.

The challenges posed by an increasingly complex global product regulatory environment and more extensive expectations from external stakeholders require continuous review, agile decision-making, and careful allocation, alignment, and prioritization of our resources and workforce needs.

PRODUCTION

OUR MANUFACTURING ASSETS

SABIC's core focus is manufacturing materials in alignment with its overall strategy and vision, establishing targets and accountability to deploy resources efficiently while delivering on production goals.

OUR APPROACH

Manufacturing materials is SABIC's primary activity and, as such, the fundamental objective of our manufacturing strategy is to align our production capabilities with SABIC's overarching strategy and vision. The manufacturing strategy establishes targets, ownership, and accountability, which in turn allows us to use our resources efficiently, optimize costs, ensure a safe working environment, and maintain the health, integrity, and reliability of our assets as we work to deliver on our production goals. The strategy is comprised of four pillars–Risk Management, Human Capital Development, Asset Life Cycle Management, and Value Creation Leadership–underpinned by a culture of continuous improvement. Each pillar comprises a set of programs to sustain the business focus on manufacturing excellence for safe and reliable operations as well as the competitiveness of our manufacturing operations.

FOCUS ON DIGITALIZATION

Digitalization plays a central role within manufacturing and, hence, it presented one of the earliest opportunities to embrace digitalization, allowing us to elevate asset performance through several digital initiatives:

1. We introduced Asset Healthcare, a digital program, to complement existing manufacturing efforts toward improving asset reliability in over 100 plants globally. In the next five years, SABIC forecasts achieving close to US$ 400 million in material loss avoidance through this program, along with being able to better predict potential failures, allowing for proactive maintenance and minimizing unplanned downtime.
2. Smart inspection technologies such as robotics and drones have been adopted in manufacturing on large scales, aiming to elevate plant integrity and safety by addressing issues such as corrosion under insulation, immersive tank inspection, and flare tip inspection. SABIC will continue to leverage the exploration and promotion of advanced technologies to expand its adoption of asset life management.
3. The plant efficiency digitalization initiative leveraged AI and machine learning to achieve optimum plant performance in all aspects–processes, energy, and environment. The initiative is utilizing multiple predictive solutions to forecast optimal production conditions for maximizing yield and prolonging the catalyst life cycle considering factors such as raw material quality, process parameters, and environmental conditions.
4. SABIC has implemented multiple solutions, such as an Electronic safe work permit (eSWP), Operator Round Automation (ORA), and Hazard Prediction System (HPS), that leverage AI and automation processes to improve EHSS performance and reduce EHSS risk.
5. Energy efficiency and carbon emissions reduction have been focus areas of manufacturing's digitalization strategy since inception, with initiatives across several dimensions:
   a. Asset efficiency and optimization: We are deploying AI models that boost asset efficiency and optimize operational performance (i.e., maximum production with minimum possible energy consumption and carbon emissions). In addition, other AI models forecast energy demands and carbon emissions, allowing operational teams to plan.
   b. As unplanned shutdowns are a key contributor to high energy consumption and hydrocarbon release/emissions, Asset Healthcare aims to predict critical asset failures and minimize asset shutdowns, which will considerably minimize the high energy consumption resulting from such shutdowns.
   c. Real-time monitoring and tracking brings visibility to SABIC resource efficiency and emissions performance metrics for all assets.

2023 DEVELOPMENTS

OPERATIONS MANAGEMENT

The Operations Management System (OMS) provides the framework for both manufacturing and non-manufacturing sides (covering both performance and EHSS) to standardize their management systems to ultimately reduce risk, optimize cost, and increase revenue. The integrated Manufacturing Excellence Assessment (iMEA) initiative continued to assess the adaptation of OMS and reliability programs. iMEA is a risk-based assessment that helps mitigate our operational risks, capture opportunities, and build maturity toward operational excellence.

The Asset Maintenance Transformation Initiative (KAFAA) Wave-I was implemented at five sites to enhance maintenance productivity and planning efficiency and optimize service cost and material demand. As part of KAFAA activities to promote the competencies and capabilities of site teams, the company developed 28 champions, conducted 143 training sessions with 987 attendees participating, and organized 15 networking workshops.

OPERATIONS DISCIPLINE

SABIC continues to enhance performance drivers and seek operational excellence through the Operations Discipline program, which was established to ensure compliance with critical operational elements during manufacturing processes, capitalizing on best operational practices and complementing other corporate programs, such as SHEMS and OMS. It will lay the foundation for best-in-class standards while creating an environment of continual improvements and consistent implementation.

The Operations Discipline program helps manufacturing sites develop and deploy a structured operational discipline culture to ensure that tasks are performed in a manner consistent with the organization's risk tolerance and that everyone is doing the right thing, at the right time, every time. In 2023, the Operations Discipline maturity level improved by 7%.

SHUTDOWNS/TURNAROUND MANAGEMENT

Key strategic turnaround initiatives were deployed to maximize gains such as turnaround cycle optimization for better on-stream factor (covering 14 plants) and a risk-based turnaround scope validation (covering 22 events). The Turnaround Assurance team was able to implement best-in-class operations management systems and best practices, enforced through 22 Turnaround Readiness Assessments sessions with the contribution of 37 subject matter experts, and generate 415 recommendations.

WATER TREATMENT TRANSITION PROGRAM

SABIC launched an initiative that will enable it to reduce reliance on a single source supplier, lowering business risks and operational costs. Additionally, SABIC developed a water treatment performance dashboard as part of its ongoing digitalization efforts.

FURNACE FAILURE PREVENTION PROGRAM

The furnace failure prevention program was deployed at all crackers following the validation and review schedule for all sites.

ADVANCED PROCESS CONTROL

SABIC deployed a Dynamic Real-Time Optimizer solution at six Olefin Plants' Steam Crackers in Saudi Arabia under a value-creation program. This solution is integrated with the plant's existing Advanced Process Control applications and has maximized steam-cracker production. In addition, both energy optimization and dynamic profit maximization have been achieved while maintaining the production of high-value products specified within safe operating windows.

Significant value has been created exceeding the initial estimations, in most cases, by a factor of two. This technology is being rolled out at the remaining crackers as part of a multi-year implementation program.

COMMUNITIES OF PRACTICE

We launched seven Communities of Practice across Saudi Arabian sites in 2023. These Communities of Practice brought together people operating similar plants and technologies allowing them to discuss, share concerns and opportunities, and collaborate on solutions. Through this initiative, SABIC is creating a knowledge-sharing culture to tap into the reservoirs of expertise across its business.

LOOKING FORWARD

As we look to 2024, we are working to improve our processes in line with our business plan and vision. These initiatives include

- continuing improvements to the asset performance index (APi) and Asset Programs Maturity Plans as per the manufacturing strategy with consideration to the new risk-based model deployment
- leveraging support for manufacturing growth projects in accordance with SABIC's strategy and vision
- introducing Phase II of our manufacturing services initiative, which includes material management, contract services, and industrial services, to ensure a seamless transition that minimizes any potential disruptions to business continuity
- initiating the value realization of our automation and digitization initiatives within our manufacturing strategy, aiming at enhancing operational efficiency, increasing productivity, and optimizing overall cost
- capitalizing on our internal resources to minimize dependence on external workshop services, uplift our capacity and capability, and ensure efficient utilization of resources
- executing the carbon neutrality roadmap at all our manufacturing facilities.

DIGITALIZATION

SABIC's journey of digital transformation seeks to create a competitive edge, enhance productivity, and meet customer needs through leveraging big data, machine learning, and Artificial Intelligence (AI).

OUR APPROACH

At SABIC, we quickly recognized the enormous potential of digitalization and the power of big data, machine learning, and AI. This led to the creation of the Corporate Digitalization Program in 2019, specifically aimed at digitalizing key parts of our business—driving greater productivity, efficiency, and cost-effectiveness across diverse areas, while enhancing our ability to meet the needs of our customers.

To achieve these aspirations, SABIC's Digitalization team addresses three different focus streams: a data science and big data team that drives the execution of currently placed initiatives while developing the internal digital capabilities required for upcoming solutions and algorithms; a team of subject matter experts from different functions to ensure close technical integrity of the developed solutions; and a governance and assurance team that monitors progress of different initiatives and executes a change management workflow to ease corporate-level changes. The teams have worked relentlessly and were able to create the SABIC Big Data Platform; a comprehensive data lake system that integrates internal SABIC data from its manufacturing sites and its corporate functions around the globe, and external data sources such as indices and business intelligence charts.

With the data platform set up, the digitalization team applied multiple technologies such as AI and machine learning to develop a set of solutions that address different aspects of the business. Another work stream has been actively working on "Digital Ventures" to develop, incubate, and commercialize disruptive ideas that can de-risk SABIC exposure to digital disruptions and open new revenue stream channels for SABIC. This setup allows SABIC to become more agile and innovative, and establishes a solid internal team of human capital.

The success of SABIC's digitalization efforts is monitored frequently through multiple governing bodies at different levels within the organization, chaired at the highest level by SABIC's CEO. This success is measured through multiple metrics, including the value generated to the organization and the level of adoption and utilization of digital solutions by the business units. Another important metric is SABIC's digital maturity, which assesses the company's digital maturity compared to the industry.

As part of the efforts to improve digital awareness among employees, we are proud of our permanent exhibition space, "the Digital Experience Center", to spread understanding of the importance of digitalization to the chemical industry.

Digital Experience Center

PERFORMANCE

Throughout 2023, relevant milestones were achieved:

- Continued efforts in building digital capabilities across SABIC through different dimensions; such as sending employees for higher education programs that specialize in Digitalization Technologies, or by providing training for solutions' users, and licensing for inspection drones and robotics operators
- Increased innovation footprint by filing five different patents related to Digitalization and its solutions
- Launched several digital solutions for manufacturing across different SABIC sites. These solutions utilize big data technologies with machine learning and AI algorithms to proactively address process deviations and reliability upsets, and to increase gains through new opportunities.

- Deployed end-to-end digital solutions to enhance SABIC business processes, covering aspects from feedstock and product management to sales and price prediction solutions.
- Deployed a support platform to scientists during their research and development of new products, facilitating the acceleration of the ideation phase and access to information.
- Continued exploring cutting-edge technology solutions by adopting dimensions of generative AI into our strategy.

SUSTAINABILITY

Since the founding of the SABIC Digitalization Strategy, the concepts of energy efficiency, operational footprint, and GHG emissions reduction have been essential cornerstones, allowing SABIC to identify various dimensions in which digitalization can contribute to sustainability:

- **Efficiency and optimization:** SABIC is deploying AI models that boost asset efficiency and optimize operation performance. These models can provide valuable guidance to the operational teams in achieving optimum operational parameters to maximize production while reducing energy consumption and carbon emissions. In addition, different models were developed to forecast energy demands and GHG emissions, and predict any possible future deviations in order to mitigate them in a timely manner, leading to a reflected improvement in asset efficiency.
- **Asset reliability and integrity:** SABIC's AI models can predict critical assets' deviations that could result in production upsets. These upsets increase energy consumption and contribute to a large portion of GHG emissions. By deploying these AI solutions, SABIC can advance the implementation of proactive measures to cut downtime. Alongside that, by adopting advanced robotics (such as drones and robots) to predict asset integrity and monitor its healthiness, the potential of failures or shutdowns is reduced.
- **Real-time monitoring and tracking of SABIC's global sustainability footprint and carbon neutrality performance:** AI algorithms connected to highly advanced sensors within SABIC affiliates provide a deeper insight into operational parameters, allowing early detection of any deviation within sustainability metrics to be corrected in a timely manner. This will bring real-time visibility to the company's sustainability performance for all its assets globally.

LOOKING FORWARD

As the journey towards digitalization continues, SABIC will continue to capitalize on the potential of digital technologies to create new value streams, drive growth across the SABIC global network, and deliver benefits to the chemicals industry and our customers. In 2024, SABIC will focus on the following:

- Continue developing digital capabilities across all levels within SABIC to prepare the company's talent for the digital age.
- Transform the way of conducting business by identifying key new initiatives for the next strategic digitalization cycle while realizing the full potential of existing solutions.
- Continuing the incubation of new digital business models with the intention of commercializing these digital ventures.
- Positioning digital as a key enabler in support of SABIC's growth ambitions.
- Leveraging internal/external synergies with other transformation teams, seeking potential collaboration opportunities with external partners such as Saudi Aramco, research centers within academic institutions, and governmental entities.

Digitalization is a substantial opportunity in the global chemicals industry, opening new avenues to functional excellence and creating new business models, helping SABIC to deliver Chemistry that Matters™.

CYBERSECURITY

Cybersecurity breaches are an ongoing threat to the industry globally, and they can have major repercussions on businesses. Considering the potential impacts of cyber-attacks, SABIC has established a comprehensive program for effective and sustainable cybersecurity practices, to protect its business and manufacturing operations.

OUR APPROACH

SABIC has embarked on a corporate digitalization program that will implement latest technologies across business domains and bring manufacturing technology systems into digitized operations for improved efficiency. Like many other organizations, SABIC is also navigating through cybersecurity challenges arising out of geo-political conflicts, proliferation of malicious actors, and industrial espionage. Cybersecurity becomes increasingly important in this context, to ensure that the company's manufacturing processes are not compromised, and its digital assets and data are safeguarded.

SABIC Cybersecurity is governed by the Corporate Cybersecurity Committee chaired by the CEO, and it is integrated with the global enterprise risk management framework, to ensure relevant mitigations are put in place as the nature and sophistication of cyberattacks evolve. Every year, the rolling cybersecurity improvement program is reviewed and refined to address the highest priorities, assess risk, and measure cybersecurity maturity against industry benchmarks.

The company has taken measures to protect its intellectual property and sensitive data. The cybersecurity policies and standards are reviewed on ongoing basis to ensure compliance with national and international regulations and best practices.

SABIC's crisis management teams are continuously improving their capability to be prepared to respond to cybersecurity threats targeting information assets, manufacturing plants, and operations. The cybersecurity assurance team conducts various exercises and tests to make sure SABIC systems are well protected. With independent involvement of SABIC Internal Audit, audit coverage is maximized to enforce consistency of cybersecurity controls across the organization.

Following the principle of security by design, the Cybersecurity team is engaged in all projects and major process developments, assessing risks alongside the Global Digitalization, Manufacturing, Global IT Teams, and SABIC global business units, raising any potential cybersecurity concerns to mitigate them before any changes are implemented.

PERFORMANCE

SABIC's reputation for strong cybersecurity practices has bolstered the confidence of its business partners to favor SABIC as a partner of choice. In 2023, SABIC retained the ISO/IEC 27001 cybersecurity certification for its global operations.

SABIC developed a platform 'CONFLUENCE' based on a risk-driven and unified approach, aligned with industry-standard frameworks, that provides a holistic and granular view of the cybersecurity posture for the organization and its units.

Opportunities to take advantage of the progress in AI have been examined, and cyber defenses have been embedded with AI tools, as a measure against sophisticated cyberattacks, especially in the light of Generative AI entering the mainstream quickly during the year.

A comprehensive cybersecurity annual awareness program was conducted for employees and their family members, as well as third parties to equip them in identifying cyber threats and ways to deal with attacks. Also, the cybersecurity team members globally are provided training in various domains on a continuous basis to be up-to-date with changing environments.

SABIC has not recorded any cybersecurity breaches in 2023, and is taking continuous measures to uphold this standard in the years to come.

CREATING COMMUNITY AWARENESS ABOUT CYBERSECURITY

SABIC is sponsoring a nation-wide cybersecurity program (AAMN) in liaison with the National Cybersecurity Authority (NCA) and Ministry of Education (MOE). This program caters to a cross-section of society, encompassing the general public, educational institutions, universities, and schools. The program, inspired by Saudi Vision 2030 and in line with the National Cybersecurity Strategy, aims to create effective community awareness and participation to protect the Saudi cyber-space and digital economy. The program will hold exhibitions, seminars, and interactive multi-media sessions in 14 cities spread around Saudi Arabia.

Material topic

ENVIRONMENT, HEALTH, SAFETY, AND SECURITY

GRI 303-1; 303-2; 303-3; 303-4; 303-5; 306-1; 306-2; 306-3; 306-4; 306-5; 305-7; 403-1; 403-2; 403-3; 403-4; 403-5; 403-8; 403-9; 403-10; 410-1

Protecting EHSS is at the heart of our business. From educating our stakeholders, to promoting health, safety, and wellbeing in the communities where we live and work, we strive to create a culture of stewardship in everything we do.

Occupational health and safety

1 Fatality	0.001 Fatalities rate (fatalities/ 200,000 hours worked)
0.10 Total recordable incident rate (incidents/200,000 hours worked)	0.001 Occupational illness rate (illnesses/200,000 hours worked)

Air emissions

21,567 NOx (metric tons)
2,933 SOx (metric tons)

Process safety

11 API 754 PSE Tier 1 (incidents)*

SABIC's reporting is consistent with the globally reported EHSS KPIs in similar industries. All injury and illness-related data and metrics are created and calculated using definitions and procedures analogous to those set forth in United States' 29 CFR 1904 (the Occupational Safety and Health Act, OSHA) and as per SABIC EHSS policy. All process safety-related data and metrics are created and calculated as per the guidelines of American Petroleum Institute (API) 754 (Third Edition, August 2021).

Waste

484,585 Hazardous waste generated (metric tons)	348,774 Hazardous waste diverted from disposal (metric tons)	135,811 Hazardous waste directed to disposal (metric tons)
139,655 Non-hazardous waste generated (metric tons)	46,505 Non-hazardous waste diverted from disposal (metric tons)	93,155 Non-hazardous waste directed to disposal (metric tons)

** API 754 3th Edition*

OUR APPROACH

SABIC strives to maintain the highest EHSS standards throughout the organization, extending to all entities, divisions, and partners. We consistently seek to strengthen EHSS competencies and policies across our organization through implementing world-class processes and best practices. We have developed many proactive/leading and reactive/lagging KPIs to monitor the performance of all SABIC entities globally, to drive performance improvements, and maintain a strong EHSS culture. This allows us to operate our facilities in compliance with applicable laws and regulations and in a safe and stable manner.

POLICY, STRATEGY, GOVERNANCE

In keeping with our ambition to maintain the highest EHSS standards, we believe in prompt, full, and transparent reporting of any non-compliance with our requirements and obligations as outlined in our EHSS policy.

Our EHSS policy provides an overall direction to the whole organization and forms the basis that drives our efforts and journey towards EHSS improvement.

Our EHSS strategy has an important focus on creating and maintaining a strong EHSS culture through enhancing employee competency and accountability. Our aim is to enable our employees to be capable of identifying EHSS risks in every situation and ensure high-quality risk-mitigation actions are put in place. In particular, these are some of the main areas of focus for EHSS:

- Promote digitalization within EHSS
- Improve EHSS maturity
- Improve process safety risk identification
- Improve safety performance by excellence in work permit and energy isolation
- Enhance environmental risk identification

EHSS is embedded in the SABIC identity and we cascade EHSS strategies and objectives to all aspects of our organizations. From our growth strategy to our sustainability initiatives or supply chain operations, EHSS aspects such as reducing environmental impact, further improving plant safety design, or shipping our materials without incidents are part of the responsibilities of the organizations.

The SABIC EHSS Executive Council meets regularly to monitor our global EHSS performance against strategic objectives and to offer guidance and direction. In addition, the leaders of site, functional, and manufacturing affiliates, who participate in the Council, meet to coordinate strategies and monitor the implementation of council directives.

EHSS MANAGEMENT SYSTEMS

Clear and comprehensive EHSS risk management systems are necessary to ensure that everyone understands and consistently implements the actions and procedures necessary to achieve EHSS excellence. To this end, SABIC has developed an EHSS management system for all SABIC and affiliate manufacturing and commercial facilities and operations. The goal of SABIC's EHSS management system, guided by our SHEMS is to establish a world-class EHSS risk and performance framework, focused on the significant aspects we determine through our risk identification processes. The foundation and core principles of SHEMS are to

- comply with all applicable laws and regulations
- identify and appropriately manage risks
- provide safe, stable, and compliant operations
- minimize environmental impact
- protect the safety and wellbeing of our employees
- ensure rigorous and comprehensive security and crisis management systems
- deliver good relationships with the communities in which we operate
- drive continual improvement

These programs are required by, and support, SABIC's strong governance and Code of Ethics and EHSS policy.

DIGITALIZATION AND DATA MANAGEMENT

SABIC monitors EHSS performance metrics and strives to continually understand the underlying causes of incidents, comprehend behavioral aspects, and identify any resulting near-misses to learn and implement best practices aimed at reducing repeating incidents.

We are working with several digitalization initiatives to optimize EHSS performance data quality and efficiency. Our EHSS performance monitoring is built into the EHSS Management System and updated with the latest international best practices and standards.

Digitalization is crucial to SABIC's future EHSS plans and has the potential to take our performance to new heights. Technology, especially data analytics, AI and visualization tools, is enabling us to become even more proactive by delivering deep insights that not only mitigate potential EHSS risks—but raise the bar. The value that digitalization can have here is immense, especially when considering that EHSS performance has become a competitive differentiator today with customers, regulators, and investors around the world.

COMPLIANCE, ASSESSMENT, ACCOUNTABILITY

All SABIC and affiliate manufacturing sites are required to perform regular self-assessments, are periodically audited by off-site teams, and from time-to time are inspected by the regulatory authority. We are committed to promptly addressing concerns, conducting thorough internal reviews, and implementing corrective and preventive actions to rectify potential compliance issues identified during these internal self-assessments or regulatory inspections (including responding to any notices from an agency of a non-compliance concern). We take such notices seriously, viewing them as opportunities to enhance our practices and uphold the highest standards of professionalism.

In connection with certain incidents that occurred between 2015 and 2019 at one of our sites in The Netherlands, in late January 2024, SABIC received an unfavorable court ruling. Even though we are appealing the court decision because we believe the ruling does not reflect the merits of the case, addressing safety and environmental concerns remain our top priority.

Ultimately, SABIC and affiliate senior leaders are accountable for the EHSS performance of their organizations. Consistent with this accountability, leaders take responsibility to ensure compliance with EHSS regulations in all regions and countries in which we operate our business. Our leaders are supported by EHSS specialists at our manufacturing sites, our regions, our business units, and our headquarters.

Management reviews of EHSS performance are conducted periodically by senior leaders and across all levels of the organization and are key to program success for both compliance and performance. Key issues such as progress in meeting goals and site-specific objectives and targets, audit results, completion of corrective actions, and changes in EHSS risks, opportunities, and the regulatory environment are reviewed periodically.

CERTIFICATIONS/STANDARDS

In addition to complying with our internal EHSS management standard, our programs are certified to comply with key external standards:

- Responsible Care® 14001 certification at all chemical manufacturing locations around the world.
- ISO 14001 certification at all chemical manufacturing plants globally plus many of our other locations.

As a certified Responsible Care® company, SABIC commits to develop world-class EHSS programs and practices. In 2023, SABIC passed through Responsible Care® RC14001:2015 and Environmental Management System (EMS) standard ISO 14001:2015 re-certification for sites across Middle East and Africa, the Americas, Europe, and Asia. In Middle East and Africa, we also maintained ISO 45001:2018 for occupational health and safety through a re-certification process.

Additionally, SABIC continues to participate in global Responsible Care® programs through regional chemical associations such as the American Chemistry Council (ACC) in the US, Gulf Petrochemical and chemical association (GPCA) in the Middle East, and Association of International Chemical Manufacturers (AICM) in Asia. These activities include participating in several committees, task forces, and code peer review.

EHSS COMPETENCY DEVELOPMENT

SABIC recognizes the importance of having an educated workforce that strives to identify emerging EHSS risks and opportunities. In order to maintain the right balance of knowledge within each organization, it is critical that all the EHSS competency development programs run in a cyclic mode and those that recently joined our company get a chance to acquire specific EHSS knowledge required in their jobs. SABIC's ambition of an educated workforce also includes contractors, since we all need to comply with our EHSS management systems and understand the risks associated with the activities undertaken. We have specific programs for process safety, health and safety, industrial hygiene and environment, and a complete curriculum for security personnel.

OCCUPATIONAL HEALTH AND SAFETY

SABIC and its affiliates are committed to operating facilities safely and responsibly, continuously improving programs to promote safety and minimize employee and contractor injuries and illnesses.

SABIC pursues this goal of injury and illness prevention through the implementation of safety and health programs. These programs are designed to ensure that all of our sites have a strong safety culture and clear procedures, underpinned by active, engaged participation by employees and contractors.

SABIC's SHEMS include all key aspects of safety including process safety, industrial hygiene, management of change, transportation safety, and safe work practices.

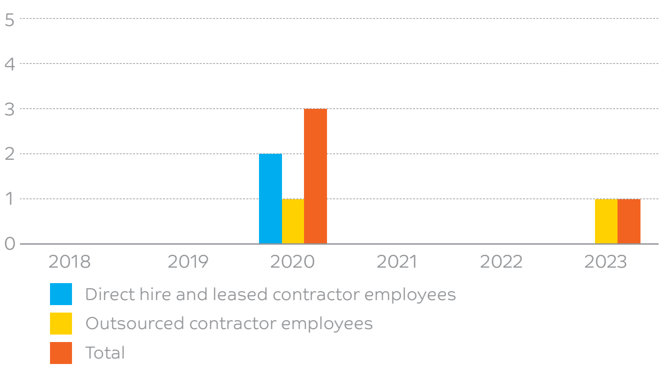
The SABIC Life Saving Rules (LSR) program complements our belief that EHSS is a core value. The goal of these LSRs are to highlight the hazardous elements of our operations and reinforce the procedures that require absolute focus to avoid serious incident or injury. The LSR program emphasizes the standards and expectations for all employees and contractors working at SABIC facilities.

KEY DEVELOPMENTS IN 2023

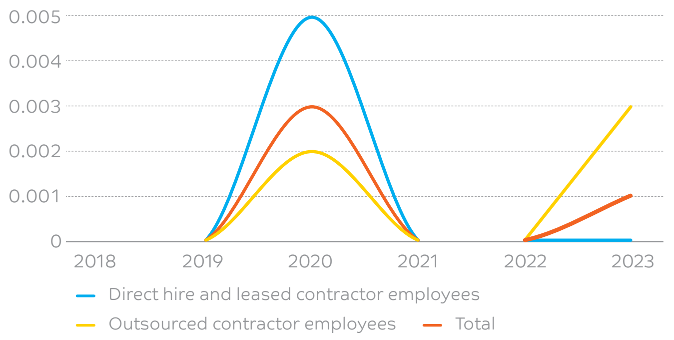
INCIDENTS AND INCIDENT RATE

Serious injury or loss of life is never acceptable at SABIC. However, despite all our efforts, one of our outsourced contractors lost his life in a work-related incident in 2023. Safety and environmental protection have always been our top priority and core to our company's culture. We remain committed to rigorous incident investigation, awareness, and action and to maintaining robust plant and work processes to prevent similar incidents in the future. To underscore this message, SABIC conducts detailed incident reviews with clear takeaways from each incident to share with each individual site as well as sharing best practices and lessons learned globally through our EHSS town halls. Some examples of best practices and lessons learned include, but are not limited to, focusing on leadership visibility and impactful engagement, emphasizing operational discipline and a positive workplace culture, and reinforcing front-line operations for proper risk identification.

FATALITIES (#) Info

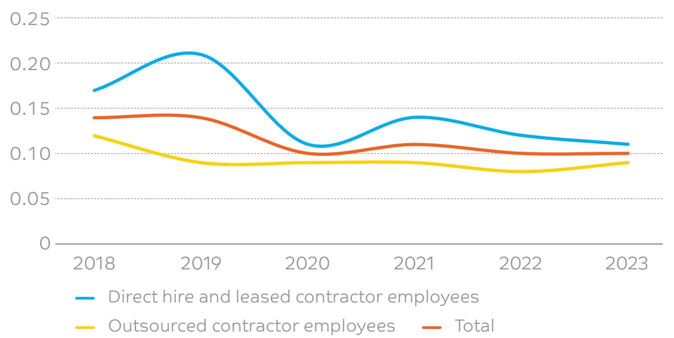


TOTAL FATALITY RATE (per 200,000 hrs) Info



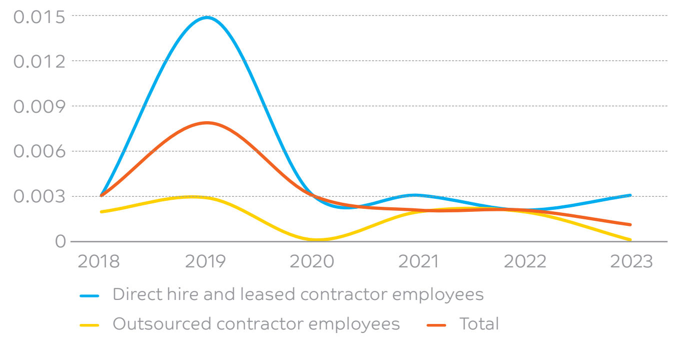
The total recordable incident rate remained stable from 2022, with the trend improving by 8% for direct hire and leased contractors and increasing by 13% for outsourced contractors.

TOTAL RECORDABLE INCIDENT (INJURIES & ILLNESSES) RATE (per 200,000 hrs) Info



The total occupational illness rate remains low, improving by 50% compared to 2022, and remains a modest contributor to the total recordable injury and illness rate.

OCCUPATIONAL ILLNESS RATE (per 200,000 hrs) Info



In 2023, we continued with our efforts on occupational health and safety competency of our employees and contractors through programs like National Examination Board in Occupational Safety & Health (NEBOSH), British Occupational Hygiene Society (BOHS), Job Safety Analysis or Human Failure Model.

On the Human Failure Model, we have undertaken an extensive campaign with our leadership teams, engaging with site presidents, directors, and other senior managers with the objective to embed this thinking process in all our activities.

We have also worked in the revision and the deployment of the improved work permit and energy isolation standards with its associated tools. Additionally, we are deploying electronic safe work permits in several plants to drive effective implementation of related management systems with high compliance and visibility. This will be followed by Operator Round Automation. We are also developing a Hazards Prediction Solution that leverages AI to predict potential new or elevated EHSS risks.

With the utilization of Digitalization tools like the Electronic Safe Work Permit and the Hazard Prediction Solution, we aim to enhance the productivity of our employees, and transform their way of work to be safer and more agile. This creates new business models that promote visibility and transparency across all domains in the business.

On contractor management, the focus in 2023 has been on further improving the qualification process, increasing EHSS awareness of our procurement teams and sharing incident learnings, good practices, and performance evaluations with them through initiatives like our "Contractor Safety Day".

As part of our objective to optimize resource utilization, we have created a global database of all our EHSS professionals, their technical skills, and expertise with the intention to identify the strengths of our EHSS professionals of all sites globally, increase their visibility, and create opportunities for growth through collaborations and specific assignments like EHSS assessments or incident investigations.

As hands-on experience is highly valuable for health and safety, we develop specific campaigns that include experiential training, like the "walking is working" campaign with simulations of different kind of surfaces or the confined space modules we introduced in 2022, and continued expanding through 2023. Another area of focus this year was improving ergonomic working conditions and gaining visibility for ergonomic processes.

PROCESS SAFETY

Effective process risk management begins with fostering a culture of good governance. That is why EHSS standards underpin SABIC's core values.

At SABIC, we have set strategic objectives in process safety knowledge and competency development, risk discovery and management, emergency preparedness and response, and technical network support.

The company's manufacturing facilities subject to process safety management regulations have implemented a range of programs to identify and mitigate the risk of fire, explosion, and accidental releases of hazardous materials, including: hazard and operability studies; process hazard analyses; standard operating procedures; training; mechanical integrity assessments; management of change procedures; inspections; pre-startup safety reviews; risk assessments; and audits These programs and protocols are consistent with international regulations and standards (e.g. OSHA PSM, HCIS SAF, Seveso, etc.) and industry best practices, integrated into a comprehensive process safety management program that is applied across SABIC-affiliated manufacturing facilities globally.

In sustaining the journey towards Process Safety Excellence, SABIC's Global Process Risk Management (PRM) team maintained focus on its key strategic initiatives that complement the PRM strategic pillars: process safety capability building, risk discovery and management, and emergency preparedness and response capabilities.

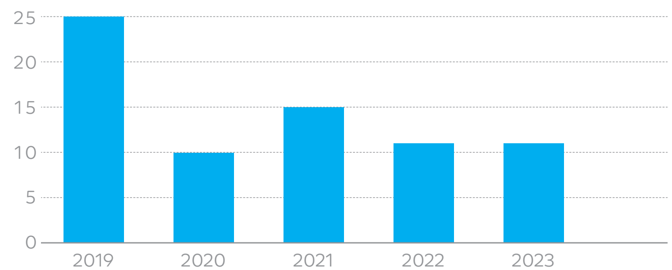
KEY DEVELOPMENTS IN 2023

API 754 TIER 1 INCIDENTS

The API 754 Tier 1 Process Safety Events during 2023 remained equal to 2022, with enhanced quality control processes of all Process Safety events in 2023 resulting in a more mature Process Safety incidents distribution.

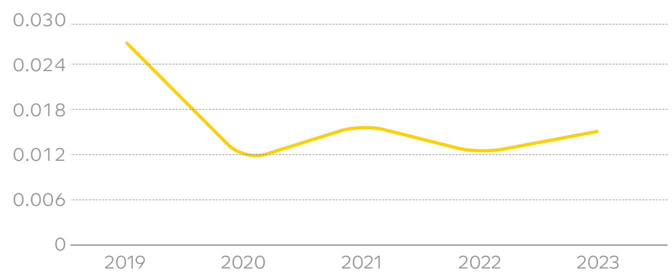
SABIC PROCESS SAFETY TIER 1 (events)

Info



SABIC PROCESS SAFETY TIER 1 RATE (per 200,000 hrs)

Info



PRM continued to build Process Safety competency across the entire organization by developing and offering relevant Process Safety qualifications and training programs throughout 2023:

- Delivered trainings with SABIC global EHSS resources such as explosion risk assessment, SABIC Assurance for EHSS Risks (SAFER) training for leaders, and LOPC evaluation and reporting tool training.
- Incorporated within the SABIC process safety competency framework, each program follows the continuous improvement approach to both content and delivery in 2023. More than 450 employees have participated in key process-safety programs such as the Process Safety Competency Development program for engineers with Mary Kay O'Connor Process Safety Center, Process Hazard Analysis Leaders Qualification program, Foundations of Process Safety training, and the Dust Hazard Analysis training to extend the process hazard analysis capabilities and specifically manage hazards around dust explosions. We also extended access to several of these programs to neighboring industries.

SABIC focused on promoting the mindset of welcomed Risk Discovery through smart metrics encouraging to report risks but equally advocate responding adequately to those risks to permanent mitigations through SABIC Assurance for EHSS Risks (SAFER) risk management and stewardship. With global implementation of IT enabler (eSAFER), continuous monitoring and visibility for EHSS risks is achieved along with active IT enabler enhancements to facilitate stewardship for EHSS risks.

In addition to networking globally, PRM has expanded SABIC's impact in the region through sponsoring regional process safety conferences and actively participating in the Gulf Petrochemical and Chemical Association's (GPCA) newly formed process safety network. such as MOC, PSSR, and SOP/SMP to networking benefits.

SABIC's Emergency Response and Fire Protection (ER&FP) function focused its efforts on monitoring emergency response KPIs through EHSS maturity and support sites to overcome challenges to ensure effective response and readiness for emergencies in addition to developing and arranging required competency programs and trainings for Emergency Response team globally such as NFPA 1072- HAZMAT and Certified Fire Professional Specialist (CFPS). Further, ER&FP has launched an emergency response application and achieved 100% deployment of E-interruption permit to have a quick reference for resources availability and readiness.

CASE STUDY: MT. VERNON BECOMES FIRST AMERICAS SERA ACADEMY TRAINING SITE

It takes more than just equipment to make Mt. Vernon site's Emergency Response Team effective. In addition to the commitment from our dedicated team, it takes constant training.

Like volunteer firefighters, Mt. Vernon's 65 ERT members have other job responsibilities. Not only do they find time to routinely practice on Tuesdays, but they have to maintain certifications on a regular basis too. This has meant incurring the cost of traveling to other locations to complete the necessary certification courses.

Now, the Mt. Vernon ERT is piloting a program that allows its members to do their certifications on site through the Saudi Emergency Response Academy (SERA), which is accredited by Pro Board, the international agency for certifications.

"We can now be a branch academy (of SERA) and train and certify all our people here. We were a pilot program to prove to Pro Board that we could do it," says Emergency Response Manager David McGee.

The first class from the onsite pilot program has graduated and received Pro Board certification through SERA in hazardous material operations and awareness—and they accomplished it all onsite without traveling.

SECURITY

At SABIC, we are committed to ensuring that the Security and Crisis Management function is a core competence of our business.

SABIC has adopted a global security management system based upon Responsible Care® principles, which specifies the requirements for physical security systems based on site tier ranking. In addition, SABIC has created a global Security Center of Excellence, which is responsible for enterprise-wide security risk management. A key feature of this risk management system is the continual identification and assessment of security risks, with management and mitigation measures designed to reduce those risks to levels as low as reasonably possible. Critical security risks include terrorism, sabotage, workplace violence, intellectual property theft, and the safety of our travelling employees. SABIC's security team also recognizes the emerging threats to our cyber and information-management systems. To this end, SABIC leverages multi-functional expertise to ensure the highest possible security profile for information systems. SABIC's cyber security posture is constantly evolving as new threats emerge.

We recognize the importance of effectively managing EHSS-related incidents and other potential crises that may occur. SABIC has a global crisis management system, delivered through management teams at global, regional, and site level as needed. These teams and our facilities are supported by routine training and testing to ensure preparedness.

KEY DEVELOPMENTS IN 2023

As part of our commitment towards full compliance with regulations, our Saudi Arabia manufacturing sites are undergoing major security systems upgrades to comply with government directives under the High Commission of Industrial Security (HCIS). Enhancements include upgrades to Closed Circuit TV systems, integrated security management systems, physical security, and more.

As part of our human capital development objective, we continue in 2023 with the deployment of the training program for security guards to fully qualify them at the required competency level. SABIC also considers the security of its employees while on business travel, including enhancing travel security requirements for the company's top executives. Additionally, SABIC continues to train and promote crisis management awareness through site and region-specific training and exercises.

ENVIRONMENTAL PROTECTION

MANAGEMENT OF WATER DISCHARGE

SABIC's water management systems include the following:

- A thorough inventory of wastewater sources and their characteristics in terms of flow, temperature, and composition.
- Complete drawings/diagrams of the sewer systems, potable/body contact water, process water, and on-site wastewater treatment.
- Reliable sampling, monitoring, recordkeeping, and reporting process to obtain and analyze representative samples for process quality and compliance.
- Processes to periodically identify potential for optimizing water usage/minimizing intake of water, including potential for maximizing re-use of water.
- Detailed storm water pollution prevention plans that identify potential sources of pollution that may reasonably be expected to affect the quality of storm water discharges from the facility and establish preventive and corrective actions needed to minimize risk.

WASTE MANAGEMENT

SABIC recognizes that implementing sound management practices and shifting towards sustainable waste management and circular economy are vital to minimize our environmental footprint. To further that goal, SABIC identified three main drivers: changes in regulation, changes in reputation, and our own internal push for greater resource efficiency.

Our management system ensures waste prevention hierarchy is observed by all the functions that can either control or influence this environmental aspect, and waste minimization plans are in place in order to identify opportunities for reducing waste generation and improving management practices.

Our technical teams explore all options to eliminate, reduce, lower the toxicity, reuse or recycle our waste, and when that is not possible, we give priority to recovery options.

AIR MANAGEMENT

Most of our chemical production facilities around the world have national government-specified limits for air emissions. Compliance with these limits requires specific expertise, infrastructure, and focus on complex regulations. Therefore, we use the best available technique in the design phase of any new project. All our sites have processes in place to identify, monitor, report, and document all air emission point sources. As we seek to further reduce our carbon footprint, we are continuously looking for improvements and new technologies through our global technology and innovation centers and our external partners.

BIODIVERSITY

In 2023, SABIC remained committed to addressing biodiversity within the context of our business operations. We adopted the Taskforce on Nature-related Financial Disclosures (TNFD) framework as a guiding principle and utilized tools such as ENCORE, Integrated Biodiversity Assessment Tool (IBAT), and the Science Based Targets Network (SBTN) materiality assessment tool to assess our material impacts and dependencies. Our ongoing evaluation encompasses risks and opportunities linked to nature across projects, operations, products, supply chain, and existing initiatives like sustainability, circularity, and carbon neutrality. Leveraging insights gained from our biodiversity efforts, we aim to formulate strategies and frameworks that will be transparently communicated to stakeholders, showcasing our future performance in this regard.

KEY DEVELOPMENTS IN 2023

In order to maintain the right balance of knowledge within each organization it is critical that all the environmental competency development programs runs continuously. In 2023 we successfully executed again the NEBOSH competency development training program for Saudi Arabia Affiliate Environment subject matter experts as a part of EHSS strategy Execution.

We are continuously exploring how to embed digitalization in several environmental initiatives to enhance performance and decision support. One such initiative is the deployment of a NOx emission prediction solution, which uses AI and machine learning to forecast NOx emissions by utilizing process and historical data. This helps proactively control emissions and improve environmental compliance.

SABIC constantly seeks opportunities to engage with stakeholders and local communities on EHSS aspects. For instance, we have ongoing interactions with stakeholders like the Royal Commission in Jubail and Yanbu to align on awareness programs, campaigns, or celebrations of significant events like World Environment Day. Additionally, we organize community meetings with our neighbors to explain our environmental programs, review new projects, and update them on emergency drills.

SABIC has set plans to determine how to best report other non-GHG emissions as per international reporting standards, apart from NOx and SOx that we are already reporting globally. In 2023, a comprehensive baseline questionnaire was made to assess current mechanisms for defining, measuring, and reporting parameters like volatile organics or particulate matter with the objective to establish a common reporting methodology.

Continuing with our effort on improving our external reporting, we have been working on an improved approach to disclose the waste data we track internally. We have developed a new SABIC global waste reporting guidance that validates the methodology and collects data. This mechanism is now aligned with standards like GRI and SASB.

We also continue to reinforce our engagement with different agencies and communities by collaborating in various environmental activities worldwide. For example, in June, we had a reforestation and clean-up activity at a natural protected area in San Luis Potosí, Mexico, where more than 200 trees were planted and over 3t of waste were collected.

CASE STUDY: OPERATION CLEAN SWEEP

OCS is an initiative that aims to help the plastics manufacturing industry implement good practices for handling pellets, flakes, and powders, as well as maintaining industrial sites. SABIC has been committed to this program since it was launched in the US by the American Chemistry Council (ACC), and has been actively implementing it across all regions for the past few years.

As an active member of OCS via Plastics Europe, the US Plastics OCS, and GPCA task forces, SABIC has participated in the efforts to develop the OCS Europe and GPCA Certification Schemes, as well as a similar US program that will begin in 2024. The European Certification Scheme is the foundation of the European Union proposals to prevent unintentional losses of plastic pellets. In addition, another European task force is developing a tool to estimate pellet loss.

During 2023, we performed numerous internal OCS assessments and awareness sessions, and we are conducting dedicated leadership inspections on OCS to enhance the sense of felt leadership. We have also created an OCS video that will be used as the basic awareness tool for employees and contractors.

ENGAGEMENT WITH STAKEHOLDERS

As part of our Responsible Care® commitment, SABIC is constantly monitoring not only regulatory trends but also global EHSS initiatives and programs.

We continue our engagement with the world's leading chemical associations, such as the GPCA, the European Chemical Industry Council (Cefic), the ACC, the AICM and others to identify and evaluate upcoming initiatives/programs.

We also participate in the processes launched by leading institutes or standardization organizations like the Center for Chemical Process Safety (CCPS), the European Committee for Standardization (CEN) or the International Electrotechnical Commission (IEC) to provide our technical input and help in shaping these standards.

We continue to evaluate the potential impacts of EHSS regulatory changes, and we engage with regional and global regulators such as the Saudi Ministry of Environment, Water and Agriculture, the Royal Commission for Jubail and Yanbu, and the European Union (EU) (through associations like Cefic and plastics Europe) to assess our readiness and commitment toward compliance in EHSS.

EHSS AND OUR SUPPLIERS

SABIC's third-party management system ensures that the process of selecting and managing third parties (engaged in a legal contract for providing or purchasing materials and services) is conducted in an EHSS responsible manner that is consistent with SABIC's EHSS-responsible efforts. To this effect, SABIC invests considerable efforts in working with contractors and raw material suppliers. For our contractors, SABIC's approach is to partner with them so they can deliver the expected results while fulfilling EHSS regulations with full compliance with our EHSS LSR. Another aspect of the program's goals is centered on Supplier Due Diligence, allowing SABIC to achieve consistent validations of supplier compliance levels against a range of criteria including SHEMS, Responsible Care® 14001 requirements, and SABIC Supplier Code of Conduct.

SUPPLY CHAIN EHSS

The Chemical Road Transportation Safety Assessment System (CRSAS) and Chemical Warehouse Safety Assessment System (CWSAS) have been established to assess the **quality, safety, security, environment, sustainability management systems** of road transport service providers and warehouse service providers, respectively, in a uniform manner by independent assessors in China. SABIC has contributed to both CRSAS and CWSAS in China by sending a representative to join the technical committees of both systems to attend various activities. In 2023, SABIC's representative delivered a training course to road transport service providers, and attended a revision group to revise CRSAS checklist to align with the latest Chinese regulatory requirements and Safety and Quality Assessment System (SQAS) questionnaire. The revised CRSAS checklist was rolled out at by the end of 2023. For CWSAS, after such efforts as system design and setup, demo assessment, and training for assessors in 2022, CWSAS was successfully launched in early 2023.

CLIMATE CHANGE AND RESOURCE EFFICIENCY

Material topic

GRI 201-2; 3-3 (305); 305-1; 305-2; 305-3; 305-4; 305-5

Having publicly pledged to achieve carbon neutrality in all operations by 2050, our Carbon Neutrality Roadmap outlines a 20% reduction in GHG emissions (scopes 1 and 2) by 2030 from a 2018 baseline. In addition, our resource efficiency targets are central to achieving our sustainability goals.

25.0% GHG intensity reduction[1]	17.3% Energy intensity reduction[1]	19.5% Water intensity reduction[1]	52.2% Material loss intensity reduction[1]
2.09 Flaring (Mn. tCO_2e)	37.2% Flaring emission reduction[1]	3.84 Total CO_2 utilization (Mn. t)	12.5% Absolute GHG (total scopes 1 and 2) reduction[2] (tCO_2e)

[1] *Baseline: 2010*

[2] *Baseline: 2018*

Read more about our reporting boundaries here.

CARBON NEUTRALITY ROADMAP

OUR APPROACH

In 2021, we made a public pledge to ensure that all the operations under our control are carbon neutral by 2050, keeping in line with the goals of the Paris Agreement. Our Carbon Neutrality Roadmap establishes the overarching vision for achieving this goal by 2050, with an interim target of reducing GHG emissions (scopes 1 and 2) by 20% by 2030 from a baseline of 2018. Our approach over much of the last decade was oriented by intensity-based GHG emissions targets (tCO_2e/t products sold) for 2025 from a baseline of 2010. While we will continue to monitor intensity targets over the next two years, the roadmap supersedes this approach and shifts the focus to absolute targets (tCO_2e).

The roadmap identifies five key pathways toward de-carbonization: reliability, energy efficiency, and improvements; renewable energy; electrification; carbon capture, utilization, and storage; and low-carbon hydrogen. To meet our 2030 goals, our primary emphasis will be on reliability, energy efficiency and improvements, renewable energy, and carbon capture. SABIC intends to spend on average 10% of its annual capital spending directly on carbon neutrality initiatives, on top of additional spending required for making growth projects sustainability-compliant. In order to minimize capital expenditure demands and utilize capital in an efficient manner, our intention is to utilize existing technologies and leverage power purchase agreements (PPAs) to replace grid-based electricity. Carbon Capture, Utilization and Storage (CCUS) remains the most strategic option for us, while electrification and low-carbon hydrogen remain an integral part of our long-term plan to drive progress toward carbon neutrality by 2050. Since this baseline of 2018, SABIC has realized a reduction of 12.47% in absolute scope 1 and 2 GHG emissions, primarily driven by our efforts in improving the energy efficiency of our assets and renewable power incorporation.

In 2023, SABIC affiliates also started rolling out affiliate-specific roadmap execution plans. These plans are the first step in identifying the carbon abatement mechanisms specific to an affiliate and evaluating each program for proper planning of resources and investment.

CARBON NEUTRALITY ROADMAP AND PHASE STRATEGY

20% REDUCTION by 2030
Interim scopes 1 & 2 GHG emissions target **compared to 2018**

We aim to collaborate with our partners in initiatives to reduce indirect **scope 3 GHG emissions** along the value chain

CARBON NEUTRALITY by 2050
in line with the **Paris Agreement** goals

ROADMAP ENABLERS TOWARDS 2050

2030

20%
GHG EMISSIONS REDUCTION

Energy efficiency and improvements

- Technology improvement
- Energy efficiency
- Asset improvement and reliability
- Asset rationalization
- 35-45% contribution to 2030 GHG emissions reduction target

35-45%*

Renewable energy

- Increase renewable energy share in imported energy mix
- Approved strategy of attaining 50% of electricity needs from renewable sources by 2030

35-45%*

- Limited capital investment
- Existing technologies and technologies with high readiness
- Focus on renewable energy, primarily through PPAs

Carbon capture

- High concentration streams potential for utilization – leveraging Saudi Arabia's CO_2 hub
- CCUS collaborations

8-10%*

2050

CARBON NEUTRAL

Electrification

- Using renewable energy
- Electrification of different steam-driven rotating equipment
- Electric cracking furnaces for olefins and aromatic based products

Low-carbon hydrogen

- Commercially available solutions and under early R&D

- Larger capital investment expected
- Technologies currently under development
- Focus on strategic industry partnerships

** % contribution to 2030 GHG emissions reduction target. Electrification and low-carbon hydrogen are anticipated to contribute 0.8% and 0.5%, respectively, to 2030 GHG emissions reduction target.*

ENERGY EFFICIENCY AND IMPROVEMENTS

SABIC has continued to improve its reliability and energy efficiency with the goal of reducing GHG emissions and improving the overall sustainability footprint of SABIC.

- SABIC is committed to the Saudi Energy Efficiency Program (SEEP) in firming up the roadmap to support the government's 2025 SEEP goals. In 2023, SABIC continued to progress in the SEEC 2nd cycle journey with a commitment to bring efficiency of operations and energy usage on par with global trends. To achieve this ambitious target, we have invested over US$ 1 Bn. in more than 90 projects since the start of the cycle.
- We started realizing energy savings from the newly commissioned Petrokemya Cell Line Conversion Mega project that reduced the plant's energy intensity by 34% since commissioning and made substantial progress on a vent gas-recovery project that will reduce the plant's intensity by another 14% after completion.
- We also secured the gas allocation from the Ministry of Energy for the mega corporate initiative "Cogen".

RENEWABLE ENERGY

We have made considerable progress in our energy transition around the globe. Some of the key developments are

- **Europe:** To date, we have been able to transition 43% of SABIC's EU electricity needs to renewable sources leading to cumulative 60% indirect CO_2 reduction at EU level as compared to 2018; by 2026 we aim to source 70% of SABIC's EU electricity needs from renewable sources, leading to cumulative 75% CO_2 reduction at EU level as compared to 2018, and 657,400 tons of CO_2 avoided annually.
- **Rest of Asia:** Smaller scale, site-specific initiatives such as a 305KWp roof-top solar project at Vadodara, India, in 2019; subsequently, in 2023, a 2MW capacity wind turbine generator at Vadodara that generates 55% of the compounding plant's energy needs; a 2MW on-site solar farm project at Rayong, Thailand in 2023, generating around 25% of the plant's energy needs.
- **China:** The SABIC Technology Centre Shanghai (STC-S) has purchased green electricity certificates from the market, covering 33% of its electricity footprint; the Shanghai plant has installed a roof-top photovoltaic system, which consists of 532 solar panels and can produce around 250,000kWh of renewable energy per year; additionally, in 2023, the plant began participating in green energy trading via local power exchange centers (to cover 13% of the plant's energy needs), along with purchasing green electricity certificates from the market; sites at Nansha and Chongqing have developed solar power systems, expected to be commissioned in Q1 2024, that are able to generate more than 310,000kWh and 210,000kWh per year, respectively.
- **Saudi Arabia:** SABIC aims to transition to renewable energy with an ambition of attaining 50% of electricity needs from renewable sources by 2030 through on-site renewable energy generation, PPAs or Renewable Energy Certificates (RECs), and switching from steam-driven compressors and pumps to electric that will reduce GHG emissions.
- **Americas:** The Selkirk site entered into a virtual Power Purchase Agreement (vPPA) with Vitol for the Ripley solar field, which will generate more than 55,000MWh of green electricity every year. The renewable energy certificates from this collaboration will help lower the CO_2 footprint of specialty resins by a minimum of 15,000t of CO_2/yr.

CARBON CAPTURE, UTILIZATION, AND STORAGE

Under this pillar, we seek to invest in and build assets that convert captured carbon into feedstock for our industrial processes.

In partnership with the Circular Carbon Economy National Program (CCE-NP), we delivered the world's largest carbon capture utilization hub in Jubail. We are proud to collaborate with CCE-NP and the Saudi Ministry of Energy to invest and create carbon capture infrastructure to help reach the Saudi Vision 2030 goal for Saudi Arabia to become carbon neutral by 2060.

We are studying investments in additional carbon capture units at our assets located in Jubail to facilitate capturing up to 2 million metric tons of CO_2 by 2030, leveraging the national infrastructure hub of CCUS that the government is facilitating.

Read more about our United CCU plant.

LOW-CARBON HYDROGEN

In keeping with our overall sustainability goals, we aim to grow our presence in the low-carbon ammonia market, reflecting our commitment to delivering low-carbon solutions to our customers and helping them achieve their carbon neutrality targets.

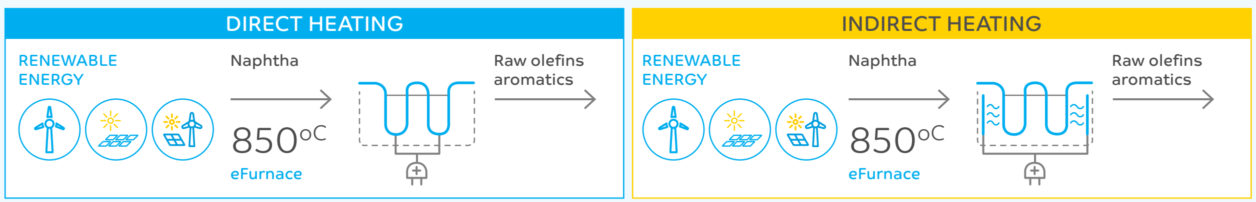
Learn more about how we are playing our part in addressing the global challenge of climate change.

ELECTRIFICATION

THE WORLD'S FIRST ELECTRICALLY HEATED STEAM CRACKER FURNACE

In 2023, a joint project between SABIC, BASF, and Linde to build the world's first large-scale electrically heated steam cracker furnace hit an important milestone with the installation of the last transformers for the demonstration plant. This is one of the final and most crucial steps of the construction and has taken place about a year after construction started. A stepwise commissioning will commence in early 2024. The demonstration plant will be fully integrated into one of the existing steam crackers at BASF's Verbund site in Ludwigshafen, Germany.

TWO RESISTIVE HEATING CONCEPTS



By using electricity from renewable sources instead of natural gas, electric steam cracker furnaces, one of the most energy-intensive production processes, can potentially reduce CO_2 emissions by at least 90% compared to conventional technologies. The electricity-based heating concepts for olefin production, which will be tested at the plant in the future, require a total of 6MW of renewable energy.

The German Ministry for Economic Affairs and Climate Protection is sponsoring the project with EUR 14.8 Mn. as part of the "De-carbonization in Industry" funding program, financed by the EU's Next Generation EU fund.

FIRST ADOPTER AT COMMERCIAL SCALE FOR STEAM CRACKERS

OBJECTIVES:

- Prove technology at commercial scale for steam cracker furnaces
- Gain engineering operating experience
- Gain experience in reliability and mechanical robustness

GREENHOUSE GAS EMISSIONS

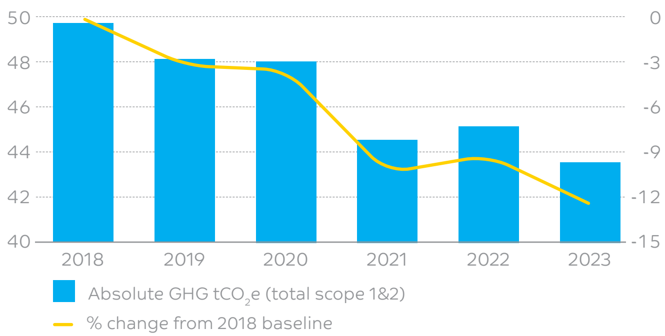
SCOPES 1 AND 2

In 2023, emissions have been reduced by 12.47% compared to the 2018 baseline. On year-over-year bases, the 2023 emissions were down by 3.6%. Year-over-year GHG emissions related to scope 1 were down by 2.6%, while scope 2 emissions were down by 6.1% for the same period.

Absolute scope 1 emissions in 2023 are lower as a result of planned maintenance activities and improvement initiatives. Increased flaring and operational inefficiencies offset reduction of emissions. Scope 2 emission are down in line with lower production and through increased use of renewable energy.

ABSOLUTE GHG (tCO_2e)

Info



TOTAL GHG EMISSIONS DIRECT (SCOPE 1) AND INDIRECT (SCOPE 2) BY REGION

(tCO_2e)	2023	2022	2021	2020
Saudi Arabia	28,878,065	29,718,369	29,007,482	30,009,135
Europe	1,874,501	1,880,390	2,028,505	2,853,955
Americas	1,639,483	1,677,593	1,283,234	756,960
Asia	1,145	569	820	803
Scope 1 total	**32,393,194**	**33,276,921**	**32,320,040**	**33,620,854**
Saudi Arabia	9,496,601	9,910,653	9,900,365	11,865,979
Europe	839,620	1,164,339	1,452,169	1,790,974
Americas	737,292	729,676	804,378	670,172
Asia	101,979	102,485	123,556	115,169
Scope 2 total	**11,176,492**	**11,907,153**	**12,280,467**	**14,442,294**
Total	**43,569,686**	**45,184,074**	**44,600,507**	**48,063,148**

GHG INCLUDED IN CALCULATION BY GAS TYPE & SCOPE

(Based on CO_2 equivalent)

GHG emission ('000 tCO_2e)	2023	2022	2021	2020
Scope 1				
Carbon dioxide (CO_2)	32,303	33,160	32,188	33,341
Methane (CH_4)	40	46	60	37
Nitrous oxide (N_2O)	22	23	22	22
Hydrofluorocarbons (HFCs)	27	44	46	220
Sulphur hexafluoride (SF_6)	0	4	3	0
Perfluorocarbons (PFCs)	0	0	0	0
Nitrogen trifluoride (NF_3)	0	0	0	0
Scope 2				
Carbon dioxide (CO_2)	11,176	11,907	12,280	14,442
Methane (CH_4)	0	0	0	0
Nitrous oxide (N_2O)	0	0	0	0
Total	43,570	45,184	44,601	48,063

FLARING EMISSIONS BY REGIONS

(Based on CO_2 equivalent)

Region	2023	2022	2021	2020
Saudi Arabia	1,863,060	1,215,083	1,305,215	1,224,784
Europe	182,242	174,010	182,766	217,211
Americas	40,635	73,259	90,712	7,471
Asia	–	–	–	–
Grand total (tCO_2e)	**2,085,937**	**1,462,352**	**1,578,693**	**1,449,466**

2023 LOCATION VS. MARKET-BASED SCOPE 2 EMISSIONS CALCULATIONS

(Based on CO_2 equivalent)

Region	Location-based		Market-based	
	Electricity	Steam	Electricity	Steam
Saudi Arabia	9,346,941	504,554	8,992,048	504,554
Americas	482,086	253,808	484,484	253,808
Europe	479,219	536,255	303,364	536,255
Asia	100,992	1,526	100,453	1,526
Subtotal	10,409,238	1,296,143	9,880,349	1,296,143
Total (tCO_2e)	**11,705,380**		**11,176,492**	

Note: Based on GHG protocol definitions, SABIC is reporting "market-based" emission in its scope 2 calculations

SCOPE 3

SABIC's scope 3 GHG emissions for 2023 was 30.12 Mn. tCO_2e.

In 2023, we included all upstream categories of scope 3 emissions, including category C1 to C8. We disclose scope 3 categories, which are measurable to a reasonable degree of certainty and for which a credible methodology exists. At present, we are revisiting downstream (C9 to C15) reporting methodology to ensure clarity and at par with peers. Therefore, the reduction in the reported scope 3 emissions compared to last year is mainly due to the exclusion of downstream categories C9 to C15.

We aim to collaborate with our partners on initiatives that aspire to reduce our indirect scope 3 emissions along the value chain. We follow the WBCSD's corporate value chain (scope 3) accounting and reporting standards, and have developed detailed procedures adapted to SABIC's needs. SABIC does not report categories that are not applicable to SABIC's business model such as downstream leased assets or franchises.

2010-2025 INTENSITY-BASED TARGETS

Indicator	Reduction target (2025)	Baseline intensity (2010)	Unit
GHG emissions	25%	1.36	tCO_2e/t sales
Energy	25%	19.45	GJ/t sales
Water	25%	3.25	m^3/t sales
Material loss	50%	0.123	t/t sales

GHG EMISSION INTENSITY

In 2023, GHG intensity reduced by 25% compared to the 2010 baseline. On year-over-year bases, the 2023 GHG intensity was 1.3% lower. Negative impact resulting from planned maintenance activities and unplanned shutdowns was offset by the production mix.

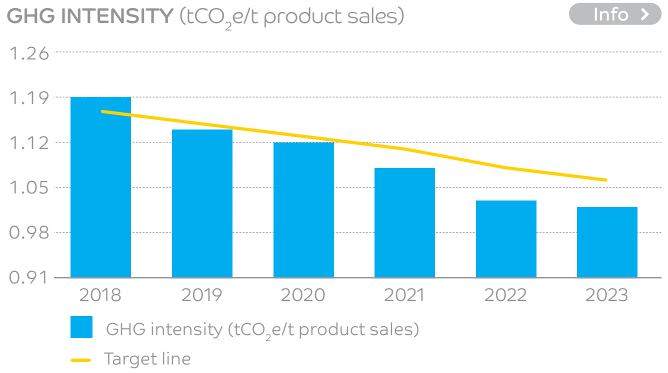
ENERGY INTENSITY

In 2023, energy intensity reduced by 17.3% compared to the 2010 baseline. On year-over-year bases, the 2023 energy intensity was 0.8% lower. Lower volumes negatively affected impacted energy intensity trends. This was somewhat offset by reliability improvements in selected sites.

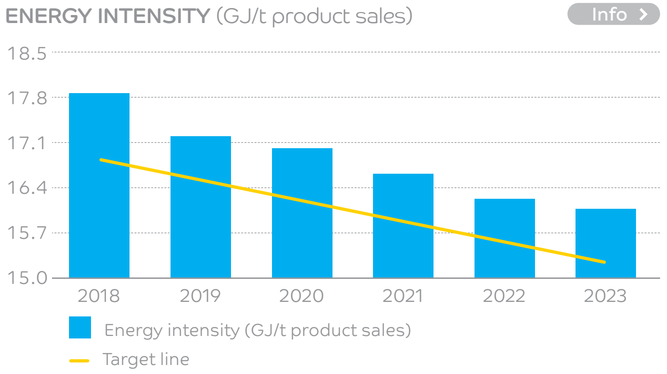
WATER INTENSITY

In 2023, water intensity reduced by 19.5% compared to the 2010 baseline. On year-over-year bases, the 2023 water intensity was 0.8% lower. Overall steam venting was reduced resulting in a positive impact to water intensity.

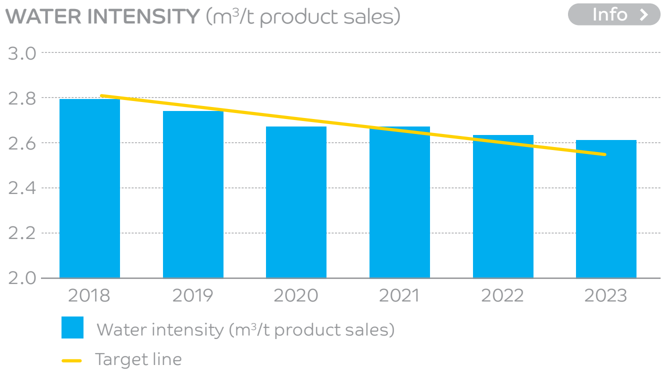
GHG INTENSITY (tCO_2e/t product sales)



ENERGY INTENSITY (GJ/t product sales)



WATER INTENSITY (m^3/t product sales)



WATER CONSUMPTION DETAILS

Fresh water million m³	2023	2022	2021
Freshwater – groundwater	9	9	11
Freshwater – surface water	11	11	12
Third-party water – desalinated water	62	64	64
Third-party water – groundwater	7	8	8
Third-party water – produced water	2	2	2
Third-party water – surface water	21	22	14
Total freshwater withdrawal	112	116	111
Freshwater discharge	54	53	56
Total freshwater consumption	58	63	56
Seawater withdrawal	5,783	4,797	4,948
Seawater discharge	5,582	4,639	4,864
Total seawater consumption	200	158	84
Total SABIC water usage	259	221	139

Note: Water intensities are calculated based on freshwater withdrawal

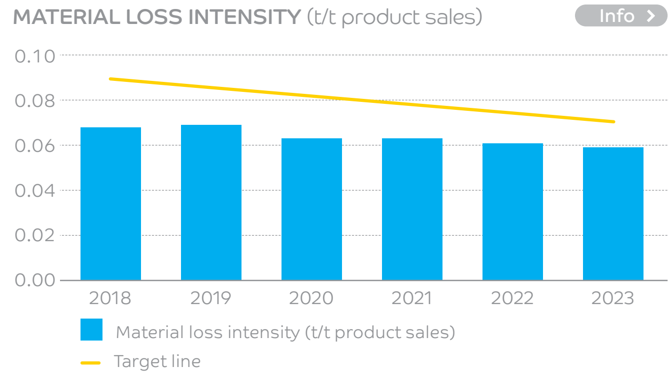
MATERIAL LOSS BY CATEGORY

Material loss (t)	2023	2022	2021	2020
Category				
Fugitive process emissions to air	1,574	1,747	1,722	2,239
Point source process emissions to air	2,119,634	2,330,242	2,281,497	2,466,172
Process material release to water	8,458	6,768	7,000	7,515
Loading unloading losses	1,995	984	1,016	1,264
Spills or releases	45	54	253	151
Storage tank material losses	3,567	1,236	1,626	1,546
Waste and other losses	392,562	332,301	300,359	238,997
Total	2,527,837	2,673,333	2,593,472	2,717,884

MATERIAL LOSS INTENSITY

In 2023, material loss intensity reduced by 52.2% compared to the 2010 baseline. On year-over-year bases, the 2023 material loss intensity was 3.3% lower. Negative impact resulting from increased flaring (see table: Flaring emissions by regions) was offset by reduced process losses.

MATERIAL LOSS INTENSITY (t/t product sales)



CLIMATE-RELATED RISKS AND OPPORTUNITIES

SABIC assesses and evaluates the risks and opportunities related to climate change to ensure that the company's efforts are in line with climate science and holding the increase in the global average temperature to well below 2ºC above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5ºC above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change.

SABIC identifies risks and opportunities at corporate, business, and site levels around the world by applying a group-wide risk management framework using top-down and bottom-up approaches to anticipate and mitigate climate change impacts in advance. Climate-related risk management is analyzed with respect to physical and transition risks that are identified through short-term, medium-, and long-term time frames. These assessments cover upstream and SABIC's operations, products, and downstream processes.

EVALUATING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Identification and assessment of risks as part of the SABIC risk management process (which is applied for all risks including climate change-related risks) is aligned with the ISO 31000 Risk Management standard.

The process applies to both company and asset-level risks. Risk assessment includes risk identification (threat or opportunity, drivers, events, potential consequences), and risk analysis considers the likelihood and consequence to determine risk level, existing response, and effectiveness. The identified opportunities and risks are subsequently evaluated and incorporated into our strategic and operational processes.

Climate-related risks and opportunities are evaluated over short- (0 to 1 years), medium- (1 to 3 years), and long-term (4 to 10 years) timeframes. To identify climate-related risks, a list of risks and their potential impacts on SABIC's businesses as well as the environment and communities are outlined in the form of a survey questionnaire. It covers physical risks (chronic and acute) and transition risks (policy and legal, market, technology, and reputation). The risks are identified based on peer analysis, sector guidelines, and SABIC's operation locations and business activities.

Different relevant stakeholders from each of SABIC's businesses are involved in the risk identification exercise. The risk assessment survey questionnaire also allows for entering scores on parameters such as likelihood, magnitude, and preparedness for each risk.

Based on the responses collected, all the risks are rated as high, medium, and low based on the average scores they received for magnitude (scale of impact) and likelihood (probability of occurrence).

- Likelihood: the likelihood of occurrence of a given risk due to projected changes in climatic parameters or due to changes in climate policies, market landscape, and operating environment.
- Magnitude (scale of impact): the extent of impact in terms of percentage of cost increase that SABIC is likely to witness from an identified risk.

PHYSICAL RISKS

Physical risks are those associated with the impacts of climate change. These risks can be event-driven (acute) or associated with longer-term shifts in climate patterns (chronic). We believe that conducting physical climate risk assessments is crucial for SABIC to evaluate their exposure and vulnerabilities to climate change hazards such as flooding, heat waves, droughts, and storms. It helps us to identify our most vulnerable business operations and assets, determine the likely impacts on productivity and continuity, and take appropriate adaptation measures to strengthen resilience. It also allows us to improve preparedness, meet regulatory requirements, safeguard shareholder value, and future-proof investments against climate uncertainty. Therefore, as a part of the physical risk assessment, we worked with an external consultant to carry out a scenario analysis. The scenario analysis considers Representative Concentration Pathway (RCP) 2.6 and 8.5 scenarios, which are defined by the Intergovernmental Panel on Climate Change (IPCC).

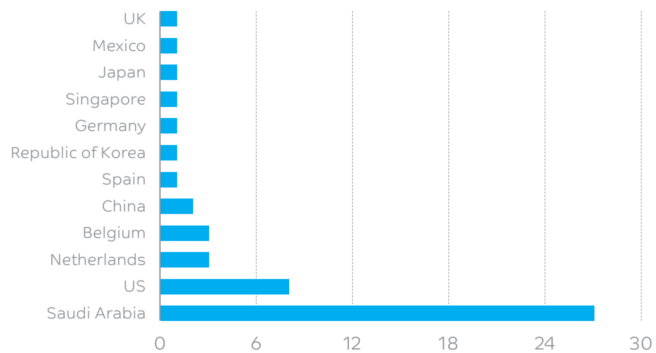
Scenarios considered for physical risk assessment

Climate scenario	Description
RCP 2.6	The most ambitious approach is RCP 2.6, which limits global warming to 1.5°C, as per the Paris Agreement goals. This scenario assumes active CO_2 removal from the atmosphere, resulting in an emissions peak in the early 2020s and a subsequent decline.
RCP 8.5	Emissions continue to climb in RCP 8.5 throughout the twenty-first century. RCP 8.5, which is commonly used to model worst-case climate change scenarios, was predicated on the overestimation of anticipated coal production.

Assessment boundary

The boundary of our risk assessments covers 50 assets of SABIC in total, of which 54% are in Saudi Arabia and 16% in the US. SABIC's portfolio across these 50 assets was analyzed and categorized using a standardized vulnerability archetype reflective of SABIC's assets. Each asset was geolocated to the rooftop level and is represented by a single point.

ASSET PORTFOLIO BY COUNTRY (# of assets) Info



Assessment horizon

Since climate change is a long-term process that unfolds over several decades, a company's exposure to acute and chronic physical risks typically changes over very long-term time horizons as well. These time horizons are often much longer than those that companies typically refer to in their business planning. For the analysis of acute and chronic physical risks, the risk exposure and potential damages were estimated for the following years:

- 2020 as a baseline to identify current levels of risk exposure
- 2050 as the year by which emissions ought to be reduced to net zero
- 2100 as the target year of the Paris Agreement and the common cutoff year in climate modeling for business purposes.

Physical risks – acute

Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods, whereas chronic risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

Hazards considered during risk assessment

Peril	Description
Water flooding	Increased frequency of extreme rainfall leading to localized flooding, particularly in more urbanized locations
Riverine flooding	Increased frequency and intensity of rainfall, changing the frequency and intensity of river flooding
Coastal inundation	Rising sea levels and higher incidence of extreme coastal flood events
Soil movement	Changes in rainfall patterns and drought leading to the growth/shrinking of land, causing subsidence
Extreme wind	Rising sea levels and higher incidences of extreme coastal flood events with the potential to enhance wind speeds
Wildfire	Increased incidence of fire-inducing weather due to confluence of days with higher temperatures, wind speeds, and drier conditions
Freeze-thaw	Changes in the annual freeze and thaw cycles resulting from winter periods that trend close to the freezing point
Extreme heat	New extremes of high temperatures, more frequent hot days, and longer-lasting heatwaves

Acute physical risks for SABIC

Risk	Description
Increased severity of extreme weather events such as cyclones and floods	Based on the damage ratio, flood risks are the primary driver for acute physical risks from climate change. Riverine and surface water flooding are a constant risk to SABIC's portfolio; however, this risk does not increase up to 2100. Coastal inundation is the highest-risk peril, with exposure levels and affected assets increasing significantly up to 2100.

Physical risk – chronic

Chronic risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves. Global warming, reaching 1.5°C in the near term, would cause unavoidable increases in multiple climate hazards and present multiple risks to ecosystems. The level of risk will depend on concurrent near-term trends in vulnerability, exposure, level of socioeconomic development, and adaptation. Near-term actions that limit global warming to close to 1.5°C would substantially reduce projected losses and damages related to climate change in human systems and ecosystems, compared to higher warming levels, but cannot eliminate them all.

Chronic physical risks for SABIC

Risk	Description
Rising mean temperatures and water stress	Extreme heat considers the likelihood of more frequent hot days and longer-lasting heatwaves. Extreme heat does not typically cause physical damage, but it can cause disruption to SABIC operations.

TRANSITION RISKS

Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations. The Shared Socioeconomic Pathways (SSPs) look at five different ways in which the world might evolve in the absence of climate policy and how different levels of climate change mitigation could be achieved when the mitigation targets of RCPs are combined with the SSPs. We have used two scenarios to assess climate scenarios for transition risk assessment while describing the resilience of the organization's strategy.

Climate change scenarios

Scenario 1 (Gradual but pervasive progress)	Scenario 2 (Business as usual, BAU)
• A gradual, but pervasive shift, toward a more sustainable path. Inclusive development that respects environmental boundaries. • Management of the global commons slowly improves. • Educational and health investments accelerate the demographic transitions that occur. • Economic growth shifts toward a broader emphasis on human wellbeing. • Inequality is reduced both across and within countries. • Consumption is oriented toward low material growth and lower resource and energy intensity. • Strict legislation related to climate change.	• A path in which social, economic, and technological trends do not shift significantly from historical patterns. • Development and income growth across countries proceed unevenly. • Global and national institutions make slow progress in achieving SDGs. • Environmental systems experience degradation, although there are some overall improvements in the intensity of resource and energy use. • Global population growth is moderate in the second half of the century. • Challenges to reducing vulnerability to societal and environmental changes remain. • Legislation follows the current (historical) trend.

Transition risks for SABIC

Risk	Value chain stage(s) impacted
Policy risk	
Enhanced emissions-reporting obligations • medium to long-term • significant in both scenarios	Direct operation
Increased pricing of GHG emissions • short to medium-term • major in both scenarios	Direct operation
Mandates on and regulation of existing products and services • medium to long-term • major in both scenarios	Downstream, products

Transition risks for SABIC

Risk	Value chain stage(s) impacted
Exposure to litigation • short to long-term • low in both scenarios	Direct operation, products
Technology risk	
Substitution of existing products and services with lower emissions options • medium-term • major in both scenarios	Downstream, products
Unsuccessful investment in new technologies • long-term	Upstream, direct operation

Transition risks for SABIC

Risk	Value chain stage(s) impacted
Costs to transition to lower emissions technology • long-term • major in both scenarios	Direct operation, downstream
Reputation risk	
Shifts in consumer preferences • long-term • major in BAU scenario	Direct operation, downstream
Increased stakeholder concern or negative stakeholder feedback • medium to long-term • major in both scenarios	Direct operation

OPPORTUNITIES FOR SABIC

Opportunity	Value chain stage(s) impacted
Resource efficiency	
Use of more efficient modes of transport • long-term • significant in both scenarios	Direct operation
Use of more efficient production and distribution processes • short to medium-term • major in both scenarios	Direct operation
Use of recycling • long-term • major in both scenarios	Direct operation
Energy source	
Use of lower emission sources of energy • medium to long-term • major in both scenarios	Direct operation
Use of new technologies • medium to long-term • major in both scenarios	Direct operation

Opportunity	Value chain stage(s) impacted
Market	
Access to new markets • short to long-term • major in both scenarios	Direct operation
Use of public-sector initiatives, including incentives • medium to long-term • major in both scenarios	Direct operation
Products and services	
Development of new products or services through R&D and innovation • medium to long-term • major in both scenarios	Direct operation, products
Resilience	
Participation in renewable energy programs and adoption of energy efficiency measures • short to long-term • major in both scenarios	Direct operation, products
Resource substitutes/diversification • medium to long-term • major in both scenarios	Direct operation, products

MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

SABIC's climate-related risk management methodology is integrated into the company's multidisciplinary risk management process. The results of risk assessment are used to influence strategic decisions about climate-related policy. The identified important climate-related risks and opportunities are analyzed, monitored, and evaluated to build risk-mitigation strategies.

To effectively identify, understand, and manage the risks confronting the organization and affecting our business performance, SABIC has designed a risk management policy and an integrated governance framework. We are also capitalizing on opportunities to achieve our strategic objectives. The Executive Risk Management Committee receives coordinated updates from all SABIC functions regularly.

Innovation and collaboration are key mitigation actions in this context and our commitment to them has strongly supported our sustainability efforts through the years. Mitigation actions are focused on bridging the gap between our materials and our customer's applications development teams to collaborate on products that will meet or exceed consumer expectations with respect to climate change impacts. Our portfolio of sustainability solutions–those that create less CO_2 than traditional materials during production or save more in other phases of life cycles–continue to drive our innovation.

The SABIC Board of Directors oversees the work of the ERM department in identifying critical business risks for the company through the BRSC. The BRSC regularly monitors these reports to ensure the effectiveness of the risk management system and provides appropriate recommendations to the board on the efficacy of measures taken to minimize the impact of all risks.

RESILIENCE TOWARDS CLIMATE RISKS

We are working to incorporate climate risk and resilience into our strategy to ensure that SABIC is prepared for the inevitable impacts of climate change. Resilience measures are listed in the below.

PHYSICAL

Extreme weather events and their impact on our coastal locations represent a risk for our assets and supply chain—especially so in the Middle East, which is vulnerable to climate change. We performed an initial ERM application to assess chronic physical risks. This has subsequently led to a specialized study to consider sea level rise as a chronic physical risk to our coastal assets in Jubail and Yanbu, Saudi Arabia. We have also retained specialized consultancy services to provide risk assessment for our coastal assets. We plan to conduct more detailed studies on sea level rise implications in collaboration with regional authorities and other manufacturing companies based in Yanbu and Jubail. A thorough understanding of the scale of the problem is the first imperative step in managing the risk in the long term.

POLICY

Most of the policy risks that we have identified are associated with GHG emissions measurement, monitoring, and mitigation. If the emissions are not reduced as per the policy requirement, subsequently we could face fines, penalties, or monetary impacts due to the associated cost of carbon. Restriction of the use of single-use plastics in various geographies around the world is also one of the regulations that could directly impact SABIC. To reduce this risk, we have developed an Energy Efficiency and Carbon Management (EECM) team and sustainability committee that keeps a check on our carbon neutrality targets to reduce the policy risks by driving the low-carbon and energy efficiency projects across SABIC. We also have a roadmap in place to reduce our carbon emissions and, therefore, we keep a check on the climate risks as regulated.

TECHNOLOGY

The technology risks driven by climate change are associated with the substitution of our existing products and services to lower emission options, the cost to transition to these options, and the success and economic viability of these new technologies. We have a roadmap of the technologies that we are planning to invest in to keep track of our carbon-neutrality target. The roadmap includes investment in carbon capture, utilization, and storage (CCUS), electrification, and low-carbon hydrogen.

MARKET

The market risks are consumer/investor-driven, essentially involving customer/innovator behavior towards products and services. As the material sector is energy-intensive, and customers are increasingly demanding environment-friendly items, we may suffer client deselection if we do not adjust our portfolio with innovative and sustainable solutions that match this future need. To manage this, we have already initiated the TRUCIRCLE™ and BLUEHERO™ portfolios to address this downstream risk.

REPUTATION

A lack of commitment and climate strategy may harm the company's image affecting the company's valuation. To address this risk, we publish an integrated report and a CDP Report, and also work with ESG Rating agencies every year to communicate our preparedness and our roadmap to lowering carbon products and operations. In addition, we address progress toward our climate neutrality goal by 2050.

SOURCING

SUPPLY CHAIN

Continuous improvement topic

The SABIC supply chain strategy centers on delivering products to customers in a timely, reliable manner for a competitive edge, by focusing on operational excellence, digitalization, and sustainability. Collaboration with Saudi Aramco enhanced success through shared synergies, optimized facilities, and integrated supply chains.

OUR APPROACH

At the core of our supply chain initiatives, ultimately, are our customers—and our mission of delivering the right products, at the right time, in the right way. Offering a secure, reliable supply to our customers provides them and, in turn, SABIC, with a competitive advantage. Our fundamental aim is to establish a robust, sustainable upstream and downstream supply chain to act as local supplier in relevant markets and secure capacity for new growth.

The key supply chain activities include procurement of direct and indirect materials, and product distribution. Direct materials include raw materials directly purchased to make our products; indirect materials are all other products purchased.

The SABIC global supply chain delivers more than 31 million tons of products

We serve some 20,000 locations over 140 countries every year

Products flow through around 200 distribution centers using 500 logistics service providers

The vast majority of our supply chain is maritime transport with road and train freight comprising a much smaller portion

SABIC's supply chain strategic roadmap revolves around three priorities:

- **Operational excellence** – Continuing our emphasis on customer centricity by creating optimal service levels for our customers and maximizing the value of our network and infrastructure.
- **Digitalization** – Adapting advanced technologies to collaborate with our customers and service providers, offering speed, reliability, and precision in decision-making.
- **Sustainability** – The reduction of carbon emissions is a clear element in our value proposition to our customers. Moving from a linear to a circular value chain is the beginning of transitioning to a circular economy as customers demand more circular solutions.

SYNERGIES WITH SAUDI ARAMCO

Our collaboration with Saudi Aramco has contributed significantly to our success, benefitting from the latter's downstream chemicals feedstock production as well as allowing us to leverage shared synergies across procurement, supply chain, manufacturing, marketing, and sales. We are leveraging, optimizing, and expanding our facilities near Saudi Aramco processing units to reduce the need for extensive transport of products, while boosting our overall geographic presence. The integration of core processes and supply chain operations between our companies is geared toward continuous optimization of supply chain flows and operations, while jointly committing to develop infrastructure and network capabilities to foster fully integrated supply chains. SABIC and Saudi Aramco are aligning with the national agenda of Saudi Arabia in order to expand global logistics capabilities and capacities at key locations. This collaborative approach ensures that we meet customer expectations, contribute to the growth of the industry on a broader scale, and secure the future for both companies in the petrochemicals industry.

OPERATIONAL EXCELLENCE

Our supply chains continue to contend with disruptions such as logistics service interruptions, a decline in schedule reliability, and volatile freight rate levels, which have partly resulted from geopolitical tensions around sea channels. Despite these adversities, SABIC was successful in maintaining healthy inventory levels, securing capacity, and balancing customer service levels with cost-effectiveness. This was due to closely collaborating with the authorities in Saudi Arabia to streamline administrative requirements for the export of finished goods, ensuring that our lead times remained at healthy levels. Additionally, fast lanes and efficient border-crossing processes to neighboring countries boosted GCC land transportation, allowing SABIC to deliver products in a timely manner and preserve our competitive edge.

Our continued global optimization program encompasses all facets of our supply chain, strategically leveraging our extensive network capabilities and global footprint to collaborate with logistics service partners to improve our cost performance and service levels simultaneously. By leveraging economies of scale, streamlining processes, and adopting innovative solutions, we have achieved tangible cost reductions and improved our overall financial performance.

DIGITALIZATION

As part of SABIC's Digitalization program, we implemented a new digital solution for procurement, enhancing the entire supplier due diligence process and advancing the user and customer experience in the field of Plan-To-Make and Order-To-Cash.

Digitalization initiatives in 2023

Adoption of blockchain E-Bill of Lading	The process of exchanging paper documents between importer and exporter via the banks and shipping liners is considered administratively cumbersome. To address this problem, SABIC rolled out the Electronic Bills of Lading (eBL) solution in 2022. This digital solution uses blockchain technology to reduce the need for paper-based documents, thus reducing the document flow from six days to one. This solution not only increases the transparency and traceability of data, but also reduces the need to physically transport the paper documents, thus reducing the carbon footprint of the process. SABIC is working to bring on more shipping liners and banks on this platform to increase the utilization of the eBL.
Visibility tool	SABIC implemented a supply chain visibility tool to increase the delivery reliability and provide customers with real-time track-and-trace information.
Touchless orders program	The implementation of the Touchless Orders program helped us to automate repetitive activities and improve our work efficiency through seamless operations in the fields of order management, order fulfilment, documentation, and reporting. Automating order-closing activities reduced the touches by 80% in this field. Together with other process-automation initiatives, this contributed to the objective of improving our work efficiency in customer service and elevating our customer interaction.
Robotic process automation	Made continuous efforts to deploy robotic process automation solutions to streamline order-to-cash work processes and increase efficiency. Scalable solutions have been developed by the broader supply-chain community to automate redundant data entry activities and business transactions.

SABIC's digitalization program

SUSTAINABILITY

Sustainability/carbon-emission reduction targets influence the way we operate our supply chain. Taking into consideration the rapidly evolving customer expectations of sustainability, we have shifted from the lowest-cost focus to sustainable operations, thus balancing cost with customer service levels and environmental benefits. Anticipating the upcoming global regulation on shipping decarbonization, we are gradually transforming our hired chemical-tanker fleet by replacing the standard vessels with eco-designed and fuel-efficient vessels.

We are promoting and developing internal and external capabilities toward better sustainability practices along the entire value chain. Supply chain initiatives contribute to SABIC's circular economy initiatives like TRUCIRCLE™ and, thus, support the adoption of SABIC processes to use in renewable and recycled feedstock and create recyclable products and solutions for our customers.

We use an indirect methodology to calculate the GHG emissions associated with SABIC's chartered transportation tenders. We review and benchmark emissions each year against the emission factors (EFs) database published by the UK's Department for Environment, Food and Rural Affairs (DEFRA).

"GO GREEN": ELECTRIC TRUCK IMPLEMENTATION

In China, SABIC has been working to "go green" with the vehicle fleet by using electric trucks (e-trucks) and forklift (e-forklifts). These initiatives will not only benefit the environment, but also the communities by supporting the EV industry. Since 2019, SABIC has put four e-trucks to use at its Chongqing, Shanghai, and Nansha plants for daily operations. The e-trucks are being used to transport materials to plants, warehouses, and the port. SABIC is planning to extend the green transportation to customers as well, upon improvements in e-truck battery capacity.

SAFETY AND QUALITY ASSESSMENT SYSTEM

The SQAS is a vital tool in helping the chemical industry measure logistics service providers' (LSP) EHSS performance, assess and address gaps and areas for improvements, and identify top providers. Over the past several years, SABIC has been collaborating with other industry stakeholders, including the European Chemical Industry Council (CEFIC), to develop robust criteria for sustainability assessment in the SQAS.

Additionally, we are using OCS templates in our SQAS assessments, making it easier to collect data in our goal to keep plastics from waste streams and waterways. At site-level, we are working toward OCS certification. This process includes our commitment to encouraging our plastics-engaged logistics service providers and third-party logistics service providers (3PLs) to also embrace the OCS guidelines via CEFIC and SQAS—and most of our LSPs have been working on this over the past SQAS cycle. We initially focused on the hubs and near-site warehouses and carriers but also included other parties further along the supply chain. Where Supply Chain Management interfaces with site logistics, we ensure that OCS seamlessly connects with manufacturing commitment and implementation.

By using the developing roll-out of OCS in SQAS as the basis for evaluating our supply chain partners, we ensure that renewed questionnaires, specific control points, and mandatory criteria have been included in our analysis. Suppliers that score on all applicable OCS questions can be included in a public register so that everyone can follow their implementation trajectory in a fully transparent and auditable trail.

The SQAS assessments are valid for three years. Any service provider involved with transport or the handling of plastics must request a new assessment, which includes OCS verification by trained and accredited assessors. Reports submitted since 2022 include a reduced list of requirements, but since early 2023, it is mandatory to apply to become a SABIC logistics partner. All our service providers will have been assessed in three years, and we intend to make OCS mandatory for LSPs from the end of 2025, aiming to work only with SQAS- and OCS-certified companies.

In China, SABIC has been working with the CWSAS, an initiative sponsored by the Hazardous Goods Branch of the China Association of Warehousing and Distribution (CAWD) and the AICM for assessing the quality, safety, security, and EMS of warehouse service providers in China. Together with international chemical enterprises and well-known warehousing enterprises in China, SABIC has been contributing to CWSAS since its period of gestation at the end of 2020. Through close collaboration, chemical warehouse-safety workshops, committee meetings, and training sessions have been conducted over the past two years. CWSAS represents a significant milestone for the chemical industry in China.

SQAS FOR TOTAL LIQUIDS AND SOLIDS (%)

Year	2023	2022	2021	2020	2019
SQAS for total liquids	100	94	81	100	100
Target	100	100	100	100	100
SQAS for total solids	97	87	85	98	93
Target	99	98	97	95	92

PROCUREMENT

GRI 3-3 (308); 308; 3-3 (414); 414

Continuous improvement topic

Guided by the SABIC Code of Ethics, SABIC procures materials and services from qualified suppliers who meet technical, quality, EHSS, and social responsibility standards. The SABIC sustainable procurement policy and Supplier Code of Conduct govern contracts, emphasizing local supplier opportunities where possible, under a lawful, ethical, and fair practices framework.

OUR APPROACH

Diligent supplier screening ensures a sustainable supply chain and that the organization meets procurement requirements, allowing SABIC to comply in areas such as safe working conditions, anti-corruption, human rights, and environmental responsibility. We push for increasing localization to promote SMEs and Saudi companies in the supply chain to advance Saudi Arabian infrastructure, boosting our export capability.

We procure materials and services from qualified suppliers through lawful, ethical, and fair practices, as specified by the SABIC Code of Ethics. Our suppliers must meet our technical, quality, EHSS, and social responsibility standards. All contracts with our suppliers are governed by the SABIC sustainable procurement policy, which has been developed in compliance with legal and ethical standards. In addition, we have a Supplier Code of Conduct, which was last reviewed and updated in 2020, impressing behavioral and operational best practices on our suppliers.

TOGETHER FOR SUSTAINABILITY

TOGETHER FOR SUSTAINABILITY

In 2023, SABIC joined Together for Sustainability (TfS), a procurement-driven initiative created by chemical companies with the goal of assessing, auditing, and improving sustainability practices within their supply chains. By joining TfS, SABIC is gaining access to established methodologies and infrastructure that will help accelerate the implementation of its sustainable procurement strategy. For example, members of TfS jointly operate global supplier assessments and audit programs through independent experts, eliminating the need for each member to conduct their own assessment programs. In addition, it reduces the burden on suppliers to participate in numerous different programs. This initiative also highlights the importance of collaboration within the industry, especially in increasing transparency on upstream value chains to support further reductions in GHG emissions. Joining TfS enables SABIC to help raise sustainability standards in procurement in partnership with a network of 50 chemical industry peers.

Wherever possible, we provide opportunities for local suppliers as a key component of our sustainable procurement model. In addition, we invest in developing the skills and competencies of women and young people to support local entrepreneurism, which contributes to the upliftment of the local economy.

In addition to a financial and technical qualification process in which it is determined if the suppliers meet SABIC's requirements, all of our global suppliers are also subject to the SABIC Supplier Life Cycle and Performance Management (SLM) program. The program includes robust due diligence to ensure SABIC suppliers meet our sustainable supply chain and procurement requirements, and to demonstrate their compliance practices in areas such as safe working conditions, anti-corruption, and environmental responsibility.

Suppliers are also assessed for environmental sustainability through an environmental questionnaire under our SLM. Our global database for procurement and supply chain needs only includes suppliers who meet our standards. In 2023, we registered 1,377 new suppliers through SLM, bringing the total to 33,591. We identified and removed 42 suppliers who were inactive, underperforming, or had failed to comply with our Supplier Code of Conduct.

Our new screening methodology, which will come into effect from 2024, develops our supplier value chain against sustainability criteria through a TfS assessment and auditing program. This is in addition to the mandatory requirement to comply with all applicable laws, rules, regulations, and the SABIC Supplier Code of Conduct.

Achievements and target outcomes were measured through:

- due diligence KPIs (number of audits for new supplier onboarding, number of blocked suppliers)
- SABIC-TfS KPIs (number of supplier assessments per year.

SUPPLIER ASSESSMENT METRICS

Year	2023	2022	2021	2020	2019
New suppliers through SLM	1,377	1,980	1,998	1,697	2,528
Suppliers removed from SLM	42	81	206	465	732
Total suppliers through SLM	33,591	32,254	30,355	28,563	27,318
Suppliers assessed through TfS-EcoVadis	167				
Suppliers audited through TUV	165				
Suppliers qualified through TUV	115				

"GO PAPERLESS": DRIVE DIGITAL TRANSFORMATION

SABIC's import and export business experienced impacts and delays during the Shanghai lockdown period in 2022 as a result of the requirement for physical seals on the shipment documents. To enhance business continuity, SABIC's Global Supply Chain (GSC) Polymers team turned these challenges into opportunities by introducing the concept of the digital stamp, and went live with the E-Chop project, which enabled all documents to be presented and stamped digitally, helping improve efficiency, save costs, and reduce our environmental impact. SABIC will continue to add all types of trade and sales-related documents to the E-Chop solution in 2024.

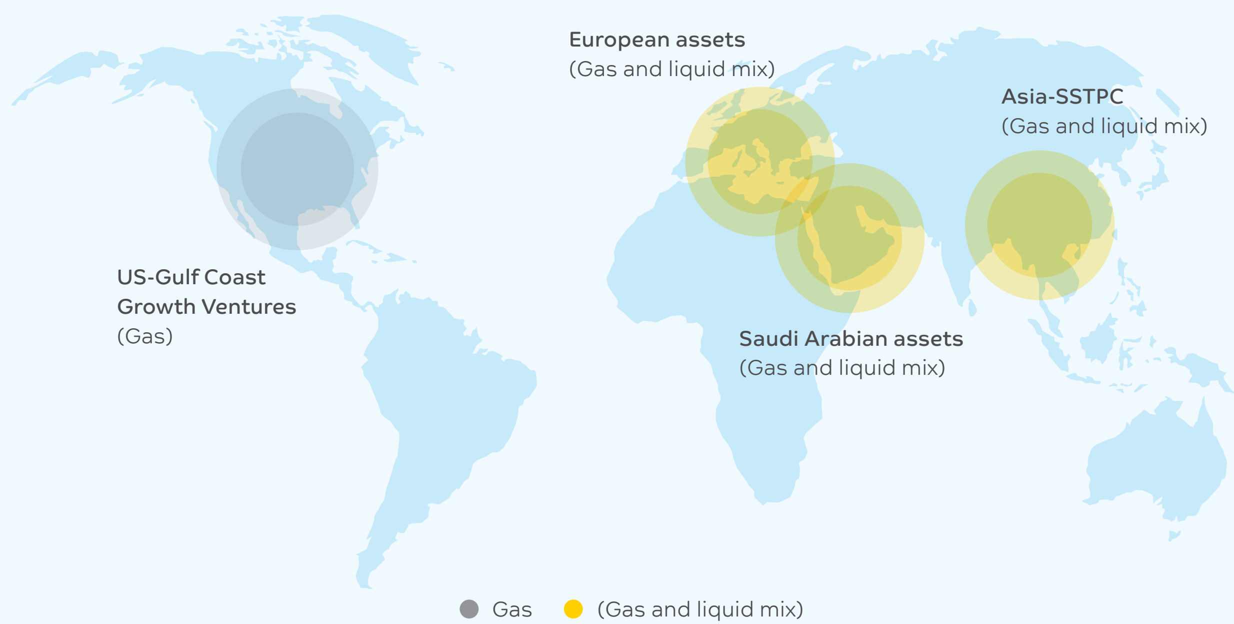
RAW MATERIALS

SABIC's most important raw materials include gas and crude oil-based petrochemical products such as methane, ethane, propane, butane, naphtha, and condensates. We mainly use natural gas and liquid gas as a fuel to generate energy and steam, and as a raw material for the production of key basic chemicals. Ethane, propane, butane, and naphtha are primarily fed into our steam crackers, where they are split into products such as ethylene and propylene, both important feedstocks for numerous SABIC value chains.

Thanks to a high degree of forward and backward integration, we can produce the chemical building blocks for our value chains efficiently while conserving resources within SABIC to increase supply security and strengthening our resilience to fluctuations in the supply chain. Byproducts from one facility are used as feedstocks elsewhere; this saves raw materials and energy, avoids emissions, lowers logistics costs, and leverages synergies.

For our Saudi Arabian assets, we have access to feedstock sourced under long-term contracts with Saudi Aramco as the main supplier, representing 76% of the total local supply. Saudi Aramco is a world leader in its low levels of CO_2 emissions, methane emissions, and flaring in its hydrocarbon production system. Internationally, for our assets outside Saudi-Arabia, we source key raw materials from various suppliers to minimize supply risks. SABIC's European liquid crackers are using externally-sourced feedstock, and, in the US, we commenced operations in 2022 with our ethane cracker at our Gulf Coast Growth Ventures facility, a JV with ExxonMobil. The SABIC-SINOPEC JV cracker in China utilizes a mix of liquid and gas feedstock.

SABIC FEEDSTOCK: GLOBAL REACH AND DIVERSIFICATION



ENHANCING THE SUSTAINABILITY FOOTPRINT

As part of our efforts to minimize our carbon footprint, we are continuously exploring the optimization of our feedstock resources. Partnering with our suppliers, we are exploring new feedstock resources that have lower-carbon or recyclable-based alternatives, including sourcing renewable feedstock (like bio-naphtha) and energy, both in our energy supply and in our production.

In our decision-making processes, we consider economic, environmental, and social factors, alongside critical criteria such as supply security, process integrity, and product safety. The mass balance approach enables us to allocate renewable resource usage across a diverse range of end products. Resource efficiency and stewardship are also becoming increasingly important for our customers. Therefore, we are persistently striving to decrease resource consumption in our manufacturing processes.

Another key focus activity for us is the chemical and mechanical recycling of plastics. Chemical recycling disassembles plastics into their fundamental components or converts them into basic chemicals, while mechanical recycling retains the molecular structure but reshapes them into granules for the production of new plastic items.

MINERAL RAW MATERIALS

SABIC procures a number of mineral-based raw materials that may be used in catalysts or battery materials for electromobility, among other products. Efforts are in place to minimize the use of mineral-based raw materials, where possible. Examples include the recycling and reusing of metal catalysts and lithium ion batteries. SABIC's statement regarding the sourcing of materials containing tin, tantalum, tungsten or gold ('conflict minerals') can be can be accessed here.

PEOPLE AND SOCIETAL IMPACT

OUR PEOPLE

Continuous improvement topic

GRI 2-7; 2-8; 2-30; 401-1; 401-2; 404-1; 404-2; 404-3

To be a global leader in chemicals, we empower our people through resources, training, and a conducive working environment that promotes continuous learning, building a talent pipeline, providing meaningful career opportunities, and offering rewards for performance. In 2023, the average training hours per employee exceeded industry benchmarks, reflecting our commitment to employee development.

32,000+
Employees globally
(Inclusive of approx. 3,300 from Hadeed)

7.9%
Women In the workforce
(8.8% excluding Hadeed)

44
Average hours of training per employee per year

407
SABIC leadership learning participants

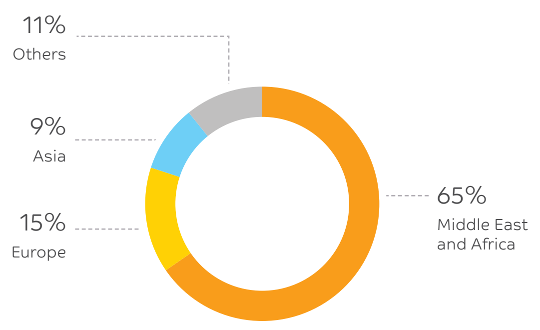
240
Employee global assignments

2,386
New hires
(Inclusive of 117 from Hadeed)

6%
Turnover rate

WORKFORCE DISTRIBUTION

Info



Enabling Saudi Vision 2030 – key metrics

606
SABIC scholarship program (male 57%, female 43%)

1,028
Co-op students

99
Higher education program students

87%
Local hiring
(60.5% excluding Hadeed)

OUR APPROACH

At SABIC, we believe that our people are our greatest asset. We recognize that the success of our ambitious growth agenda, plans for carbon neutrality, and commitment to the circular economy rely heavily on the skills and abilities of our workforce. Our people play a critical role in executing our strategy and ensuring our competitiveness in an ever-evolving industry. As an organization, it is our responsibility to provide our employees with the necessary resources, training, and supportive work environment that will enable them to unleash their full potential, generate value for our stakeholders and society, and power SABIC's growth. At SABIC, we "Explore what Matters".

"As a global leader in Chemicals, our focus is to identify, engage, attract, develop, and retain talented people. We aim to achieve this through strategic business objective positioning of SABIC talent, and enabling our talent as our distinct competitive advantage."

– Ahmed Al-Mongeal, Director, Talent Solutions & Executive Development

TALENT MATTERS

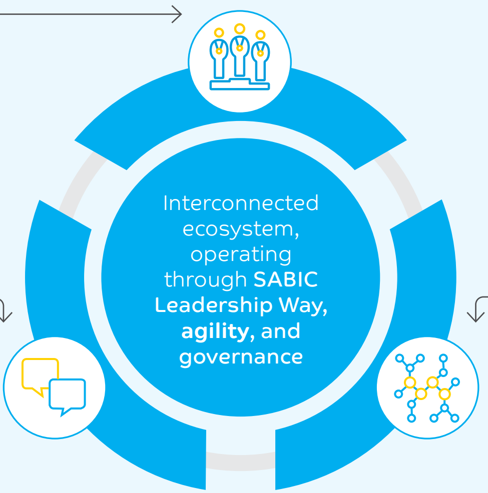
SABIC's vision is to be the preferred world leader in chemicals, and our talent development strategy is designed to support the realization of this vision. Key elements of this strategy include: instilling a corporate sense and mindset of continuous learning through the SABIC Leadership Way; building a talent pipeline; providing exceptional career opportunities in the context of meaningful work; and offering attractive rewards and recognition for performance.

HUMAN RESOURCES STRATEGIC PILLARS

TALENT DEVELOPMENT FOCUS AREAS

Competencies and capabilities
- People strategy
- Competency assessment and framework
- Building capability
- Technical ladder program
- Future talent acceleration programs

Executive leadership development
- Leader development
- Assessment tools
- Succession planning
- Coaching
- Mentoring



Talent solution
- Talent management policies
- High potential focus
- Perfomance management
- Global mobility
- Manager and employee continuous dialogue (TALK5)

PEOPLE DEVELOPMENT

SABIC invests in and offers various channels for knowledge-building for all employees. These include training by external vendors as well as trainings that are designed and delivered by SABIC subject matter experts. In addition, SABIC offers all employees digital learning options that include virtual training and self-directed modules. The learning offerings are comprehensive, covering functional, core, and leadership skills, and are linked to competencies assessments that are conducted on a regular basis to maximize the impact of the learning journey.

The average training hours per direct hire employee in 2023 sits at 44.4 hours, which is above the most recent Association for Talent Development (ATD) benchmark of 32.9 hours per employee. We enable our employees by investing in capability building, embedding integrated technology and analytics to drive the performance-management process, and providing tailored global programs for future graduates and professionals early in their careers.

Our Early Career program is a strategic investment that builds our young talent pool in alignment with organization values. It enables employees to acquire the knowledge of the business culture, create a valuable contribution to SABIC, and build their career growth to be future leaders. The program drives the collaboration between the educational institutions and the business sector to attract the top talented graduates across Saudi Arabia and global universities with more than 400 Saudi male and female participants in the program.

The SABIC Academy continues to provide leadership training and drives people development through alliances with the Saudi government. The SABIC Leadership Program, now in its seventh year, is a program for government officials focused on the skills, knowledge, and leadership behaviors that make the leaders more effective in their organization.

The Program reflects SABIC's commitment to sharing its leadership experiences with government sectors. This year, SABIC Academy conducted three "SABIC Leadership Programs" for 88 government executive leaders.

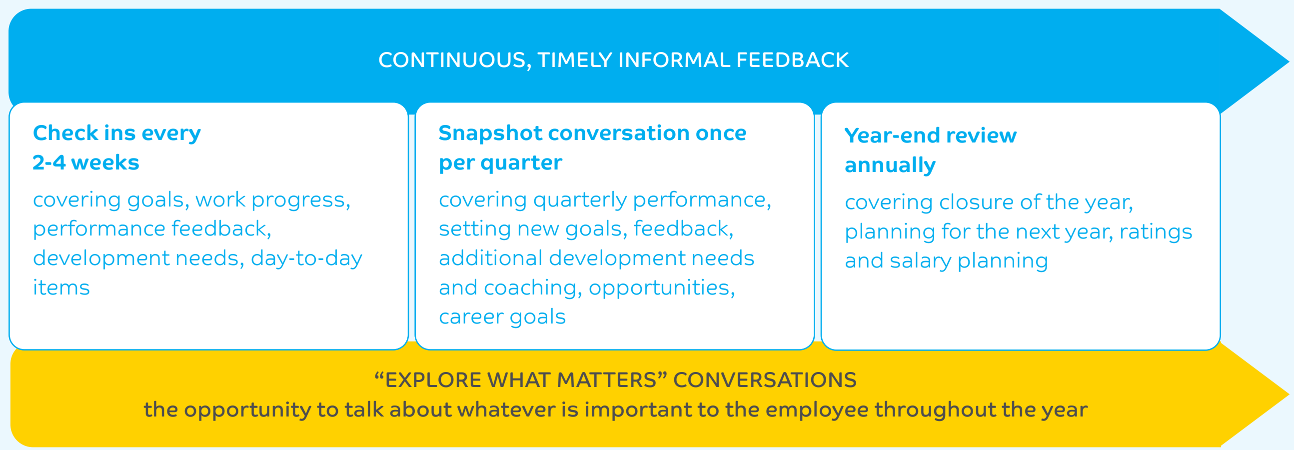
SABIC's comprehensive approach to training centers on the 3Es (Experience, Exposure, and Education), through which all levels of participants hone their potential.

PERFORMANCE REVIEW AND FEEDBACK

At SABIC, we are deeply committed to fostering a performance culture. We strive to create an environment where each of us feels empowered to contribute, innovate, and excel. We believe that by aligning our individual aspirations with the company's goals, we can achieve remarkable results.

All of SABIC's professional population, including executives, participate in a globally defined and managed performance annual review, receiving a performance rating and follow-up discussion. In 2023, our focus was on personal growth and development, clarity on expectations and goals, and on frequent feedback and dialogues between managers and employees. As part of the review processes, we structure our approach to employee development through an annual growth plan and a broader career growth plan. In 2023, 100% of eligible employees received a performance rating and 90% of active eligible employees completed a midyear review, revisiting and updating their annual objectives.

TALK5: CONTINUOUS DIALOGUE BETWEEN EMPLOYEES AND MANAGERS THROUGHOUT THE YEAR



ENABLING SAUDI VISION 2030

SABIC is a true Saudi success story. While our footprint and operations are global, the base of our company is homegrown: 86% of our employees are Saudi nationals, and 75% of our manufacturing assets are located in Saudi Arabia.

SABIC plays a crucial role in supporting and contributing to Saudi Vision 2030. Recognizing the importance of nurturing local talent, SABIC focuses on developing the potential of Saudi individuals through various initiatives. The company provides on-the-job work experiences, offering internships and apprenticeships to young individuals, enabling them to gain practical knowledge and skills. Additionally, SABIC invests in programs to enhance the capabilities of its employees, fostering a culture of continuous learning and innovation.

SAUDI SCHOLARSHIP PROGRAM

The SABIC Scholarship program, established in 2005, is a flagship initiative that provides promising Saudi undergraduate full scholarships to study at renowned local and international universities. While in the program, students work closely with SABIC Advisors who support them academically and personally to foster their growth and development. They are also able to attend SABIC-led workshops, conferences, internships, and a variety of other professional development opportunities. Once they complete their education and return to Saudi Arabia, they are placed in various roles and functions across SABIC, having already had significant first-hand experience with SABIC's culture, values, and purpose. This program is a significant avenue through which SABIC develops and leverages Saudi talent, positioning and enabling them to steer SABIC into the future.

2023 Highlights

- A new batch of 224 students in 2023 (50% male and 50% female) brings the overall active enrollment to 606 with a geographic split of 408 students in Middle East and Africa, 52 students in Europe, 145 students in the Americas, and 1 in China.
- Female placement in several departments: Information Technology, Technology and Innovation, Finance, Cybersecurity, Agri-Nutrients, Legal, Petrochemicals.
- Increase in the number of female students who are studying engineering-related majors reaching 74 is an increase of 56% compared to last year's intake.
- Partnering with the largest women's university in the world (Princess Nourah Bint Abdulrahman University, Saudi Arabia) to sponsor female students in a variety of majors that are related to SABIC's future growth.

The **Higher Education Program** supports employees to earn masters and PhDs linked to their career development plans and SABIC business demand.

2023 total active enrollment: 167 (2023 batch: 98)

The **Operators and Technicians program (TADARRUJ)** is a basic training program designed for high school graduates who aspire to become frontline operators and technicians who will run and maintain our current manufacturing plants.

2023 total active enrollment: 1,485

The **TAMHEER Program** is a government-sponsored program that enables Saudi high school graduates to gain on-the-job experience for a 6-month period. TAMHEER candidates work in various SABIC business units and functions and are considered for employment based on business feedback.

2023 total active enrollment: 288

The **COOP Program** is a SABIC-sponsored program offering cooperative opportunities to recent graduates at SABIC.

2023 total enrollment: 1,028

The **SABIC Summer Innovation Program (SIP)** is a 3-week SABIC-sponsored program to uplift high- and middle-school students' knowledge and innovation in STEM fields.

2023 total enrollment: 567

SABIC signed an agreement in early 2023 with the Ministry of Human Resources and Social Development (HRSD) to support its **National Training Campaign (WAAD),** a program that seeks to provide professional training and development opportunities for Saudi workers and students through collaboration with the private sector.

SABIC made a commitment to provide 200,000 training opportunities by 2025; however, we have already rapidly exceeded that goal having provided 325,000 opportunities by the third quarter of 2023.

LEADERSHIP MATTERS

THE SABIC LEADERSHIP WAY

OUR PURPOSE
What drives us to do what we do

Chemistry that Matters™

OUR COMMITMENTS
What we commit to deliver to achieve our purpose

1 DRIVING PERFORMANCE FOR CUSTOMERS

2 ENSURING LONG-TERM DEPENDABILITY

3 BUILDING VALUABLE RELATIONSHIPS

OUR LEADERSHIP WAY
How we lead SABIC's transformation

TALENT CHAMPION

COLLABORATION PARTNER

INNOVATION PIONEER

EXCELLENCE DRIVER

OUR VALUES
How we act each day

INSPIRE
We generate pride and commitment about making an impact

ENGAGE
We connect with others to achieve more together

CREATE
We find and embrace new and better ways of working

DELIVER
We take responsibility to drive meaningful results

SABIC is a world-class company—with world-class assets, products, presence, and customers. Similarly, our leadership framework, the SABIC Leadership Way (SLW), establishes a set of guiding principles that describe the unique characteristics for world-class leadership at SABIC. A leader at SABIC refers to everyone from the manufacturing floor to the CEO. The SLW inspires our leaders to act with integrity, responsibility, and accountability, and to support the leadership potential of others. The SLW's four leadership priorities, along with SABIC's values, inform how we lead and behave every day. The heart of our leadership model, "Be the Impact", emphasizes people empowerment, and ensures an engaged, agile, and collaborative workforce. It continues to be cited as a best-practice model of how to transform global business leadership in the light of new internal and external challenges by global research and advisory firm Gartner.

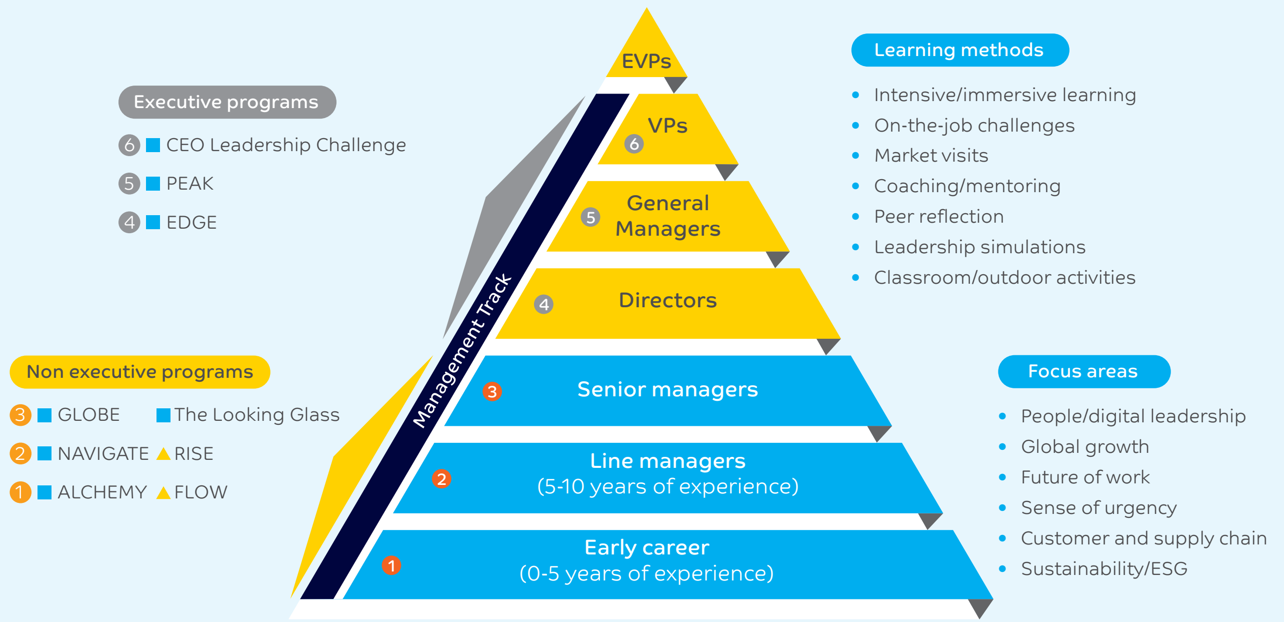
GLOBAL LEADERSHIP AND MENTORING PROGRAMS

Leadership development programs have been the cornerstone of SABIC's ongoing success, enabling the sense of trust and shared purpose required in today's values-driven, hybrid, and diverse work environment. Employee engagement and wellbeing are key elements of the competition to find and retain the best talent. Our leaders must be equipped with the right skills, mindset, and tools to grow and empower their people, care for their needs, and inspire them to become leaders themselves.

In 2023, SABIC extended the range and reach of our custom-designed leadership programs, in line with the ongoing efforts to build and fill our leadership pipeline to deliver our strategic growth objectives.

These programs represent a pinnacle of our leadership development activities. They combine opportunities to establish powerful internal networks and integrate global expertise to bring an outside-in perspective, as well as include core applied and experiential learning to accelerate the growth of leaders at multiple levels in the organization. A crucial aspect of SABIC's leadership philosophy is that world-class leadership programs are not only available to executives and above but are available from the start of an employee's career. The programs are also delivered by SABIC leaders themselves, allowing them to share their knowledge with others starting their journey. During 2023, we had a total of 407 employees who completed various leadership development programs.

LEADERSHIP PROGRAMS



Continue investing in SABIC talent based on the 3E Model

■ Participants nominated by business leaders and HR ▲ Registration through the online learning management system

DEVELOPING LEADERS IN ASIA

The Asia Leadership Acceleration Program (ALAP) has been vital to SABIC's achievements in the region, ensuring the company is inculcating a growth mindset and encouraging agility in its leaders.

To complement the success of ALAP, we launched another leadership program, Asia Leadership Ignition Program (ALIP), in June 2023. ALIP aims to empower aspiring young leaders with essential skills, fostering innovation, resilience, and adaptability throughout the organization. This 7-month program is designed to further support our talent strategy in the Asia regions, in particular, to cultivate and enhance leadership skills among the next generation.

SABIC believes all employees are leaders and so creates multiple mechanisms for individuals to grow as leaders, not just through formal leadership programs. As part of the SLW, our ambassador networks across the company host workshops for SABIC employees, providing continued opportunity to refresh knowledge and build key skillsets.

Our mentoring program explicitly encourages all people to participate, thus creating connections and sharing leadership insights and skills across the entire organization. Anyone within SABIC can register on our HR platform as a Mentor or Mentee and can meet as needed. We currently have 1,097 mentors and 1,299 mentees across SABIC, which is an increase of 44% and 69%, respectively, from 2022.

TOTAL REWARDS AT SABIC

SABIC is committed to providing its employees with competitive compensation, good working conditions, and flexible employment opportunities that support a better balance of private and professional life. We apply a comprehensive total rewards program designed to engage the best human talent in view of our aim of being a leader in the highly competitive chemical industry. Our overall goal is to provide all employees with pay and benefits that

- are competitive within the market in which they are employed
- are internally equitable for their level of work responsibility
- are linked to their performance and to company performance
- are meet each employee’s individual and family wellbeing needs
- are offer a good work-life balance.

More than 95% of SABIC employees work in countries with a statutory minimum wage. All employees are paid well above any relevant statutory minimum wage, without considering any allowances, overtime or bonus payments. We conduct periodic audits to ensure we remain compliant, with particular attention to employees in high inflation countries.

Additionally, more than 95% of employees participate in annual bonus plans designed to reward them based on a combination of company and individual performance. These bonus plans are intended to promote a pay-for-performance culture; promote teamwork by establishing shared goals; and help attract, motivate, and retain employees in a diverse and competitive marketplace.

In 2023, we started exploring the concept of a “living wage”, and frameworks for its implementation in more depth across the countries in which we operate, in conjunction with an external agency. This collaboration will continue and the insights will further strengthen our commitment to employees and support for the communities in which they live and work.

Furthermore, in Saudi Arabia, SABIC healthcare coverage is integral to the employee value proposition, unique in its offering, and vital to our talent retention strategy. Our offered medical coverages span over 125,000 members comprising employees, and retirees, including all their relatives.

CULTURE MATTERS

DIVERSITY

We believe the best ideas and greatest impact come from diverse perspectives and experiences across gender, generations, regions, and nationalities. SABIC strives to be a place where all individuals are welcomed and given the opportunity to succeed and achieve their full potential inspired by our purpose Chemistry that Matters™. Creating a sense of belonging for all is what makes us a great place to work and will help us realize our vision of becoming the preferred world leader in chemicals. Our new Sense of Belonging statement, adopted in late 2023, gives voice to these beliefs and embraces SABIC’s globally shared workplace standards, serving as a statement of intent for shaping our corporate culture.

SENSE OF BELONGING

We believe that our people can solve many of the world's most pressing problems related to our industry through innovative chemical and material solutions when their work environment allows them to personally thrive and be part of effective and supportive teams. We call this purpose, Chemistry that Matters™.

We strive to create a sense of belonging for individuals who are inspired by SABIC's purpose and choose to embrace SABIC's three globally shared workplace standards:

- SABIC Values
- SABIC Code of Ethics
- The SABIC Leadership Way

Explore What Matters

At SABIC, employees are expected to continuously enhance their mindset and behaviors so they create a sense of belonging in which they both give and receive respect.

In Q4 2023, an example of SABIC's commitment to Diversity, Equity, Inclusion, and Belonging was shown when 100 leaders across Europe participated in a world-class training pilot focused on developing leadership skills and practices to foster an inclusive and supportive work environment, where employees feel valued, respected, and heard. These training investments aim to increase productivity, creativity, and a positive work culture through future rollouts around the globe.

ENGAGEMENT

We capture the voice of our employees across many different channels throughout the year. The most encompassing forum is our global employee survey, administered by an independent consultancy that supplies trends and valuable benchmarks against each of our questions and dimensions (such as engagement, learner mindset, team leadership, and wellbeing). This year, we introduced a number of improvements to the survey, including moving it from a triannual to an annual exercise, increasing accessibility and promotion at our sites with mobile digital access through QR codes and promotion by way of numerous reminders throughout the duration of the survey. In 2023, we witnessed an increase in responses to the survey of almost 5% over 2022, a positive sign of buy-in to the process by our employees.

We have also increased the number of team leaders now receiving valuable feedback from their teams by 90%. This is accompanied by a corporate training and coaching program that supports team leaders in building on their survey feedback to create a positive environment for their teams.

SABIC has extensive global and regional programs that seek to drive engagement and connection. For example, the U MATTER roadshow delivers in-person and hybrid events in over 40 locations across 26 countries and is designed to inspire employees with a sense of belonging and connection with SABIC's products and purpose. Each year the global roadshow provides an opportunity to show our people just how much they matter and for them to connect with colleagues and business leaders around the world. For U MATTER 23, the focus was on engagement and wellbeing with a wide choice of unique and interactive workshops.

A PLACE WHERE EMPLOYEES CAN THRIVE

Our overarching ambition is that by 2030, 90+% of our employees feel that that they thrive at SABIC. We will continue to engage with all of our employees through a variety of channels, including our global employee survey, to enable us to reach this ambition and measure progress.

SABIC WOMEN'S NETWORK

The goal of our SABIC Women's Network (SHE) is to enable our women leaders to realize their potential. SHE provides resources for professional development, including mentorship opportunities, building visibility of women's achievements both internally and externally, and cultivating a sense of community where participants can exchange ideas and experiences. Throughout the year, SHE hosted several sessions to highlight the collective impact of our female workforce and continue our momentum toward a more diverse, equitable, and inclusive workplace.

Other 2023 highlights include the following:

- In addition to SABIC being recognized with the Women Leadership Award by Shanghai Daily, three women leaders from SABIC China were honored with the Outstanding Women Award, further acknowledging their contribution as role models.
- In Houston, Texas, US, Senior Project Engineer Lubna Alansari, the first Saudi woman engineer to join SABIC, was named as a 2023 Women MAKE Awards Emerging Leader from the National Association of Manufacturing. She was chosen by an external panel of industry leaders.
- The SHE initiative has also enabled SABIC to build partnerships with the local community in the North America region. One notable example is our collaboration with the Greater Houston Partnership, empowering women to be thought leaders and subject matter experts to support them in achieving their personal aspirations.

DRIVING CHANGE THROUGH THE SABIC WOMEN'S NETWORK

SABIC is the preferred brand for women working in the chemical industry

Women as leaders — INSPIRE

SHE empowers women to be thought leaders and subject matter experts and to achieve their personal aspirations by building

- visibility
- capability
- sense of community

Women as partners — ENGAGE

SHE initiates and sustains meaningful stakeholder engagements internally and externally for the purpose of

- attracting and retaining women
- SABIC brand ambassadorship
- developing the next generation of women in STEM

Women as influencers — CREATE & DELIVER

SHE influences SABIC for future success by

- encouraging workplace diversity, equity, inclusion, and belonging for all
- creating insights and identifying improvements
- supporting SABIC corporate priorities

SABIC YOUNG LEADERSHIP COUNCIL

In addition to the SHE network, we also empower our young female workforce to shape business decisions and propose disruptive and bold solutions to various challenges through the SABIC Young Leadership Council (SYLC). Further, aligning with Saudi Vision 2030 to increase women's participation in the labor market to 30% by 2030, the SABIC External Learning Program works in partnership with NGOs and universities to help prepare Saudi youth and women for employment opportunities.

SYLC is a dynamic platform that empowers future leaders and young talents at SABIC. It provides them with the opportunity to engage directly with SABIC's executive leadership team, influence future business decisions, foster a diverse organizational culture, and deliver significant value to the company. SYLC strives to maintain a diverse and inclusive culture and welcomes new members annually to be part of this transformative council.

In September 2023, the council participated in the youth leaders dialogue at the Global Water, Energy and Climate Change Congress (GWECCC) 2023 in Bahrain. This provided an invaluable collaboration opportunity with other youth forums in the regions. SYLC acted as a global sounding board and channel between the young people and national and international leaders to discuss emerging challenges facing the youth today in relation to the future of work and digitalization.

EMPLOYEE WELLBEING

We maintain dedicated regional portals and microsites that provide instant access to information across the locations in which we operate. We promote awareness and engagement on employee wellbeing through discussions, webinars, and campaigns, addressing important topics like lifestyle choices, preventative care and nutrition, physical activity and stress reduction, and resilience and mental health. We also offer a range of programs and benefits to support physical, financial, and mental wellbeing. One such benefit is continued access to employee assistance programs, which provide expanded healthcare facilities for employees and their families.

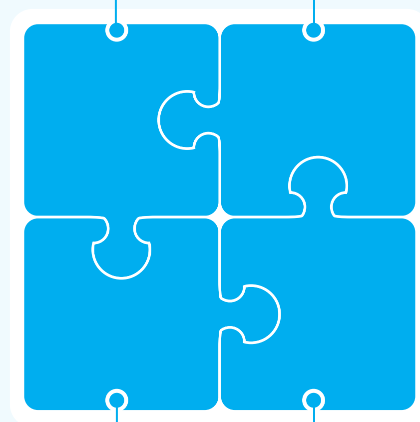
SABIC'S EMPLOYEE WELLBEING APPROACH

FINANCIAL WELLBEING

We provide employees with tools to take control of day-to-day finances, understand the company's rewards and benefits, and find the freedom to make choices that allow them to feel secure and enjoy life.

PHYSICAL WELLBEING

We promote healthy habits and lifestyle behavior choices for our employees, with an uncompromising focus on safety of oneself, family, colleagues, and others at all times.



SOCIAL WELLBEING

We encourage employees to communicate, connect, and develop meaningful relationships with others at work and to maintain support networks that promote collective growth as part of thriving, sustainable communities and societies.

EMOTIONAL WELLBEING

SABIC's stress management and mindfulness programs help employees build resilience to function productively and purposely, whether at work or at home.

TOWARD SAUDI VISION 2030: DRIVING LOCAL CONTENT

Continuous improvement topic

GRI 3-3 (203); 203-1; 203-2; 3-3 (413); 413-1

Although SABIC is a global business, we are committed to nurturing our roots in Saudi Arabia. By developing and investing in local content initiatives such as NUSANED™, and partnering with government programs like Shareek, we support Saudi Vision 2030's bold economic transformation plan to drive economic diversification and reduce import dependency.

Operating in over 45 countries across the world, and with 64 world-class manufacturing and compounding plants across the Middle East, Asia, Europe, and the Americas, SABIC is a truly global business. However, our roots are firmly anchored in Saudi Arabia, and we are fully committed to supporting the country's bold and ambitious economic transformation plan: Saudi Vision 2030.

CREATING VALUE THROUGH LOCAL CONTENT

For SABIC, the concept of "local content" refers to our efforts to build national capabilities and capacities throughout our value chain and beyond in Saudi Arabia as part of our commitment to the goals of Saudi Vision 2030.

Local content drives domestic value creation through the development of the local workforce, business infrastructure, and manufacturing. Local content programs are designed to reduce import dependency and drive investment and economic diversification within Saudi Arabia.

SABIC's journey of investing in local content began in January 2017, when we established our Local Content Business Development Unit (LCBDU) after the launch of Saudi Vision 2030 in March 2016. This was integral to formalizing and creating a platform for our investments and commitment to driving domestic value creation.

Through our investments and initiatives in Saudi Arabia, we support some of the fundamental axes of Saudi Vision 2030, including reducing unemployment; increasing export contribution to non-oil GDP; increasing localization in the oil and gas sector; increasing private sector contributions to the GDP; and increasing SME contribution to the GDP.

NUSANED™

Through our flagship local content initiative NUSANED™, launched in 2018, SABIC has been bringing together the public and private sectors in an effort to help SMEs get started and grow. NUSANED™ provides opportunities for investors, especially young people and entrepreneurs, who want to develop their businesses in innovative and leading industrial sectors. It further aims to raise the level of localization of industrial technologies, enabling the creation of new jobs and increasing the volume of Saudi exports.

Through NUSANED™, SABIC drives investments and opportunities and creates local demand through procurement spends, product conversion to develop downstream industries, and the commercialization of SABIC patents/technologies/applications. In turn, this creates more local outlets for SABIC's raw materials and for sourcing from local suppliers to achieve the localization mandates of our procurement activities.

In addition, SABIC's global partnerships and presence attracts international investments and expertise to Saudi Arabia, enhancing the capabilities of local industries to grow and compete. Through the Strategic Alliance Program, SABIC engages global OEMs to help local content growth by setting up manufacturing capabilities in Saudi Arabia, attracting investment, hiring local talent, and buying from the local market. In addition, we collaborate with industry-leading technology licensers to identify, promote, and attract local investment opportunities. We also create opportunities for our global partners to collaborate with local projects through our Home of Innovation™.

NUSANED™ AMBITIONS

Leading financing arm for industrial SME support, leveraging different funding sources and driving value creation

Champion of local SME excellence in the chemicals and industrial sector to drive local content growth and competitiveness

Leader for technology transfer and innovations, to transform and upgrade manufacturing facilities

Pioneer for local content program of the future, with a focus on sustainability, transformative sector growth, and development of workforce of the future

NUSANED™'s Executive Council represents a national platform that seeks to achieve the goals of Saudi Vision 2030 and meet the most important industry challenges, in addition to exploring opportunities in new industrial sectors. The NUSANED™ team continues to grow and upskill, and in 2023, focus areas for training included market analysis and strategy, financial modelling, and valuation.

SABIC takes pride in supporting capable and competitive local manufacturers and stimulating national employment. The benefits of local content initiatives like NUSANED™ are apparent: establishing a sustainable and diverse economy underpinned by a skilled, capable, local workforce, which in turn will drive domestic value creation, improve global competitiveness, and build toward Saudi Arabia's future prosperity.

FROM IDEA TO REALIZATION: BUILDING ENTREPRENEURIAL ENERGY ACROSS SAUDI ARABIA

NUSANED™ aims to give structure to meaningful and exciting business ideas. We address some of the challenges investors and entrepreneurs face through four pillars.

1. **Entema**: An opportunity gate program through which SABIC brings together investors and entrepreneurs. Investors can explore business opportunities and test their viability and attractiveness based on the socio-economic impact in Saudi Arabia and the long-term competitiveness and sustainability of the opportunity.

2. **DA'EM**: For viable opportunities identified in the Entema process, SABIC implements support packages such as raw material letters of intent, technical support through its experts and research centers, and workforce capability development opportunities.

3. **Access to finance**: To complement support packages offered in DA'EM, SABIC helps unlock access to direct and indirect funding through Nusaned Investment and strategic partners.

4. **Muahal**: SABIC provides customized training and programs to ensure that each project's workforce has the necessary technical and leadership capabilities to grow the business in a competitive and sustainable way.

HOME OF INNOVATION™ A SABIC growth initiative

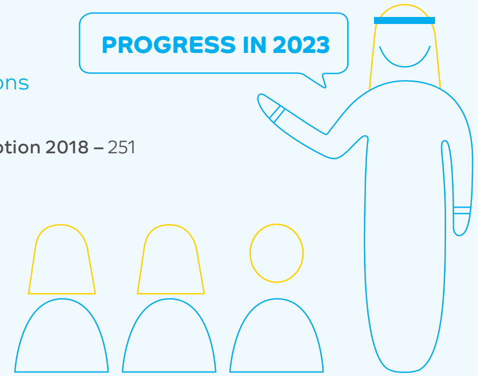
nusaned INVESTMENT COMPANY

NUSANED™

2023 HIGHLIGHTS

More Info ▸

PROGRESS IN 2023



Female job enablement
3,955
Since inception 2018 – 10,491

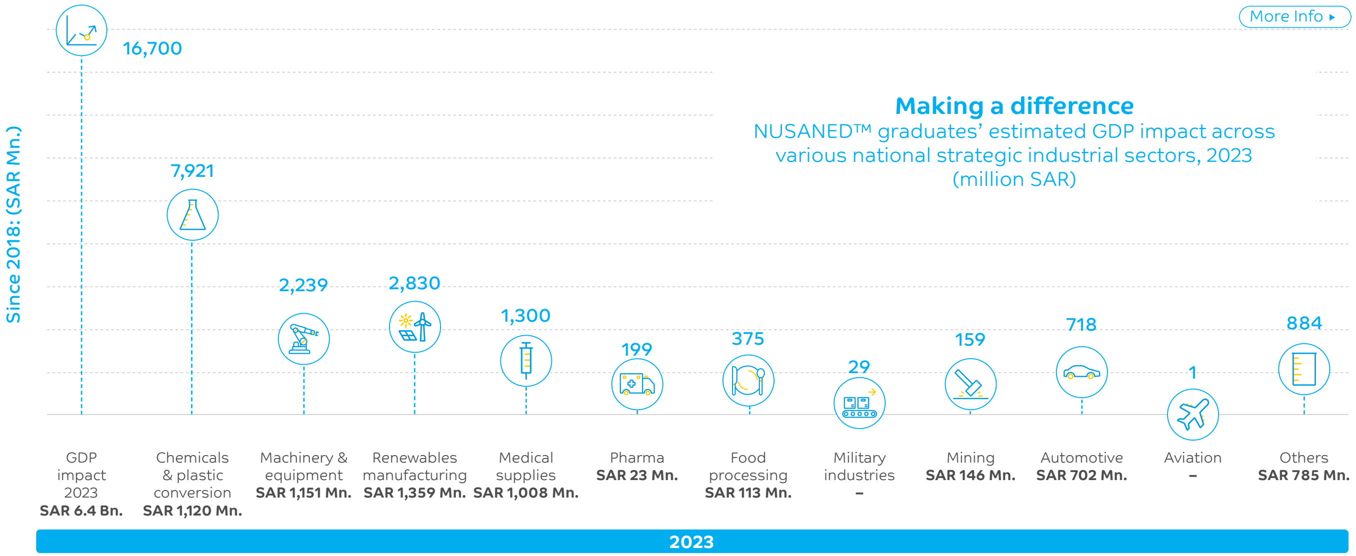
Graduations
57
Since inception 2018 – 251

Saudi job enablement
11,340
Since inception 2018 – 30,756

Estimated GDP impact
SAR 6.4 Bn.
Since inception 2018 – SAR 16.7 Bn

Training hours
45,523
Since inception 2018 – 150,392

More Info ▸



NUSANED™ graduates continued to make strides with strong collaborations:

- Pearl polyurethane systems - Manufacturing of Polyurethane System Houses that mainly create a temperature-controlled environment in applications used in construction, automotive, refrigeration and heating, oil and gas, footwear, and many other applications.
- A NUSANED™ graduate opened the Saudi Crane Company, an extension of the International Crane Company chain, with a new 10,000 square meter facility for manufacturing valves and pipes in the Second Industrial City in Dammam.
- The Gerflor Group celebrated the commissioning of a state-of-the-art rigid luxury-vinyl-tiles (LVT) manufacturing plant. SABIC jointly with the Oil Sustainability Program (OSP) had enabled such strategic opportunity localization. The Gerflor Group manufactures and markets innovative, decorative, and sustainable flooring solutions using SABIC PVC. Their LVT product is endorsed via the Oil Sustainability Program, a program that seeks to create efficient and sustainable opportunities and applications for hydrocarbons.
- Sinmer set up the first factory in Saudi Arabia that manufactures Teflon tape. It will source polypropylene from SABIC for the plastic tape dispenser.

- SABIC has been issued its first "Entity Level" Local Content Audited Score, a key milestone in the company's localization journey and an important Saudi Arabian government compliance requirement. The Local Content Certificate award is based on SABIC's 2022 Audited Financial Statements. SABIC's score, 46.16%, covers our overall procurement spends, labor compensation, capacity building, and asset depreciation, and will serve as a single baseline for SABIC's contribution towards local economic growth and Saudi Vision 2030. In 2023, procurement contracts awarded included 32 large operational expenditure contracts with a combined value of SAR 2.9 Bn. and SAR 1.4 Bn. of potential local content impact.

"Entity Level" Local Content Audited Score issued to SABIC

THE NUSANED™ ECOSYSTEM

NUSANED INVESTMENT

Nusaned Investment is a wholly-owned SABIC subsidiary headquartered in Riyadh. It was launched in November 2018 with the aim of investing in and supporting the development of Saudi industrial projects and SMEs, which will play a key role in realizing Saudi Vision 2030. It operates as an autonomous investment company with an independent Board of Directors.

Nusaned Investment aims to support SMEs through equity investments with an influential minority share to drive active value creation; to bridge financing gaps. Nusaned Investment targets SMEs with advanced business models and proven technologies within SABIC's value chain and, more generally, the national downstream industry, with a focus on the Saudi National Industrial Strategy (NIS). Since its inception, over 200 SMEs have been assessed and enabled across the investment process. This approach allows for the generation of sustainable returns. The SME financing market in Saudi Arabia is a promising one, and there is great potential for growth in this area to support the sector while building SABIC's supplier and customer base in the process.

Nusaned Investment and Banque Saudi Fransi cooperate to finance emerging enterprises.

In 2023, Nusaned Investment and Banque Saudi Fransi signed a cooperation agreement to finance emerging SMEs. The SAR 200 Mn. agreement will contribute to creating financing solutions and overcoming financing challenges faced by SMEs.

HOME OF INNOVATION™

The Home of Innovation™ is both a SABIC growth initiative and a space that brings together strategic and diverse local and global industry leaders through its unique positioning within the innovation eco-system. It combines technology, marketing, and innovation to stimulate localization within the NIS and enable the objectives of Saudi Vision 2030.

The Home of Innovation™ has grown to become the perfect environment for its stakeholders to work on grand priorities, capitalizing on shared knowledge and local resources and capabilities to find solutions to challenges, and showcase them in the first LEED Platinum-certified residential building in the Middle East, making it one of the most sustainable buildings in Saudi Arabia.

The Home of Innovation™ brings together SMEs, the NIS sectors, OEMs, SABIC business units, academic institutions, and the government. The Home of Innovation™ is strategically positioned to accelerate the transformation of Saudi Arabia into a leading industrial powerhouse through empowering innovation, fostering collaboration, and driving localization.

In 2023, this mission was delivered through the following integrated roadmaps:

- Leading and orchestrating industry acceleration workshops with decision-makers, industry leaders, enablers, and regulators. Examples include
  - technology for combating water scarcity
  - recycling in the industrial sector
  - Made in Saudi program.
- Streamlining high caliber localization opportunities in the Nusaned pipeline to enable the localization journey.
- Showcasing state-of-the-art live technologies and valuable solutions at the high performance demonstration center and technology showcase to further enable the localization of NIS sectors.
- On-boarding strategic local and global industry leaders as Home of Innovation™ participants to elevate the technological acumen of Saudi Arabia's giga/mega projects, enhance energy and water efficiency, and create sustainable future cities.
- Driving collaborative initiatives to grow local manufacturing such as
  - technology workshops between major demand creators and innovative technology providers
  - raw material localization efforts within HoI eco-system.

Under SABIC's localization engine; Nusaned™, The HoI plays a crucial role in SABIC's strategy to enable its local content initiatives in support of the NIS and Saudi Vision 2030.

Request a tour

SABIC AND THE SHAREEK PROGRAM

Launched in March 2021 by His Royal Highness the Crown Prince, the Shareek program is an initiative to develop strong partnerships between the public and private sector (both listed and non-listed companies) to build the national economy and support sustainable growth.

The objective is to encourage large companies in Saudi Arabia to invest in local enterprises in a manner that benefits SMEs and other business operations in the entire economic ecosystem to reach US$ 1.3 Tn. in domestic investments by 2030.

In doing so, Shareek aims to eliminate barriers to growth and prosperity, tailoring support for the private sector to secure specific enablers for each participating large company and offering unparalleled scale and long-term scope to support lasting collaboration within the framework of existing local and international treaties, policies, and regulations.

SABIC has been engaged with Shareek since the program commenced, having successfully met all the required eligibility conditions. The partnership will play a big role in the next phase of SABIC's growth as it targets collaborations for initiatives within Petrochemicals, Specialties and Agri-Nutrients. Having signed the framework agreement in the first quarter of 2023, the first project will be manufacturing catalysts hubs to transform Saudi Arabia into a center for specialized materials in line with the NIS.

The project will propel industrial advancements as expressed in Saudi Vision 2030, such as improving the energy sector's competitiveness, developing entities associated with oil and gas industries, and raising the level of local content. As the country presently relies on catalyst imports to a large extent, this strategic project will help secure the needs of the petrochemical manufacturers in the region, raising both operational and energy efficiency while helping SABIC reach its carbon neutrality targets by 2050.

SABIC's strategy for manufacturing catalysts is based on knowledge acquisition, applying the latest technologies and making improvements to them prior to localization. To accomplish this, SABIC fully acquired Scientific Design to secure a key catalyst for the glycol manufacturing, followed by establishing three new plants for the catalysts used in manufacturing polymers and chemicals. Throughout it all, SABIC is collaborating with Shareek to identify the most important enablers and drivers to strengthen the catalyst industry in the country.

The word ‘Shareek’ in Arabic means partner, an ideal embodiment of the spirit of public and private sector collaboration invigorating the program. In serving Saudi Vision 2030 goals, Shareek hopes to accelerate business expansion, broaden the country's economy, increase the private sector's contribution to GDP, and create new jobs. SABIC will work in step with the program to fulfil these objectives to enable Saudi Arabia to rely on localization for its industrial needs in the years to come.

SABIC press release

COMMUNITIES

GRI 3-3 (203); 203-1; 3-3 (413); 413-1

Continuous improvement topic

SABIC actively engages with the local communities where its employees live and work. Through our CSR initiatives, we foster a culture of community giving and volunteerism to create value for society.

SABIC is a truly global business, and our people live and work in and around our sites across the Middle East, Asia, Europe, and the Americas. We do not simply operate in these communities; we are a part of them. More than half of our hiring is from local communities. This is why CSR remains vital for SABIC: it reinforces and extends a strong culture of community giving and volunteerism among our employees that complements the innovation and action integrated into our core business model and purpose, Chemistry that Matters™. This culture, nurtured across SABIC's 47-year history, drives our investments and engagements in programs that strive to create meaningful impacts throughout our global communities.

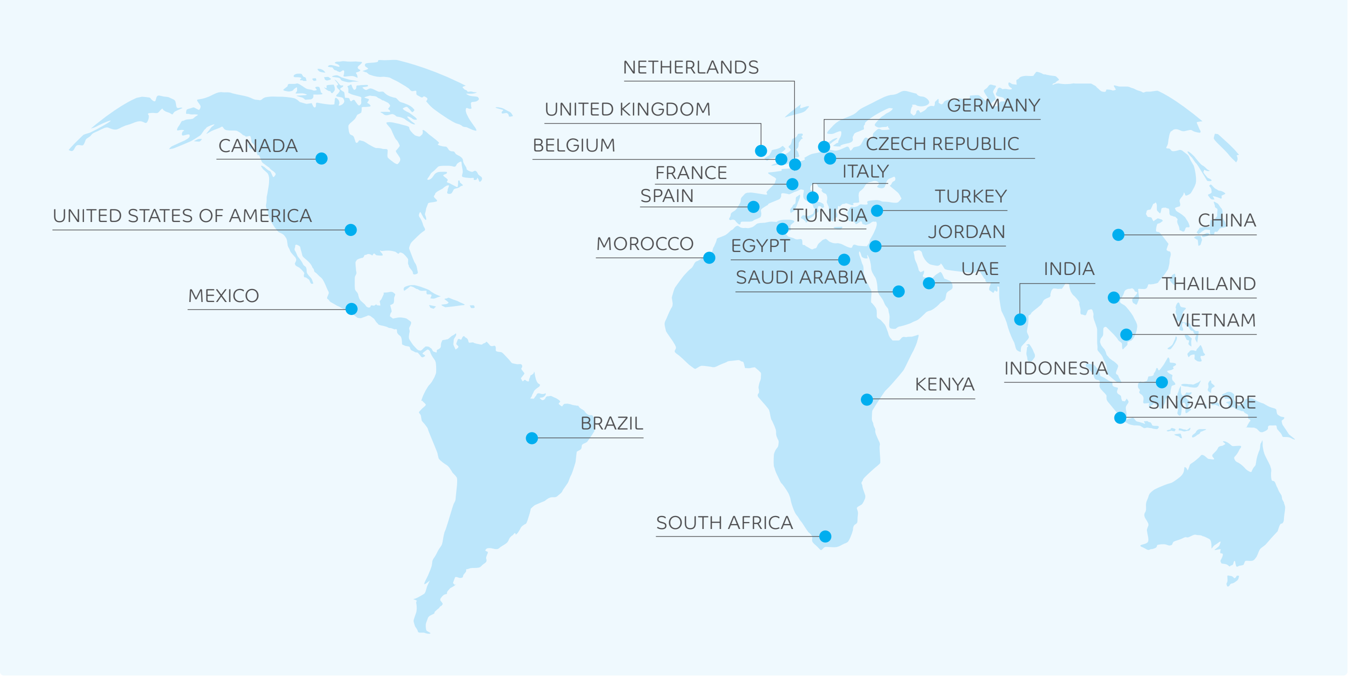
The strategic tool, RAISE, guides our approach to our social responsibility activities, contributions, and collaborations. We use RAISE—Reputation, Audience, Innovation, Strategy, and Endurance—to select programs that elevate SABIC's brand, address community needs, and promote our values. RAISE prioritizes four strategic focus areas, supporting Saudi Vision 2030 and contributing to nine of the United Nation's SDGs:

- Science and Technology Education
- Environmental Protection
- Health and Wellness
- Water and Sustainable Agriculture.

Our process to identify opportunities and develop CSR initiatives is informed by pressing global megatrends, including impacts from climate change, trends in urbanization and consumerism, and advances in economics and technology.

OUR CSR IMPACT IN 2023

121 global CSR programs	3,600+ SABIC volunteers	US$ 12.78Mn. invested in CSR programs	338,000 people reached in 27 countries



HEALTH AND WELLNESS

We promote a holistic concept of wellbeing through our Global Health Initiative and Global Social Initiative, tacitly recognizing that health and wellness require both social and medical interventions. Across 2023, our programs in Health and Wellness reached 15 countries.

Highlights under SABIC's Global Health Initiative included sponsoring the Riyadh Marathon (with over 10,000 competitors participating, including 200 SABIC employees), blood-donation drives across Saudi Arabia, and investments in the Shama'a Autism Center in Saudi Arabia. In addition, we conducted a 10,000 steps-a-day challenge across our European sites to promote activity and fitness, with participants tracking their journey virtually.

Honoring graduates of a program for the visually impaired

Meanwhile, within our Global Social Initiative, SABIC donated SAR 5 Mn. to help those affected by the earthquakes in Turkey and Syria in collaboration with King Salman Humanitarian Aid and Relief Center. Other programs included food basket and winter clothes campaigns and social visits to the disadvantaged as well as hospital patients. In the Netherlands, SABIC distributed 'BeterBoek' (Get Well Book), an informational book to explain hospitalization and day care to children, reaching over 2,000 patients. SABIC also donated SAR 16 Mn. to the Ehsan Campaign to support CSR in Saudi Arabia.

THEY SEE, THEY LEARN

Many children do not have the means to identify vision-related challenges due to a lack of awareness and financial support. This can lead to dropouts from schools and sometimes to child labor to support families. The eye care program "They See, They Learn" targets students in India's government schools through eye-check camps. SABIC helped distribute free spectacles to children in need and directed them to partner eye hospitals should further treatment be required. The program reached over 100,000 student beneficiaries.

SCIENCE AND TECHNOLOGY EDUCATION

SABIC's business activities are at the intersection of new materials and technologies, making us uniquely positioned to foster innovation and quality education and create career pathways for youth in STEM fields. Our primary engagement model is through partnerships with charities, NGOs, schools, communities, and other stakeholders for a collaborative approach.

SABIC's Global Initiative for Education and Innovation has continued this year, in partnership with Junior Achievement Worldwide and INJAZ Saudia. This year the initiative involved providing hands-on, immersive learning to students in four countries. Since its launch in 2019, the initiative has reached 128,000 students in 13 countries. By bringing real-life case studies into the classroom to complement theoretical content, the program fosters critical thinking and teamwork through experimental learning.

Our program "Lights of Our Future" was conducted in China and Singapore this year. The program focused on educating students about climate and environmental issues through classes, workshops, and other activities. The AICM awarded us with a Responsible Care® award in the open-to-public (OTP) category.

In the US, we conducted sustainability awareness and career fair workshops in partnership with Windsor Village Elementary School in Houston. These workshops benefitted students, particularly those from economically disadvantaged and minority backgrounds.

The SABIC Global Back-to-School Initiative is our second major initiative under Science and Technology Education. This initiative involves collaboration with governments, NGOs, schools, and communities all over the world to help students succeed in their education. This year, the initiative reached thousands of students across 11 countries. Programs ranged from providing school supplies to students in Kenya, Brazil, the UAE, and the US to enhancing technology education through digital enhancement in Vietnam and the Ertiqa Technical Generation Program benefitting 60 orphans in Saudi Arabia. A ChemWorkshop in China was also developed for future chemistry industry talents to empower their growth from school to career in our industry. SABIC also supported schools in India though upgrading and scaling up school infrastructure, resulting in a rise in the quality of education for underprivileged children.

Students engage in a "Lights of Our Future" program in China

THE MADAC EDUCATION ACADEMY

The MADAC Education Academy in Al Madinah, Saudi Arabia, is a world-class educational complex that seeks to use the best educational theories and practices to provide a curriculum with an equal emphasis on education and cultural values. The center, a SAR 20 Mn. initiative funded by SABIC and inaugurated in December 2023, specializes in providing an investigative education for children and young people, encouraging them to understand the historical, cultural, and scientific aspects of civilization and to develop intellectual skills in science and culture.

ENVIRONMENTAL PROTECTION

Participating in cleanup activities provides opportunities for SABIC employees to collectively engage in positive environmental action, and are a good example of how our CSR activities complement the sustainability concepts inherent in our core business. Addressing climate change and plastic pollution requires both coordinated international and inter/intra industry efforts and grassroots-level engagement. Therefore, even though smaller in scale, local cleanup activities provide opportunities to build awareness and demonstrate that personal participation can make a difference. Our Global Environmental Protection Initiative included environmental awareness sessions, recycling campaigns, and tree-planting activities and reached 12 countries in 2023. Cleanup campaigns were conducted with the help of SABIC volunteers in beaches, forests, nature reserves, and local public sites across the world, leveraging the momentum created from both World Cleanup Day and Earth Day.

SABIC volunteers participate in a beach cleanup in Indonesia

SABIC NANSHA'S COMMUNITY ENGAGEMENT

SABIC organized a series of events at its Nansha plant in Guangzhou, China. The events, held under the theme 'Thrive Towards a More Sustainable Tomorrow Together', were aimed at strengthening our relationships with the local community and raising awareness about the importance of sustainability. Students, teachers, and representatives from the local environment bureau were invited to visit the plant as part of our 2023 Open-To-Public Day. Additionally, our employee volunteers conducted a 'Lights of Our Future' themed workshop on sustainability at a Nansha middle school focusing on topics such as climate change, renewable energy, and waste management.

WATER AND SUSTAINABLE AGRICULTURE

Water and sustainable agriculture are increasingly vital to communities due to their collective impact on our daily lives, from ending hunger to achieving food security and improving nutrition. At SABIC, we support farmers by sharing ideas and experiences on effective farming practices, crop productivity, quality, and variety. This year continued our ongoing engagement with the iGardi Project in South Africa, which supports schools in building, planting, and maintaining their own food gardens (and in utilizing local waste to benefit the community and school grounds). We also helped to supply freshwater for 30 underprivileged families in the village of Sanboua in Egypt in an effort to improve the health and wellbeing of the community, and enhance productivity of the farmers.

South Africa's iGardi Project helps empower underprivileged communities to increase nutritional diversity

LOOKING FORWARD: THE SABIC MENTAL HEALTH HOSPITAL TO OPEN IN 2024

The SABIC Mental Health Hospital is a substantial project by SABIC, in collaboration with the Saudi Ministry of Health, to support an important step in the expansion of behavioral health and addiction services in the country. The hospital will set the standards for mental healthcare in the Middle East and Africa region and will have inpatient and outpatient services with tailored care models and a research center. It will conduct community-awareness sessions and programs.

Learn more about SABIC's CSR approach.
Learn more about SABIC's UN SDG roadmap.

ETHICS, COMPLIANCE, AND HUMAN RIGHTS

Material topic

GRI 2-27; 3-3 (205); 205

Critical to our ambitions of becoming the preferred world leader in chemicals is conducting business ethically, honestly, and in full compliance with the laws and regulations of the countries in which we operate.

OUR APPROACH

Starting with our Code of Ethics, which provides an overarching mission and policy framework, ethics and compliance are integrated into the operational and business processes through which we engage our workforce, customers, suppliers, investors, community members, and other stakeholders.

SABIC's Global Chief Counsel, Business Ethics and Compliance is responsible for managing the implementation and execution of SABIC's Ethics and Compliance program, supported by a team of lawyers and professionals working in each region where we conduct our business. With a direct functional reporting line to the Board Audit Committee, the function regularly provides updates on progress, risks, mitigation measures, and initiatives.

A new **SABIC Code of Ethics** was approved by the board in September 2023 and will be rolled out to all employees with a multi-language campaign, communications, and video, along with new guidance support during the first quarter of 2024.

To build the right foundation for our integrity culture, all employees are required to complete compliance training, covering all key regulations and laws associated with responsibilities and risks related to their work duties, once every two years. In addition, SABIC conducts in-person and virtual training where appropriate.

We encourage employees to report any integrity concerns (including anonymously if desired), and to inquire and ask for guidance as necessary. Employees are encouraged to raise any concern with i) any manager in the company, ii) any human resources manager, or iii) any legal counsel, iv) through a dedicated speak-up portal that is accessible to all employees allowing for anonymous reporting as well (referred to as 'Speak-Up' icon), v) by email to 'integrity@sabic.com' and 'dataprotection@sabic.com', and vi) by reaching out to a region-wide robust network of appointed integrity ambassadors at key departments, affiliates, and locations (who are also available by phone).

We also enable external stakeholders such as customers, suppliers, and community members to raise concerns through several channels, including through hotlines managed by SABIC Integrity Ambassadors, with details available on the SABIC website. SABIC is committed to respond in a timely manner to any such concerns or possible breaches in accordance with fair, thorough, and confidential investigation processes. In addition, SABIC's whistleblower guidelines prohibit any hard or soft retaliation for raising a concern, cooperating with an investigation, or addressing integrity and compliance in good faith.

COMPLIANCE INVESTIGATIONS

In 2023, we investigated 147 Code of Ethics policy concerns; 51 have been found to be violations and 114 investigations have been closed.

Compliance concerns raised	Violations found (addressed)	Investigations closed
147	51	114

ONLINE COMPLIANCE TRAINING

Completed %	Overdue %
95.98	1.08

FOSTERING A CULTURE OF INTEGRITY

For several years, SABIC has been a member of the Ethisphere Institute, a global leader in defining and advancing the standards of ethical business practices, as well as Ethisphere's Business Ethics Leadership Alliance (BELA). We leverage Ethisphere's and other organizations' various educational programs, networking, and benchmarking opportunities to strengthen our Ethics and Compliance program and build compliance leadership capacity internally and externally with our stakeholders.

In 2023, SABIC earned the Compliance Leader Verification™ for 2024 and 2025 from the Ethisphere Institute. The Compliance Leader Verification™ process involves the rigorous review of SABIC's Ethics and Compliance program and our integrity culture across six key areas: program resources and structure; perceptions of its ethical culture; written standards; training and communication; risk assessment, monitoring and detection; and enforcement, discipline, and incentives.

In the second half of 2023, through the services of the Ethisphere Institute, SABIC conducted a global survey (called "Integrity Engagement") to measure perceptions about its Ethics and Compliance program and integrity culture. The survey had a strong global response rate and the results will be presented at regional, business, and functional levels during the first half of 2024. Where appropriate, opportunities to enhance our Ethics and Compliance program and integrity culture will be identified and addressed.

Every business and corporate function is regularly subjected to a bottom-up compliance risk assessment in order to proactively identify and mitigate compliance risk for the company. In the first months of 2023, we launched a new Risk Management Tool to facilitate this assessment process with business units, corporate functions, and affiliates. The tool provides for fully digitalized questionnaires/ assessment processes, enhanced record management and reporting capabilities, and enables a holistic integrated risk data management approach.

During 2023, one of the key regulatory priorities for SABIC was to ensure compliance with applicable trade laws and regulations throughout its operations. SABIC has invested in guidance and awareness programs, including training, while continuing with screenings that, to the extent possible, have been automated within third-party onboarding programs and transactional processes. As part of the trade compliance guidance, SABIC has provided for recusal policies for applicable employees.

POLITICAL CONTRIBUTIONS

SABIC refrains from making any political contributions in any country in which it operates. In the United States, employees at SABIC have established a Political Action Committee (PAC). The SABIC Employees' PAC is a voluntary, federally registered employee association founded in 2020. It collects donations for political purposes and decides how these are used, in accordance with US law. SABIC as a company has no control over the PAC and no say over where contributions are directed. Those decisions are made by a Board of Directors consisting of SABIC employees who have donated to the PAC.

SABIC HUMAN RIGHTS PROGRAM

At SABIC, we seek to create Chemistry that Matters™ in a manner that respects and fosters human rights in our daily operations. We embrace this same position with our business partners in our value chain, in the communities where we operate, and in the application and use of our products. See **Our Human Rights Program** of our website for more information on SABIC's commitments, governance, reporting mechanisms, and inclusive culture.

SABIC's Human Rights Program

JOURNEYING TOWARDS EXCELLENCE IN BUSINESS ETHICS

- **2009** Code of Ethics
- **2010** Online compliance training for all employees
- **2011** First SABIC Sustainability program WBCSD membership
- **2012** First UN Global Compact CEO letter
- **2014** Supplier Code of Conduct
- **2015** Updated compliance training for all employees
- **2016** UN Global Compact Advanced Status
- **2018** Temporary Worker Code of Conduct
- **2019** SDGs roadmap
- **2021** Human Rights training for contractors, distributors, and suppliers
- **2022** Launched Human Rights report website
- **2023** New Code of Ethics approved, with launch in 2024

ETHICS AND COMPLIANCE WITH THIRD-PARTY BUSINESS PARTNERS

SABIC seeks to work with third parties, including potential business partners, that share SABIC's unwavering commitment to compliance and business ethics. Accordingly, SABIC conducts due diligence of third parties as part of transactions, new business development, divestments, and other business initiatives. Several of such key processes have been automated, such as SABIC's registration and onboarding program for new and existing suppliers, which includes due diligence to minimize supply chain human rights risks and other violations. It requires suppliers to abide by the principles contained in SABIC's Supplier Code of Conduct and carry out business transactions in a manner that is ethical, legal, safe, and socially and environmentally responsible.

Building compliance assurance in our business environment is important to both us and our external stakeholders. In mid-2021, we started to provide online compliance training to third-party business partners including suppliers, distributors, and contract workers. Through this online, local-language training, we are able to ensure that our third-party partners have a grounding in the compliance concepts that we adhere to, such as labor standards, trade, anti-corruption, and anti-money-laundering.

All temporary and contract workers must acknowledge and comply with our Temporary Worker Code of Conduct, which covers compliance, EHSS, and ethical requirements similar to those covered under SABIC's Code of Ethics. This is to ensure that the company's standards are adhered to at every level, including those with whom we work outside of the organization.

ANTI-CORRUPTION

SABIC is committed to ensuring that all its business dealings in the public and private sectors are based on lawful, ethical, and fair practices, and internal communication and training on these issues are part of our broader Ethics and Compliance program. Similarly, our anti-bribery procedures guide our interactions with government officials.

SABIC operates under a zero-gifts-receiving policy. At the end of 2022, we launched a new mandatory Gifts and Hospitality Registry tool for our employees to log all their gifts and instances of hospitality, whether provided or received by the employee in relation to third parties (such as customers and suppliers) to reinforce SABIC's gifts and hospitality procedures. In 2023, the new tool was rolled out across SABIC, with training for relevant internal stakeholders.

Our broader efforts as a company during 2023 included continuing our support for the Pearl Initiative's work to fight corruption (specifically the empowerment of women in fighting corruption). This work will continue and roll over into 2024. In addition, SABIC was represented at the Partnering Against Corruption Initiative in Geneva in support of good governance practices.

Our compliance investigation statistics as outlined above include our investigations into incidents of corruption and bribery. While we have had several confirmed incidents during 2023, none of them were material in terms of financial exposure or indicative of structural gaps in our corruption and fraud prevention processes and trainings, and penalties were imposed by the authorities. These incidents have been properly investigated and appropriate corrective measures have been implemented. SABIC cooperates with prevailing anti-corruption authorities, including NAZAHA, the Saudi Anti-Corruption, when needed.

GOVERNANCE

CORPORATE GOVERNANCE

GRI 2-9; 2-10; 2-11; 2-12; 2-13; 2-15; 2-18; 2-19; 2-20

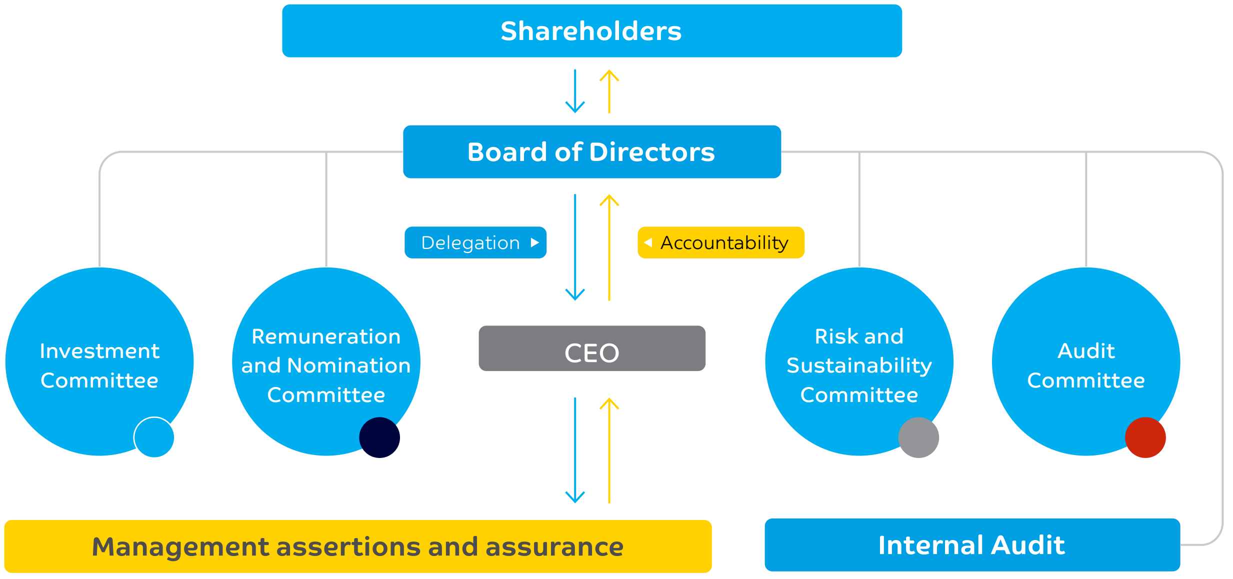
SABIC GOVERNANCE FRAMEWORK

At SABIC, we have an unwavering commitment to upholding the highest standards of governance. This is achieved through strategic planning, robust risk management practices, transparent operations, and a strong focus on social and environmental responsibility. Our approach to corporate governance extends beyond mere compliance with regulations. SABIC has methodically designed its own corporate governance framework, which establishes clear roles, responsibilities, decision-making processes, and mechanisms for accountability in line with the board-approved delegation policy. It also defines the primary governance bodies within the company and clarifies how they interrelate, integrate, and coordinate their activities. The robust corporate governance practices at SABIC comply with relevant laws and regulations issued by the regulatory authorities including the CMA and also adheres to internationally recognized best practices.

The board at SABIC is composed to provide effective oversight, strategic direction, and guidance on a wide variety of matters such that it adds significant value to the company's operations and long-term sustainable success. During 2023, the board approved updates to the company's By-Laws, Code of Ethics, and delegation policy to ensure these are aligned with leading corporate governance practices. On an ongoing basis, the board regularly reviews the company's adherence to board-approved policies that are implemented by management through additional guidelines and procedures to ensure ethical conduct, effective oversight, and control.

At SABIC, the rights of shareholders are accorded utmost respect, with active engagement and consideration of their perspectives in decision-making processes, thereby enhancing accountability and stakeholder confidence. Moreover, our framework summarizes the rights of shareholders and outlines mechanisms for them to fairly exercise these rights in accordance with all pertinent regulations and global best practices. This enhances communication with stakeholders and provides the necessary tools for effective engagement.

At SABIC, we firmly believe that driving governance across the organization through our framework and governance bodies fundamentally enables achieving our organizational goals. Our approach promotes accountability and transparency while strengthening our capability to sustain and cultivate strategic relationships with our diverse stakeholders.



SUSTAINABILITY GOVERNANCE AND ORGANIZATION

SABIC's board is ultimately responsible for promoting the long-term sustainable success of the company. Therefore, it approves SABIC's purpose, long-term strategy, objectives, and values, developing and approving all necessary policies and KPIs to ensure, through gaining assurances, alignment with the desired sustainability targets.

The BRSC assists the board in its oversight of performance in relation to health, safety, process safety, security, environment, human rights, and CSR. The BRSC also oversees and monitors all material economic, environmental, and social risks, making necessary recommendations to the board. Additionally, the board engages with stakeholders through two-way communication channels set out in the "stakeholders policy". The effectiveness of managing these procedures and systems is reviewed and assessed on a quarterly-to-annually basis, and, where necessary, corrective measures are adopted.

The board delegates to the BRSC, Board Audit Committee, and Remuneration and Nomination Committee the appropriate responsibilities (as set out in their respective charters) to oversee and manage the company's impacts on the economy, environment, and people. These committees engage with the appropriate members of the executive management for the purpose of performing their responsibilities. Moreover, the committees are authorized to leverage specialized consultancy and advisory services in the matters falling within their respective competencies when necessary. The board and the BRSC periodically review sustainability actions and decisions; however, the Chairman is ultimately accountable for all sustainability matters.

The SABIC ExCom is chaired by the CEO and includes all Executive Vice Presidents of business units and corporate functions, including the Chief Sustainability Officer (CSO). SABIC ExCom is responsible for setting the sustainability vision, priorities, and goals, and is ultimately accountable for the company performance measured against sustainability goals. SABIC ExCom has the discretion of creating sub-committees to drive focus in specific areas, such as climate change, product stewardship, etc.

This year, SABIC reorganized its corporate sustainability activities to bring more focus and accountability. This reorganization will improve decision-making and further drive the integration of sustainability issues into core business activities. It will also focus on governance and delivery of key sustainability initiatives while ensuring compliance with sustainability requirements and creating value for SABIC shareholders.

Corporate Sustainability is tasked with supporting the ExCom and BRSC in governing the sustainability risks and opportunities, and assessing the financial impacts and mitigation actions. It also works closely with business units and functions in defining their sustainability goals and targets. Each business unit and function also has a sustainability champion who provides leadership in driving the identified sustainability initiatives within their sphere of influence and in aligning with departmental plans.

Performance against business and functional goals is linked to the financial compensation for all executive and senior leaders.

SABIC BOARD OF DIRECTORS

BIOGRAPHIES OF BOARD AND COMMITTEE MEMBERS

Click to expand

KHALID AL-DABBAGH

BSc Industrial Engineering, Exec. Cert. Management

SABIC Board Chairman, Non-Executive Director

Other Current Positions/Memberships

Previous Positions

Previous Board Memberships

- Member, Board of Directors, Saudi Aramco

DR. MOHAMMED AL-QAHTANI

PhD, MSc and BSc Petroleum Engineering

SABIC Board Vice Chairman, Non-Executive Director

Other Current Positions/Memberships

Previous Positions

Previous Board Memberships

- President of Downstream, Saudi Aramco
- Chairman, Aramco Trading Company (ATC)
- Chairman, Motiva Enterprises
- Chairman, Saudi Aramco Total Refining and Petrochemical Company (SATORP)
- Board Member, Saudi Arabian Mining Company (Ma'aden)
- Board Member, S-Oil Corporation
- Board Member, Dhahran Techno Valley Company

ABDULRAHMAN AL-FAGEEH

MBA, BSc Chemical Engineering

SABIC Board Member and Chief Executive Officer, Executive Director

Other Current Positions/Memberships

Previous Positions

Previous Board Memberships

- SABIC, CEO
- Chairman, SABIC Agri-Nutrients Company
- Chairman, Nusaned Investment Company
- Chairman, Gulf Petrochemicals and Chemicals Association (GPCA)

MOHAMMED AL-NAHAS

BSc Accounting, Exec. Cert. Business Administration

SABIC Board Member, Non-Executive Director

Other Current Positions/Memberships

Previous Positions

Previous Board Memberships

- Chairman, Al Taawuniyah Real Estate Investment
- Chairman, ASMA Capital
- Chairman, Dammam Pharma
- Board Member, Future Work
- Board Member, Saudi Telecom Company (STC)

Board Investment Committee (BIC) Board Remuneration and Nomination Committee (BRNC) Board Audit Committee (BAC) Board Risk and Sustainability Committee (BRSC)

Solid circle – Committee Chairman *Outline circle – Committee Member*

Click to expand

ZIAD AL-MURSHED
MBA, BSc Chemical Engineering

SABIC Board Member,
Non-Executive Director

Other Current Positions/Memberships

Previous Positions

Previous Board Memberships

- Executive Vice President & CFO, Saudi Aramco
- Wisayah Global Investment Company (WISAYAH)

NADER AL-WEHIBI
MA Social Protection Policy, BSc Insurance

SABIC Board Member,
Independent Director

Other Current Positions/Memberships

Previous Positions

Previous Board Memberships

- CEO, Gulf Catering Co.
- Board Member, Riyad Bank

YOUSEF AL-ZAMEL
BSc Chemical Engineering

SABIC Board Member,
Independent Director

Other Current Positions/Memberships

Previous Positions

Previous Board Memberships

- Board Member, Water Solution Company

CALUM MACLEAN
BSc Chemistry

SABIC Board Member,
Independent Director

Other Current Positions/Memberships

Previous Positions

Previous Board Memberships

- CEO, Envalior

Board Investment Committee (BIC) Board Remuneration and Nomination Committee (BRNC) Board Audit Committee (BAC) Board Risk and Sustainability Committee (BRSC)

Solid circle – Committee Chairman *Outline circle – Committee Member*

Click to expand

DR. FAISAL AL-FAQEER

PhD and MSc Materials Science & Engineering, BSc Chemical Engineering

SABIC Board Member, Non-Executive Director

Other Current Positions/Memberships ▼

Previous Positions

Previous Board Memberships

- Senior Vice President, Liquids to Chemicals Development, Saudi Aramco
- Board Member, Saudi Aramco Mobil Refinery Company Ltd

OLIVIER THOREL

Diplome d'Ingenieur (Master equivalent)

Former SABIC Board Member, Non-Executive Director; former Chairman of the BRSC; Resigned Aug. 31, 2023

Other Current Positions/Memberships ▼

Previous Positions

Previous Board Memberships

- Executive Vice President, Chemicals, SABIC
- Chairman, Scientific Design Company Inc.

SALAH AL-HAREKY

MBA, BSc Accounting

Former BAC Member, Non-Director (Outside) Member; Resigned May 31, 2023

Other Current Positions/Memberships ▼

Previous Positions

Previous Board Memberships

- Executive Vice President, Corporate Finance (CFO), SABIC
- Vice Chairman, Wisayah Global Investment Company (WISAYAH)
- Member, Aramco Trading Company
- Member, Investment Management Company
- Member, S-Oil Corporation

STEPHAN VAN SANTBRINK

MSc Economics, MBA, LLM Law

Audit Committee Member, Non-Director (Outside) Member

Other Current Positions/Memberships ▼

Previous Positions

Previous Board Memberships

- CEO, Arlanxeo
- Board Audit Committee, Aramco Trading Company (ATC)
- Board Audit Committee, Motiva Enterprises LLC
- Board Member, Aramco Oil Pipelines Company
- Board Member, Aramco Gas Pipelines Company

Board Investment Committee (BIC) Board Remuneration and Nomination Committee (BRNC) Board Audit Committee (BAC) Board Risk and Sustainability Committee (BRSC)

Solid circle – Committee Chairman *Outline circle – Committee Member*

Click to expand

WILHELMUS JANSEN
MSc Economics, Fellow Chartered Accountant (FCA)

Audit Committee Member,
Non-Director (Outside) Member

Other Current Positions/Memberships
Previous Positions
Previous Board Memberships

- Independent Financial Consultant

BASSAM ASIRI
BSc Electrical Engineering

SABIC Audit Committee Member,
Non-Director Member

Other Current Positions/Memberships
Previous Positions
Previous Board Memberships

- Senior Vice President and Group Controller, Saudi Aramco
- Member, Arlanxeo Holding B.V.
- Member, Energy City 2 Development Company
- Board Member, Motiva Enterprises LLC
- Board Member, Pandlewood Corporation
- Board Member, Saudi Aramco Development Co. Ltd

BOARD RESPONSIBILITIES

Save the powers reserved by the General Assembly (GA), the board exercises all the powers and authorities necessary or useful to fulfill its steering, monitoring, and advisory roles for achieving the company's objectives. The board collectively has the responsibility of fulfilling its role in administering the following: strategy and management; capital structure; financial reporting and controls; communications and stakeholder relations; organizational structure; audit, risk, compliance and internal controls; and board membership and appointments.*

** Detailed board duties and responsibilities are set out in the Board Charter.*

BOARD STRUCTURE AND COMPOSITION

SABIC has a one-tier board consisting of nine directors, the majority of whom are non-executives, including independent directors. The SABIC board has the right size and skill mix for managing the company's business affairs.

As of December 31, 2023, SABIC board comprises the following directors:

Name	Role	Classification	Capacity	External mandates**
Khalid Al-Dabbagh	Chairman	Non-executive	In his personal capacity	1
Ziad Al-Murshed	Member	Non-executive	In his personal capacity	–
Abdulrahman Al-Fageeh (1)	Member	Executive	In his personal capacity	1
Mohammed Al-Nahas	Member	Non-executive	Representing GOSI*	1
Dr. Mohammed Al-Qahtani	Member	Non-executive	In his personal capacity	2
Yousef Al-Zamel	Member	Independent	In his personal capacity	–
Nader Al-Wehibi	Member	Independent	In his personal capacity	1
Calum MacLean	Member	Independent	In his personal capacity	–
Dr. Faisal Al-Faqeer (2)	Member	Non-executive	In his personal capacity	–
9 Directors		**3** Independent (**33.3%**) **5** Non-executive (**55.6%**) **1** Executive (**11.1%**)		Average external mandates **0.6**
Olivier Thorel (3)	Member	Non-executive	In his personal capacity	–

(1) Joined the board and BIC on Mar 21, 2023.

(2) Joined the board and BRSC on Sep 1, 2023.

(3) Resigned from the board and BRSC on Aug 31, 2023.

** GOSI = General Orgnization for Social Insurance*

*** Listed joint stock companies*

BOARD DIVERSITY

SABIC directors are of diverse academic backgrounds, experiences, expertise, nationalities, ages, tenures, and cultural backgrounds. They come from Saudi Arabia and the United Kingdom, and two non-director members on the Audit Committee come from the Netherlands.

	Age	Tenure *		Gender				
Name	Years	Date joined	Years	M/F	Nationality	Educational qualifications	Expertise	International experience
Khalid Al-Dabbagh	62	Jun. 2020	>3	M	Saudi Arabia	BSc Industrial Engineering; Exec. Cert. Management	Finance; management; planning; sales and marketing	✓
Ziad Al-Murshed	50	Jun. 2020	>3	M	Saudi Arabia	MBA, BSc Chemical Engineering; Exec. Cert. General Admin	Industry; manufacturing business development, strategic planning; international business; finance	✓
Abdulrahman Al-Fageeh	61	Mar. 2023	<1	M	Saudi Arabia	MBA, BSc Chemical Engineering	Industry (chemicals); management; business development	–
Mohammed Al-Nahas	61	Sep. 2016	>7	M	Saudi Arabia	BSc Administrative Sciences; Exec. Cert. Business Administration	Finance; training; investment; pensions; banking; management; business development	–
Dr. Mohammed Al-Qahtani	58	Apr. 2022	>1	M	Saudi Arabia	PhD, MSc and BSc Petroleum Engineering	Industry; energy; corporate planning	✓
Yousef Al-Zamel	71	Apr. 2022	>1	M	Saudi Arabia	BSc Chemical Engineering	Manufacturing; strategy, business development and investment	–
Nader Al-Wehibi	44	Apr. 2018	>5	M	Saudi Arabia	MA in Social Protection Policy; BSc Insurance	Risk management; social protection; insurance; planning and development	✓
Calum MacLean	60	Oct. 2017	>6	M	United Kingdom	BSc Chemistry	Industry (chemicals); management	✓
Dr. Faisal Al-Faqeer	52	Sep. 2023	<1	M	Saudi Arabia	PhD and MSc Material Science and Engineering; BSc Chemical Engineering	Downstream oil and gas operations; chemical, petrochemical and related manufacturing; energy production and services; R&D services	✓
	Average age **57.7** years		Average tenure **3.1** years		**8** Saudi Arabia **1** United Kingdom			
Olivier Thorel	58	Jun. 2020	>3	M	France	MSc Corporate Finance; Executive MBA	Industry (chemicals); business development; supply and distribution; oil	✓

BOARD TENURE AND AGE

As on December 31, 2023, SABIC directors' age range is 44 to 71 years and the average age is 57.7 years. In line with CMA's corporate governance regulations (CGRs), SABIC does not currently apply a board age limit. Our directors also have varied tenure lengths ranging from less than one to more than seven years. The average board tenure is 3.1 years and the average Independent Director's tenure is four years. Aside from the legally prescribed limit of nine (9) years for the Independent Director's maximum tenure, SABIC does not apply a tenure limit. A director's tenure terminates upon the expiry of the board term of three years or upon his/her resignation, death, or dismissal for any of the reasons prescribed under the relevant laws and regulations. Directors from the expiring board may stand for reappointment, provided they remain qualified as per the board membership criteria. This broad diversity in age and tenure enables the board to benefit from a positive interplay of wide-ranging perspectives and experiences.

GENDER DIVERSITY

Women play an increasingly significant role across the management and operations of SABIC business. The board has recently approved the appointment of Ms. Naveena Shastri to the EVP Corporate Governance position to join the SABIC Executive Committee. The board is also willing to appoint female directors once the opportunity arises.

NOMINATION AND SELECTION

Nomination to the board membership is publicly invited. Candidates are objectively assessed, short-listed, and selected on merit and in line with the principles and criteria set forth in SABIC's Board Membership policy. The board's needs for skill and expertise balance and/or diversity enhancement are also taken into consideration at the selection process. Candidates are nominated by the BRNC and the board for election by voting at the GA. Directors are appointed by the GA for the board's three-year term or the part remaining of it. The current board term expires on April 9, 2025.

BOARD INDEPENDENCE

SABIC has separate Chairman and CEO roles; and the Chairman holds no executive position in the company. As on December 31, 2023, the independent directors on the SABIC board account for one-third (33. 3%)*, the non-executive directors make the majority (55.5%), and the independent and non-executive directors together constitute (88.8%) of the board. Applying the Dow Jones Sustainability Indices (DJSI) criteria for director's independence, Mr. Mohammed Al-Nahas also qualifies as an independent director. The SABIC board stands independent according to the independence criteria under Article (16) of CMA's CGRs.

Annually, the SABIC board, through the BRNC, verifies and assesses the independence of independent directors to ensure that it remains intact and there are no emerging relationships or circumstances that affect or may affect such independence.

Absence of conflicts of interest among all board and committee members is also verified and assessed annually. This takes place in accordance with SABIC's Conflict of Interest policy, which is aligned with the applicable laws and regulations. The policy outlines clear principles for avoiding, managing, and mitigating any cases of conflicts of interest, whether they are actual, perceived or potential. The policy applies to all members of the board, committees, executive management, employees, and substantial shareholders. The board is responsible for ensuring observance of the policy as well as disclosing, to the CMA and the public, the company's contracts or transactions with related parties. In 2023, none of the board or committee members had any conflicting interest with the company and none of them engaged in any business competing with the company.

Most of the directors sit on the board in their personal capacity and thus are better positioned to exercise independent judgement and decision.

SABIC adheres to CMA CGRs in respect of the independence criteria according to which the Independent Director shall not

- hold 5% or more of the shares of the company or any other company within its group; or be a relative of a person who holds such percentage;
- be a relative of any board member or senior executive of the company, or of any other company within its group;
- be a board member of any company within the group of the company;
- be, or was during the preceding two years, an employee of the company, or any company in its group, or be holding a controlling interest in the company, or any party dealing with the company or any company in its group such as the external auditors or main suppliers during the preceding two years.

- have a direct or indirect interest in the businesses and contracts executed for the company's account;
- receive financial consideration from the company, over and above the remuneration for his/her membership of the board or any of its committees exceeding SAR 200,000 or 50% of his/her remuneration of the last year for the membership of the board or any of its committees, whichever is less;
- be engaged in a business that competes with the company, or conduct businesses in any of the company's branch activities;
- have served on the board for more than nine years, consecutively or inconsecutively.

* *Article (16) of the CMA CGRs requires that the number of Independent Directors shall not be less than two or one-third of the board, whichever is greater.*

BOARD PERFORMANCE ASSESSMENT

A comprehensive board assessment, facilitated by an independent external expert, was carried out at the end of 2022. It included assessment of the board as a whole, the board committees, individual members, chairpersons, secretaries, and selected senior executives. During 2023, the board reviewed and extensively discussed with the BRNC the results of the assessment where gaps and areas for improvements were identified. The BRNC is working on drawing up an action plan for addressing gaps and areas for improvements.

GOVERNANCE DOCUMENTS REVIEW

Further to their comprehensive review in 2022 in collaboration with an external expert, the updated versions of the governance documents (charters and policies) are now in the approval process.

BOARD INDUCTION, TRAINING AND DEVELOPMENT, AND INFORMATION FLOW

Induction

New directors receive a tailored induction program including topics on the company's strategy, business model, operations, governance, risks, and challenges. It also includes site visits to SABIC's major plants and facilities. A director induction kit, containing reference information on the company, is also provided. The program aims at preparing the director to participate right away and effectively in the board discussions and decision-making.

Training

The board and committees go through continuous training and development programs including programs tailored and delivered by internal or external experts. For instance, in 2023, the Audit Committee received training on ESG and AI. Board members individually attend local, regional, and global conferences of relevance to the company's industry and its global context.

Site visits

Site visits are also part of the board continuous development program. These visits comprise site touring, meeting with the local staff, and receiving presentations on the site operations. These visits enable board members to familiarize themselves further with the business operations. In 2023, the board conducted visits to SABIC and other stakeholders' sites, locally and globally.

Information flow

In addition to the rich pre-read papers and meeting presentations, the board receives a Quarterly Performance Report featuring the business performance and global emerging matters and trends, as well as areas of focus around ESG, cybersecurity, climate, and risks.

Significant news and highlights relating to the company are relayed in a timely manner to the board members.

BOARD MEETINGS

The board holds at least four quarterly meetings a year at the Chairperson's invitation or upon the request of any one of its members. The quorum for a board meeting is achieved by the presence of a members' majority. During the year ended on December 31, 2023, the board met five times.

BOARD PARTICIPATION IN THE GENERAL ASSEMBLY MEETINGS

According to the Board Charter, board members are entrusted with attending the GA meetings to engage directly with shareholders and collect their remarks on the company's performance. During the year ended on December 31, 2023, the company held its Ordinary General Assembly on April 13, 2023, and one Extraordinary General Assembly on June 22, 2023.

The board members' attendance at the board and GA meetings in 2023 was as follows:

	Board meetings							GA meetings			
	1st	2nd	3rd	4th	5th	Total attended		1st Ordinary GA	1st Extraordinary GA	Total attended	
Name	Feb. 27, 2023	Mar. 21, 2023	Jun. 14, 2023	Sep. 25, 2023	Dec. 11, 2023	No.	%	Apr. 13, 2023	Jun. 22, 2023	No.	%
Khalid Al-Dabbagh	✓	✓	✓	✓	✓	5	100	✓	✓	2	100
Ziad Al-Murshed	✓	×	✓	✓	✓	4	80	–	✓	1	50
Abdulrahman Al-Fageeh (1)	–	✓	✓	✓	✓	4	100	✓	✓	2	100
Mohammed Al-Nahas	✓	✓	✓	✓	✓	5	100	✓	✓	2	100
Dr. Mohammed Al-Qahtani	✓	✓	✓	✓	✓	5	100	✓	✓	2	100
Yousef Al-Zamel	✓	✓	✓	✓	✓	5	100	✓	✓	2	100
Nader Al-Wehibi	✓	✓	✓	✓	✓	5	100	✓	✓	2	100
Calum MacLean	✓	✓	✓	✓	✓	5	100	✓	✓	2	100
Dr. Faisal Al-Faqeer (2)	–	–	–	✓	✓	2	100	–	–	–	–
Average board meeting attendance: **97.5%**								Average GA attendance: **100%**			
Olivier Thorel (3)	✓	✓	✓	–	–	3	100	✓	✓	2	100

(1) Joined the board on Mar. 21, 2023.
(2) Joined the board on Sep. 1, 2023.
(3) Resigned from the board on Aug. 31, 2023.

BOARD: KEY DELIBERATIONS AND PRIORITIES

In 2023, the board deliberations covered all the routine as well as the emerging matters reserved for the board as the ultimate responsible body for monitoring, guiding, and advising the company.

2023 KEY DELIBERATIONS AND ACTIVITIES

- Reviewed and discussed SABIC products' applications across the market sectors in light of global trends, challenges, and opportunities from a sustainability perspective.
- Reviewed executives' total pay, benchmarked with the market.
- Reviewed operational safety and reliability indicators.
- Updated the board delegation policy and schedule.
- Approved updates to the Code of Ethics.
- Reviewed SABIC growth projects and strategy.
- Engaged with key global customers and conducted site visits.

2024 KEY PRIORITIES

- Review the company's strategy for growth.
- Oversee talent, human capital management, and executive succession planning.
- Review company efforts in mitigating market risks, cybersecurity, and EHSS issues.
- Monitor management efforts in improving company performance of profitability.

BOARD COMMITTEES

The SABIC board is supported by four committees, which are the Audit Committee, Remuneration & Nomination Committee, Risk and Sustainability Committee, and Investment Committee. These committees oversee the matters delegated to them by the board and provide guidance and recommendations to it. The board is ultimately responsible for the committees' actions and for assessing their performance periodically.

BOARD AUDIT COMMITTEE

SABIC's BAC is formed by the board following recommendations from the BRNC. The current BAC comprises five members of whom two are independent directors and three are non-director (outside) members. The committee's Chairperson is an independent director; none of its members is an executive director or officer; and one of its members has cross membership with the BRSC. The BAC members have an appropriate mix of expertise areas including finance, risk management, and law.

A non-director (outside) member on the BAC has all the membership rights and authorities, including voting, and is independent of SABIC management.

We believe this composition underpins strong independence for SABIC's BAC and ensures independent and effective audit oversight.

BAC COMPOSITION (AS OF DEC. 31, 2023)

Name	Role	Classification	Gender M/F	Age Years	Nationality	Tenure with BAC Years	External mandates Num	Independent of Management	Independent of Other interests	Educational qualifications	Expertise
Nader Al-Wehibi [1]	Chairman	Independent	M	44	Saudi Arabia	>4	1	Yes	Yes	BSc Insurance; MA in Social Protection Policy	Risk management; social protection; insurance; planning
Calum MacLean	Member	Independent	M	60	United Kingdom	>1	–	Yes	Yes	BSc Chemistry	Industry (chemicals); management
Bassam Asiri	Member	Non-director	M	55	Saudi Arabia	<1	5	Yes	Yes	BSc Electrical Engineering	Finance; planning and performance
Wilhelmus Jansen	Member	Non-director	M	63	The Netherlands	>1	–	Yes	Yes	MSc Economics; Fellow Chartered Accountant (FCA); Business Finance Professional (BFP)	Finance; auditing, external reporting; risk management; governance
Stephan van Santbrink	Member	Non-director	M	50	The Netherlands	>1	4	Yes	Yes	MSc Economics; MBA; LLM	Finance; risk management; strategy; capital investment; law
5 Members		**2** Independent **3** Non-directors									
Salah Al-Hareky [2]	Member	Non-director	M	57	Saudi Arabia		7	Yes	Yes	BSc Accounting; MBA	Auditing; controllership; finance; treasury

(1) Also a member of the BRSC.
(2) Resigned from the BAC on May 31, 2023.

BAC MEETING ATTENDANCE IN 2023

	BAC meetings						
	1st	2nd	3rd	4th	5th	Total attended	
Name	Feb. 21, 2023	May 3, 2023	May 11, 2023	Aug. 2, 2023	Nov. 1, 2023	No.	%
Nader Al-Wehibi	✓	✓	✓	✓	✓	5	100
Calum MacLean	✓	✓	✓	✓	✓	5	100
Bassam Asiri (1)	–	–	–	✓	✓	2	100
Wilhelmus Jansen	✓	✓	✓	✓	✓	5	100
Stephan	✓	✓	✓	✓	✓	5	100
Average committee meeting attendance: **100%**							
Salah Al-Hareky (2)	✓	✓	✓	–	–	3	100

(1) joined the BAC on Jun. 22, 2023.
(2) Resigned from the BAC on May 31, 2023.

RESPONSIBILITIES

The BAC operates under its charter, which is recommended by the board and approved by the GA, and in accordance with the applicable law and regulations. The BAC role is to assist the board in exercising its oversight with respect to:

- **Financial reporting:** including, among others, reviewing the group's financial statements, including unusual transactions and accounting estimates, and financial and accounting policies, and the board report.
- **Internal control systems:** including, among others, reviewing the internal controls and risk management systems and ensuring their effectiveness and adequacy.
- **Internal audit:** including, among others, overseeing the Internal Audit function, assessing its performance, ensuring its independence, and evaluating the performance of its Head; and reviewing and approving the annual audit plan.
- **External audit:** including, among others, recommending appointment or dismissal of the external auditor and determining their fee; assessing their performance, independence, scope of work, and terms of engagement; reviewing the external audit plan; reviewing the external auditor reports; and ensuring that their recommendations are executed.

External auditor (PwC) fees for the year related to the audit and review of SABIC's consolidated financial statements were SAR 24 Mn. (2022: SAR 23 Mn.). Other fees for the year comprised of SAR 26 Mn. (2022: SAR 24 Mn.) for the audit of the subsidiaries and SAR 2 Mn. (2022: SAR 2 Mn.) for audit-related and compliance services.

- **Compliance:** including, among others, ensuring SABIC's compliance with relevant regulations, by-laws, and policies; reviewing regulatory bodies reports on the company compliance and ensuring recommended action are executed; reviewing proposed related-party transactions; and establishing and ensuring independence of appropriate procedures for whistleblowing to report compliance violations.

BOARD AUDIT COMMITTEE: KEY DELIBERATIONS AND PRIORITIES

2023
KEY DELIBERATIONS AND ACTIVITIES

- Assessed and recommended appointment of the PwC for 2023 and Q1 2024.
- Reviewed interim and annual financial statements and the internal and external auditors' reports for 2023.
- Reviewed periodic Internal Audit reports.
- Reviewed periodic compliance reports (including compliance violations and corrective actions).
- Reviewed the process for dealing with related-parties transactions.
- Assessed the Internal Audit quality.

2024
KEY PRIORITIES

- Review the financial statements and auditors' reports.
- Continue overseeing the Internal Audit activities and assessing their effectiveness.
- Review and approve the 2025 annual audit plan.
- Review the internal control, financial controls, and risk management systems, and assess their effectiveness.
- Ensure the company's compliance with applicable laws, regulations, policies, and instructions.

BOARD REMUNERATION & NOMINATION COMMITTEE

SABIC's BRNC is formed by the board, according to the criteria approved by the GA.

The current BRNC comprises four members, of whom one is independent and three are non-executive directors. The committee Chairperson is an independent director; none of its members is an executive director; and one of its members has cross membership with the BAC. The BRNC members have an appropriate mix of expertise areas including finance, industry, corporate planning, and training and development.

With this composition, the BRNC is fully independent and capable of operating effectively.

BRNC COMPOSITION AND MEETING ATTENDANCE IN 2023

Name	Role	Classification	Independent of: Management	Independent of: Other interests	BRNC meetings: 1st Jan. 19, 2023	2nd Feb. 21, 2023	3rd Mar. 21, 2023	4th May. 30, 2023	5th Jun. 6, 2023	6th Sep. 12, 2023	7th Oct. 23, 2023	8th Dec. 3, 2023	No./Total: No.	No./Total: %
Calum MacLean	Chairman	Independent	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	8	100
Mohammed Al-Nahas	Member	Non-executive	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	8	100
Ziad Al-Murshed	Member	Non-executive	Yes	Yes	✓	×	×	✓	✓	✓	✓	✓	6	75
Dr. Mohammed Al-Qahtani	Member	Non-executive	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	8	100
4 Members		**1** Independent **3** Non-executive	All members independent of management		Average committee meeting attendance: **93.33%**									

RESPONSIBILITIES

The BRNC operates under its charter, which is recommended by the board and approved by the GA, and in accordance with the applicable law and regulations. The BRNC's role is to assist the board in exercising its oversight with respect to:

- **Remuneration:** including, among others, developing policies of remuneration for the members of the board, board committees, and executive management ("Relevant Individuals") and recommending the board's forward recommendation for GA approval; recommending to the board the remuneration of relevant individuals in accordance with the GA-approved policy; preparing an annual report on the remunerations paid; and determining and recommending types of incentives for employees.
- **Appointment of board members:** including, among others, developing a board membership policy and recommending the board's forward recommendation for GA approval; annually reviewing the required board skills and preparing a description of the required capabilities and qualifications; nominating individuals for board membership; verifying conflicts of interest of board members and nominees; reviewing the board structure and recommending changes, where appropriate; reviewing and updating the board and committees charters in line with the regulatory updates and best practices; keeping the board informed of latest developments and best practices in corporate governance; establishing processes for addressing vacancies in the board or committees; and recommending measures to evaluate the performance of the board and the board committees.

- **Board operation:** including, among others, annually verifying and ensuring the independence of independent directors and conflict of interest including engagement of a board member in any business that competes with the company; recommending re-nominations/dismissals of the board and committees members; and overseeing delivery of the induction programme to new board members.
- **Appointment of executive management:** including, among others, recommending to the board appropriate policies and standards for appointing executive management members and determining the required capabilities and skills; and developing executives' job descriptions and succession planning.
- **Regular review** of the remuneration policy, board membership policy, and standards for appointing executive management to ensure that they all remain aligned with changes in legislative frameworks, SABIC's strategic objectives, and the skills and qualifications needed.

BOARD REMUNERATION & NOMINATION COMMITTEE: KEY DELIBERATIONS AND PRIORITIES

2023 KEY DELIBERATIONS AND ACTIVITIES

- Reviewed the benchmarking of the company executives' pay with the industry peers and issued a number of actions.
- Reviewed remuneration of the board and committees' members.
- Recommended new appointments to the executive management and the board.
- Endorsed the updated organization structure and made recommendations to the board.
- Reviewed senior executives' succession planning.
- Endorsed 2023 remuneration plans for the members of the board, committees and executive management, and employees.
- Verified conflicting interests among board members and the independence of independent directors.
- Reviewed the board assessment report, identified areas for improvements, and created an action plan.

2024 KEY PRIORITIES

- Review succession plan and potential candidates' pool and endorse them.
- Review the board and committees' charters and make necessary recommendations to the board based on its competency for that.
- Oversee implementation of the action plan drawn up on the board assessment outcome.
- Review remuneration of the board and committee members.
- Verify conflicting interests among board members and the independence of independent directors.

BOARD RISK & SUSTAINABILITY COMMITTEE

SABIC's BRSC is formed by the board following recommendations from the BRNC.

The current BRSC comprises three members, of whom two are independent directors and one is a non-executive director. The committee Chairperson is non-executive; none of its members is an executive director; and one of its members has cross membership with the BAC. The BRSC members have the appropriate mix of expertise areas including risk management, industry-related manufacturing, strategy, and R&D.

BRSC COMPOSITION AND MEETING ATTENDANCE IN 2023

			Independent of		BRSC meetings				
					1st	2nd	3rd	No./Total	
Name	Role	Classification	Management	Other interests	Feb. 21, 2023	Sep. 13, 2023	Dec. 12, 2023	No.	%
Dr. Faisal Al-Faqeer (1)	Chairman	Non-executive	Yes	Yes	–	✓	✓	2	100
Nader Al-Wehibi	Member	Independent	Yes	Yes	✓	✓	✓	3	100
Yousef Al-Zamel	Member	Independent	Yes	Yes	✓	✓	✓	3	100
3 Members		**2** Independent **1** Non-executive			Average Meeting Attendance: **100%**				
Olivier Thorel (2)	Chairman	Non-executive	Yes	Yes	✓	–	–	1	100

(1) Joined the BRSC on Sep. 1, 2023.
(2) Resigned from the BRSC on Aug. 31, 2023.

RESPONSIBILITIES

The BRSC operates under its charter, which is approved by the board, and in accordance with the applicable law and regulations. The BRSC role is to assist the board in exercising its oversight with respect to

- **Risk management:** including, among others, overseeing development of a corporate risk management policy aligned with SABIC's business, activities, objectives and strategy; recommending to the board an acceptable level of risks for SABIC and how to maintain it, and monitoring that such level is not exceeded; verifying business continuity and identifying risks annually; overseeing the risk management systems and mechanisms for identifying, measuring, and monitoring risks and assessing their effectiveness; regularly evaluating the company ability to take risks; providing the board with a detailed report on risk exposure and proposed measures to manage them; providing recommendations to the board on risk management issues; verifying the independence of risk management personnel and ensuring their understanding of the risks facing SABIC, and their activity to raise risk culture awareness; and reviewing issues raised by the BAC that may affect SABIC's risk management.
- **Sustainability management functions:** including, among others, overseeing development of a corporate sustainability strategy and policies that are commensurate with SABIC's activities and business nature; overseeing SABIC's EHSS systems and ensuring their compliance with relevant legislations, and the availability of expertise necessary for their management; and reviewing the risk management policy and the sustainability strategy and policies periodically to ensure their consistency with changes in the legislations and SABIC's internal or external environments or strategic objectives, and proposing changes to the board.

BOARD RISK & SUSTAINABILITY COMMITTEE: KEY DELIBERATIONS AND PRIORITIES

2023
KEY DELIBERATIONS AND ACTIVITIES

- Reviewed regular reports on the monitoring of emerging risks response plans.
- Reviewed, regularly, SABIC top risks dashboard ensuring that all potential risks have been captured and appropriate mitigations are in place.
- Reviewed business continuity and management.
- Reviewed SABIC ERM Intelligence report for 2023.
- Received a third-party (Marsh) view on global risks scene.
- Reviewed the business model and organization from strategic risks perspective.
- Monitored progress towards realizing the carbon neutrality target.
- Reviewed the ESG and sustainability reporting arrangements and statements.
- Reviewed the performance and effectiveness of EHSS systems.
- Reviewed relevant SABIC’s annual integrated report disclosures.

2024
KEY PRIORITIES

- Continue oversight on the monitoring and management of SABIC top risks and emerging risks.
- Continue overseeing successful business continuity and management.
- Continue overseeing the progress towards achieving the Carbon Neutrality strategy targets.
- Continue monitoring the ESG and sustainability reporting.
- Continue overseeing the effectiveness of EHSS systems, and ensuring their compliance with the relevant legislation, laws, and regulations.
- Continue reviewing relevant disclosures of SABIC's annual integrated report.

BOARD INVESTMENT COMMITTEE

SABIC's BIC is formed by the board following recommendations from the BRNC.

The current BIC comprises five members, of whom two are independent, two are non-executive, and one is an executive director (who is the CEO). The committee Chairperson is a non-executive.

BIC COMPOSITION AND MEETING ATTENDANCE IN 2023

			Independent of		BIC meetings				
					1st	2nd	3rd	No./Total	
Name	Role	Classification	Management	Other interests	Jun. 6, 2023	Oct. 30, 2023	Dec. 11, 2023	No.	%
Dr. Mohammed Al-Qahtani	Chairman	Non-executive	Yes	Yes	✓	✓	✓	3	100
Yousef Al-Zamel	Member	Independent	Yes	Yes	✓	✓	✓	3	100
Ziad Al-Murshed	Member	Non-executive	Yes	Yes	✓	✓	✓	3	100
Calum MacLean	Member	Independent	Yes	Yes	✓	✓	✓	3	100
Abdulrahman Al-Fageeh (1)	Member	Executive	No	Yes	✓	✓	✓	3	100
5 Members		**2** Independent **2** Non-executive **1** Executive			Average committee meeting attendance: **100%**				

(1) Joined the BIC on Mar. 21, 2023.

RESPONSIBILITIES

The BIC operates under its charter, which is approved by the board. Its role is to assist the board in exercising its oversight with respect to the investment's strategy, policy, and activities, including:

- overseeing the development of investment strategy and investment policy commensurate with SABIC's business nature, activities, and risks;
- reviewing the investment strategy and policy regularly to ensure consistency with changes in the external environment in which SABIC operates, the legislations, or the strategic objectives or otherwise, and recommending proposed changes to the board;
- overseeing investment activities and establishing appropriate processes for assessing investment performance;
- evaluating the investment opportunities proposed by the executive management;
- examining financing prospects for investment opportunities;
- ensuring that the proposed investment opportunities comply with relevant regulations and instructions;
- prioritizing investment proposals;
- reviewing the executive management interim progress reports on approved investment opportunities.

BOARD INVESTMENT COMMITTEE: KEY DELIBERATIONS AND PRIORITIES

2023
KEY DELIBERATIONS

- Reviewed, and where appropriate approved, a number of investment opportunities proposed by management to ensure their feasibility and consistency with the company strategy.
- Received and reviewed status and progress reports on the existing projects.
- Endorsed the amendments to the sections of the Board delegation schedule relating to strategy and CAPEX.
- Reviewed projects for low-carbon products.

2024
KEY PRIORITIES

- Review SABIC's investment plan and make recommendations to the board.
- Assess the investment opportunities proposed by the management to ensure feasibility and consistency with the company strategies.
- Oversee the company's investment activities.

EXECUTIVE MANAGEMENT

BIOGRAPHIES OF EXECUTIVE MANAGEMENT MEMBERS

ABDULRAHMAN AL-FAGEEH
SABIC Chief Executive Officer

Current Positions

Work Experience and Previous Positions

Educational Qualifications

- Mr. Al-Fageeh is SABIC CEO and an Executive Member of the Board of Directors. He is the Chairman of SABIC Agri-Nutrients Company and the Nusaned Investment Company.

SALAH AL-HAREKY
Executive Vice President,
Corporate Finance
Joined Jun. 4, 2023

Current Positions

Work Experience and Previous Positions

Educational Qualifications

- Mr. Al-Hareky is also the Chairman of the Audit of Committee, Saudi Industrial Development Fund (SIDF) and Chairman, Sukuk Company.
- In addition, he is a board member and Chairman of the Audit Committee at Wisayah Global Investment Company (WISAYAH); board member and Chairman of the Audit Committee at Aramco Trading Company; and a board member at the S-Oil Corporation.

AHMED AL-JABR
Executive Vice President,
Manufacturing

Current Positions

Work Experience and Previous Positions

Educational Qualifications

- Eng. Al-Jabr is the SABIC Executive Vice President, Manufacturing. In addition, he is also the Chairman of Gas National Industrial Gases Co., and Vice Chairman of Marafiq Co.
- Eng. Al-Jabr oversees all global manufacturing operations in the Americas, Europe, Asia, and Middle East and Africa, including major industrial sites in Saudi Arabia in the city of Al-Jubail on the Arabian Gulf, as well as in Yanbu on the Red Sea.

ANAS KENTAB
Executive Vice President,
Strategy & Transformation

Current Positions

Work Experience and Previous Positions

Educational Qualifications

- Mr. Kentab is the Executive Vice President for Strategy & Transformation. He is also the Chairman of the board of Gulf Coast Growth Ventures, ExxonMobil & SABIC Joint ventures, Yanpet, and Kemya.

BOB MAUGHON
Executive Vice President,
Technology & Innovation

Current Positions ▾

Work Experience and Previous Positions

Educational Qualifications

- Dr. Maughon is the SABIC Executive Vice President, Technology & Innovation, and Chief Technology Officer and Chief Sustainability Officer, overseeing a global organization with 20 research centers focused on process, product, and application on innovation to support SABIC's growth.
- Additionally, he is responsible for Corporate Sustainability, Product Stewardship, Technology Licensing, and Technology Ventures.

ERNESTO OCCHIELLO
Executive Vice President,
Specialties

Current Positions ▾

Work Experience and Previous Positions

Educational Qualifications

- Mr. Occhiello is the Executive Vice President, Specialties. He led it to become a standalone operation on November 1st 2020.

SAMI AL-OSAIMI
Executive Vice President,
Polymers

Current Positions ▾

Work Experience and Previous Positions

Educational Qualifications

- Mr. Al-Osaimi the Executive Vice President, Polymers. He is the Chairman of SSTPC, Chairman of SSNC, and a board member of the Nusaned Investment Company. He serves on the boards of several SABIC affiliates in Saudi Arabia and overseas.

ABDULAZIZ AL-OUDAN
Executive Vice President,
Shared Services

Current Positions ▾

Work Experience and Previous Positions

Educational Qualifications

- Mr. Al-Oudan is the Executive Vice President for Shared Services.

AHMED AL-SHAIKH
Executive Vice President,
Engineering and Project Management

Current Positions
Work Experience and Previous Positions
Educational Qualifications

- Mr. Al-Shaikh is the Executive Vice President for Engineering and Project Management. He is also the Chairman of Saudi Kayan, SABIC Fujian, and Saudi Council Engineers.

NAVEENA SHASTRI
Executive Vice President,
Corporate Governance
Since Jan. 1, 2024

Current Positions
Work Experience and Previous Positions
Educational Qualifications

- Ms. Shastri assumed her present position as Executive Vice President, Corporate Governance on January 1, 2024.
- In addition, Ms. Shastri leads SHE, the SABIC Women's Network, globally.

FAISAL AL-SUWAILEM
Executive Vice President,
Corporate Human Resources

Current Positions
Work Experience and Previous Positions
Educational Qualifications

- Mr. Al-Suwailem is the Executive Vice President, Corporate Human Resources.

OLIVIER THOREL
Executive Vice President,
Chemicals
Joined SABIC as EVP on Sep. 1, 2023

Current Positions
Work Experience and Previous Positions
Educational Qualifications

- Mr. Thorel is the Executive Vice President, Chemicals. He is also Chairman of the Scientific Design Company.

TIMOTHY LEVEILLE

Executive Vice President
Corporate Finance

Left Jun. 3, 2023

Work Experience and Previous Positions

Educational Qualifications

- He holds an MBA in Finance from Columbia University School of Business and a Bachelor's Degree in Accounting and Computer Science from Boston College, United States, He was certified as a US public accountant (CPA), licensed by the state of New York in 1985.

REMUNERATION

Remuneration, allowances, and other benefits for the members of SABIC board, board committees—including non-director (outside) members—and the executive management are regulated by the SABIC remuneration policy approved at the GA and is subject to regular review.

The policy sets out the objectives, principles, and rules underpinning the remuneration and other benefits for the members of the board, committees, and senior management. It aims at

- attracting and retaining the highest caliber members with the right skills and expertise to achieve SABIC's purpose and objectives;
- creating an attractive working environment that helps SABIC retain talent and achieve its vision and sustainability;
- serving as a motivating factor for the members to do their best to achieve the company's objectives and enhance its growth and sustainability;
- being suitable to the company' business size, nature, and its strategic objectives; and
- not creating any conflicts of interest or harming the interests of the company.

BOARD MEMBERS' REMUNERATION IN 2023

The board determines the remuneration and other benefits for the members of the board, its committees, and senior management, upon the recommendation of the BRNC.
The total pay that a board member may receive in a year is capped at SAR 1,800,000; and to exceed that cap, the GA approval will be required.

The total remunerations paid by the company to the members of the board for the fiscal year ended on December 31, 2023, are set out below:

	Fixed remunerations							Variable remunerations								
Name	Fixed amount [1]	Attendance allowance for board meetings	Total attendance allowance for committee meetings	In-kind benefits	Remuneration of technical, administrative, and consulting works	Remuneration of the Chairman of the board, the Managing Director, or the secretary of the board	Total	Profit rate	Periodic bonuses	Short-term incentive service	Long-term incentive service	Shares awarded	Total	End of service award	Grand total	Expenditure allowance
First: independent members																
Nader Al-Wehibi	800,000	25,000	40,000	0	0	0	865,000	0	0	0	0	0	0	0	865,000	
Yousef Al-Zamel	800,000	25,000	30,000	0	0	0	855,000	0	0	0	0	0	0	0	855,000	
Calum MacLean	800,000	25,000	80,000	0	0	0	905,000	0	0	0	0	0	0	0	905,000	
Total	**2,400,000**	**75,000**	**150,000**	**0**	**0**	**0**	**2,625,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,625,000**	
Second: non-executive members																
Khalid Al-Dabbagh	800,000	25,000	0	0	0	800,000	1,625,000	0	0	0	0	0	0	0	1,625,000	
Mohammed Al-Nahas	800,000	25,000	40,000	0	0	0	865,000	0	0	0	0	0	0	0	865,000	
Dr. Mohammed Al-Qahtani	800,000	25,000	55,000	0	0	0	880,000	0	0	0	0	0	0	0	880,000	
Eng. Ziad Al-Murshed	800,000	20,000	45,000	0	0	0	865,000	0	0	0	0	0	0	0	865,000	
Eng. Olivier Thorel [2]	530,411	15,000	5,000	0	0	0	550,411	0	0	0	0	0	0	0	550,411	
Dr. Faisal Al-Faqeer [3]	267,397	10,000	10,000	0	0	0	287,397	0	0	0	0	0	0	0	287,397	
Total	**3,997,808**	**120,000**	**155,000**	**0**	**0**	**800,000**	**5,072,808**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**5,072,808**	
Third: executive members																
Abdulrahman Al-Fageeh [4]	626,849	20,000	15,000	0	0	0	661,849	0	0	0	0	0	0	0	661,849	
Total	**626,849**	**20,000**	**15,000**	**0**	**0**	**0**	**661,849**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**661,849**	

All amounts are in Saudi Riyals

(1) The fixed amount is the annual remuneration specified for membership of the board for the year 2023.

(2) Resigned from the board on Aug. 31, 2023.

(3) Joined the board on Sep. 1, 2023.

(4) Joined the board on Mar. 21, 2023.

BOARD COMMITTEES MEMBERS REMUNERATION 2023

The total remuneration paid by SABIC to the members of the board committees for the fiscal year ended on December 31, 2023, are set out below:

Name	Fixed remunerations (excluding session attendance allowance)				Meeting attendance allowance				Total
	BAC	BRNC	BRSC	BIC	BAC	BRNC	BRSC	BIC	
Board members									
Khalid Al-Dabbagh	–	–	–	–	–	–	–	–	–
Mohammed Al-Nahas	–	–	–	–	–	40,000	–	–	40,000
Nader Al-Wehibi	100,000*	–	–	–	25,000	–	15,000	–	140,000
Dr. Mohammed Al-Qahtani	–	–	–	100,000*	–	40,000	–	15,000	155,000
Calum MacLean	–	100,000*	–	–	25,000	40,000	–	15,000	180,000
Yousef Al-Zamel	–	–	–	–	–	–	15,000	15,000	30,000
Ziad Al-Murshed	–	–	–	–	–	–	30,000	15,000	45,000
Olivier Thorel (1)	–	–	66,301*	–	–	–	5,000	–	71,301
Abdulrahman Al-Fageeh (2)	–	–	–	–	–	–	–	15,000	15,000
Dr. Faisal Al-Faqeer (3)	–	–	33,425*	–	–	–	10,000	–	43,425
Total									**719,726**
Non-director members									
Wilhelmus Jansen	300,000				25,000				325,000
Stephan van Santbrink	300,000				25,000				325,000
Bassam Asiri (4)	158,630				10,000				168,630
Salah Al-Hareky (5)	123,288				15,000				138,288
Total									**956,918**
Grand total	**981,918**	**100,000**	**99,726**	**100,000**	**125,000**	**120,000**	**75,000**	**75,000**	**1,676,644**

All amounts are in Saudi Riyals
(1) Resigned from the BRSC on Aug. 31, 2023.
(2) Joined the BIC on Mar. 21, 2023.
(3) Joined the BRSC on Sep. 1, 2023.
(4) Joined the BAC on Jun. 22, 2023.
(5) Resigned from the BAC on May 31, 2023.
** Annual remuneration for committee chairmanship.*

SENIOR EXECUTIVES REMUNERATION 2023

The aggregate total remunerations paid by SABIC to five executives who received the highest remuneration, including the CEO and CFO, for the year ended December 31, 2023, are as below:

Senior executives	Fixed remunerations				Variable remunerations					End-of-service benefits	Total remunerations for the board	Total aggregate amount
	Salaries	Allowances	In-kind benefits	Total	Periodic profits	Short-term incentive plans*	Long-term incentive plans**	Granted shares	Total			
Total (SAR)	12,513,471.01	4,336,074.61	387,134.84	17,236,680.46	–	6,508,312.00	12,037,224.25	–	18,545,536.25	6,407,011.08	646,849.00	42,836,076.79

All amounts are in Saudi Riyals
* *Remuneration for 2022*
** *Remuneration for 2022*

Performance against business and functional goals is linked to the financial compensation for executive and senior leaders.

UPDATED REMUNERATION SCORECARD

In 2023, SABIC updated the short-term incentive plans of its executive and senior leaders, introducing one unified balanced scorecard comprised of both financial and non-financial performance measures. The 2023 scorecard includes two environmental, social, and governance-related objectives: 1) reduction in GHG emissions and 2) an internal measurement related to the safety, health, and environmental performance of SABIC globally.

SHARE OWNERSHIP

BOARD SHARE OWNERSHIP IN 2023

As on December 31, 2023, board members, their spouses, and their minor children held the following shares in SABIC and/or its subsidiaries:

	Beginning of year shares (No.)				End of year shares (No.)				Net change			
		Subsidiaries				Subsidiaries				Subsidiaries		
Name	SABIC	SABIC Agri-Nutrients	Saudi Kayan	Yansab	SABIC	SABIC Agri-Nutrients	Saudi Kayan	Yansab	SABIC	SABIC Agri-Nutrients	Saudi Kayan	Yansab
Board members												
Independent directors												
Yousef Al-Zamel	69,200	5,849	79,500	137,000	69,200	2,185	7,000	137,000	–	(3,664)	(72,500)	–
Calum MacLean	–	–	–	–	–	–	–	–	–	–	–	–
Nader Al-Wehibi	310	6,900	13,000	350	310	6,900	13,000	350	–	–	–	–
Non-executive directors												
Khalid Al-Dabbagh	–	–	–	17,300	–	–	–	17,300	–	–	–	–
Mohammed Al-Nahas	–	–	200	25	–	–	–	–	–	–	(200)	(25)
Dr. Mohammed Al-Qahtani	–	–	–	130	–	–	–	130	–	–	–	–
Ziad Al-Murshed	–	–	–	30	–	–	–	30	–	–	–	–
Olivier Thorel (1)	–	–	–	–	–	–	–	–	–	–	–	–
Dr. Faisal Al-Faqeer (2)	–	–	–	–	4,000	–	–	–	–	–	–	–
Executive directors												
Abdulrahman Al-Fageeh (3)	–	–	–	12,896	–	–	–	10,000	–	–	–	(2,896)

(1) Resigned from the board on Aug. 31, 2023.
(2) Joined the board on Sep. 1, 2023.
(3) Joined the board on Mar. 21, 2023.

SENIOR EXECUTIVES SHARE OWNERSHIP IN 2023

	Beginning of year shares (No.)				End of year shares (No.)				Net change			
		Subsidiaries				Subsidiaries				Subsidiaries		
Name	SABIC	SABIC Agri-Nutrients	Saudi Kayan	Yansab	SABIC	SABIC Agri-Nutrients	Saudi Kayan	Yansab	SABIC	SABIC Agri-Nutrients	Saudi Kayan	Yansab
Senior executives												
Salah Al-Hareky	–	–	–	–	–	–	–	–	–	–	–	–
Sami Al-Osaimi	–	–	–	–	–	–	–	10,000	–	–	–	10,000
Anas Kentab	15,000	12,000	10,000	12,000	15,000	12,000	10,000	12,000	–	–	–	–
Ernesto Occhiello	–	–	–	–	–	–	–	–	–	–	–	–
Dr. Bob Maughon	–	–	–	–	–	–	–	–	–	–	–	–
Abdulaziz Al-Oudan	–	10	–	–	–	10	–	–	–	–	–	–
Ahmed Al-Shaikh	–	–	–	–	–	–	20,000	–	–	–	20,000	–
Ahmed Al-Jabr	–	342	1,000	85	–	342	1,000	85	–	–	–	–
Faisal Al-Suwailem	–	–	–	–	–	–	–	–	–	–	–	–
Olivier Thorel	–	–	–	–	–	–	–	–	–	–	–	–
Timothy Leveille	–	–	–	–	–	–	–	–	–	–	–	–

DECLARATIONS BASED ON CORPORATE GOVERNANCE REGULATIONS

The board of directors acknowledges that

- the accounting records were properly prepared;
- the internal control system was founded on a sound basis and implemented effectively; and
- there are no doubts about the company's ability to continue business.

COMPANY DECLARATIONS

- The company has not concluded any transaction or contract of substantial interest to a member of the board, or the senior executives, or any person related to any of them.
- The company has adhered to all provisions of CMA's CGRs, except for the following:

Article /Clause no.	Provision of Article/Clause	Reason
Article 92: Formation of a Corporate Governance Committee	If the board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (91) of these regulations. Such committee shall oversee any matters relating to the implementation of governance and shall provide the board with its reports and recommendations, at least once annually.	Based on Article (47) of the CGRs, which stipulates that the board shall form specialized committees, based on the need and circumstances of the company, in a manner that enables it to perform effectively, the board does not see a need to form a specialized committee on "corporate governance". When the board and all its existing committees carry out their duties and achieve their objectives, they do inherently realize the corporate governance function and objectives.

RELATED-PARTY TRANSACTIONS

As part of its normal course of business, SABIC and its subsidiaries and integrated joint ventures enter into various related-party contracts and transactions. These principally include sales and purchases, providing and receiving services, and giving and receiving loans. These transactions are made at terms equivalent to those that prevail in arm's-length transactions. The Global Tax department has a dedicated team to monitor this.

SABIC has several service-level agreements with its subsidiaries and integral joint ventures in order to provide corporate business services, mainly procurement, engineering, transportation, warehouse, information technology, human resources, accounting, and compliance and ethics services.

SABIC also assumes marketing and sales of its subsidiaries, integral joint ventures', and Saudi Aramco's subsidiaries' products in various local, regional, and global markets through marketing agreements signed with those companies. SABIC subsidiaries and integral joint ventures also engaged in joint ownership production and tolling agreements with each other. All inter-company transactions and balances are eliminated and not considered for consolidated financial statements.

SABIC also has approved a policy to deal with actual and potential conflicts of Interest, which may affect the performance of board members, the executive management, or any other employees of the company when dealing with the company or other stakeholders and when SABIC contracts or enters into a transaction with a related party.

SABIC has sales to and purchases from Saudi Aramco, (including its subsidiaries, joint ventures, and associates), Saudi government, semi-government entities, and other entities in which the government has ownership or control. These transactions are carried out under specific terms within the relevant regulatory framework in Saudi Arabia.

See Note 33

INTERNAL AUDIT

SABIC's Internal Audit (IA) is a corporate function, led by the Chief Audit Executive, that reports functionally to the BAC and administratively to the CEO. IA is an independent function that carries out its duties with full access to SABIC's sites around the world, information, documents, relevant resources, and employee-related matters.

IA operates in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA) as assessed by the external quality assurance and improvement program. In addition, IA maintains an internal quality assurance and improvement program, covering all aspects of the internal audit activities, to evaluate and continuously improve these activities.

IA carried out its planned audits in accordance with the agreed schedule and changes required during the year, as approved by the BAC to evaluate, objectively and independently, the adequacy and effectiveness of the internal controls system. In addition, SABIC IA participated in special assignments and conducted consulting services and other advisory engagements.

Throughout 2023, in accordance with applicable regulations, it regularly issued audit progress reports to the BAC, including the audit plan progress, audit activities/observations, progress on internal audits' outcome, and overall update/view on internal controls' effectiveness. During 2023, IA continued its efforts with respective stakeholders to bring the audit findings to closure in a timely and reasonable manner.

SABIC IA continued to pursue the IA Strategy in 2023, with impactful outcomes and a refresh exercise to update the plans. The strategy refresh exercise resulted in three strategic pillars: 1) stronger lines of assurance; 2) ambitious talents; and 3) value creation. The three strategic pillars will enable conducting more efficient and effective audits with tangible global influence on governance, internal controls, and risk management across SABIC's corporate functions, business units, and affiliates.

In strengthening the three lines of assurance, the IA Leadership team continued the structured engagement sessions with SABIC Leadership Teams, proactively sharing key risks, and common themes of audit observations, and enhancing internal controls.

The focus on human capital remains a top priority; attracting and developing talents and enabling them to acquire required skill sets and relevant qualifications to perform the audit activities in an effective and efficient manner. Furthermore, SABIC IA contributes to SABIC people development through programs, such as Internal Audit Capability program, where employees from different departments are seconded to SABIC IA to improve governance, risk management, and internal controls culture and gain relevant experiences about the internal audit processes.

IA maintained its active collaboration with SABIC's external auditors to accommodate both responsibilities and add greater value to the organization and its shareholders. The external auditor's reports to the management contributes to the formation of BAC's opinion on the effectiveness of company's internal controls system.

The BAC is of the opinion that the company's executive management has maintained an effective internal controls system capable of providing reasonable assurances, and that the outcomes of the audits, together with BAC meeting discussions, have all provided reasonable grounds for formulating this opinion.

CONSOLIDATED STATEMENTS

AUDITED FINANCIAL STATEMENTS

CONTENTS

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Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (SABIC)

(A Saudi Joint Stock Company)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudi Basic Industries Corporation ("SABIC" or the "Company") and its subsidiaries (together the "Group") as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (SABIC) (continued)

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

Key audit matter	• Impairment assessment of property, plant and equipment

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (SABIC) (continued)

Key audit matter	How our audit addressed the Key audit matter
Impairment assessment of property, plant and equipment	
As at 31 December 2023, the consolidated statement of financial position includes property, plant and equipment amounting to Saudi Riyals (SR) 115.1 billion. At each reporting date, management assesses whether there is any indication that its Cash-Generating Units (CGUs) of property, plant and equipment may be impaired. If indicators are identified, management estimates the recoverable amounts for the relevant CGUs. At 31 December 2023, management identified impairment indicators relating to certain CGUs and carried out an exercise to calculate the recoverable amounts of these CGUs. The recoverable amounts were determined based on value-in-use calculations derived using discounted cash flow models. The models were based on the most recent financial plans and included 5-year projection periods with terminal value projections thereafter. Based on the exercise, an impairment loss of SR 941 million was recorded relating to certain Polymers CGU in the Petrochemical segment for the year ended 31 December 2023. We considered this to be a key audit matter for property, plant and equipment CGUs where impairment indicators were identified given the significant judgement and estimates involved in determining recoverable amounts and the uncertainty inherent in the underlying forecasts and assumptions. The key inputs and assumptions in determining the recoverable amounts included the cash flows projections, terminal values, and discount rates. *Refer to Note 3.1.1, Note 6.9 and Note 7 to the consolidated financial statements for further information.*	Our procedures included the following: • We considered the appropriateness of management's determination of CGUs, based on the requirements of International Accounting Standard ("IAS") 36 'Impairment of Assets', that is endorsed in the Kingdom of Saudi Arabia. • We considered the reasonableness of management's assessments of impairment indicators considering our knowledge of internal and external factors. • With input from internal valuation experts, where considered necessary, we performed the following procedures on management's value-in-use calculations, as deemed appropriate: - Assessed the reasonableness of the assumptions used in the cash flow projections; - Assessed the reasonableness of the approach and inputs used to determine the terminal values; - Evaluated the reasonableness of the discount rates used by cross-checking the underlying assumptions against observable market data; - Tested the mathematical accuracy and logical integrity of the value-in-use calculations; and - Tested management's sensitivity analyses that considered the impact of changes in assumptions on the outcome of the impairment assessments. • We considered the appropriateness of the related accounting policies and disclosures in the consolidated financial statements.

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Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (SABIC) (continued)

Other information

Management is responsible for the other information. The other information comprises the Integrated Annual Report but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (SABIC) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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Independent auditor's report to the shareholders of Saudi Basic Industries Corporation (SABIC) (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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CERTIFIED PUBLIC ACCOUNTS
LICENSE NO. 25
C.R. 1010371622

Bader I. Benmohareb
License No. 471
29 February 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

All amounts in thousands of Saudi Riyals unless otherwise stated

As at 31 December	Note	2023	2022
Assets			
Non-current assets			
Property, plant and equipment	7	115,122,579	126,797,000
Right-of-use assets	8	5,578,572	6,306,719
Intangible assets	9	19,763,009	20,012,764
Investments in associates and joint ventures	10	41,237,301	41,686,763
Investments in debt instruments	11	332,458	448,265
Investments in equity instruments	12	236,485	235,419
Deferred tax assets	31	1,749,286	781,596
Derivative financial instruments	13	3,745,176	2,687,250
Other assets and receivables	14	6,011,266	7,332,661
Total non-current assets		193,776,132	206,288,437
Current assets			
Inventories	16	18,332,223	28,224,642
Trade receivables	17	19,295,374	23,923,727
Other assets and receivables	14	5,295,155	5,930,721
Short-term investments	11	9,842,617	8,678,959
Cash and cash equivalents	18	32,414,996	40,059,331
		85,180,365	106,817,380
Assets held for sale	34	15,423,954	–
Total current assets		100,604,319	106,817,380
Total assets		294,380,451	313,105,817

As at 31 December	Note	2023	2022
Equity and liabilities			
Equity			
Share capital	19	30,000,000	30,000,000
Statutory reserve	20	–	15,000,000
General reserve	20	110,889,032	110,889,032
Other reserves	20	(1,576,557)	(1,931,155)
Retained earnings		28,116,139	32,088,421
Equity attributable to equity holders of the Parent		167,428,614	186,046,298
Non-controlling interests	21	27,853,926	31,570,961
Total equity		195,282,540	217,617,259
Non-current liabilities			
Debt	22	23,255,179	21,543,556
Lease liabilities	22	4,622,459	5,469,463
Employee benefits	23	12,894,392	14,074,900
Deferred tax liabilities	31	814,942	903,549
Derivative financial instruments	13	2,011,144	2,928,610
Provisions	24	1,090,489	861,398
Other liabilities	25	1,608,940	1,513,405
Total non-current liabilities		46,297,545	47,294,881
Current liabilities			
Short-term borrowings	22	2,414,233	915,839
Current portion of debt	22	2,301,534	5,979,853
Current portion of lease liabilities	22	903,362	904,614
Trade payables	26	20,087,016	22,537,990
Provisions*	24	1,175,962	82,032
Other liabilities*	25	18,198,349	14,782,282
Income tax payable	31	604,302	830,304
Zakat payable	31	1,414,718	2,160,763
		47,099,476	48,193,677
Liabilities directly associated with assets held for sale	34	5,700,890	–
Total current liabilities		52,800,366	48,193,677
Total liabilities		99,097,911	95,488,558
Total equity and liabilities		294,380,451	313,105,817

EVP Corporate Finance | CEO | Chairman of the Board of Directors

*Refer respective note regarding the comparatives

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2023	2022
Revenue	27	141,537,187	183,076,594
Cost of sales	28	(119,463,105)	(141,754,850)
Gross profit		22,074,082	41,321,744
General and administrative expenses	28	(9,119,995)	(8,741,422)
Research and development expenses	28	(1,893,085)	(1,855,959)
Selling and distribution expenses	28	(7,751,912)	(10,699,090)
Results from integral joint ventures	10	931,459	1,722,383
Other operating income	29	1,237,303	1,430,690
Other operating expenses	29	(1,757,459)	(270,473)
Income from operations		3,720,393	22,907,873
Results from associates and non-integral joint ventures	10	(208,457)	2,683,994
Finance income*	30	3,626,328	1,408,320
Finance cost*	30	(2,614,650)	(1,887,806)
Income before zakat and income tax		4,523,614	25,112,381
Zakat expense	31	(1,269,160)	(1,830,246)
Income tax benefit (expense)	31	438,208	(533,170)
Net income from continuing operations		3,692,662	22,748,965
Net (loss) income from discontinued operation	34	(4,076,939)	743,858
Net (loss) income		(384,277)	23,492,823

For the years ended 31 December	Note	2023	2022
Net income from continuing operations			
Attributable to:			
• Equity holders of the Parent		1,304,657	15,785,864
• Non-controlling interests		2,388,005	6,963,101
		3,692,662	22,748,965
Net (loss) income			
Attributable to:			
• Equity holders of the Parent		(2,772,282)	16,529,722
• Non-controlling interests		2,388,005	6,963,101
		(384,277)	23,492,823
Basic and diluted earnings per share from net (loss) income attributable to equity holders of the Parent (Saudi Riyals)	32		
• Net income from continuing operations		0.43	5.26
• Net (loss) income		(0.92)	5.51

EVP Corporate Finance

CEO

Chairman of the Board of Directors

*Refer respective note regarding the comparatives

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2023	2022
Net (loss) income		(384,277)	23,492,823
Other comprehensive income			
Items that will not be reclassified subsequently to the consolidated statement of income			
• Re-measurement (loss) gain on defined benefit plans	23	(555,672)	4,517,015
• Share of other comprehensive income of associates and joint ventures	10, 20	128,501	188,662
• Net change on revaluation of investments in equity instruments classified as fair value through other comprehensive income	20	(2,384)	3,617
• Tax benefit (expense)	31	5,925	(157,261)
		(423,630)	4,552,033
Items that will be reclassified subsequently to the consolidated statement of income			
• Exchange difference on translation	20	538,423	(1,668,537)
• Share of other comprehensive income (loss) of associates and joint ventures	10, 20	329,008	(610,495)
		867,431	(2,279,032)
Net movement of other comprehensive income		443,801	2,273,001
Total comprehensive income		59,524	25,765,824

For the years ended 31 December	2023	2022
Total comprehensive (loss) income		
Attributable to:		
• Equity holders of the Parent	(2,417,684)	18,225,929
• Non-controlling interests	2,477,208	7,539,895
	59,524	25,765,824
Total comprehensive (loss) income attributable to equity holders of the Parent		
• Continuing operations	1,799,263	16,695,685
• Discontinued operation	(4,216,947)	1,530,244
	(2,417,684)	18,225,929

EVP Corporate Finance

CEO

Chairman of the Board of Directors

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

All amounts in thousands of Saudi Riyals unless otherwise stated

		Attributable to the equity holders of the Parent							
	Note	Share capital	Statutory reserve	General reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2022		30,000,000	15,000,000	110,889,032	(3,542,781)	27,794,542	180,140,793	31,692,505	211,833,298
Net income		–	–	–	–	16,529,722	16,529,722	6,963,101	23,492,823
Other comprehensive income		–	–	–	1,696,207	–	1,696,207	576,794	2,273,001
Total comprehensive income		–	–	–	1,696,207	16,529,722	18,225,929	7,539,895	25,765,824
Changes in shareholdings of subsidiaries	21	–	–	–	–	(4,924)	(4,924)	(224,960)	(229,884)
Derecognition of options	13	–	–	–	–	1,184,500	1,184,500	(1,184,500)	–
Derecognition of investments through OCI	12, 20	–	–	–	(84,581)	84,581	–	–	–
Dividends and others	39	–	–	–	–	(13,500,000)	(13,500,000)	(6,251,979)	(19,751,979)
Balance as at 31 December 2022		30,000,000	15,000,000	110,889,032	(1,931,155)	32,088,421	186,046,298	31,570,961	217,617,259
Balance as at 1 January 2023		30,000,000	15,000,000	110,889,032	(1,931,155)	32,088,421	186,046,298	31,570,961	217,617,259
Net (loss) income		–	–	–	–	(2,772,282)	(2,772,282)	2,388,005	(384,277)
Other comprehensive income		–	–	–	354,598	–	354,598	89,203	443,801
Total comprehensive income (loss)		–	–	–	354,598	(2,772,282)	(2,417,684)	2,477,208	59,524
Transfer of statutory reserve	20	–	(15,000,000)	–	–	15,000,000	–	–	–
Dividends and others	39	–	–	–	–	(16,200,000)	(16,200,000)	(6,194,243)	(22,394,243)
Balance as at 31 December 2023		30,000,000	–	110,889,032	(1,576,557)	28,116,139	167,428,614	27,853,926	195,282,540

EVP Corporate Finance

CEO

Chairman of the Board of Directors

The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2023	2022
Operating activities			
Income (loss) before zakat and income tax			
• from continuing operations		4,523,614	25,112,381
• from discontinued operation	34	(3,961,642)	875,795
Adjustment to reconcile income before zakat and income tax to net cash from operating activities:			
• Depreciation of property, plant and equipment	7	12,414,684	12,128,112
• Depreciation of right-of-use assets	8	1,348,817	1,526,642
• Amortisation of intangible assets and other assets		450,874	502,934
• Impairments and write-offs of property, plant and equipment	7	1,844,422	532,968
• Fair value re-measurement on assets held for sale	34	2,931,042	–
• Results of associates and non-integral joint ventures	10	208,457	(2,683,443)
• Results of integral joint ventures	10	(931,459)	(1,722,383)
• Loss on disposals of property, plant and equipment		41,059	73,069
• Finance income*	30	(3,644,535)	(1,409,077)
• Finance costs*	30	2,785,876	1,983,404
Change in operating assets and liabilities:			
Decrease in other non-current assets and receivables		488,482	1,338,342
Decrease in inventories		5,988,176	396,636
Decrease in trade receivables		1,863,250	2,406,377
Decrease in other current assets and receivables		47,093	132,991
Increase (decrease) in other non-current liabilities		334,951	(818,557)
Increase (decrease) in provisions		1,323,021	(9,246)
Decrease in trade payables		(1,921,939)	(3,611,135)
Increase in employee benefits		526,145	544,315
Decrease in other current liabilities		(750,824)	(342,582)
		25,909,564	36,957,543

* Refer respective note regarding the comparatives.

For the years ended 31 December	Note	2023	2022
Dividend received from integral joint ventures	10	1,787,474	2,537,993
Interest received		1,738,327	653,075
Interest paid		(1,989,138)	(973,904)
Zakat and income tax paid	31	(2,993,307)	(3,364,576)
Net cash from operating activities		24,452,920	35,810,131

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated

For the years ended 31 December	Note	2023	2022
Investing activities			
Purchase of property, plant and equipment		(10,456,518)	(10,111,785)
Purchase of investments in equity instruments	12	(29,770)	(32,670)
Proceeds on the maturity of investments in debt		286,978	214,940
Additions of intangible assets	9	(36,757)	(111,897)
Proceeds from sale of property, plant and equipment		81,168	28,176
Capital contribution and acquisition in associates and joint ventures	10	(1,467,340)	(748,785)
Consideration paid for step acquisition	10	–	(401,625)
Dividend received from associates and non-integral joint ventures	10	1,136,841	1,292,788
Proceeds from sale and divestiture of equity investments	10, 12	101,621	828,735
Short-term investments, net		(1,380,968)	(3,524,910)
Net cash used in investing activities		(11,764,745)	(12,567,033)

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The accompanying notes from 1 to 41 form an integral part of these consolidated financial statements.

For the years ended 31 December	Note	2023	2022
Financing activities			
Proceeds from debt	18	9,000,000	3,945,868
Repayment of debt	18	(9,706,174)	(7,715,165)
Lease payments	18	(1,480,851)	(1,846,934)
Changes in shareholdings of subsidiaries	21	–	(229,881)
Dividends paid to shareholders	18	(11,400,961)	(13,468,495)
Dividends paid to non-controlling interests	18	(5,316,568)	(6,103,341)
Net cash used in financing activities		(18,904,554)	(25,417,948)
Decrease in cash and cash equivalents		(6,216,379)	(2,174,850)
Net foreign exchange loss on cash and cash equivalents		(27,381)	(92,061)
Cash and cash equivalents at the beginning of the year	18	40,039,135	42,306,046
Cash and cash equivalents at the end of the year	18	33,795,375	40,039,135
Cash and cash equivalents	18	32,414,996	40,059,331
Cash and cash equivalents (included in assets held for sale)	34	1,383,646	–
Less: Short-term borrowings (bank overdrafts)		(3,267)	(20,196)
Cash and cash equivalents at the end of the year		33,795,375	40,039,135
Cash flows of discontinued operation	34		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in thousands of Saudi Riyals unless otherwise stated.

1. CORPORATE INFORMATION

Saudi Basic Industries Corporation ("SABIC" or "the Parent") is a Saudi Joint Stock Company established pursuant to Royal Decree Number M/66 dated 13 Ramadan 1396H (corresponding to 6 September 1976) registered in Riyadh under commercial registration No. 1010010813 dated 14 Muharram 1397H (corresponding to 4 January 1977). The registered office is located at Qurtubah district, P.O. Box 5101, Riyadh 11422, Kingdom of Saudi Arabia ("KSA").

Saudi Arabian Oil Company ("Saudi Aramco") owns 70% of SABIC through one of its subsidiaries, "Aramco Chemicals Company". The Saudi Arabian Government is largest shareholder by 90.19% direct shareholding in Saudi Aramco. The remaining 30% of SABIC shares are held by the private sector.

SABIC and its subsidiaries (collectively the "Group") are engaged in the manufacturing, marketing and distribution of chemicals, polymers, plastics, agri-nutrients, and metal products in global markets.

The consolidated financial statements of the Group for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 27 February 2024.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as endorsed in KSA and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

The Group has prepared these consolidated financial statements on the basis that it will continue to operate as a going concern.

The consolidated financial statements are prepared under the historical cost convention, except for financial instruments, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services at the time of the transaction.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date, regardless whether that price is directly observable or estimated using another technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 '*Leases*', and measurements that have some similarities to fair value but are not, such as net realizable value in IAS 2 '*Inventories*', value in use in IAS 36 '*Impairment of Assets*' or net present value for employee benefits in IAS 19 '*Employee Benefits*'.

The Group has categorised its financial assets and liabilities into a three-level fair value hierarchy, based on the degree to which the lowest level inputs to fair value measurement are observable and the significance of the inputs to the fair value measurement as a whole, which are described as follows:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

2. BASIS OF PREPARATION (CONTINUED)

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of SABIC and subsidiaries controlled by SABIC, besides joint operations which are consolidated based on the Group's relative share in the arrangement.

Consolidation of a subsidiary begins when SABIC obtains control over the subsidiary and ceases when SABIC loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the period are included in the consolidated financial statements from the date SABIC gains control until the date SABIC ceases to control the subsidiary. Refer Note 3.2.3 for judgements applied by SABIC to assess control. SABIC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to the elements of control.

Net income or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Parent of the Group and to the non-controlling interests ("NCI"), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of financial position, consolidated statement of income, consolidated statement of comprehensive income and consolidated statement of changes in equity. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction between shareholders.

If SABIC loses control over a subsidiary, it de-recognises the related assets (including goodwill, if applicable), liabilities, non-controlling interests and other components of equity, while any resulting gain or loss is recognised in the consolidated statement of income.

2.2 FOREIGN CURRENCIES

The consolidated financial statements are presented in Saudi Riyals ("SR"), which is the functional currency of the Parent and all amounts are rounded to the nearest thousand ("SR 000"), except when otherwise indicated. For each entity, the Group determines the functional currency and items included in their financial statements using that functional currency.

TRANSACTIONS AND BALANCES

Transactions in foreign currencies are initially recognised by the Group's entities at their respective functional currencies' spot rates at transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of income.

Non-monetary items that are measured at historical cost in a foreign currency are recognised using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are recognised using the exchange rates at the date when the fair value is applied. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item. Foreign exchange gains and losses that relate to debt/borrowings, cash and cash equivalents and short-term investments are presented in the consolidated statement of income within finance income or finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of income within other operating income or expenses.

GROUP'S COMPANIES

On consolidation, the assets and liabilities of foreign operations are translated into SR at the rate of exchange prevailing at reporting date and their statements of income are translated at exchange rates prevailing at the transactions dates. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

2. BASIS OF PREPARATION (CONTINUED)

2.2 FOREIGN CURRENCIES (CONTINUED)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at reporting date.

The rates for SABIC's major currencies are as follows:

	2023		2022	
	Spot rates at 31 December	Average rates	Spot rates at 31 December	Average rates
– USD	3.75	3.75	3.75	3.75
– Euro	4.14	4.06	4.01	3.95
– GBP	4.77	4.66	4.54	4.64
– CNY	0.53	0.53	0.54	0.56

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions at reporting date that affect the reported amounts of revenues, expenses, assets and liabilities, and disclosures. However, uncertainty about these assumptions and estimates could result in outcomes that could require material adjustments in the future to the carrying amount of the asset or liability affected.

The estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the changed estimates affect both current and future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include:

- capital management, financial instrument risk management and policies (refer Notes 37 and 36); and
- sensitivity analysis disclosures (refer Note 36).

3.1 ESTIMATES AND ASSUMPTIONS

The Group used assumptions and estimates on the basis available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The key assumptions concerning the future and other key sources of estimation uncertainty, that have a significant risk of causing material differences in the carrying amounts of assets and liabilities within the next financial period, are disclosed in the next paragraphs.

3.1.1 IMPAIRMENT OF NON-FINANCIAL ASSETS (REFER NOTE 7)

Impairment exists when the carrying value of an asset or Cash Generating Unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing the asset. The value in use is based on a Discounted Cash Flow ("DCF") model. The cash flows are derived from the approved budget and business plan for the next five years and do not include restructuring activities or significant future investments that will enhance the performance of the CGU being tested or other initiatives that the Group is not yet committed to. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1.2 INCREMENTAL BORROWING RATE FOR LEASE AGREEMENTS (REFER NOTES 8 AND 22)

The Group cannot readily determine the interest rate implicit in the lease agreement. Therefore, it uses its Incremental Borrowing Rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available, such as for subsidiaries that do not enter into financing transactions or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs, such as market interest rates when available and is required to make certain entity-specific estimates.

3.1.3 MEASUREMENT OF FINANCIAL INSTRUMENTS (REFER NOTES 11, 12, 13, 15 AND 17)

The Group is required to make judgements about the basis to determine the fair value of its investments in equity instruments or financial derivatives, in reference to similar kind of investments being sold in the market. The selection of the investments or derivatives to determine the basis requires judgement by management to recognise investments in equity instruments and financial derivatives. For fair value determination, these investments qualify as Level 2 or 3 (refer Note 2).

3.1.4 PROVISIONS (REFER NOTE 24)

SABIC is subject to legal, environmental and regulatory risks. These may include non-compliance with competition and anti-trust laws, export controls, data protection, intellectual property rights, tax and environmental legislations. Furthermore, litigation and regulatory proceedings are unpredictable, and legal or regulatory proceedings in which SABIC is or becomes involved, or settlements thereof, could result in substantial penalties, which may not be recovered by insurance policies.

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Management's estimates related to provisions for environmental matters are based on an estimate of the costs, taking into account legal advice and other information. Provisions for termination benefits and exit costs, if any, also involve management's judgement in estimating the expected cash outflows for severance payments and site closures or other exit costs.

Provisions for onerous contracts involve management's best estimate for the amount/measurement of unavoidable costs.

3.1.5 DEFINED EMPLOYEE BENEFIT PLANS (REFER NOTE 23)

Post-employment defined benefits plans, end-of-service benefits plans, legal indemnity liabilities and other long-term employee related liabilities, represent obligations that will be settled in the future due to services provided by the employees. These arrangements require actuarial valuations to measure these obligations. The Group is required to make assumptions regarding variables such as discount rates, rate of salary increase, longevity, attrition rates and future healthcare costs, if applicable. Changes in key assumptions can have a significant impact on the projected benefit obligations and subsequent employee defined benefit costs. The assumptions are reviewed at each reporting date.

Defined benefit obligations are discounted at a rate set by reference to relevant market yields at the end of the reporting period on high quality corporate or government bonds, if there is no deep market in such high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 ESTIMATES AND ASSUMPTIONS (CONTINUED)

3.1.6 ACCOUNTING FOR INCOME TAX (REFER NOTE 31)

As part of the process of preparing consolidated financial statements, the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current and deferred tax expenses. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Deferred tax assets and liabilities are carried at nominal value.

The Group assesses periodically the likelihood whether deferred tax assets will be recovered from future taxable income, to the extent these deferred tax assets are recognised. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that the taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group is exposed to tax risks and uncertainty over complex tax treatments in the many jurisdictions in which it operates. Significant management judgement is required in the recognition and measurement of uncertain tax positions, whereby positive and negative evidence are weighted with regard to the facts and circumstances of each case, technical arguments and case law decision or rulings on similar issues.

3.1.7 INVESTMENTS IN EQUITY INSTRUMENTS (REFER NOTES 12 AND 13)

For all equity investments, SABIC assesses such financial assets measured at fair value, whether gains and losses are recognised either in consolidated statement of income (“FVIS”) or consolidated statement of other comprehensive income (“FVOCI”) through an irrevocable election at the time of initial recognition.

For investments in equity instruments which are measured as FVIS, further elaborations on the judgements made are disclosed below.

FINANCIAL DERIVATIVES ON EQUITY INSTRUMENTS

Put and call options offer contract parties the right to exercise them or to refrain from exercising the option rights. Call, put options and forward contracts on the equity instruments are derivative financial instruments recognised at FVIS. Put options and forward contracts are recognised at the present value of the best estimated amount to be paid at the end of the agreement. Call options are recognised at their fair value.

Due to the nature of these derivatives, the fair values of financial assets and financial liabilities recognised in the consolidated statement of financial position cannot be measured based on quoted prices in active markets. Therefore, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk, volatility and dividend yield. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments (refer Note 15).

EQUITY INVESTMENTS MEASURED AT FAIR VALUE LESS COSTS OF DISPOSAL

For some listed equity investments, the Group has significant influence and ability to affect decisions in general meetings of shareholders due to its relative share in the company without being able to control it. If sources of impairment indicate that an impairment test is required, impairment testing of these listed equity investments, require determining the premium over fair value less costs of disposal as quoted on stock exchanges, due to the Group’s significant influence. The premium is determined, based on market data to capture a reasonable range as premium paid upon business acquisitions for similar partial acquisitions in the same industry. At each reporting date the Group has to assess its share in income due to a time lag in the availability of public information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING STANDARDS

In addition to the application of the judgement in the above-mentioned estimates and assumptions, the following critical judgements have the most significant effect on the amounts recognised in the consolidated financial statements:

3.2.1 PRINCIPAL VS AGENT CONSIDERATION FOR THE SALE OF GOODS

A certain portion of SABIC's revenue is derived from marketing agreements, whereby in some cases, SABIC purchases products from its related parties, and sells these to end customers. There is significant judgement whether SABIC controls the products before they are transferred to the customer. It has been concluded that SABIC is 'the principal' in these arrangements due to the following factors, as SABIC:

- is exposed to fulfilment risk and is the primary obligor for the goods;
- has a direct relationship with the customer and controls the underlying products before they are transferred to the end customers;
- remains solely responsible for the quality of the goods and customers hold a substantive right of return which results in the Group being exposed to inventory risk.

3.2.2 PRINCIPAL VS AGENT CONSIDERATION FOR LOGISTICS SERVICES

For sales contracts with C-class incoterms, revenue from logistics and freight services is recognised as a separate performance obligation. For these contracts, SABIC considers itself to be 'the principal'. There is significant judgement whether SABIC controls the freight and logistics services prior to transferring this to the customer. It has been concluded that SABIC is 'the principal' in these arrangements due to the following factors, as SABIC:

- is exposed to fulfilment risk and is the primary obligor for the freight and logistic service provided;
- is exposed to the risk of losses in relation to the service not being fulfilled;
- has a direct relationship with the customer and controls the underlying service before it is transferred to the end customers;

3.2.3 DETERMINATION OF CONTROL, JOINT CONTROL AND SIGNIFICANT INFLUENCE

Subsidiaries are all equity investments over which the Group has control. Management considers that it controls an investee when the Group is exposed to or has rights to the majority of the variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of those returns through its power to direct the relevant activities of the investees.

The determination about whether the Group has power depends on the way decisions about the relevant activities are made and the rights the Group has, over the investees. In contrast, there are certain cases where the Group owns less than 50% of voting rights but considers it has control by directing the relevant activities of the investee as it has de-facto control or there are contractual arrangements which allow the Group to exercise control.

It is generally presumed that the Group has significant influence when the Group has 20% shareholding. Judgement is required, particularly where the Group owns shareholding and voting rights of more or less than 20% and where the Group has assessed to have 'significant influence' over such investees.

3.2.4 DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL AND TERMINATIONS OPTIONS

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

3. SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING STANDARDS (CONTINUED)

3.2.4 DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL AND TERMINATIONS OPTIONS (CONTINUED)

The Group has several lease contracts that include extension and termination clauses. The Group applies judgement in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate the lease. All relevant factors that create an economic incentive for the Group and its contract partners to exercise either the renewal or termination are considered. Such facts and circumstances include a long term preferential rental rates availability, existence of significant penalty on terminations, substantial lease hold improvements etc. The Group reassesses the lease term if there is a significant event or change in the circumstances that affects its ability to exercise or not to exercise the option to renew or to terminate the contract.

4. CHANGES IN ACCOUNTING POLICIES

The amendments to IFRS, which are relevant to the Group and that have been applied on 1 January 2023 by the Group are described below:

4.1 IAS 8 'DEFINITION OF ACCOUNTING ESTIMATES'

Amendments to IAS 8 '*Definition of accounting estimates*' clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify how measurement techniques and inputs to develop accounting estimates should be used.

4.2 AMENDMENTS TO IAS 1 AND IFRS PRACTICE STATEMENT 2

The IASB amended IAS 1 '*Presentation of Financial Statements*' which requires entities to disclose their material rather than their significant accounting policies. The amendments define what is material accounting policy information and explain how to identify when accounting policy information is material.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The Group has applied the amendments in the current period and these amendments have no material impact on these consolidated financial statements.

4.3 IAS 12 'INCOME TAXES, INTERNATIONAL TAX REFORM – PILLAR TWO MODEL RULES'

Amendments to IAS 12 *'Income Taxes, International Tax Reform – Pillar Two Model Rules*' was issued on 23 May 2023 and is to be applied from 1 January 2023. This amendment introduced an exception to the accounting treatment of deferred taxes. An entity will not recognize and will not disclose information about deferred tax assets and liabilities related to the Pillar Two taxes, established under an OECD Inclusive Framework. Multinational groups with consolidated revenues over EUR 750 million will be required to top-up their income taxes in each jurisdiction to a minimum effective tax rate of 15%. The exception for deferred taxes has been applied since issuance of the IAS 12 amendments on 23 May 2023. The remaining disclosure requirements are applicable for annual reporting periods beginning on or after 1 January 2024.

5. IFRS ISSUED BUT NOT YET EFFECTIVE

The IFRS that are issued and relevant for the Group, but not yet effective, are elaborated below. These standards will be adopted by the Group when they become effective.

AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

The amendments published in 2020 and 2022 respectively, clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance. Only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendment will not affect the Group's classification of current and non-current liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies adopted by the Group in preparing these consolidated financial statements are applied consistently and are elaborated below including amendments to IFRS as elaborated in Note 4 that have to be applied from 1 January 2023 onwards.

6.1 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for by applying the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at fair value on the acquisition date and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed in the consolidated statement of income when incurred.

When the Group acquires a business, it assesses the financial assets acquired and financials liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with the changes in fair value recognised in the consolidated statement of income or OCI.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed. If the reassessment still results in excess, the gain is recognised in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if applicable. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date, allocated to each of the Group's CGUs that are expected to benefit from synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.2 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

INVESTMENTS IN JOINT ARRANGEMENTS

Investments in joint arrangements are classified as either joint operations or joint ventures ("JVs"). The classification depends on the legal structure of the joint arrangement and also contractual rights and obligations of each investor. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

- *Joint operations*

  A joint operation is an arrangement whereby the parties that have joint control on the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held assets or incurred liabilities, revenues and expenses for its joint operations.

- *Joint ventures*

  A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments in an associate or joint venture are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition results in the consolidated statement of income, and the Group's share of movements in OCI in the consolidated statement of comprehensive income. Dividends received from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it is liable due to constructive or legal obligations on behalf of the entity.

Income from operations include share of results of integral joint ventures. Integral joint ventures are the joint ventures which are integral to and support SABIC's core operating activities. Al-Jubail Petrochemical Company ("KEMYA"), Saudi Yanbu Petrochemical Company ("YANPET") and Eastern Petrochemical Company ("SHARQ") are considered to be integral joint ventures. For integral joint ventures SABIC manages the production, logistics, feedstock and shared services. All other joint ventures are classified as non-integral joint ventures. Share of results of non-integral joint ventures is recognised separately as results from non-integral joint ventures.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.2 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the consolidated statement of income. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in OCI in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in OCI are reclassified to the consolidated statement of income.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in OCI, except for the items that will not be reclassified to the consolidated statement of income, are reclassified to the consolidated statement of income, where appropriate.

6.3 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the consolidated statement of financial position based on current and non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities..

6.4 ZAKAT AND TAX

ZAKAT

Zakat is levied based on adjusted income subject to zakat and the zakat base in accordance with the Regulations of the Zakat, Tax and Customs Authority (“ZATCA”) in KSA. The zakat provision is charged to the consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the period of their finalisation.

CURRENT INCOME TAX

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the relevant tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.4 ZAKAT AND TAX (CONTINUED)

UNCERTAIN ZAKAT AND TAX POSITIONS

Uncertain positions relate to risk or uncertainty over complex zakat and tax treatments. Such uncertain zakat and tax positions are measured using the single most likely amount or the expected value method, depending on which method is expected to better predict the resolution of the uncertainty.

DEFERRED TAX

Deferred tax is provided for using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax law enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

6.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such costs include the cost of replacing part of plant and equipment and borrowing costs for long-term construction projects, when recognition criteria are met. When significant parts of plant and equipment are required to be replaced in intervals, the Group recognises and depreciates them separately based on its specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement when the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated statement of income when incurred. The present value of the expected cost for demolishing the asset after its use, is included in the cost of the respective asset when the recognition criterion for a provision are met.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

– Buildings	13 to 40 years
– Plant and equipment	4 to 50 years
– Furniture, fixtures and vehicles	3 to 10 years

Assets under construction, which are not ready for their intended use, and land are not depreciated.

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising on de-recognising the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is included in the consolidated statement of income when the asset is de-recognised.

The assets' residual values, useful lives and methods of depreciation are periodically reviewed, and adjusted prospectively in case of a significant change in the assets technological capabilities or estimated planned use.

6.6 RIGHT-OF-USE ASSETS

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, if any, and adjusted for any re-measurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

– Land and buildings	13 to 99 years
– Plant and equipment	4 to 50 years
– Storage and tanks	20 to 30 years
– Vessels and vehicles	4 to 25 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.7 LEASES

The Group assesses at contract inception whether a contract is or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

GROUP AS LESSEE

Leases are recognised as right-of-use assets along with their corresponding liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost.

Lease liabilities include, if applicable, the net present value of fixed payments including in-substance fixed payments, less any lease incentives receivables, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

SHORT-TERM AND LOW VALUE ASSETS' LEASES

Short-term leases are leases with a contract term of 12 months or less. Low-value assets are items that do not meet the Group's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Group as a whole. Payments for short-term leases and leases of low-value assets are recognised on a straight-line basis in the consolidated statement of income.

VARIABLE LEASE PAYMENTS

Some leases contain variable payments that are linked to the usage or performance of the leased asset. Such payments are recognised in the consolidated statement of income.

EXTENSION AND TERMINATION OPTIONS

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options, if there is a significant event or significant change in circumstances within control.

GROUP AS A LESSOR

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

6.8 INTANGIBLE ASSETS

Intangible assets are measured at cost upon initial recognition. Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indicator that the intangible asset may be impaired. The estimated useful life is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.8 INTANGIBLE ASSETS (CONTINUED)

Research costs are expensed as incurred. Development expenditures on projects are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Amortisation of the intangible asset begins when development is complete and the asset is available for its intended use. It is amortised over the period of expected future benefits. The amortisation or impairment losses on intangible assets are recognised in the consolidated statement of income in the expense category that is consistent with the function the intangible asset serves. During the period of development, the asset is tested for impairment annually.

The amortisation period for intangible assets with a finite useful life is as follows:

– Software and IT development	3 to 5 years
– Licenses, including trademarks	5 to 22 years
– (Un) patented technology and customer lists	3 to 18 years

6.9 IMPAIRMENT OF NON-CURRENT ASSETS

The Group assesses each reporting date, whether there is an indication that an asset may be impaired. If any indication exists or when annual impairment testing is required, the Group estimates the assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

The Group's impairment calculation is based on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGU's to which the individual assets are allocated. These budgets and forecast calculations are generally covering a five-year period. A long-term growth rate is calculated and applied to project future cash flows after the budget period using a terminal value.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. Such reversal is recognised in the consolidated statement of income.

Goodwill is tested for impairment annually or when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGU's) to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.10 FINANCIAL ASSETS

Classification of financial assets depends on the Group's business model for managing its financial assets and the contractual terms of the cash flows. The Group classifies its financial assets as:

- financial assets measured at amortised cost; or
- financial assets measured at fair value.

Gains or losses of financial assets measured at fair value will be recognised either through the consolidated statement of income or through the consolidated statement of OCI.

Loans receivables which are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interests, are measured at amortised cost.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are Solely Payments of Principal and Interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Certain sales contracts have a provisional pricing clause with the final pricing based on an average market price over a specific period. Such trade receivables are measured at fair value because the contractual cash flows are not solely payments of principal and interest. Other trade receivables meet these criteria and are measured at amortised cost.

INITIAL MEASUREMENT

Financial assets are initially measured at their fair value plus transaction costs. Transaction costs of financial assets carried at fair value through income statement are recognised in the consolidated statement of income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows meet the requirements as solely payment of principal and interest.

SUBSEQUENT MEASUREMENT

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (Debt Instruments)

  Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

- Financial assets at "Fair Value through Other Comprehensive Income" ("FVOCI") with recycling of cumulative gains and losses (Debt Instruments)

  For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon de-recognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (Equity Instruments)

  SABIC measures all equity investments at fair value and presents changes in fair value of equity investments in OCI. Dividends from such investments continue to be recognised in the consolidated statement of income as other income when the SABIC's right to receive payments is established. Gains and losses on these financial assets are never recycled to the consolidated statement of income. These investments were irrevocably designated at fair value through OCI as the Group considers these investments to be strategic in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.10 FINANCIAL ASSETS (CONTINUED)

- Financial assets at FVIS

  Financial assets that do not meet the criteria for subsequent recognition at amortised cost or FVOCI, are measured at FVIS. A gain or loss on a debt investment that is subsequently measured at fair value through the income statement and which is not part of a hedging relationship is recognised and presented net in the consolidated statement of income in the period in which it arises.

DE-RECOGNITION

A financial asset or a part of a financial asset is de-recognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement, and either:
  - (a) The Group has transferred substantially all the risks and rewards of the asset; or
  - (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

IMPAIRMENT

Management assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, which are carried at amortised cost and FVOCI.

The ECL is based on a 12-month ECL or a lifetime ECL. The 12-month ECL results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since initial recognition, the allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (the lifetime ECL).

For trade receivables, management applies the simplified approach in calculating ECL's. Therefore, management does not track changes in credit risk, but instead recognised a loss allowance base on lifetime ECL's at each reporting date. Management has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

6.11 FINANCIAL LIABILITIES

INITIAL RECOGNITION AND MEASUREMENT

Financial liabilities are classified under either of the below two classes:

- Financial liabilities at FVIS; and
- Other financial liabilities measured at amortised cost using the EIR method.

The category of financial liability at FVIS has two sub-categories:

- Designated: A financial liability that is designated by the entity as a liability at FVIS upon initial recognition; and
- Held for trading: A financial liability classified as held for trading, such as an obligation for securities borrowed in a short sale, which have to be returned in the future. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are classified as held for trading.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.11 FINANCIAL LIABILITIES (CONTINUED)

All financial liabilities are recognised initially when the Group becomes party to contractual provisions and obligations under the financial instrument. The liabilities are recognised at fair value, and in the case of loans and borrowings and payables, the proceeds received net of directly attributable transaction costs.

SUBSEQUENT MEASUREMENT

Financial liabilities at FVIS continue to be recognised at fair value with changes being recognised in the consolidated statement of income.

For other financial liabilities, including loans and borrowings, after initial recognition, these are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of income when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The EIR amortisation is included as finance costs in the consolidated statement of income.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 to 60 days of recognition. They are recognised initially at their fair value and subsequently measured at amortised cost using the EIR method.

FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value adjusted for transaction costs that are directly attributable to the issuance of the guarantee. The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

DE-RECOGNITION

A financial liability is de-recognised when the obligation under the liability is settled or discharged. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of income.

6.12 OPTIONS AND FORWARD CONTRACTS ON (OWN) EQUITY INSTRUMENTS

Call and put options on equity instruments are derivative financial instruments to be recognised at fair value through income statement. When there are call or put options on an entity’s equity instruments controlled by the shareholder, the shareholder is assumed to have options on its own equity instruments with specific recognition requirements. Due to the nature of the stipulations in (option) agreements, the shareholder has no present ownership interest in the shares subject to these options and therefore, a non-controlling interest will be recognised.

PUT AND CALL OPTIONS

Put options are recognised at the present value of the best estimated amount to be paid at the end of the agreement. Call options are recognised at their fair value. Subsequent re-measurement of put and call options will be recognised through statement of income as financial income and expense. Put and call options offer contract parties the right to exercise them or to refrain from exercising the option rights.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.12 OPTIONS AND FORWARD CONTRACTS ON (OWN) EQUITY INSTRUMENTS (CONTINUED)

If put options are being exercised, the financial liability, as re-measured immediately before the transaction, is extinguished by payment of the exercise price and the non-controlling interest purchased is derecognised against equity attributable to the owners of the parent. If the put option expires unexercised, the financial liability is reclassified to retained earnings.

If call options are being exercised, the fair value of the call option will be recognised as part of the consideration paid for the acquisition of the non-controlling interest. If call option expires unexercised, it is derecognised through income statement as a finance expense.

FORWARD SHARE PURCHASE CONTRACTS

Forward share purchase contract are commitments to purchase the shares subject to the contract stipulations in due time. Therefore, the present value of the best estimated amount to be paid at the end of the agreement is recognised as a liability. The subsequent movement in liability is recognised in the consolidated statement of income.

6.13 OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is disclosed in the consolidated statement of financial position if there is a currently enforceable legal right to offset recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

6.14 INVENTORIES

Inventories include raw materials, work in progress, finished goods, and consumables, spare parts and are measured at the lower of cost i.e. historical purchase prices based on the weighted average principle plus directly attributable costs and the net realisable value. Inventories of work in progress and finished goods include cost of materials, labour and an appropriate proportion of direct overheads.

6.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and fixed term deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Fixed term deposits with an original maturity of greater than three months but less than twelve-months, are included as part of short-term investments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and fixed term deposits, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

6.16 CASH DIVIDEND PAID TO EQUITY HOLDERS OF THE PARENT

The Group recognises a liability for cash dividend distribution to equity holders of the Parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. In accordance with the Companies Law in KSA, a distribution is authorised when it is approved by the shareholders. Interim dividends, if any, are recognised when approved by the Board of Directors. A corresponding amount is recognised directly in the consolidated statement of changes in equity.

6.17 PROVISIONS

Provisions are recognised when the Group has a present obligation, either legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.17 PROVISIONS (CONTINUED)

ENVIRONMENTAL AND REMEDIATION COSTS

In accordance with the Group's environmental policy and applicable legal requirements, the Group recognises a provision when the amount of cash outflow can be reasonably estimated. Environmental and remedial provisions are recognised for expected costs of environmental remediation and rehabilitating contaminated sites across the regions.

ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost meeting its obligation under the contract. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

ASSET DEMOLISHING AND SITE RESTORATION COSTS

The Group recognises a provision for demolishing costs of manufacturing facilities when an obligation exists. Demolition costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax risk free rate that reflects the risks specific to this liability. The unwinding of the discount is expensed as incurred and recognised in the consolidated statement of income as finance cost. The estimates for this provision is reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

6.18 EMPLOYEE BENEFITS

LONG-TERM EMPLOYEE BENEFITS OBLIGATIONS

Long-term employee benefit obligations are measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method and recognised as non-current liabilities. Consideration is given to expected future salary increase and historic attrition rates. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate or government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of changes in actuarial assumptions are recognised in the consolidated statement of comprehensive income. The Group offers various post-employment schemes, including both defined contribution and defined benefit plans, and post-employment medical and life insurance plans for eligible employees and their dependents.

DEFINED CONTRIBUTION PLANS

A defined contribution plan is a post-employment benefit plan under which the Group pays contributions into a separate entity, trust or fund, and has no other legal or constructive obligation. The contributions are recognised as employee benefit expense in the consolidated statement of income when they are due.

DEFINED BENEFIT PLANS

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group primarily has end of service benefits, defined benefit pension plans and post-retirement medical and life insurance plans, which qualify as defined benefit plans.

END OF SERVICE BENEFITS AND PENSION PLANS

In KSA, for the liability for employees' end of service benefits, the actuarial valuation process takes into consideration the provisions of the Saudi Labour Law as well as the Group's policy. In other countries, the respective labour laws are taken into consideration.

The net pension asset or liability recognised in the consolidated statement of financial position in respect of defined benefit post-employment plans is the present value of the projected Defined Benefits Obligation ("DBO") less the fair value of plan assets at reporting date, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.18 EMPLOYEE BENEFITS (CONTINUED)

When the fair value of plan assets exceeds the DBO, the Group assesses whether asset ceiling should be applied; if not, the net balance will be presented as other non-current financial assets

DBO is re-measured on a periodic basis by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The net interest cost are calculated by applying the discount rate to the net balance of the DBO and the fair value of plan assets.

Service costs are calculated, using the actuarially determined cost rate at the end of the prior year, adjusted for significant market fluctuations and for any significant one-off events, such as plan amendments, curtailments and settlements. In the absence of such significant market fluctuations and one-off events, the actuarial liabilities are rolled forward based on the assumptions as at the beginning of the year. If there are significant changes to the assumptions or arrangements during the year, consideration is given to re-measure such liabilities and the related costs.

Re-measurement gains and losses arising from changes in actuarial assumptions are recognised in the period in which they occur in OCI. Changes in the present value of the DBO resulting from plan amendments or curtailments are recognised immediately in the consolidated statement of income as past service costs.

When the benefit plans are amended, the portion of the change in benefit relating to the past service by employees is recognised as an expense or income; if applicable, on a straight-line basis over the average period until the benefits become vested in the consolidated statement of income. To the extent that benefits vest immediately, the expense or income, if applicable is recognised immediately in the consolidated statement of income.

Current and past service costs related to post-employment benefits are recognised immediately in the consolidated statement of income while unwinding of the liability at discount rates used are recognised as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in OCI.

EMPLOYEE SAVING PLAN

The Group operates a saving plan to encourage its Saudi employees to make savings. The saving contributions from the participants are deposited in a separate bank account other than the Company's normal operating bank accounts. Employee saving plan represents the contribution made by the employee and SABIC in accordance with the Group HR policy and is presented as current liabilities.

EMPLOYEE HOME OWNERSHIP PROGRAM ("HOP")

Certain companies within the Group have established employee's HOP that offer eligible employees the opportunity to buy residential units constructed by these subsidiaries through a series of payments over a particular number of years. Ownership of the houses is transferred upon completion of full payment.

Under the HOP, the amounts paid by the employee towards the house are repayable back to the employee in case the employee discontinues employment and the house is returned back to the Group. HOP is recognised as a non-current prepayment asset at time the residential units are allocated to the employees and are amortised over the repayment period of the facility due from employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.18 EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE HOME LOAN PROGRAM ("HLP")

The Group provides interest free home loan to its eligible employees for purposes related to purchase or building of a house or apartment. The loan is repaid in monthly instalment by deduction of employee's pay.

HLP is recognised as a non-current financial asset initially at fair value and subsequently measured at amortised cost using the EIR method. The difference between the fair value and the actual amount of cash given to the employee is recognised as a "non-current prepaid employee benefit" and is amortised as an expense equally over the period of service. The same amount is also amortised as finance income against the receivables from employees.

6.19 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Revenue arrangements are assessed against specific criteria to determine whether the Group is acting as a principal or agent.

For certain revenue contracts, an intermediary is used to provide the goods and services. The Group assesses whether it is an agent or principal in these arrangements. The Group acts as a principal when it controls the specified good or service prior to transfer. When the Group acts as a principal the revenue recognised is the gross amount billed. Certain other arrangements with certain customer are such that the Group's responsibility is to arrange for a third party to provide a specified good or service to the client. If the Group is acting as an agent and does not control the relevant good or service before it is transferred to the customer. If the Group is acting as an agent, the revenue is recognised at the net amount retained.

SALES REVENUE

The Group recognises revenue when control of the products sold, transfers to the customer, which shall be considered in the context of a five-step approach and applying the applicable shipping terms.

RIGHTS OF RETURN

When a contract with a customer provides a right of return of the good within a specified period, the Group accounts for the right of return when requested by the customer and contractual conditions are met.

ALLOCATION OF PERFORMANCE OBLIGATIONS

In certain instances, the Group determines delivery services as separately identifiable and distinct from the sale of goods. These are when the Group transfers control of goods at the Group's loading site and provides delivery services to the buyer's site. The Group allocates a portion of the total transaction price to delivery services based on a best estimate of a similar stand-alone service.

PROVISIONAL PRICING

Certain revenue contracts with customers include provisional pricing at the time of shipment. Initially, revenue on these contracts is recognised based on the estimate of the final price at the time control is transferred to the customer. The final pricing is based on the actual average market indexed price. Any difference between the estimate and the final price is recognised as a change in fair value of the related receivables, as part of revenue, in the consolidated statement of income. The associated trade receivables related to contracts with provisional pricing arrangements are subsequently measured at FVIS.

VARIABLE PRICING – VOLUME REBATES

The Group provides retrospective volume rebates to its customers on products purchased by the customer once the quantity of products purchased during the period exceeds a threshold specified in the contract. The Group estimates the expected volume rebates using a prudent assessment of the expected amount of rebates, reviewed and updated on a regular basis. These amounts will subsequently be repaid in cash to the customer or are offset against amounts payable by the customer, if allowed by the contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.19 REVENUE RECOGNITION (CONTINUED)

Volume rebates give rise to variable consideration. The Group considers the "most likely amount" method to be the best estimate of this variable consideration.

RENDERING OF SERVICES

LOGISTIC SERVICES

In certain instances, the Group provides the delivery services for goods sold based on the C-class incoterms. The service is considered as a separate performance obligation. The separate transaction price is not explicitly available in the contract and SABIC uses estimation method to allocate the transaction price to such performance obligation. The estimation is based on standalone selling price. This service is satisfied over the period of delivery.

RENTAL INCOME

The Group also provides services pertaining to storage and warehousing as well as terminal services for some of the goods handled by Group Companies. Rental income from these arrangements is recognised on systematic basis over the contract term.

6.20 RESEARCH AND DEVELOPMENT EXPENSES

Research and development ("R&D") activities include expenses to:

- develop and improve our existing materials, products, solutions and processes,
- improve ecological footprint

These activities focus on delivering differentiated and sustainable product and application solutions and sustainable cost-advantaged process innovation to meet the needs of our customers and the value chain over the near, mid-, and long term horizon.

6.21 FINANCE INCOME

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as investments in equity instruments at FVOCI, finance income is recognised using the EIR. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

6.22 FINANCE COST

Finance expense is recognised for interest portion paid to the lender of all financial instruments measured at amortised cost. Finance expense is also recognised for the time value of money considered while discounting the liability to its present value. The finance expense is recognised using the EIR for liabilities measured at amortised cost. EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial liability. Typical financial instruments include bonds, conventional notes, murabaha, etc. Additionally, the finance expense also includes time value of money for all the lease liabilities recognised. For the purpose of consolidated statement of cash flows, finance cost paid is presented as part of the operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

6. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

6.23 DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

A discontinued operation is a component of the entity that has been classified as held for sale and that represents a separate major line of business and is part of a single co-ordinated plan to dispose of such a line of business. Group of non-current assets under such discontinued operation, referred as disposal group is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. Such disposal group is measured at the lower of the carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the disposal group to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of the disposal group, but not in excess of any cumulative impairment loss previously recognised. Non-current assets that are part of a disposal group are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

The assets of a disposal group classified as held for sale are presented separately from the other assets in consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position. The results of discontinued operations are presented separately in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

7. PROPERTY, PLANT AND EQUIPMENT

	For the year ended 31 December 2023					
	Land and buildings	Plant and equipment (i)	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
As at the beginning of the year	31,900,190	270,377,143	1,153,531	726,232	13,670,959	317,828,055
Additions	267,259	3,576,231	1,377	2,826	6,649,878	10,497,571
Transfers (ii)	277,561	5,420,012	12,252	49,849	(5,329,901)	429,773
Disposals and retirements	(228,598)	(2,514,369)	(69,824)	(47,523)	(82,216)	(2,942,530)
Reclassified to assets held for sale	(3,867,922)	(21,404,347)	(49,814)	(69,270)	(741,366)	(26,132,719)
Foreign currency translation adjustment	147,255	1,137,299	1,351	369	117,328	1,403,602
As at the end of the year	28,495,745	256,591,969	1,048,873	662,483	14,284,682	301,083,752
Accumulated depreciation and impairment:						
As at the beginning of the year	(16,076,318)	(172,978,841)	(806,122)	(457,270)	(712,504)	(191,031,055)
Charge for the year	(877,081)	(11,416,095)	(68,120)	(53,388)	–	(12,414,684)
Transfers (ii)	935	(841,823)	(1,441)	(46,135)	–	(888,464)
Impairment and write-offs	(104,692)	(1,361,955)	–	–	(377,775)	(1,844,422)
Disposals and retirements	228,319	2,484,186	65,162	47,523	–	2,825,190
Reclassified to assets held for sale	2,362,805	15,836,860	49,758	57,167	–	18,306,590
Foreign currency translation adjustment	(104,830)	(798,057)	(1,041)	(362)	(10,038)	(914,328)
As at the end of the year	(14,570,862)	(169,075,725)	(761,804)	(452,465)	(1,100,317)	(185,961,173)
Net book value:						
As at 31 December 2023	13,924,883	87,516,244	287,069	210,018	13,184,365	115,122,579
As at 1 January 2023	15,823,872	97,398,302	347,409	268,962	12,958,455	126,797,000

(i) Property, plant and equipment includes assets leased to related and third parties amounting to SR 1,598 million during the year ended 31 December 2023 (2022: SR 1,726 million).

(ii) Transfers represent the capitalisation of assets under construction, transfers to intangible assets and transfers of HOP related assets to "Other assets and receivables" within non-current assets and are non-cash in nature. In addition, it includes reclassification of certain assets classes between cost and accumulated depreciation. This change has no impact on the total reported carrying values or depreciation expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	For the year ended 31 December 2022					
	Land and buildings	Plant and equipment	Furniture and fixtures	Vehicles	Assets under construction	Total
Cost:						
As at the beginning of the year	28,889,288	254,902,509	905,694	713,487	27,150,431	312,561,409
Additions	104,109	2,040,559	137,398	2,802	7,976,588	10,261,456
Acquisition (i)	76,124	60,912	14,136	–	13,592	164,764
Transfers (ii)	3,225,194	16,948,206	128,123	36,040	(21,281,760)	(944,197)
Disposals and retirements	(51,025)	(1,357,860)	(17,490)	(25,297)	(63,565)	(1,515,237)
Foreign currency translation adjustment	(343,500)	(2,217,183)	(14,330)	(800)	(124,327)	(2,700,140)
As at the end of the year	31,900,190	270,377,143	1,153,531	726,232	13,670,959	317,828,055
Accumulated depreciation and impairment:						
As at the beginning of the year	(15,494,905)	(164,228,076)	(774,751)	(427,045)	(617,918)	(181,542,695)
Charge for the year	(814,210)	(11,200,083)	(59,773)	(54,046)	–	(12,128,112)
Impairment and write-offs	–	(434,550)	–	–	(98,418)	(532,968)
Disposals and retirements	39,951	1,333,455	17,481	23,105	–	1,413,992
Foreign currency translation adjustment	192,846	1,550,413	10,921	716	3,832	1,758,728
As at the end of the year	(16,076,318)	(172,978,841)	(806,122)	(457,270)	(712,504)	(191,031,055)
Net book value:						
As at 31 December 2022	15,823,872	97,398,302	347,409	268,962	12,958,455	126,797,000
As at 1 January 2022	13,394,383	90,674,433	130,943	286,442	26,532,513	131,018,714

(i) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.4).

(ii) Transfers represent the capitalisation of assets under construction, transfers to intangible assets and transfers of HOP related assets to "Other assets and receivables" within non-current assets and are non-cash in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ALLOCATION OF DEPRECIATION CHARGE

For the years ended 31 December	2023	2022
Cost of sales	11,039,638	10,473,641
General and administrative expenses	452,161	380,044
Research and development expenses	186,177	186,084
Selling and distribution expenses	39,364	40,731
	11,717,340	11,080,500
Reclassified to discontinued operation	697,344	1,047,612
	12,414,684	12,128,112

LAND AND BUILDING

Land and buildings include an amount of SR 2,122 million as at 31 December 2023 (2022: SR 2,109 million) representing the cost of freehold land.

ASSETS UNDER CONSTRUCTION

Assets under construction mainly represents the expansion of existing plants and new projects being executed by certain affiliates. The related capital commitments are reported in Note 38.

CAPITALISED BORROWING COSTS

The borrowing cost capitalised during the year ended 31 December 2023 amounted to SR 18 million (2022: SR 26 million), out of which SR nil (2022: SR 5 million) related to non-conventional facilities. The Group uses the capitalisation rate of 4.5% (2022: 4.5%) to determine the amount of borrowing costs eligible for capitalisation.

PLEDGED PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment of certain subsidiaries in the KSA are pledged to the Saudi Industrial Development Fund (“SIDF”) as security for its term loans amounting to SR 25,739 million (2022: SR 23,304 million).

IMPAIRMENT AND WRITE-OFFS OF PLANT AND EQUIPMENT

During the year ended 31 December 2023, impairment losses and write-offs of SR 1,844 million mainly relating to plant and equipment and assets under construction were recognised.

The impairment mainly relates to certain Polymers assets in the Petrochemical segment in the European and Americas region for SR 941 million. The value in use of the respective cash generating unit has been calculated based on a post-tax Weighted Average Cost of Capital (“WACC”) rate applied is 8.5%, pre-tax is 10.2% (2022: 9.4%) and a growth rate of 2.4%.

During the year ended 31 December 2023, one production line in the Cartagena industrial complex was permanently suspended, leading to an impairment loss of SR 328 million.

Impairment tests carried out on other Petrochemical cash generating units did not result in further impairment losses.

During the year ended 31 December 2023, a write-off of SR 377 million was recorded related to discontinued initiatives.

Impairment losses and write-offs were recognised within cost of sales and the respective functional expenses in the consolidated statement of income, as a result of the changed global market conditions which affected the profitability of the related cash generating unit.

During the year ended 31 December 2022, an impairment loss of SR 435 million relating to plant and equipment was recognised. The impairment mainly relates to certain Petrochemical assets in the Europe region for SR 319 million. Post-tax Weighted Average Cost of Capital (“WACC”) rate applied is 7.6% (pre-tax is 8.1%) and the growth rate applied is 2%. Impairment was recognised within cost of sales and the respective functional expenses in the consolidated statement of income, as a result of the changed market conditions in addition to mainly demolition and decommissioning costs for SR 116 million related to certain assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

8. RIGHT-OF-USE ASSETS

	For the year ended 31 December 2023				
	Land and buildings (i)	Plant and equipment	Storage and tanks	Vessels and vehicles	Total
Cost:					
As at the beginning of the year	4,128,298	2,621,724	1,060,069	3,031,244	10,841,335
Additions (ii)	411,913	81,025	153,925	478,449	1,125,312
Re-measurement (ii)	81,913	–	–	–	81,913
Disposals and retirements (ii)	(389,985)	(66,573)	(21,151)	(611,539)	(1,089,248)
Reclassified to assets held for sale	(531,043)	(346,890)	–	(14,752)	(892,685)
Foreign currency translation adjustment	18,661	10,634	29,938	31,304	90,537
As at the end of the year	3,719,757	2,299,920	1,222,781	2,914,706	10,157,164
Accumulated depreciation and impairment:					
As at the beginning of the year	(1,089,803)	(1,256,174)	(597,100)	(1,591,539)	(4,534,616)
Charge for the year	(340,070)	(194,655)	(207,056)	(607,036)	(1,348,817)
Disposals and retirements	297,225	66,315	21,006	607,688	992,234
Reclassified to assets held for sale	137,218	211,148	–	11,371	359,737
Foreign currency translation adjustment	(6,601)	(6,163)	(18,979)	(15,387)	(47,130)
As at the end of the year	(1,002,031)	(1,179,529)	(802,129)	(1,594,903)	(4,578,592)
Net book value:					
As at 31 December 2023	2,717,726	1,120,391	420,652	1,319,803	5,578,572
As at 1 January 2023	3,038,495	1,365,550	462,969	1,439,705	6,306,719

(i) The land on which plant and related facilities of certain subsidiaries in KSA are constructed are leased from the Royal Commission for Jubail and Yanbu. The Group has similar kind of arrangements and terms for some of its major sites in Europe.

(ii) Additions, re-measurement and disposals and retirements are non-cash in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

8. RIGHT-OF-USE ASSETS (CONTINUED)

	For the year ended 31 December 2022				
	Land and buildings (i)	Plant and equipment	Storage and tanks	Vessels and vehicles	Total
Cost:					
As at the beginning of the year	3,589,800	2,617,167	1,053,953	3,437,608	10,698,528
Additions (ii)	309,259	129,387	101,068	280,501	820,215
Acquisition (iii)	5,038	2,329	–	–	7,367
Re-measurement (ii) (iv)	802,632	–	–	–	802,632
Disposals and retirements (ii)	(535,803)	(111,906)	(49,485)	(629,006)	(1,326,200)
Foreign currency translation adjustment	(42,628)	(15,253)	(45,467)	(57,859)	(161,207)
As at the end of the year	4,128,298	2,621,724	1,060,069	3,031,244	10,841,335
Accumulated depreciation and impairment:					
As at the beginning of the year	(1,094,168)	(1,156,099)	(486,597)	(1,604,104)	(4,340,968)
Charge for the year	(493,169)	(219,427)	(178,061)	(635,985)	(1,526,642)
Disposals and retirements	485,300	111,737	49,486	628,410	1,274,933
Foreign currency translation adjustment	12,234	7,615	18,072	20,140	58,061
At the end of the year	(1,089,803)	(1,256,174)	(597,100)	(1,591,539)	(4,534,616)
Net book value:					
As at 31 December 2022	3,038,495	1,365,550	462,969	1,439,705	6,306,719
As at 1 January 2022	2,495,632	1,461,068	567,356	1,833,504	6,357,560

(i) The land on which plant and related facilities of certain subsidiaries in KSA are constructed are leased from the Royal Commission for Jubail and Yanbu. The Group has similar kind of arrangements and terms for some of its major sites in Europe.

(ii) Additions, re-measurement and disposals and retirements are non-cash in nature.

(iii) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.4).

(iv) The land lease contracts with the Royal Commission for Jubail and Yanbu was revised, and for the computation of the lease liabilities the lease terms applied have been extended to reflect SABIC's reasonable expectations of the period during which the underlying asset will be used. As a consequence of this change in assessment, the leasing term for certain land lease contracts have been extended to 99 years.

ALLOCATION OF DEPRECIATION CHARGE

For the years ended 31 December	2023	2022
Cost of sales	629,081	672,125
General and administrative expenses	233,390	312,586
Research and development expenses	20,979	24,168
Selling and distribution expenses	408,416	394,996
	1,291,866	1,403,875
Reclassified to discontinued operation	56,951	122,767
	1,348,817	1,526,642

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

9. INTANGIBLE ASSETS

	For the year ended 31 December 2023					
	Goodwill (i)	Software and IT development	Licenses	Others	Intangibles under development	Total
Cost:						
As at the beginning of the year	17,713,384	1,919,537	9,248,575	423,328	158,764	29,463,588
Additions	–	113	14,860	–	21,784	36,757
Transfers (ii)	–	857	3,152	(13,226)	–	(9,217)
Disposals and retirements	–	(28,445)	(13,883)	–	–	(42,328)
Reclassified to assets held for sale	–	–	(166,613)	–	–	(166,613)
Foreign currency translation adjustment	223,821	10,959	30,961	(265)	–	265,476
As at the end of the year	**17,937,205**	**1,903,021**	**9,117,052**	**409,837**	**180,548**	**29,547,663**
Accumulated amortisation and impairment:						
As at the beginning of the year	–	(1,780,253)	(7,613,709)	(27,994)	(28,868)	(9,450,824)
Charge for the year	–	(24,287)	(404,956)	(63,991)	–	(493,234)
Disposals and retirements	–	28,424	11,450	9,135	–	49,009
Reclassified to assets held for sale	–	–	146,048	–	–	146,048
Foreign currency translation adjustment	–	(10,393)	(25,114)	(146)	–	(35,653)
As at the end of the year	–	**(1,786,509)**	**(7,886,281)**	**(82,996)**	**(28,868)**	**(9,784,654)**
Net book value:						
As at 31 December 2023	**17,937,205**	**116,512**	**1,230,771**	**326,841**	**151,680**	**19,763,009**
As at 1 January 2023	17,713,384	139,284	1,634,866	395,334	129,896	20,012,764

(i) This includes goodwill amounting to SR 8,888 million as a result of exercising option to purchase the remaining shares held by another investor in some of the SABIC subsidiaries, out of which SR 3,186 million related to Saudi Petrochemical Company ("SADAF") and SR 5,702 million related to Saudi Methanol Company ("AR-RAZI"). Effective 1 October 2019, SADAF merged with Arabian Petrochemical Company ("PETROKEMYA").

(ii) Includes transfers within intangible assets, transfers from property, plant and equipment and transfers from/to other assets, which are non-cash in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

9. INTANGIBLE ASSETS (CONTINUED)

For the year ended 31 December 2022

	Goodwill (i)	Software and IT development	Licenses	Others	Intangibles under development	Total
Cost:						
As at the beginning of the year	17,582,597	1,961,798	9,179,192	22,829	195,695	28,942,111
Additions	–	1,956	88,927	–	21,014	111,897
Acquisition (ii)	405,049	1,121	–	398,629	–	804,799
Transfers (iii)	–	14,807	60,107	17,272	(28,398)	63,788
Disposals and retirements	–	(39,267)	(5,322)	(16,023)	(29,547)	(90,159)
Foreign currency translation adjustment	(274,262)	(20,878)	(74,329)	621	–	(368,848)
As at the end of the year	17,713,384	1,919,537	9,248,575	423,328	158,764	29,463,588
Accumulated amortisation and impairment:						
As at the beginning of the year	–	(1,810,961)	(7,237,722)	(8,306)	(28,868)	(9,085,857)
Charge for the year	–	(26,882)	(437,646)	(20,038)	–	(484,566)
Disposals and retirements	–	39,062	5,322	–	–	44,384
Foreign currency translation adjustment	–	18,528	56,337	350	–	75,215
As at the end of the year	–	(1,780,253)	(7,613,709)	(27,994)	(28,868)	(9,450,824)
Net book value:						
As at 31 December 2022	17,713,384	139,284	1,634,866	395,334	129,896	20,012,764
As at 1 January 2022	17,582,597	150,837	1,941,470	14,523	166,827	19,856,254

(i) This includes goodwill amounting to SR 8,888 million as a result of exercising option to purchase the remaining shares held by another investor in some of the SABIC subsidiaries, out of which SR 3,186 million related to Saudi Petrochemical Company ("SADAF") and SR 5,702 million related to Saudi Methanol Company ("AR-RAZI"). Effective 1 October 2019, SADAF merged with Arabian Petrochemical Company ("PETROKEMYA").

(ii) Refers to the consolidation of Scientific Design group of companies, as result of acquisition of additional shares (refer Note 10.4).

(iii) Includes transfers within intangible assets, transfers from property, plant and equipment and transfers from/to other assets and receivables, which are non-cash in nature.

ALLOCATION OF AMORTISATION CHARGE

For the years ended 31 December	2023	2022
Cost of sales	93,138	64,355
General and administrative expenses	375,963	368,599
Research and development expenses	12,232	21,261
Selling and distribution expenses	2,563	2,861
	483,896	457,076
Reclassified to discontinued operation	9,338	27,490
	493,234	484,566

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

9. INTANGIBLE ASSETS (CONTINUED)

GOODWILL

Goodwill has been allocated to the Group's operating segments that represent its CGUs at which the goodwill is managed. For goodwill impairment testing, these CGUs are Petrochemicals and Specialties. The goodwill allocated to Petrochemicals amounts to SR 15,229 million (2022: SR 15,039 million) and for Specialties CGU amounts to SR 2,708 million (2022: SR 2,674 million).

The post-tax WACC rate applied at Group's level is 9.2% for Petrochemicals (2022: 9.5%) and for Specialties 8.75% (2022: 9.6%). The pre-tax WACC rate is 11.3% (2022: 11.9%) for Petrochemicals and 10.5% (2022: 11.5%) for Specialties.

The WACC is calculated based on long-term moving monthly average assumptions that reflect market assessments of the risk specific to each CGU. Segment specific risk is incorporated by applying average beta factors. The beta factors are evaluated annually based on publicly available market data of SABIC's peers. The average effective zakat rate is assumed to be 3% (2022: 3%) for MEA region and the average effective tax rate is assumed to be 24%-26% (2022: 23%-25%) for rest of the world. The cash flow projections are derived from the respective business plans covering a period of 5 years. Cash flow projections beyond the five-year business plan are extrapolated taking into account an assumed growth rate of 2.4% (2022: 2.9%) for Petrochemicals and 2.4% (2022: 3%) for Specialties.

No impairment loss was recognised for 2023 and 2022 respectively.

With respect to the assessment of the value in use, management believes that a reasonably possible change in its used assumptions would not cause the carrying value of its goodwill to exceed its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The table below outlines the Group's investments in associates:

Associates	Ownership %	Place of business/ country of incorporation	Nature of activities	31 December 2023	31 December 2022
Clariant AG ("CLARIANT")	31.50	Switzerland	Specialty Chemical	7,520,449	8,076,945
Ma'aden Phosphate Company ("MPC")	30.00	KSA	Agri-Nutrients	3,763,486	3,883,110
Aluminium Bahrain BSC ("ALBA")	20.62	Bahrain	Aluminium	3,664,441	3,738,418
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	15.00	KSA	Agri-Nutrients	2,205,971	2,091,643
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ") (refer Note 10.3)	17.50	KSA	Utilities	1,414,926	1,455,221
Gulf Petrochemical Industries Company ("GPIC") (ii)	33.33	Bahrain	Agri-Nutrients, Petrochemicals	985,413	869,901
National Chemical Carrier Company ("NCC")	20.00	KSA	Transportation	562,704	379,455
Saudi Arabian Industrial Investment Company ("DUSSUR")	25.00	KSA	Investments	540,996	593,715
ARG mbH & Co KG ("ARG") entities	25.00	Germany	Transportation	171,117	154,895
Nusaned Fund I, Nusaned Fund II	50.00, 60.00	KSA	Equity Investments	38,701	34,168
German Pipeline Development Company GMBH ("GPDC")	39.00	Germany	Transportation	33,141	32,138
Gulf Aluminium Rolling Mill Company ("GARMCO") (iii)	14.90	Bahrain	Aluminium	9	–
Mallinda, Inc. ("MALLINDA")	26.20	USA	Ventures	–	912
				20,901,354	21,310,521

(i) Critical judgements are considered in determination of the classification of these investments as associates based on underlying agreements and constitutive documents. (refer Note 3.2.3)

(ii) GPIC is owned 33.33% by SABIC Agri-Nutrients Company (known as "SABIC AN") and SABIC's effective share is 16.70%.

(iii) Investment in Gulf Aluminium Rolling Mill Company ("GARMCO") has been reduced from 30.4% to 14.9% during 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The table below outlines the Group's investments in joint ventures:

Joint ventures	Ownership %	Place of business/ country of incorporation	Nature of activities	31 December 2023	31 December 2022
Al-Jubail Petrochemical Company ("KEMYA")	50.00	KSA	Petrochemicals	5,854,859	6,158,686
Eastern Petrochemical Company ("SHARQ")	50.00	KSA	Petrochemicals	4,830,729	5,370,901
Sinopec Sabic Tianjin Petrochemical Company ("SSTPC")	50.00	China	Petrochemicals	3,238,476	3,721,375
Saudi Yanbu Petrochemical Company ("YANPET")	50.00	KSA	Petrochemicals	2,953,068	3,002,952
ETG Inputs Holdco Limited ("EIHL") (refer Note 10.2) (ii)	49.00	KSA	Agri-Nutrients	1,266,222	–
Sabic SK Nexlene Company Pte. Ltd. ("SSNC")	50.00	Singapore	Petrochemicals	849,623	730,076
SABIC Fujian Petrochemicals Co., Ltd. ("FUJIAN")	51.00	China	Petrochemicals	477,628	326,418
Cosmar Company ("COSMAR")	50.00	USA	Petrochemicals	444,516	460,552
Utility Support Group B.V. ("USG")	50.00	Netherlands	Utilities	299,213	272,700
SABIC Plastic Energy Advanced Recycling BV ("SPEAR")	50.00	Netherlands	Petrochemicals	94,962	97,438
Saudi Pallet Manufacturing Company ("SPMC")	38.00	KSA	Logistics	20,158	25,334
Isotopes Company ("IHC")	13.44	KSA	Machinery Equipment	6,493	2,934
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL") (iii)	45.00	Mauritania	Mining (Metal)	–	173,142
Advanced Energy Storage System Investment Company ("AESSIC") (iv)	48.72	KSA	Renewable Energy	–	33,734
				20,335,947	20,376,242
				41,237,301	41,686,763

(i) Critical judgements are considered in determination of the classification of these investments as joint venture based on underlying agreements and constitutive documents. (refer Note 3.2.3)

(ii) SABIC has made investment of SR 1,208 million in EIHL during the year ended 31 December 2023. EIHL is owned 49.00% by SABIC Agri-Nutrients Company (known as "SABIC AN") and SABIC's effective share is 24.55%.

(iii) On 3 September 2023, the group announced signing an agreement with the Public Investment Fund (PIF) to acquire all SABIC shares in the Saudi Iron and Steel Company (HADEED). As a result, investment in Takamul, has been reclassified to assets held for sale (refer Note 34).

(iv) AESSIC is under liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The movement of investments in associates is as follows:

	CLARIANT	MPC	ALBA	MWSPC	MARAFIQ	GPIC	DUSSUR	NCC	ARG	NUSANED FUNDS	GPDC	MALLINDA	GARMCO	Total
As at 1 January 2023	8,076,945	3,883,110	3,738,418	2,091,643	1,455,221	869,901	593,715	379,455	154,895	34,168	32,138	912	–	21,310,521
Capital contribution	–	–	–	–	–	–	–	–	–	7,697	–	–	37	7,734
Share of results (i)	(619,805)	330,376	215,203	170,578	55,955	109,789	(52,719)	183,249	33,981	(3,164)	–	–	(1)	423,442
Impairment (refer Note 10.1)	(367,500)	–	–	–	–	–	–	–	–	–	–	(912)	–	(368,412)
Movements in OCI	612,559	–	(1,282)	–	–	5,723	–	–	5,208	–	1,003	–	(27)	623,184
Dividends received	(181,750)	(450,000)	(287,898)	(56,250)	(96,250)	–	–	–	(17,036)	–	–	–	–	(1,089,184)
Others	–	–	–	–	–	–	–	–	(5,931)	–	–	–	–	(5,931)
As at 31 December 2023	**7,520,449**	**3,763,486**	**3,664,441**	**2,205,971**	**1,414,926**	**985,413**	**540,996**	**562,704**	**171,117**	**38,701**	**33,141**	**–**	**9**	**20,901,354**

(i) The Group's share of results in associates' net income is recognised after fair value adjustments and changes in estimated results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The movement of investments in joint ventures is as follows:

	KEMYA	SHARQ	SSTPC	YANPET	SSNC	COSMAR	FUJIAN	USG	TAKAMUL	SPEAR	AESSC	SPMC	IHC	EIHL	Total
As at 1 January 2023	6,158,686	5,370,901	3,721,375	3,002,952	730,076	460,552	326,418	272,700	173,142	97,438	33,734	25,334	2,934	–	20,376,242
Capital contributions (i)	–	–	–	–	–	67,112	180,760	–	–	–	–	–	4,050	–	251,922
Acquisitions (i)	–	–	–	–	–	–	–	–	–	–	–	–	–	1,207,684	1,207,684
Share of results (ii) (iii)	705,606	(340,579)	(375,508)	566,432	168,068	(83,148)	(14,319)	27,680	–	(5,397)	(4,016)	(5,176)	(491)	58,538	697,690
Impairment	–	–	–	–	–	–	–	–	–	–	(29,718)	–	–	–	(29,718)
Movements in OCI	(15,097)	(17,779)	(107,391)	(11,067)	(11,021)	–	(15,231)	8,990	–	2,921	–	–	–	–	(165,675)
Dividends received (iv)	(1,008,684)	(181,814)	–	(596,976)	(37,500)	–	–	(10,157)	–	–	–	–	–	–	(1,835,131)
Others	14,348	–	–	(8,273)	–	–	–	–	–	–	–	–	–	–	6,075
Reclassified to assets held for sale	–	–	–	–	–	–	–	–	(173,142)	–	–	–	–	–	(173,142)
As at 31 December 2023	**5,854,859**	**4,830,729**	**3,238,476**	**2,953,068**	**849,623**	**444,516**	**477,628**	**299,213**	**–**	**94,962**	**–**	**20,158**	**6,493**	**1,266,222**	**20,335,947**

(i) The total capital contributions and acquisitions in associates and joint ventures is amounting to SR 1,467 million (2022: SR 749 million).

(ii) The Group's share of results in joint ventures' net income is recognised after fair value adjustments and changes in estimated results.

(iii) Share of results includes the share of results of integral joint ventures related to SHARQ, YANPET and KEMYA amounting to SR 931 million (2022: SR 1,722 million) and this has been presented in the consolidated statement of income before income from operations.

(iv) Dividends received from the integral joint ventures is amounting to SR 1,787 million (2022: SR 2,538 million) and from the non-integral associates and joint ventures is SR 1,137 million (2022: SR 1,293 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The movement of investments in associate is as follows:

	CLARIANT	MPC	ALBA	MWSPC	MARAFIQ	GPIC	DUSSUR	NCC	ARG	NUSANED FUNDS	GPDC	MALLINDA	GARMCO	Total
As at 1 January 2022	10,164,125	2,647,616	2,641,823	1,566,499	1,920,918	769,087	310,676	320,563	127,261	34,557	41,151	912	36	20,545,224
Capital contribution	–	–	–	–	–	–	325,000	–	–	412	–	–	–	325,412
Share of results	33,157	1,461,782	853,335	525,420	231,050	408,314	(40,301)	58,892	28,089	(976)	(6,675)	–	–	3,552,087
(Increase)/reversal of impairment (refer Notes 10.1, 10.6)	(1,589,607)	–	441,208	–	–	–	–	–	–	–	–	–	–	(1,148,399)
Gain on divesture of investment (refer Note 10.3)	–	–	–	–	220,971	–	–	–	–	–	–	–	–	220,971
Movements in OCI	(367,337)	(1,288)	49,402	(276)	–	–	(1,660)	–	(11,722)	–	(2,338)	–	(36)	(335,255)
Dividends received	(163,393)	(225,000)	(247,350)	–	(92,129)	(307,500)	–	–	–	–	–	–	–	(1,035,372)
Others (i)	–	–	–	–	(825,589)	–	–	–	11,267	175	–	–	–	(814,147)
As at 31 December 2022	8,076,945	3,883,110	3,738,418	2,091,643	1,455,221	869,901	593,715	379,455	154,895	34,168	32,138	912	–	21,310,521

(i) Others include the divesture of investments in Marafiq (refer Note 10.3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The movement of investments in joint venture is as follows:

	KEMYA	SHARQ	SSTPC	YANPET	SSNC	COSMAR	FUJIAN	USG	TAKAMUL	SPEAR	AESSC	SPMC	IHC	SD	Total
As at 1 January 2022	5,891,134	6,183,732	4,827,331	2,948,961	608,910	461,624	–	229,928	176,846	105,538	30,765	27,402	–	150,228	21,642,399
Capital contribution	–	–	–	–	–	78,373	331,875	–	–	–	10,125	–	3,000	–	423,373
Share of results	1,220,369	(132,076)	(453,389)	634,090	167,502	(79,445)	(1,145)	54,488	(551)	(2,263)	(7,156)	(2,068)	(66)	375,796	1,774,086
Movements in OCI	102,774	123,510	(395,151)	150,448	(46,336)	–	(4,312)	(11,716)	(3,153)	(5,837)	–	–	–	3,195	(86,578)
Dividends received	(1,044,631)	(773,436)	(257,416)	(719,926)	–	–	–	–	–	–	–	–	–	–	(2,795,409)
Others (i)	(10,960)	(30,829)	–	(10,621)	–	–	–	–	–	–	–	–	–	(529,219)	(581,629)
As at 31 December 2022	6,158,686	5,370,901	3,721,375	3,002,952	730,076	460,552	326,418	272,700	173,142	97,438	33,734	25,334	2,934	–	20,376,242

(i) During the year ended 31 December 2022, SABIC acquired the remaining 50% shares of SD, which has been reclassified as a subsidiary (refer Note 10.4).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.1 INVESTMENT IN CLARIANT A.G. ("CLARIANT")

SABIC owns 31.50% of the shares in CLARIANT, a global specialty chemicals company listed at the Swiss stock exchange ("SIX"). The investment is accounted for as an associate using the equity method in these consolidated financial statements. As at 31 December 2023, SABIC assessed the carrying value of investment in CLARIANT for impairment on the basis of CLARIANT's share price, other publicly available information and the implied premium included is in line with market average in the chemicals industry.

During the year ended 31 December 2023, the share price of CLARIANT has declined from CHF 14.65 as at 31 December 2022 to CHF 12.42 as at 31 December 2023, mainly due to the global general economic pressure along with the Russian-Ukrainian conflict.

In the fourth quarter of 2023, CLARIANT declared impairment losses and other provision for the closure of certain manufacturing assets which had negatively impacted the SABIC share in results for SR 281 million (2022: SR 232 million). Furthermore, the reduction in the share price triggered an additional impairment provision of SR 368 million during the year ended 31 December 2023 (2022: SR 1,590 million), which has been recognised and presented within 'share of results of non-integral joint ventures and associates' in the consolidated statement of income and consolidated statement of cash flows.

As at 31 December 2023, the carrying amount of investment in CLARIANT is SR 7,520 million (2022: SR 8,077 million), which also represents its recoverable amount.

10.2 ACQUISITION OF INVESTMENT

On 19 Ramadan 1444H (corresponding to 10 April 2023), SABIC Agri-Nutrients Investment Company ("SANIC"), a subsidiary of SABIC Agri-Nutrients Company has completed the acquisition procedure of 49% shareholding in ETG Inputs Holdco Limited ("EIHL") by virtue of receipt of regulatory approvals in compliance with the terms and conditions of acquisition agreement. During the year ended 31 December 2023, SANIC has finalised the transaction for the total amount of consideration of SR 1,208 million at the completion date. The investment is recognised as a joint venture investment under equity method of accounting. As at 31 December 2023, the provisional price exercise to determine the fair values of the net identifiable assets attributable to the acquisition of the joint venture is still not completed.

10.3 DIVESTITURE OF INVESTMENT IN MARAFIQ

On 26 October 2022, Marafiq has offered 73,094,500 ordinary shares to the public, representing 29.24% of Marafiq's share capital at SR 46 per share. As a result of this transaction, SABIC's investment in Marafiq has reduced by 18,273,625 shares, equivalent to 7.31% of total share capital against cash consideration of SR 825 million and has recognised a gain on sale of this divesture of investment amounting to SR 221 million in the consolidated statement of income.

As at 31 December 2022, SABIC holds 43,750,000 shares of investment in Marafiq equivalent to 17.50% of Marafiq's total share capital.

10.4 ACQUISITION OF SCIENTIFIC DESIGN GROUP OF COMPANIES

On 14 April 2022 ("the closing date"), SABIC acquired the remaining 50% shares in the 'Scientific Design group of companies' ("SD Group") from Clariant A.G. for a cash consideration amounting to SR 523 million (USD 139 million), which has been disclosed in the consolidated statement of cash flows, net of cash acquired. The acquisition will expand SABIC's growth in the Specialties segment, ensure long-term development of the catalyst business and support expected synergies.

The acquisition qualifies as a step acquisition with change in control in accordance with IFRS 3 '*Business Combinations*'. From the closing date, SABIC fully owns and controls the SD Group, and therefore consolidates the SD Group. The fair value gain on the original 50% shareholding against the previous carrying value of investments amounting to SR 365 million (USD 97 million) has been recognised in the consolidated statement of income and presented within 'share of results of non-integral joint ventures and associates'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.4 ACQUISITION OF SCIENTIFIC DESIGN GROUP OF COMPANIES (CONTINUED)

The impact of the transaction is summarised as follows:

Total equity consideration on 100% basis		1,045,500
of which:		
Net cash acquired		121,130
Tangible assets	209,250	
Intangible assets	399,750	
Deferred tax liability	(89,679)	
Total fair value of net assets		519,321
Goodwill		405,049

10.5 ADDITIONAL CAPITAL CONTRIBUTION IN DUSSUR

During the year ended 31 December 2022, SABIC contributed SR 325 million as equity contribution pertaining to SABIC's 25% shareholding in Saudi Arabian Industrial Investment Company ("DUSSUR"), as associate which was established by Public Investment Fund ("PIF"), Saudi Aramco and SABIC.

10.6 IMPAIRMENT ASSESSMENT OF EQUITY INVESTMENTS

As at 31 December 2023, the carrying amount of investment in ALBA is SR 3,664 million (2022: SR 3,738 million) which also represents its recoverable amount.

The increase of demand for aluminium and a positive business outlook driven by additional production capacities at Aluminium Bahrain BSC ("ALBA") have had a positive effect on its share price in the year ended 31 December 2022. Consequently, the impairment loss in respect of investment in ALBA of SR 441 million was reversed during the year then ended.

The reversal of impairment in respect of investment in ALBA is presented within 'share of results of non-integral joint ventures and associates' in the consolidated statement of income and consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.7 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES

The tables below provide summarised financial information of the material associates of the Group. The information disclosed reflects the amounts presented in the available financial statements of the relevant investee and not SABIC's share of those amounts.

As at 31 December 2023	MPC	MARAFIQ (i)	ALBA	MWSPC (ii)	Clariant (iii)
Current assets					
Cash and cash equivalents	1,817,047	1,136,890	589,192	1,191,334	1,189,003
Others	4,848,374	2,044,709	5,739,170	4,431,352	8,068,532
Total current assets	6,665,421	3,181,599	6,328,362	5,622,686	9,257,535
Non-current assets	12,085,018	19,939,237	18,902,020	23,968,252	14,430,740
Current liabilities					
Financial liabilities (excluding trade and other payables)	1,429,187	837,678	2,022,196	617,924	2,569,915
Others	573,459	1,449,494	1,652,301	2,817,527	3,496,086
Total current liabilities	2,002,646	2,287,172	3,674,497	3,435,451	6,066,001
Non-current liabilities	4,551,267	12,667,803	3,877,432	14,571,835	6,992,171
Net assets	12,196,526	8,165,861	17,678,453	11,583,652	10,630,103
Reconciliation:					
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate	3,658,958	1,429,026	3,645,297	1,737,548	3,348,482
Intangible/goodwill	–	–	–	468,423	8,094,449
Impairment	–	–	–	–	(2,860,755)
Estimated year end result/dividends paid	104,528	(14,100)	19,144	–	(1,061,727)
Carrying amount	3,763,486	1,414,926	3,664,441	2,205,971	7,520,449

For the year ended 31 December 2023	MPC	MARAFIQ (i)	ALBA	MWSPC (ii)	Clariant (iii)
Revenue	6,770,362	4,766,019	15,254,537	7,313,593	9,528,711
Depreciation and amortisation	(1,142,455)	(875,374)	(1,322,847)	(1,081,192)	(500,633)
Interest income	134,748	81,425	–	162,439	54,235
Interest expense	(265,225)	(401,476)	(614,862)	(995,751)	(187,737)
Zakat and Income tax expense	(121,166)	(37,464)	(1,650)	(320,333)	(166,878)
Net income for the year	761,627	454,157	1,166,142	1,259,410	959,546
Reconciliation:					
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate	228,488	79,477	240,458	188,912	302,257
Share in earnings (iv)	330,376	55,955	215,203	170,578	(619,805)

(i) *The information provided for MARAFIQ is as at 30 September 2023 and for the 9 months ended 30 September 2023, being the last financial period publically available.*

(ii) *The Group's investment in MWSPC includes additional contribution made to one of the shareholders in relation to mineral rights.*

(iii) *The information provided for CLARIANT is as at 30 June 2023 and for the 6 months ended 30 June 2023, being the last financial period publically available.*

(iv) *Carrying amount of the investments and Group's share in associates are based on estimated results and include inter-group profit elimination, zakat, income tax and other adjustments.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.7 SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES (CONTINUED)

As at 31 December 2022	MPC	MARAFIQ (i)	ALBA	MWSPC (ii)	Clariant (iii)
Current assets					
Cash and cash equivalents	327,897	414,706	6,190,216	1,273,976	1,436,160
Others	5,931,951	3,509,650	931,910	6,225,978	9,951,120
Total current assets	6,259,848	3,924,356	7,122,126	7,499,954	11,387,280
Non-current assets	12,326,920	20,476,326	18,930,632	24,166,185	16,377,120
Current liabilities					
Financial liabilities (excluding trade and other payables)	61,760	787,657	1,235,503	658,846	2,378,640
Others	1,531,869	1,563,706	1,586,349	2,754,862	6,597,360
Total current liabilities	1,593,629	2,351,363	2,821,852	3,413,708	8,976,000
Non-current liabilities	4,049,438	13,969,844	5,089,248	17,557,517	6,931,920
Net assets	12,943,701	8,079,475	18,141,658	10,694,914	11,856,480
Reconciliation:					
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate	3,883,110	1,413,908	3,740,810	1,604,237	3,734,791
Intangible/goodwill	–	–	–	487,406	7,377,198
Estimated year end result/ dividends paid	–	41,313	–	–	(541,789)
Impairment	–	–	–	–	(2,493,255)
Others	–	–	(2,392)	–	–
Carrying amount	3,883,110	1,455,221	3,738,418	2,091,643	8,076,945

For the year ended 31 December 2022	MPC	MARAFIQ(i)	ALBA	MWSPC (ii)	Clariant (iii)
Revenue	10,700,934	4,635,772	18,325,478	10,313,104	10,457,040
Depreciation and amortisation	(1,060,515)	(867,313)	(1,268,661)	(1,322,956)	(558,960)
Interest income	60,889	17,369	–	66,098	32,640
Interest expense	(185,059)	(132,520)	(188,698)	(586,406)	(179,520)
Zakat and Income tax expense	(152,335)	(83,159)	(4,032)	(307,851)	(265,200)
Net income for the year	4,869,775	714,433	4,142,734	3,476,926	1,574,880
Reconciliation:		*	*		*
Group's share	30.00%	17.50%	20.62%	15.00%	31.50%
Group's share in associate (iii)	1,460,933	125,026	854,232	521,539	496,087
Share in earnings	1,461,782	231,050	853,335	525,420	33,157

(i) The information provided for MARAFIQ is as at 30 September 2022 and for the 9 months ended 30 September 2022.

(ii) The Group's investment in MWSPC includes additional contribution made to one of the shareholders in relation to mineral rights.

(iii) The information provided for CLARIANT is as at 30 June 2022 and for the 6 months ended 30 June 2022.

(iv) Carrying amount of the investments and Group's share in associates are based on estimated results and include inter-group profit elimination, zakat, income tax and other adjustments.

** including estimate at year end.*

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All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.8 SUMMARISED FINANCIAL INFORMATION OF MATERIAL JOINT VENTURES

The tables below provide the summarised financial information of material joint ventures of the Group. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not SABIC's share of those amounts.

As at 31 December 2023	SSTPC	SHARQ	YANPET	KEMYA	EIHL (i)
Current assets					
Cash and cash equivalents	1,575,967	479,829	830,702	501,988	309,862
Others	1,301,016	3,045,505	3,420,111	3,947,653	2,749,113
Total current assets	2,876,983	3,525,334	4,250,813	4,449,641	3,058,975
Non-current assets	9,936,994	10,244,932	4,556,050	10,021,270	317,227
Current liabilities					
Financial liabilities (excluding trade and other payables)	900,801	3,574	8,118	5,130	989,365
Others	2,365,346	1,613,895	1,548,241	1,864,248	823,851
Total current liabilities	3,266,147	1,617,469	1,556,359	1,869,378	1,813,216
Non-current liabilities	3,050,437	2,583,208	1,190,981	1,355,224	80,454
Net assets	6,497,393	9,569,589	6,059,523	11,246,309	1,482,532
Reconciliation:					
Group's share	50.00%	50.00%	50.00%	50.00%	49.00%
Group's share in joint venture	3,248,697	4,784,795	3,029,762	5,623,155	726,441
Carrying amount	3,238,476	4,830,729	2,953,068	5,854,859	1,266,222

For the year ended 31 December 2023	SSTPC	SHARQ	YANPET	KEMYA	EIHL (i)
Revenue	9,818,820	7,489,422	5,594,163	8,973,967	3,628,072
Depreciation and amortisation	(695,339)	(1,391,437)	(557,719)	(791,555)	–
Interest income	60,163	1,309	27,154	12,620	6,359
Interest expense	(108,463)	(43,956)	(64,575)	(60,657)	(74,159)
Net income before income tax and zakat (ii)	(971,162)	(630,430)	1,217,431	1,541,126	163,315
Zakat and income tax benefit/ (expense)	224,432	31,438	(175,843)	(138,043)	25,227
Net (loss) income for the year	(746,730)	(598,992)	1,041,588	1,403,083	188,542
Other comprehensive income (loss)	–	(32,002)	(19,919)	(27,175)	(58,531)
Total comprehensive income	(746,730)	(630,994)	1,021,669	1,375,908	130,011
Reconciliation:					
Group's share	50.00%	50.00%	50.00%	50.00%	49.00%
Group's share of earnings in joint venture	(373,365)	(299,496)	520,794	701,542	92,386
Share of earnings (ii)	(375,508)	(340,579)	566,432	705,606	58,538

(i) For EIHL, the excess consideration pertains to difference between the book value of the share of net assets and the consideration paid by the Group to acquire the investment.

(ii) For the KSA based joint ventures, namely SHARQ, YANPET and KEMYA the net income has been adjusted with zakat expenses to reflect the carrying value of the investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.8 SUMMARISED FINANCIAL INFORMATION OF MATERIAL JOINT VENTURES (CONTINUED)

As at 31 December 2022	SSTPC	SHARQ	YANPET	KEMYA
Current assets				
Cash and cash equivalents	2,455,438	269,983	395,529	687,736
Others	1,399,935	3,977,301	4,418,663	4,164,383
Total current assets	3,855,373	4,247,284	4,814,192	4,852,119
Non-current assets	10,881,993	10,662,052	4,784,094	10,531,715
Current liabilities				
Financial liabilities (excluding trade and other payables)	899,038	9,958	34,065	562,857
Others	2,549,120	1,723,169	2,189,409	1,854,561
Total current liabilities	3,448,158	1,733,127	2,223,474	2,417,418
Non-current liabilities	3,829,741	2,568,813	1,139,982	1,247,728
Net assets	7,459,467	10,607,396	6,234,830	11,718,688
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share in joint venture	3,729,734	5,303,698	3,117,415	5,859,344
Carrying amount	3,721,375	5,370,901	3,002,952	6,158,686

For the year ended 31 December 2022	SSTPC	SHARQ	YANPET	KEMYA
Revenue	9,792,924	9,653,626	6,993,238	10,156,667
Depreciation and amortisation	(542,084)	(1,378,489)	(483,459)	(818,951)
Interest income	–	5,329	7,496	2,192
Interest expense	(62,148)	(24,296)	(40,575)	(58,062)
Net income before income tax and zakat (i)	(915,167)	(255,412)	1,347,083	2,552,743
Zakat and income tax expense	–	(10,676)	(175,981)	(324,121)
Net income for the year	(915,167)	(266,088)	1,171,102	2,228,622
Other comprehensive income	–	222,319	270,806	184,994
Total comprehensive income	(915,167)	(43,769)	1,441,908	2,413,616
Reconciliation:				
Group's share	50.00%	50.00%	50.00%	50.00%
Group's share of earnings in joint venture	(457,584)	(133,044)	585,551	1,114,311
Share of earnings (i)	(453,389)	(132,076)	634,090	1,220,369

(i) *For the KSA based joint ventures, namely SHARQ, YANPET and KEMYA the net income has been adjusted with zakat expenses to reflect the carrying value of the investments.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

10. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

10.9 FINANCIAL PERFORMANCE OF INVESTMENTS IN INDIVIDUALLY IMMATERIAL ASSOCIATES AND JOINT VENTURES

	2023		2022	
For the years ended 31 December	Individually immaterial associates	Individually immaterial joint ventures	Individually immaterial associates	Individually immaterial joint ventures
Net income	1,161,456	96,465	1,457,889	414,123
Other comprehensive income (loss)	40,486	(28,085)	(88,566)	717
Total comprehensive income	1,201,942	68,380	1,369,323	414,840

10.10 MARKET VALUE OF LISTED ASSOCIATES

The market value of the Group's investment in ALBA, CLARIANT and MARAFIQ based on its trading price at 31 December 2023 is SR 3,312 million, SR 5,782 million and SR 2,835 million respectively (2022: SR 3,165 million, SR 6,217 million and SR 2,052 million respectively).

11. INVESTMENTS IN DEBT INSTRUMENTS AND SHORT-TERM INVESTMENTS

	Remaining Maturity	Interest rate	31 December 2023	31 December 2022
Non-current				
Fixed rate long-term debt instruments	19 years	5.06%	187,429	187,429
Floating rate long-term debt instruments	14 years	SAIBOR variable rate plus margin	145,029	260,836
Total non-conventional non-current portion of investments in debt instruments			332,458	448,265
Total non-current debt instruments			332,458	448,265
Current				
Fixed rate long-term debt instruments	Less than 12 months	5.06%	471	296,730
Floating rate long-term debt instruments	Less than 12 months	SAIBOR variable rate plus margin	54,062	23,380
Murabaha (including fixed time deposits)	Greater than 3 months and less than 12 months	Fixed rate	9,012,670	8,305,838
Total non-conventional short-term Investments			9,067,203	8,625,948
Conventional fixed term deposits			615,188	–
Certificates of deposits			160,226	53,011
Total conventional short-term investments			775,414	53,011
Total short-term investments			9,842,617	8,678,959

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

11. INVESTMENTS IN DEBT INSTRUMENTS AND SHORT-TERM INVESTMENTS (CONTINUED)

LONG-TERM DEBT CURRENCY EXPOSURE

	2023	2022
SR	196,084	384,145
USD	190,907	384,230
	386,991	768,375

12. INVESTMENTS IN EQUITY INSTRUMENTS

Carrying value of the investments in equity instruments are as follows:

As at 31 December	2023	2022
Unlisted securities		
Equity securities measured at FVOCI	232,794	231,129
Listed securities		
Investment in equity fund measured at FVIS	3,691	4,290
	236,485	235,419

During the years ended 31 December 2023 and 2022, no investment was reclassified from ‘investment in equity instruments’ to ‘investment in associates and joint ventures’ (refer Note 10). During the years ended 31 December 2023 and 2022, investment in equity instruments amounting to SR 4 million each was reclassified from unlisted securities to listed securities. The amount is not used as a part of normal business operations.

Movement in the equity instruments measured at fair value for the years ended 31 December 2023 and 2022 is as follows:

	2023	2022
As at 1 January	235,419	292,452
Additions	29,770	32,670
Foreign currency translation difference	329	(11,291)
Sale of equity instrument	(23,659)	(79,469)
Change in fair value	(2,384)	3,617
Transfer from debt instruments	3,691	4,290
Transfer to other assets	(6,681)	(6,850)
As at 31 December	236,485	235,419

13. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December	2023	2022
Financial assets – option rights	3,745,176	2,687,250
	3,745,176	2,687,250
Financial liabilities – options and forward contracts	1,438,875	2,373,750
Obligations to acquire the remaining shares of certain subsidiaries	572,269	554,860
	2,011,144	2,928,610

Based on the novation agreement of the joint venture agreement among SABIC, SANIC (a 100% subsidiary of SABIC AN) and Taiwan Fertilizer Company (“TFC”, a joint venture partner of Al Bayroni) in the course of 2022, the option right on TFC’s share in Al Bayroni were transferred from SABIC to SANIC. Due to the nature of this derivative financial instrument, the expiration and acquisition are recognised through the statement of changes in equity.

As SABIC owns 50.1% interest in SABIC AN, the difference of 49.9% of SABIC’s ownership of Al Bayroni’s option rights were offset through NCI and recognised in consolidated statement of changes in equity at the amount of SR 1,185 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

14. OTHER ASSETS AND RECEIVABLES

As at 31 December	2023	2022
Non-current:		
Employee advances and receivables (i)	3,399,222	4,773,554
Receivables from related parties (ii)	1,467,811	1,425,621
Loan receivables from related parties (refer Note 33) (iii)	649,326	579,143
Finance lease receivables (refer Note 38)	202,490	217,594
Receivables against dilution of investment	101,845	125,275
Miscellaneous (vii)	190,572	211,474
	6,011,266	7,332,661
Current:		
Tax receivable	1,681,945	2,042,161
Prepaid expenses	1,754,700	1,688,794
Employee advances and receivables (i)	569,433	372,647
Trade advances	97,068	353,718
Receivables from related parties (ii)	836,789	329,526
License fee receivable from related parties (iv)	–	154,687
Recoverable from suppliers (v)	–	154,046
Finance income receivable (vi)	–	120,596
Current portion of loan receivable from related parties	13,934	58,715
Miscellaneous (vii)	341,286	655,831
	5,295,155	5,930,721

(i) Employee advances and receivables represent receivables from employees mainly related to Housing Ownership Program ("HOP") and employee home loans.

(ii) Receivables from related parties represent receivables against the operations and production advances.

(iii) Loans receivable from certain associates and joint ventures are at normal market rates.

(iv) License fee receivable relates to the amount receivable from a joint venture, against the usage of intellectual property and technology licenses.

(v) Recoverable from suppliers related to rebate receivables against raw material purchases.

(vi) Finance income receivable is presented as part of short term investments and cash and cash equivalents (refer Notes 11 and 18).

(vii) Miscellaneous include advances to contractors and insurance claims.

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All amounts in thousands of Saudi Riyals unless otherwise stated.

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

		As at 31 December 2023							
	Notes	Total	Financial assets /liabilities at amortised cost	Financial assets/ liabilities at FVIS	Financial assets at FVOCI	Fair value	Level I	Level II	Level III
Financial assets									
Investments in debt instruments:									
– Fixed	11	187,900	187,900	–	–	176,719	–	176,719	–
– Floating	11	199,091	199,091	–	–	199,091	–	199,091	–
Investment in equity instruments	12	236,485	–	3,691	232,794	236,485	3,691	35,555	197,239
Trade receivables (i)	17	19,295,374	19,295,374	–	–	N/A	–	–	–
Short-term investments:									
– Fixed term deposits	11	9,627,858	9,627,858	–	–	N/A	–	–	–
– Certificates of deposits	11	160,226	–	160,226	–	160,226	–	160,226	–
Cash and cash equivalents:									
– Cash and bank balances	18	11,474,217	11,474,217	–	–	N/A	–	–	–
– Fixed term deposits	18	20,940,779	20,940,779	–	–	N/A	–	–	–
Derivatives financial instruments	13	3,745,176	–	3,745,176	–	3,745,176	–	–	3,745,176
Other financial assets (ii)		3,816,759	3,816,759	–	–	N/A	–	–	–
		69,683,865	65,541,978	3,909,093	232,794	4,517,697	3,691	571,591	3,942,415
Financial liabilities									
Debt	22	27,970,946	27,970,946	–	–	26,979,194	6,640,257	20,338,937	–
Lease liabilities	22	5,525,821	5,525,821	–	–	N/A	–	–	–
Trade payables	26	20,087,016	20,087,016	–	–	N/A	–	–	–
Derivatives financial instruments	13	1,438,875	–	1,438,875	–	1,438,875	–	–	1,438,875
Obligations to acquire the remaining shares of certain subsidiaries	13	572,269	–	572,269	–	572,269	–	–	572,269
Other financial liabilities (ii)		7,645,800	7,645,800	–	–	N/A	–	–	–
		63,240,727	61,229,583	2,011,144	–	28,990,338	6,640,257	20,338,937	2,011,144

The Group assessed fair value of short-term investments, cash and cash equivalents, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(i) The trade receivables are disclosed net of expected credit losses.

(ii) Other financial assets include lease receivables and loans to related parties, net of expected credit losses, where applicable. Other financial liabilities mainly include dividend payable.

N/A = not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

		As at 31 December 2022							
	Notes	Total	Financial assets /liabilities at amortised cost	Financial assets/ liabilities at FVIS	Financial assets at FVOCI	Fair value	Level I	Level II	Level III
Financial assets									
Investments in debt instruments:									
– Fixed	11	484,159	484,159	–	–	478,249	–	478,249	–
– Floating	11	284,216	284,216	–	–	309,666	–	309,666	–
Investment in equity instruments	12	235,419	–	4,290	231,129	235,419	4,290	33,612	197,517
Trade receivables (i)	17	23,923,727	23,923,727	–	–	N/A	–	–	–
Short-term investments:									
– Fixed term deposits	11	8,305,838	8,305,838	–	–	N/A	–	–	–
– Certificates of deposits	11	53,011	–	53,011	–	53,011	–	53,011	–
Cash and cash equivalents:									
– Cash and bank balances	18	14,918,027	14,918,027	–	–	N/A	–	–	–
– Fixed term deposits	18	25,141,304	25,141,304	–	–	N/A	–	–	–
Derivatives financial instruments	13	2,687,250	–	2,687,250	–	2,687,250	–	–	2,687,250
Other financial assets (ii)		3,138,126	3,138,126	–	–	N/A	–	–	–
		79,171,077	76,195,397	2,744,551	231,129	3,763,595	4,290	874,538	2,884,767
Financial liabilities									
Debt	22	28,439,248	28,439,248	–	–	27,674,452	10,400,813	17,273,639	–
Lease liabilities	22	6,374,077	6,374,077	–	–	N/A	–	–	–
Trade payables	26	22,537,990	22,537,990	–	–	N/A	–	–	–
Derivatives financial instruments	13	2,373,750	–	2,373,750	–	2,373,750	–	–	2,373,750
Obligations to acquire the remaining shares of certain subsidiaries	13	554,860	–	554,860	–	554,860	–	–	554,860
Other financial liabilities (ii)		3,487,238	3,487,238	–	–	N/A	–	–	–
		63,767,163	60,838,553	2,928,610	–	30,603,062	10,400,813	17,273,639	2,928,610

The Group assessed fair value of short-term investments, cash and cash equivalents, trade payables and other financial assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(i) The trade receivables are disclosed net of expected credit losses.

(ii) Other financial assets include lease receivables, loans to related parties and interest receivables, net of expected credit losses, where applicable. Other financial liabilities include dividend payable, payables to related parties and interest payables.

N/A = not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The Group's exposure to various risks associated with the financial instruments is discussed in Note 36. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of financial assets mentioned above.

During the year ended 31 December 2023, the fair value of loans and borrowings, other than bonds which are publicly traded, are reassessed from Level 1 to Level 2 (refer Note 22).

The following methods and assumptions were used to estimate the fair values:

- Fair value of the quoted bonds is the respective market price at the reporting date. The fair value of unquoted debt instruments, loans from banks and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using market rates for debt instruments with similar terms, credit risk and maturities.
- When there are no quoted prices in the market to determine the fair value of equity instruments, the Group makes certain assumptions in valuation for model inputs, including information derived from comparable transactions. The probabilities of the various estimates within a range can be reasonably assessed in the Group's estimate of fair value for these unquoted equity investments. Fair values of quoted equity investments are derived from quoted prices in active markets, when a proxy is required.

The following table summarises the information about the significant non-observable inputs used in level 3 fair value measurements:

			Range	
Description	Valuation technique	Significant non-observable input	2023	2022
Derivative financial instruments	Market approach	Put options and forward contracts:		
		– Equity value to EBITDA multiple	5.4	3.8
		Call option valuation:		
		– Implied volatility	25% to 30%	25% to 30%
		– Assumed dividend yield	8.5% to 14.2%	8.5% to 14.2%
		– Risk free rate	3.9% to 4.3%	4.1% to 4.3%

A change in the assumptions underlying the valuation of the options of +/- 10% would reflect in a change in the value of the call option up to approximately +/- SR 654 million and approximately +/- SR 206 million in the value of the put/call options.

There is no material unquoted equity instrument at FVOCI to be disclosed separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following table presents the changes in level 3 items for the years ended 31 December 2023 and 31 December 2022:

	Unlisted equity instruments	Derivatives financial assets	Derivatives financial liabilities	Obligations to acquire the remaining shares of certain subsidiaries	Investments in debt instruments – fixed
As at 1 January 2022	195,154	2,389,875	(2,643,750)	(657,077)	103,263
Additions	28,740	–	–	–	–
Sale of equity instrument	(3,161)	–	–	–	(103,263)
Net movement in unrealised fair value gain (loss)	(12,544)	297,375	270,000	102,217	–
Net movement in unrealised foreign currency translation	(5,554)	–	–	–	–
Net movement in realised fair value loss	1,732	–	–	–	–
Net transfers from financial assets	(6,850)	–	–	–	–
As at 31 December 2022	197,517	2,687,250	(2,373,750)	(554,860)	–
Additions	29,770	–	–	–	–
Sale of equity instrument	(5,599)	–	–	–	–
Net movement in unrealised fair value (loss) gain	(21,725)	1,057,926	934,875	(17,409)	–
Net movement in unrealised foreign currency translation	329	–	–	–	–
Net movement in realised fair value gain	(3,053)	–	–	–	–
As at 31 December 2023	197,239	3,745,176	(1,438,875)	(572,269)	–

There were no other transfers between the levels of the fair value hierarchy during the year ended 31 December 2023, however, there were certain transfers from Level 2 to Level 1 for certain equity investments during the year ended 31 December 2022. This was done based on availability of certain facts and circumstances. There were no changes made to any of the valuation techniques applied as at 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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16. INVENTORIES

As at 31 December	2023	2022
Finished goods	12,085,716	16,425,618
Spare parts	3,841,443	4,494,439
Raw materials	2,931,752	5,641,131
Goods in transit	1,134,260	2,039,205
Work in process	–	1,464,837
	19,993,171	30,065,230
Less: Provision for slow moving and obsolete items	(1,660,948)	(1,840,588)
	18,332,223	28,224,642

Work in process amounting to SR 1,465 million as at 31 December 2022 was related to Hadeed.

During the year ended 31 December 2023, net write-downs of finished goods amounted to SR 613 million was reversed (2022: net write-downs of SR 935 million) which is recognised in cost of sales.

Movements in the provision for slow moving and obsolete inventories were as follows:

	2023	2022
As at 1 January	1,840,588	2,044,430
Charge (release) for the year, net	41,972	(203,842)
Reclassified to assets held for sale	(221,612)	–
As at 31 December	1,660,948	1,840,588

The reversal is essentially due to consumption or utilisation of certain inventory items.

17. TRADE RECEIVABLES

As at 31 December	2023	2022
Trade receivables	15,573,135	21,172,686
Due from related parties (refer Note 33)	3,920,479	2,936,981
	19,493,614	24,109,667
Less: allowance for expected credit losses	(198,240)	(185,940)
	19,295,374	23,923,727

Accounts receivable are non-interest bearing and are generally between 30 – 120 days terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

17. TRADE RECEIVABLES (CONTINUED)

As at 31 December the ageing analysis of trade receivable along with related expected credit loss is as follows:

	Total	Current	Less than 60 days	60-90 days	91-180 days	181-365 days	More than one year
31 December 2023							
Expected credit loss rate	1.02%	0.07%	0.58%	3.48%	18.28%	75.33%	95.30%
Gross carrying amount	19,493,614	18,612,715	623,425	3,048	62,827	61,948	129,651
Expected credit loss	198,240	12,767	3,597	106	11,482	46,665	123,623

	Total	Current	Less than 60 days	60-90 days	91-180 days	181-365 days	More than one year
31 December 2022							
Expected credit loss rate	0.77%	0.05%	3.63%	7.86%	18.82%	17.91%	99.18%
Gross carrying amount	24,109,667	21,741,834	2,092,496	106,583	37,126	56,872	74,756
Expected credit loss	185,940	10,208	76,038	8,375	6,987	10,188	74,144

Movements in the allowance for expected credit losses were as follows:

	2023	2022
As at 1 January	185,940	180,084
Charge for the year	26,317	25,170
Reversals during the year	(13,593)	(19,314)
Reclassified to assets held for sale	(424)	–
As at 31 December	198,240	185,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be broken down as follows:

As at 31 December	2023	2022
Cash in hand	1,277	1,304
Call account	2	2
Murabaha call accounts	461,112	599,129
Non-conventional current accounts	7,714,636	10,853,646
Conventional current accounts	3,297,190	3,463,946
	11,472,940	14,916,723
Conventional fixed term deposits	112,500	3,506,250
Murabaha fixed term deposits	20,828,279	21,635,054
	20,940,779	25,141,304
	32,414,996	40,059,331
Conventional cash and cash equivalents	3,409,693	6,970,196
Non-conventional cash and cash equivalents	29,005,303	33,089,135
	32,414,996	40,059,331

At 31 December 2023, the Group has funds amounting to SR 977 million (31 December 2022: SR 949 million) that are held in separate bank accounts, within the Kingdom of Saudi Arabia and cannot be used as part of normal business operations.

The table below provides details of amounts placed in various currencies:

As at 31 December	2023	2022
SR	14,252,806	20,133,198
USD	16,010,074	15,672,879
Others	2,152,116	4,253,254
	32,414,996	40,059,331

CASH FLOWS RELATED DISCLOSURES

Cash and cash equivalents can be broken down as follows:

As at 31 December	2023	2022
Cash and cash equivalents	32,414,996	40,059,331
Less: Short-term borrowings (bank overdrafts, refer Note 22)	(3,267)	(20,196)
	32,411,729	40,039,135

Bank overdrafts are used in the normal business operations of the Group and represent cash balances that cannot be legally off-set. The cash and cash equivalent include accrued interest of SR 91 million, these were reported within 'other assets and receivables' last year. (2022: SR 121 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

18. CASH AND CASH EQUIVALENTS (CONTINUED)

CASH FLOWS RELATED DISCLOSURES (CONTINUED)

Change in liabilities arising from financing activities can be broken down as follows:

	As at 1 January 2023	Cash inflows	Cash outflows	Other non-cash movements	As at 31 December 2023
Debt (i)	28,419,052	9,000,000	(9,706,174)	254,801	27,967,679
Lease (ii)	6,374,077	–	(1,736,563)	888,307	5,525,821
Dividends to shareholders (iii)	1,134,421	–	(11,400,961)	16,200,000	5,933,460
Dividends to non-controlling interests (iv)	192,200	–	(5,316,568)	6,194,243	1,069,875
	36,119,750	9,000,000	(28,160,266)	23,537,351	40,496,835

	As at 1 January 2022	Cash inflows	Cash outflows	Other non-cash movements	As at 31 December 2022
Debt (i)	32,126,578	3,945,868	(7,715,165)	61,771	28,419,052
Lease (ii)	6,419,345	–	(1,846,934)	1,801,666	6,374,077
Dividends to shareholders	1,084,889	–	(13,468,495)	13,518,027	1,134,421
Dividends to non-controlling interests	61,589	–	(6,103,341)	6,233,952	192,200
Acquisition of non-controlling interests	–	–	(229,881)	229,881	–
	39,692,401	3,945,868	(29,363,816)	21,845,297	36,119,750

(i) Other non-cash movements mainly refer to interest attributable to debt.

(ii) Other non-cash movements mainly refer to additions to leases, interest expenses, foreign exchange differences and lease liabilities reclassified to liabilities directly associated with assets held for sale.

(iii) Other non-cash movements mainly refer to appropriation for dividends from retained earnings.

(iv) Other non-cash movements mainly refer to appropriation for NCI dividends.

19. SHARE CAPITAL

As at 31 December	2023	2022
Authorised shares:		
Ordinary shares of SR 10 each ('000)	3,000,000	3,000,000
Ordinary shares issued and fully paid of SR 10 each ('000)	3,000,000	3,000,000
Issued and paid capital	30,000,000	30,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

20. RESERVES

STATUTORY RESERVE

The General Assembly in its extraordinary meeting held on 4 Thul-Hijjah 1444H (corresponding to 22 June 2023) approved the amendment in article 42 – 'Dividend Distribution' of SABIC bylaws to transfer the statutory reserve balance of SR 15,000 million to retained earnings.

GENERAL RESERVE

In accordance with SABIC's By-Laws, the General Assembly can establish a general reserve as an appropriation of retained earnings. This general reserve can be increased or decreased by a resolution of the shareholders and is available for distribution.

OTHER RESERVES

The following table shows a breakdown of other reserves and the movements during the year:

	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
As at 1 January 2023	46,935	(4,630,029)	2,621,190	30,749	(1,931,155)
Exchange difference on translation	–	538,423	–	–	538,423
Re-measurement gain on defined benefit plans, net of tax	–	–	(638,950)	–	(638,950)
Net change on revaluation of investments in equity instruments classified as FVOCI	(2,384)	–	–	–	(2,384)
Share of other comprehensive income (loss) of associates and joint ventures	–	340,792	128,501	(11,784)	457,509
Other comprehensive income (loss) for the year	(2,384)	879,215	(510,449)	(11,784)	354,598
As at 31 December 2023	44,551	(3,750,814)	2,110,741	18,965	(1,576,557)

	Equity instruments	Foreign currency translation	Actuarial gain (loss)	Cash flow hedge	Total
As at 1 January 2022	127,899	(2,297,898)	(1,350,432)	(22,350)	(3,542,781)
Exchange difference on translation	–	(1,668,537)	–	–	(1,668,537)
Re-measurement gain on defined benefit plans, net of tax (i)	–	–	3,782,960	–	3,782,960
Net change on revaluation of investments in equity instruments classified as FVOCI	3,617	–	–	–	3,617
Share of other comprehensive income (loss) of associates and joint ventures	–	(663,594)	188,662	53,099	(421,833)
Other comprehensive income (loss) for the year	3,617	(2,332,131)	3,971,622	53,099	1,696,207
Transfer of OCI upon disposals of equity instruments classified as FVOCI	(84,581)	–	–	–	(84,581)
As at 31 December 2022	46,935	(4,630,029)	2,621,190	30,749	(1,931,155)

(i) Amount is net of tax and includes amounts recognised by the acquisition of non-controlling interests (refer Note 21).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

21. NON-CONTROLLING INTERESTS

Below is the summarised financial information disclosed for each consolidated subsidiary in which the Group has less than full ownership with non-controlling interests that are significant to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations:

31 December 2023	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Current assets	5,393,903	1,005,623	1,154,946	13,702,986	4,555,474	721,440	2,502,415	3,423,299
Current liabilities	1,859,645	564,965	1,321,896	3,711,174	6,321,565	381,383	1,472,012	1,748,262
Current net assets (liabilities)	3,534,258	440,658	(166,950)	9,991,812	(1,766,091)	340,057	1,030,403	1,675,037
Non-current assets	9,387,983	2,864,151	1,005,267	11,600,543	22,125,320	4,674,060	6,933,676	3,948,685
Non-current liabilities	1,021,438	756,270	3,097,381	2,793,047	7,075,153	1,096,665	1,902,513	806,264
Non-current net assets (liabilities)	8,366,545	2,107,881	(2,092,114)	8,807,496	15,050,167	3,577,395	5,031,163	3,142,421
Net assets (liabilities)	11,900,803	2,548,539	(2,259,064)	18,799,308	13,284,076	3,917,452	6,061,566	4,817,458
Accumulated non-controlling interests (i)	5,683,789	738,700	(1,233,315)	9,712,115	8,237,524	999,494	1,515,370	963,930

31 December 2022	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Current assets	6,958,810	1,061,879	1,711,182	16,747,682	4,421,102	672,763	2,344,335	3,640,673
Current liabilities	1,649,008	588,648	1,501,146	2,448,908	4,303,851	373,198	1,163,667	2,004,891
Current net assets (liabilities)	5,309,802	473,231	210,036	14,298,774	117,251	299,565	1,180,668	1,635,782
Non-current assets	9,720,781	2,903,335	1,075,961	10,309,003	23,852,135	5,053,276	7,148,059	4,011,493
Non-current liabilities	979,730	760,984	3,130,196	3,637,800	8,492,100	1,161,290	1,979,869	782,526
Non-current net assets (liabilities)	8,741,051	2,142,351	(2,054,235)	6,671,203	15,360,035	3,891,986	5,168,190	3,228,967
Net assets (liabilities)	14,050,853	2,615,582	(1,844,199)	20,969,977	15,477,286	4,191,551	6,348,858	4,864,749
Accumulated non-controlling interests (i)	6,726,525	763,006	(1,019,118)	10,847,529	9,656,667	1,075,123	1,583,313	973,024

(i) Accumulated non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

21. NON-CONTROLLING INTERESTS (CONTINUED)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME:

For the year ended 31 December 2023	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Revenue	4,532,731	3,723,391	1,860,558	11,033,429	8,170,642	1,523,625	4,825,711	9,128,549
Net (loss) income for the year	(485,144)	1,791,394	(394,909)	3,864,110	(2,136,474)	285,886	285,373	2,081,832
Other comprehensive income (loss)	22,594	(22,811)	(19,955)	(81,422)	(56,736)	(19,985)	(22,665)	(35,808)
Total comprehensive (loss) income	(462,550)	1,768,583	(414,864)	3,782,688	(2,193,210)	265,901	262,708	2,046,024
Net income (loss) attributable to non-controlling interests (i)	(244,890)	357,944	(203,894)	2,477,375	(1,382,264)	72,942	75,224	396,061
Dividends to non-controlling interests	808,673	508,125	–	3,847,968	–	139,017	137,500	446,250

For the year ended 31 December 2022	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Revenue	7,024,050	4,897,889	3,566,735	18,980,830	11,157,015	1,709,946	5,383,517	10,683,454
Net income (loss) for the year	414,145	2,816,811	(157,604)	10,461,145	(1,243,890)	360,973	(28,233)	2,087,795
Other comprehensive income (loss)	281,817	125,394	(484)	11,629	251,904	29,954	152,071	181,349
Total comprehensive income (loss)	695,962	2,942,205	(158,088)	10,472,774	(991,986)	390,927	123,838	2,269,144
Net income (loss) attributable to non-controlling interests (i)	244,041	565,502	(81,298)	5,449,008	(718,282)	99,100	5,617	410,752
Dividends to non-controlling interests	808,673	813,918	–	2,879,610	–	193,617	162,500	607,500

(i) Net income (loss) attributable to non-controlling interests includes adjustments such as inter-group profit elimination, absorption of income tax in non-controlling interests and others.

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21. NON-CONTROLLING INTERESTS (CONTINUED)

SUMMARISED STATEMENT OF CASH FLOWS:

For the year ended 31 December 2023	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Cash flow from (used in) operating activities	971,622	2,221,893	(209,521)	5,679,990	884,517	851,820	1,395,128	2,341,061
Cash flow from (used in) investing activities	520,807	(302,772)	(12,529)	(4,527,961)	(787,645)	(154,415)	(478,450)	(389,616)
Cash (used in) from financing activities	(1,274,782)	(1,888,351)	(9,533)	(5,528,113)	42,902	(583,887)	(731,275)	(2,123,171)
Net increase (decrease) in cash and cash equivalents	217,647	30,770	(231,583)	(4,376,084)	139,774	113,518	185,403	(171,726)

For the year ended 31 December 2022	YANSAB	AR-RAZI	IBN RUSHD	SABIC AN	KAYAN	GAS	UNITED	IBN ZAHR
Cash flow from operating activities	1,872,729	3,401,074	66,473	11,605,931	3,180,406	733,804	961,331	3,482,980
Cash flow used in investing activities	(261,267)	(328,608)	(1,618)	(4,287,579)	(354,465)	(208,979)	(443,438)	(439,607)
Cash flow (used in) from financing activities	(1,708,323)	(3,229,605)	531,776	(3,995,011)	(3,371,874)	(697,763)	(559,533)	(2,886,268)
Net (decrease) increase in cash and cash equivalents	(96,861)	(157,139)	596,631	3,323,341	(545,933)	(172,938)	(41,640)	157,105

During the year ended 31 December 2022, certain equity transactions were incurred. These transactions and their impact are elaborated in the next paragraphs as changes in shareholding of subsidiaries and acquisition of non-controlling interests.

CHANGES IN SHAREHOLDINGS OF SUBSIDIARIES

ACQUISITION OF 4% ADDITIONAL SHAREHOLDING IN NATIONAL INDUSTRIAL GASES COMPANY:

During the year ended 31 December 2022, SABIC acquired 4% additional shareholding in its subsidiary, National Industrial Gases Company (“GAS”), for a consideration amounting to SR 181 million. As a result, SABIC’s shareholding has increased from 70% to 74%, with no change in control. Therefore, the net loss from the transaction has been reflected in the consolidated statement of changes in equity amounting to SR 1 million.

ACQUISITION OF 49% SHAREHOLDING IN MT. VERNON PHENOL PLANT PARTNERSHIP:

In 2022, SABIC acquired the remaining 49% shareholding in Mount Vernon Phenol Plant Partnership (“MVPPP”), now integrated into “SABIC IP Mount Vernon LLC”, a wholly owned subsidiary for a consideration amounting to SR 49 million and the net loss from this acquisition amounting to SR 4 million was recognised in the consolidated statement of changes in equity.

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22. DEBT

Total debt can be broken down as follows:

As at 31 December	Interest rate	2023	2022
Non-current portion of debt			
Bonds	2.15% to 4.50%	7,458,700	7,451,384
Related party loans and borrowings	USD SOFR plus margin	3,746,812	–
Commercial loans	USD SOFR & SAIBOR variable rates plus margin	225,898	404,255
Conventional Loans		11,431,410	7,855,639
Murabaha	USD SOFR & SAIBOR variable rates plus margin	11,395,566	13,060,394
Saudi Industrial Development Fund	Commission fee	428,203	627,523
Non-Conventional loans		11,823,769	13,687,917
Total non-current portion of debt		23,255,179	21,543,556
Current			
Short-term borrowings			
Murabaha	USD SOFR & SAIBOR variable rates plus margin	2,410,966	895,643
Conventional short-term bank borrowings (bank overdraft)		3,267	20,196
Total short-term borrowings		2,414,233	915,839
Current portion of debt			
Commercial loans	USD SOFR & SAIBOR variable rates plus margin	201,953	186,458
Bonds	4%	66,669	3,747,192
Related party loans and borrowings	USD SOFR plus margin	31,279	–
Conventional loans		299,901	3,933,650
Murabaha	USD SOFR & SAIBOR variable rates plus margin	1,790,746	1,817,870
Saudi Industrial Development Fund	Commission fee	210,887	228,333
Non-conventional loans		2,001,633	2,046,203
Total current portion of debt		2,301,534	5,979,853
Total debt		27,970,946	28,439,248

BONDS

The following bonds were outstanding as at 31 December 2023:

- In October 2018, the Group through its subsidiary, SABIC Capital II BV, issued a 10 year USD 1,000 million, unsecured bond with a coupon rate of 4.5%. The bonds are issued in accordance with Rule 144A/Reg S offering requirements under the U.S. Securities Act of 1933, as amended. The bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the proceeds were used for refinancing maturing debt.
- In September 2020, the Group, through its subsidiary, SABIC Capital I BV, issued a 10-year and 30-year USD 500 million bond each, equivalent to total SR 3,750 million. These bonds are unsecured and carry coupon rates of 2.15% and 3.00% for those maturing in 10 and 30 years, respectively. The bonds are issued in accordance with Regulation S offering requirements under the U.S. Securities Act of 1933, as amended. Both bonds are listed on the Irish Stock Exchange (Euronext Dublin) and the 30-year bond is dual listed in Taipei Exchange in Taiwan. The proceeds were used for general purpose and refinancing maturing debt.

RELATED PARTY BORROWING

In November 2023, the Group entered into a three-year revolving credit facility (RCF) with Aramco Overseas Company (AOC). The facility, valued at SR 3,750 million, carries a floating interest rate based on the prevailing market interest rates.

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All amounts in thousands of Saudi Riyals unless otherwise stated.

22. DEBT (CONTINUED)

The movement in debt can be broken down as follows:

	As at 1 January 2023	Borrowings	Repayments	Others*	As at 31 December 2023
Short-term	20,196	–	(17,649)	720	**3,267**
Murabaha	15,773,907	1,500,000	(1,817,855)	141,226	**15,597,278**
Bonds	11,198,576	–	(3,750,000)	76,793	**7,525,369**
Saudi Industrial Development Fund	855,856	–	(184,213)	(32,553)	**639,090**
Related party	–	3,750,000	–	28,091	**3,778,091**
Other	590,713	3,750,000	(3,936,457)	23,595	**427,851**
	28,439,248	9,000,000	(9,706,174)	237,872	**27,970,946**

** Others include accrued interest of SR 240 million, amortization and other adjustments*

	As at 1 January 2022	Borrowings	Repayments	Others*	As at 31 December 2022
Short-term	13,347	6,849	–	–	20,196
Murabaha	14,678,403	3,873,612	(2,794,384)	16,276	15,773,907
Bonds	11,187,276	–	–	11,300	11,198,576
Saudi Industrial Development Fund	1,316,709	65,407	(551,930)	25,670	855,856
Public Investment Fund	299,357	–	(300,094)	737	–
Other	4,644,834	–	(4,068,757)	14,636	590,713
	32,139,926	3,945,868	(7,715,165)	68,619	28,439,248

** Others include amortization and other adjustments.*

(i) As at 31 December 2022, accrued interest of SR 212 million was reported within Other Payables.

MURABAHA

Similar to commercial loans, the Group has previously borrowed from various financial institutions in order to mainly finance its growth projects and acquisitions, which are repayable either in bullet or instalments at varying profit rates in conformity with the applicable borrowing agreements.

DEBT REPAYABLE TO SAUDI INDUSTRIAL DEVELOPMENT FUND (SIDF)

The SIDF term loans are generally repayable in semi-annual instalments and finance charges on these loans are at various rates. SIDF is a Saudi Arabian government's financial institution.

In securing the SIDF loans, certain property, plant and equipment has been pledged as mortgaged assets. The carrying values of non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 7.

COMMERCIAL LOANS

The Group has previously borrowed from various financial institutions in order to mainly finance its growth projects and acquisitions, which are repayable either in bullet or instalments at varying interest rates in conformity with the applicable loan agreements.

DEBT MOVEMENTS

During the year ended 31 December 2023, the Group refinanced the maturing five year 4.0% bond through the use of related party borrowings. Similarly, the Group has repaid maturing bank borrowings through the use of short-term RCFs and through cash generated from operations.

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All amounts in thousands of Saudi Riyals unless otherwise stated.

22. DEBT (CONTINUED)

AGGREGATE REPAYMENT SCHEDULE OF DEBT

	2023	2022
Within 1 year	4,715,767	6,895,691
1 – 2 years	1,963,550	2,038,193
2 – 5 years	13,840,694	7,889,899
Thereafter	7,450,935	11,615,465
Total	27,970,946	28,439,248

UNDRAWN BORROWING FACILITIES

During the year ended 31 December 2023, SABIC group has entered into SR 4,294 million (2022: SR 3,110 million) of committed working capital facilities. The total value of undrawn committed facilities is SR 10,466 million (2022: SR 12,011 million), of which SR 10,090 million (2022: SR 11,636 million) are in the form of revolving credit facilities.

NON-CONVENTIONAL BORROWING COST CAPITALISED DURING THE YEAR

As at 31 December	2023	2022
Murabaha loans and SIDF	–	25,738
Borrowing cost capitalised from non-conventional loans	–	25,738

USD LIBOR CONVERSION TO SOFR

During the year ended 31 December 2023, all USD LIBOR loans and borrowings have transitioned to SOFR.

LEASE LIABILITIES

Lease liabilities can be broken down as follows:

As at 31 December	2023	2022
Non-current		
Lease liabilities	4,622,459	5,469,463
Current		
Lease liabilities	903,362	904,614
	5,525,821	6,374,077

All addition to leases are recognised as right-of-use assets which are disclosed in Note 8.

There are no residual value guarantees and no leases yet commenced, to which SABIC is committed.

The following lease related amounts recognised in consolidated statement of income:

For the years ended 31 December	2023	2022
Depreciation expense of right-of-use assets (refer Note 8)	1,291,866	1,403,875
Interest expense on lease liabilities (refer Note 30)	256,120	217,327
Expense related to short-term leases	19,205	28,236
Expense related to leases of low-value assets	11,930	17,552
Variable lease payments	8,589	24,960

The Group had total cash outflows for leases of SR 1,736 million during the year ended 31 December 2023 (2022: SR 1,846 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of SR 1,125 million in 2023 (2022: SR 820 million). The future cash flows relating to lease receivables are disclosed in Note 38.

The maturity of the lease obligation and debt are further elaborated in liquidity risk (refer Note 36).

23. EMPLOYEE BENEFITS

The provision for employee benefits can be broken down as follows:

As at 31 December	2023	2022
Defined benefit obligations		
End of service benefits	10,613,240	11,570,963
Defined benefits pension schemes	1,287,037	1,353,638
Post-retirement medical benefits	881,699	936,044
	12,781,976	13,860,645
Other long-term employee benefits and termination benefits		
Long-term service awards	63,990	78,628
Early retirement plans	48,426	66,263
Other long-term benefits	-	69,364
	112,416	214,255
	12,894,392	14,074,900

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23. EMPLOYEE BENEFITS (CONTINUED)

Management monitors the risks of all its pension plans and works with local fiduciaries and trustees regarding the governance and risk management of these pension plans, particularly with regard to the funding of the pension plans and the portfolio structure of the existing plan assets. The obligations and plan assets, used to fund the obligations, are subject to demographic, legal and economic risks. Economic risks are primarily due to unforeseen developments in goods and capital markets. Some plans with defined benefits were closed for future service. This led to a reduction in risk with regard to future benefit levels.

DEFINED BENEFITS OBLIGATION

The Group provides end of service and pension benefits to its employees taking into consideration the local labour laws, employment market and tax laws of the countries where the companies are located. Outside KSA, the Group limits the risks of changing financial market conditions and demographic developments by offering a defined contribution scheme to most employees.

END OF SERVICE BENEFITS

End of service benefits are mandatory for all KSA based employees under the Saudi Labour Law and the Group's employment policies. End of service benefit is based on employees' compensation and accumulated period of service and is payable upon termination, resignation or retirement, the Group provides End of Service benefits in excess of the statutory requirement. The Defined Benefit Obligation ("DBO") in respect of employees' end of service benefits is calculated by estimating the future benefit payment that employees have earned in return for their service. An appropriate discount rate is then applied to determine the present value of the Group's obligation. This is an unfunded plan.

Re-measurements are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to consolidated statement of income in subsequent periods.

DEFINED BENEFIT PENSION PLANS

The Group has a number of defined benefit pension plans outside KSA. The most significant plans are located in the United States of America ("USA") and in the United Kingdom ("UK"). These plans are funded pension plans. Other pension plans include plans in Germany, Austria, Japan, Taiwan, Canada and Belgium, most of which are also funded. The benefits provided by these pension plans are based primarily on years of service and employee compensation. The Canadian plan was settled in the year 2022.

The funding of the plans is consistent with local law and regulations in the countries of establishment. Generally, pension obligations are subject to a government regulation, including minimum funding requirements. Furthermore, the investment of assets is also regulated. This could result in fluctuating employer contributions, additional financing requirements and the assumption of obligations in favour of the pension fund to comply with these regulatory requirements.

Below is a brief description of the Group's main defined benefit pension plans:

UNITED STATES OF AMERICA

In the USA, the Group has a number of qualified legacy defined benefit pension plans, all of which are closed for all future benefit accrual. These plans are subject to the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The funding policy for the USA Plans is to make regular contributions each year in such amounts that are necessary to meet or exceed the minimum funding standard as set forth in employee benefit and tax laws in the USA. The group also has a supplementary non-qualified pension plan.

These defined benefit pension plans are administered by fiduciaries, who represents the interests of the beneficiaries and ensure that the benefits can be paid in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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23. EMPLOYEE BENEFITS (CONTINUED)

UNITED KINGDOM

In the UK, the Group maintained final salary pension plans that have been closed to further increases in benefits for future years of service. A part of the UK workforce still accrues pension benefits due to salary increases. Since the closure of service accrual, all employees have had the opportunity to participate in a defined contribution plan.

The defined benefit pension plans are administered by trusts, where Boards of Trustees, according to the trustees' agreement and law, represent the interests of the beneficiaries to ensure that the benefits can be paid in the future. The required funding is determined using technical valuations according to local regulations every three years. Pensions are adjusted each year to compensate for increases in the cost of living.

OTHER LONG-TERM EMPLOYEE BENEFITS

LONG-TERM SERVICE AWARDS

The Group offers a long-term service award to its employees depending on years of service, which is measured similarly to a DBO.

EARLY RETIREMENT PLANS

Employee early retirement plan costs are provided for in accordance with the Group's employee benefit policies. If an instalment based compensation is agreed on, the obligation is initially discounted to its present value and then unwound through the period of compensation, which can be up to the regular retirement age of the employee.

The following table represents the movement of the defined benefit obligation position:

	2023	2022
As at 1 January	13,860,645	17,169,300
Current service cost	864,133	1,196,925
Finance cost, net	656,196	452,719
Actuarial changes arising due to:		
– financial assumptions	644,307	(6,210,190)
– demographic changes	(106,008)	23,791
– experience adjustments	334,916	458,123
– actual return on plan assets	(456,250)	1,368,522
	416,965	(4,359,754)
Benefits paid during the year	(579,643)	(637,742)
Employer contributions into pension plans	(243,438)	(178,207)
Foreign currency translation adjustment and others	512,582	217,404
Net defined benefit obligation	15,487,440	13,860,645
Reclassified to liabilities associated with assets held for sale	(2,766,676)	–
Reclassification net pension assets and asset ceiling	61,212	–
As at 31 December	12,781,976	13,860,645

NET BENEFIT EXPENSE

For the years ended 31 December	2023	2022
Current service cost and past service cost	756,603	1,055,912
Reclassified to discontinued operation	107,530	141,013
Net service and past service cost	864,133	1,196,925

FINANCE COST ON BENEFIT OBLIGATION

For the years ended 31 December	2023	2022
Net benefit expense	567,207	368,096
Reclassified to discontinued operation	88,989	84,623
Net benefit expense	656,196	452,719

RE-MEASUREMENT LOSS (GAIN) ON DEFINED BENEFIT PLANS

For the years ended 31 December	2023	2022
Re-measurement loss (gain) on defined benefit plans	555,672	(4,517,015)
Tax (benefit) expense	(5,925)	157,261
	549,747	(4,359,754)
Less: Re-measurement loss on defined benefit plans related to discontinued operation	(139,132)	–
	410,615	(4,359,754)
Add: Re-measurement loss on defined benefit plans related to discontinued operation till August 2023	6,350	–
	416,965	(4,359,754)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

23. EMPLOYEE BENEFITS (CONTINUED)

Following table represents the components of the employee benefits in the KSA:

	End of service	Post-retirement medical	Total
As at 1 January 2023	11,570,963	936,044	12,507,007
Current service cost	784,031	67,656	851,687
Finance cost	553,778	44,532	598,310
Actuarial changes arising due to:			
– financial assumptions	223,146	57,178	280,324
– demographic adjustments	–	(30,207)	(30,207)
– experience adjustments	299,480	54,892	354,372
	522,626	81,863	604,489
Benefits paid during the year	(492,383)	(87,061)	(579,444)
Others	229,694	49,873	279,567
Reclassification to discontinued operation	(2,555,469)	(211,208)	(2,766,677)
As at 31 December 2023	10,613,240	881,699	11,494,939

	End of service	Post-retirement medical	Total
As at 1 January 2022	13,786,331	1,126,564	14,912,895
Current service cost	1,086,746	91,976	1,178,722
Finance cost	381,521	30,221	411,742
Actuarial changes arising due to:			
– financial assumptions	(3,664,945)	(290,189)	(3,955,134)
– demographic adjustments	–	(592)	(592)
– experience adjustments	280,774	46,726	327,500
	(3,384,171)	(244,055)	(3,628,226)
Benefits paid during the year	(363,280)	(97,521)	(460,801)
Others	63,816	28,859	92,675
As at 31 December 2022	11,570,963	936,044	12,507,007

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

23. EMPLOYEE BENEFITS (CONTINUED)

Following table represents the components of the DBO outside KSA at 31 December 2023:

	USA	UK	Others	Total
As at 1 January 2023	2,154,746	1,795,324	307,840	4,257,910
Current service costs	1,316	–	11,130	12,446
Finance costs	107,326	90,529	20,909	218,764
Benefits paid during the year	(173,558)	(76,121)	(23,837)	(273,516)
Settlements paid	–	–	(200)	(200)
Actuarial changes arising due to:				
– financial assumptions	53,939	23,428	286,616	363,983
– demographic changes	(8,750)	(67,051)	–	(75,801)
– experience adjustments	38,894	(63,784)	5,434	(19,456)
	84,083	(107,407)	292,050	268,726
Foreign currency and others	–	92,401	13,955	106,356
Defined benefit obligation	2,173,913	1,794,726	621,847	4,590,486
Reclassification to other non-current financial assets (i)	(1,570,773)	–	–	(1,570,773)
Asset ceiling for plan assets (i)	–	(32,833)	–	(32,833)
As at 31 December 2023	603,140	1,761,893	621,847	2,986,880

(i) USA funded plans and an UK plan were overfunded at year-end. For the USA plans, the Company is eligible for a refund if the funds would be liquidated. Therefore, the net pension asset is reclassified to other non-current financial assets. For the UK plan, the Company does not have the right for any refund upon any liquidation of the fund.

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23. EMPLOYEE BENEFITS (CONTINUED)

The development of plan assets for these major plans in the different regions can be shown as follows:

	USA	UK	Others	Total
Plan assets as at 1 January 2023	1,597,448	1,601,293	(294,469)	2,904,272
Interest income	78,083	81,781	1,012	160,876
Employer's contribution	117,436	98,530	27,472	243,438
Return on plan assets (excluding interest income)	121,775	14,612	319,863	456,250
Benefits paid during the year	(173,558)	(76,121)	(23,837)	(273,516)
Administrative expenses	(4,413)	–	(880)	(5,293)
Foreign currency and others	–	(122,283)	916	(121,367)
	1,736,771	1,597,812	30,077	3,364,660
Reclassification to other non-current financial assets (i)	(1,620,399)	–	–	(1,620,399)
Asset ceiling for plan assets (i)	–	(44,418)	–	(44,418)
Plan assets as at 31 December 2023	116,372	1,553,394	30,077	1,699,843
Net defined benefit obligation as at 31 December 2023	486,768	208,499	591,770	1,287,037

(i) USA funded plans and an UK plan were overfunded at year-end. For the USA plans, the Company is eligible for a refund if the funds would be liquidated. Therefore, the net pension asset is reclassified to other non-current financial assets. For the UK plan, the Company does not have the right for any refund upon any liquidation of the fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

23. EMPLOYEE BENEFITS (CONTINUED)

Following table represents the components of the DBO outside the KSA at 31 December 2022:

	USA	UK	Others	Total
As at 1 January 2022	3,315,634	3,073,038	751,098	7,139,770
Current service costs	2,154	–	16,049	18,203
Finance costs	85,718	50,192	13,026	148,936
Benefits paid during the year	(304,078)	(110,422)	(25,752)	(440,252)
Settlements paid	–	–	(217,601)	(217,601)
Actuarial changes arising due to:				
– financial assumptions	(980,199)	(1,023,203)	(251,654)	(2,255,056)
– demographic changes	5,139	19,068	177	24,384
– experience adjustments	30,378	82,728	17,517	130,623
	(944,682)	(921,407)	(233,960)	(2,100,049)
Loss on settlement	–	–	58,706	58,706
Foreign currency and others	–	(296,077)	(53,726)	(349,803)
As at 31 December 2022	2,154,746	1,795,324	307,840	4,257,910

The development of plan assets for major plans in the different regions can be shown as follows:

	USA	UK	Others	Total
Plan assets as at 1 January 2022	2,412,007	2,524,863	(53,505)	4,883,365
Interest income	62,031	42,065	3,863	107,959
Employer’s contribution	104,210	52,533	21,464	178,207
Return on plan assets (excluding interest income)	(687,578)	(659,029)	(21,915)	(1,368,522)
Benefits paid during the year	(289,509)	(110,422)	(22,275)	(422,206)
Settlement paid	–	–	(217,601)	(217,601)
Administrative expenses	(3,713)	–	(310)	(4,023)
Foreign currency and others	–	(248,717)	(4,190)	(252,907)
Plan assets as at 31 December 2022	1,597,448	1,601,293	(294,469)	2,904,272
Defined benefit obligation, net	557,298	194,031	602,309	1,353,638

For the years ended 31 December	2023	2022
Net benefit expense		
Current service cost and past service cost	864,133	1,196,925
Finance cost on benefit obligation	656,196	452,719
Net benefit expense	1,520,329	1,649,644

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23. EMPLOYEE BENEFITS (CONTINUED)

EMPLOYEE PENSION PLAN ASSETS:

The following table represents the categories of plan assets for the major pension plans outside KSA:

For the year ended 31 December 2023	USA	UK	Others
Quoted and unquoted			
Equity	15.00%	9.17%	–
Debt securities	84.50%	11.38%	–
– Government debtors	–	*11.38%*	–
– Other debtors	*84.50%*	–	–
Investment funds and insurance companies	–	40.67%	94.60%
Other investments	–	9.12%	5.40%
Cash and cash equivalents	0.50%	29.66%	–
Total	100.00%	100.00%	100.00%

For the year ended 31 December 2022	USA	UK	Others
Quoted and unquoted			
Equity	39.70%	10.05%	–
Debt securities	59.80%	1.12%	–
– Government debtors	–	*1.12%*	–
– Other debtors	*59.80%*	–	–
Investment funds and insurance companies	–	52.29%	92.09%
Other investments	–	29.06%	7.91%
Cash and cash equivalents	0.50%	7.48%	–
Total	100.00%	100.00%	100.00%

The major economic and actuarial assumptions used in benefits liabilities computation can be shown as follows:

For the year ended 31 December 2023	KSA	USA	UK
Discount rate	5.00%	4.78%	4.80%
Average salary increase	4.50% - 6.00%	–	3.51%
Pension in payment increase	N/A	N/A	2.90%
Inflation rate (health care cost)	9% in 2023 decreasing to 5% in 2027+	N/A	N/A
Duration of benefits plan	11 years	12 years	14 years

For the year ended 31 December 2022	KSA	USA	UK
Discount rate	5.20%	4.98%	4.95%
Average salary increase	4.50% - 6.00%	–	3.56%
Pension in payment increase	N/A	N/A	2.95%
Inflation rate (health care cost)	9% in 2022 decreasing to 5% in 2026+	N/A	N/A
Duration of benefits plan	11 years	12 years	13 years

N/A = not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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23. EMPLOYEE BENEFITS (CONTINUED)

SENSITIVITY ANALYSIS

The table below illustrates the approximate impact on the DBO if the Group were to change one key assumption, while the other actuarial assumptions remain unchanged. The sensitivity analysis is intended to illustrate the inherent uncertainty in the valuation of the DBO under market conditions at the measurement date. These results cannot be extrapolated due to non-linear effects that changes in key actuarial assumptions may have on the total DBO. The sensitivities only apply to the DBO and not to the net amounts recognised in the consolidated statement of financial position. Movements in the fair value of plan assets would, to a certain extent, be expected to offset movements in the DBO resulting from changes in the given assumptions.

For the year ended 31 December 2023	KSA	USA	UK	Others
Increase				
Discount rate (25 bps)	(310,464)	(69,045)	(60,502)	(20,431)
Salary (25 bps)	285,703	–	9,167	6,052
Pension (25 bps)	–	–	58,902	14,036
Health care costs (25 bps)	36,511	–	–	–
Decrease				
Discount rate (25 bps)	323,478	72,626	63,395	21,623
Salary (25 bps)	(275,888)	–	(8,888)	(5,875)
Pension (25 bps)	–	–	(48,184)	(13,382)
Health care costs (25 bps)	(34,849)	–	–	–

For the year ended 31 December 2022	KSA	USA	UK	Others
Increase				
Discount rate (25 bps)	(372,395)	(63,942)	(55,291)	(20,634)
Salary (25 bps)	368,817	–	9,077	2,237
Pension (25 bps)	N/A	–	68,866	8,983
Health care costs (25 bps)	46,630	–	–	–
Decrease				
Discount rate (25 bps)	372,438	67,157	57,806	15,751
Salary (25 bps)	(370,737)	–	(8,803)	(7,996)
Pension (25 bps)	N/A	–	(65,471)	(14,339)
Health care costs (25 bps)	(44,469)	N/A	N/A	N/A

N/A = not applicable

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All amounts in thousands of Saudi Riyals unless otherwise stated.

23. EMPLOYEE BENEFITS (CONTINUED)

Expected total benefit payments can be broken down as follows:

	31 December 2023	
	KSA	Outside KSA
Within 1 year	588,947	238,991
1 – 2 years	546,412	239,563
2 – 3 years	560,452	230,759
3 – 4 years	619,207	228,921
4 – 5 years	742,859	226,759
Next 5 years	4,856,489	1,102,582
Total	7,914,366	2,267,575

Expected total benefit payments can be broken down as follows:

	31 December 2022	
	KSA	Outside KSA
Within 1 year	655,354	217,202
1 – 2 years	638,144	221,392
2 – 3 years	756,032	221,924
3 – 4 years	828,487	215,398
4 – 5 years	915,934	213,951
Next 5 years	6,539,508	1,057,056
Total	10,333,459	2,146,923

24. PROVISIONS

	31 December 2023	31 December 2022
Non-current:		
Demolition and site restoration (i)	529,485	345,698
Restructuring (ii)	172,250	158,593
Litigation claims (iii)	166,014	124,413
Environmental obligations (iv)	86,676	84,614
Miscellaneous (v)	136,064	148,080
	1,090,489	861,398
Current: (vi)		
Restructuring (ii)	184,395	–
Demolition and site restoration (i)	39,994	35,189
Environmental obligations (iv)	3,642	1,652
Miscellaneous (v)	947,931	45,191
	1,175,962	82,032
	2,266,451	943,430

(i) Demolition and site restoration provision represents the provision for cost of dismantling and site restoration of certain manufacturing sites of the Group subsidiaries. The Group recognises a provision when an obligation arise as a consequence of a legal or constructive obligation.

(ii) Restructuring provisions represent mainly onerous contracts, decommissioning and severance costs relating to specific restructuring projects.

(iii) Provision for litigation obligations represents pending legal claims. Management do not believe that any currently pending or threatened litigation, either individually or in the aggregate, is likely to have a significant adverse effect on its financial position or results of operations. It also include provisions for damage claims, warranties and similar obligations.

(iv) Environmental obligation represents the expected costs of environmental remediation and rehabilitating contaminated sites across the different manufacturing sites.

(v) Miscellaneous provisions relate to various risks and commitments including constructive obligations arising from a construction project using the best estimate of the expenditure required to cover the present obligation, which is expected to be settled in the next twelve months.

(vi) As at 31 December 2023, the current portion of provisions has been disclosed separately in the consolidated statement of financial position under 'current liabilities' which was presented as part of 'other current liabilities' in the prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

24. PROVISIONS (CONTINUED)

The movement in total provisions has been broken down as follows:

	Demolition and site restoration	Restructuring	Litigation claims	Environmental obligations	Miscellaneous	Total
As at 1 January 2022	248,528	172,141	129,214	88,788	362,419	1,001,090
Additions	151,560	–	12,040	2,030	2,933	168,563
Utilization	(23,976)	(4,345)	(14)	(5,490)	(129,795)	(163,620)
Reversals	–	–	(2,512)	(1,116)	(32,740)	(36,368)
Others	4,775	(9,203)	(14,315)	2,054	(9,546)	(26,235)
As at 31 December 2022	380,887	158,593	124,413	86,266	193,271	943,430
Additions	217,120	191,700	51,844	10,396	1,092,852	1,563,912
Utilization	(29,950)	(19,417)	–	(8,368)	(113,642)	(171,377)
Reversals	(598)	23,507	(22,771)	(241)	(75,001)	(75,104)
Others	2,020	2,262	12,528	2,265	(13,485)	5,590
As at 31 December 2023	569,479	356,645	166,014	90,318	1,083,995	2,266,451

25. OTHER LIABILITIES

As at 31 December	2023	2022
Non-current:		
Payable to related parties (i)	1,298,543	1,312,435
Contract liability (iii)	153,609	169,341
Miscellaneous	156,788	31,629
	1,608,940	1,513,405
Current:		
Dividends payable (refer Note 18)	7,003,335	1,326,621
Accrued liabilities	6,568,645	6,677,299
Employees related liabilities	1,948,654	2,538,094
Employee saving plan	1,895,808	2,022,371
Sales and other tax payables	402,867	1,047,967
Payable to related parties (i)	126,587	268,417
Trade advances	97,068	353,719
Interest payable (ii)	–	212,305
Incentives payables to customers	–	165,058
Miscellaneous (iv)	155,385	170,431
	18,198,349	14,782,282

(i) Payable to related parties represents the payable against the operations and production advances.

(ii) Interest payable is presented as part of current portion of debt.

(iii) Contract liability represents the payable against the asset received from third party under the tolling agreement.

(iv) Miscellaneous liabilities mainly include disputed liabilities and payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

26. TRADE PAYABLES

Trade payables can be broken down as follows:

As at 31 December	2023	2022
Trade accounts payable	7,805,597	10,253,243
Due to related parties (refer Note 33)	12,281,419	12,284,747
	20,087,016	22,537,990

Trade payables are non-interest bearing and are settled within normal commercial terms.

The Group's exposure to currency and liquidity risk related to accounts payables is disclosed in Note 36.

27. REVENUE

Revenue can be broken down as follows:

For the years ended 31 December	2023	2022
Sales of goods	136,932,514	177,362,912
Logistic services	4,049,776	5,204,865
Rental income	554,897	508,817
	141,537,187	183,076,594

No significant revenue that has been recognised in 2023 from performance obligations satisfied in previous years. All unfulfilled remaining performance obligations as at 31 December 2023 are expected to be satisfied in the next year.

Revenue from Logistic services is recognized over-time and revenue from sales of goods is recognised at-a-point in time.

Refer Note 35 for the segment and geographical distribution of revenue.

28. EXPENSES

Based on their nature, cost of sales, general and administrative expenses, research and development expenses and selling and distribution expenses can be broken down as follows:

28.1 COST OF SALES

Cost of sales can be broken down as follows:

For the years ended 31 December	2023	2022
Changes in inventories of finished products, raw materials and consumables used	82,759,188	101,815,924
Depreciation and amortisation (i)	11,597,090	11,229,800
Utilities (ii)	8,538,609	12,305,717
Employee related costs	7,029,409	6,706,713
Logistic service related costs	4,049,776	5,204,865
Repairs and maintenance (ii)	4,035,618	3,958,863
Impairments and write-offs of plant and equipment (refer Note 7)	1,453,415	532,968
	119,463,105	141,754,850

(i) Depreciation and amortisation includes the amortisation charge of certain other assets.

(ii) Comparatives of these expenses have been presented separately in order to conform to current year presentation.

28.2 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses can be broken down as follows:

For the years ended 31 December	2023	2022
Employee related expenses	5,021,052	4,743,656
Admin and corporate support service	2,234,261	2,305,951
Depreciation and amortisation	1,183,392	1,061,229
Maintenance	459,399	401,203
Miscellaneous	221,891	229,383
	9,119,995	8,741,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

28. EXPENSES (CONTINUED)

28.3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses can be broken down as follows:

For the years ended 31 December	2023	2022
Employee related expenses	1,214,755	1,148,851
Depreciation and amortisation	219,394	231,513
Administrative support	240,937	230,395
Maintenance	211,976	174,915
Miscellaneous	6,023	70,285
	1,893,085	1,855,959

With the fiscal year 2022, SABIC has commenced presenting R&D expenses separately in the consolidated statement of income. Depreciation and amortization charged to R&D cost centres are included in the presentation.

28.4 SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses can be broken down as follows:

For the years ended 31 December	2023	2022
Transportation and shipping	5,063,250	7,867,703
Employee related expenses	1,543,877	1,510,154
Marketing related expenses	693,919	883,956
Depreciation and amortisation	450,866	437,277
	7,751,912	10,699,090

29. OTHER OPERATING INCOME AND EXPENSES

Other operating income can be broken down as follows:

For the years ended 31 December	2023	2022
Services rendered to integral JVs	916,479	718,452
Foreign currency exchange differences	–	382,058
Insurance claims	2,740	95,084
Miscellaneous	318,084	235,096
	1,237,303	1,430,690

Other operating expenses can be broken down as follows:

For the years ended 31 December	2023	2022
Demolition, restructuring and miscellaneous provisions	1,147,007	–
Impairment of non-operating assets (refer Note 7)	391,007	–
Donations	79,460	104,757
Foreign currency exchange expenses	40,070	–
Loss on disposal of plant and equipment	37,363	54,659
Miscellaneous	62,552	111,057
	1,757,459	270,473

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

30. FINANCE INCOME AND COST

Finance income and finance cost can be broken down by conventional and non-conventional as follows:

For the years ended 31 December	2023	2022
Finance income		
– Conventional call account	6,119	3,130
– Conventional time deposits	42,802	281,027
– Conventional current account	–	–
– Interest income from loans and borrowings – related party	50,668	22,866
– Derivatives financial instruments (i)	1,975,392	669,592
– Others	160,231	53,589
Total conventional finance income	2,235,212	1,030,204
– Current Murabaha (including fixed time deposits)	1,358,402	349,688
– SUKUK	31,913	28,428
– Others	801	–
Total non-conventional finance income	1,391,116	378,116
Total finance income	3,626,328	1,408,320

(i) Gain from derivative financial instruments amounting to SR 669 million for the year ended 31 December 2022, which was previously presented under `Finance cost', has been reclassified to `Finance income' and accordingly, the comparatives of finance income and finance cost have increased by the same amount.

For the years ended 31 December	2023	2022
Finance cost		
– Conventional loans	88,963	47,549
– Bonds/notes	381,563	415,313
– Lease liabilities	256,120	217,327
– Net interest on employee benefits	567,207	368,096
– Net foreign currency exchange differences for borrowings	68,762	277,430
– Others	172,019	(5,165)
Total conventional finance cost	1,534,634	1,320,550
– SIDF	24,167	33,756
– Murabaha	1,049,481	518,301
– Others	6,368	15,199
Total non-conventional finance cost	1,080,016	567,256
Total finance cost	2,614,650	1,887,806
Conventional financial result	700,578	(290,346)
Non-conventional financial result	311,100	(189,140)
Financial result	1,011,678	(479,486)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

31. ZAKAT AND INCOME TAX

The movement in the net zakat and income tax payable can be shown as follows:

	Zakat	Income Tax	Total
As at 1 January 2023	2,160,763	742,662	2,903,425
Provided during the year	1,355,054	583,933	1,938,987
Paid during the year, net	(1,881,753)	(1,111,554)	(2,993,307)
Other movements (foreign currency translations and reclassification)	(1,515)	2,305	790
Reclassified to liabilities directly associated with assets held for sale	(217,831)	–	(217,831)
As at 31 December 2023	1,414,718	217,346	1,632,064

Presentation in the consolidated statement of financial position can be broken down as follows:

As at 31 December 2023	Zakat	Income Tax	Total
Receivables	–	386,956	386,956
Payables	1,414,718	604,302	2,019,020
Net payables	1,414,718	217,346	1,632,064

	Zakat	Income Tax	Total
As at 1 January 2022	2,449,597	1,077,132	3,526,729
Provided during the year	1,962,183	814,554	2,776,737
Paid during the year, net	(2,249,159)	(1,115,417)	(3,364,576)
Other movements (foreign currency translations and reclassification)	(1,858)	(33,607)	(35,465)
As at 31 December 2022	2,160,763	742,662	2,903,425

Presentation in the consolidated statement of financial position can be broken down as follows:

As at 31 December 2022	Zakat	Income Tax	Total
Receivables	–	87,642	87,642
Payables	2,160,763	830,304	2,991,067
Net payables	2,160,763	742,662	2,903,425

31.1 ZAKAT

Zakat returns of SABIC and wholly owned subsidiaries are submitted to the ZATCA based on separate financial statements prepared for zakat purposes only. Other non-wholly owned subsidiaries file their zakat returns separately. SABIC has filed its zakat returns with ZATCA, received the zakat certificates, settled the zakat dues up to the year ended 31 December 2021. SABIC cleared its zakat assessments with ZATCA up to the year ended 31 December 2018, and the years 2019 through 2020 are under review by the ZATCA.

Reconciliation of zakat expense due to reclassification of Hadeed to discontinued operation is as follows:

For the years ended 31 December	2023	2022
Current zakat expense		
Current year	1,355,054	1,962,183
Reclassified to discontinued operation	(85,894)	(131,937)
	1,269,160	1,830,246

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

31. ZAKAT AND INCOME TAX (CONTINUED)

31.2 INCOME TAX

The major components of income tax in the consolidated statement of income can be broken down as follows:

For the years ended 31 December	2023	2022
Current income tax		
Current year	506,633	932,032
Adjustments in respect of current income tax of previous year	77,300	(117,478)
Deferred income tax		
Origination and reversals of temporary differences	(1,022,141)	(281,384)
Income tax (benefit) expense	**(438,208)**	**533,170**

The following deferred income tax related items charged or credited directly to equity, and reported in the consolidated statement of other comprehensive income, can be broken down as follows for the years ended 31 December:

For the years ended 31 December	2023	2022
Tax (benefit) expense on re-measurement of defined benefit plans	(5,925)	157,261
Deferred income tax (benefit) expense recognised in other comprehensive income	**(5,925)**	**157,261**

The relationship between the domestic (Saudi Arabia) income tax expense and the effective tax expense is as follows for the years ended 31 December:

For the years ended 31 December	2023	2022
Income before zakat and income tax from continuing operations	4,523,614	25,112,381
Exclude: income subject to Zakat	(12,814,111)	(28,206,700)
Income (loss) subject to income tax	(8,290,497)	(3,094,319)
Domestic income tax rate (KSA)	20%	20%
Income tax at domestic tax rate	**(1,658,099)**	**(618,864)**
Tax effects of:		
– Current year tax benefits not recognised	1,550,749	1,599,189
– Deviating rates	(444,959)	(312,373)
– Tax rate changes	(407)	1,914
– Foreign currency losses	113,165	(225,252)
– Tax-exempt results on associates and joint ventures	184,784	214,300
– Non-tax deductible expenses	64,435	52,174
– Prior year adjustments and other tax-exempt items	136,725	(249,472)
– Tax charge due to other liabilities	(485,267)	(76,404)
– Deferred income tax on outside basis differences	(35,283)	(1,744)
– State, local and other income taxes	135,949	149,702
Income tax (benefit) expense	**(438,208)**	**533,170**
Zakat expense	1,269,160	1,830,246
Total income tax and zakat expense from continuing operations	**830,952**	**2,363,416**

The net loss from discontinued operation in the consolidated statement of income includes a Zakat expense of SR 115,297 (2022: SR 131,937).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

31. ZAKAT AND INCOME TAX (CONTINUED)

31.2 INCOME TAX (CONTINUED)

Review of the major drivers for the current year effective tax expense and zakat expense:

The effective tax and zakat rate is 18% (2022: 10%).

The effective tax benefit is negatively impacted mainly by current year tax benefits not recognised for losses in Luxembourg and the United States of America. Other negative impacts included taxable foreign currency exchange gains in the Netherlands, tax exempt results on associates and joint ventures, true-ups to prior year tax returns and local income and withholding taxes.

Favourable impact to the effective tax benefit included deviating local statutory tax rates on current year losses and reserve releases for uncertain tax positions.

Reserve releases for uncertain zakat positions in several jurisdictions have contributed to the income tax benefit and reduced zakat expense in the current year. Management's re-assessment of tax and zakat positions resulted from legislation changes, discussions with local tax authorities and other relevant facts and circumstances.

The deferred income tax assets/(liabilities) presented in the consolidated statement of financial position are as follows:

As at 31 December	2023	2022
Deferred income tax assets	1,749,286	781,596
Deferred income tax liabilities	(814,942)	(903,549)
	934,344	(121,953)

Components of deferred income tax are as follows:

	Consolidated statement of financial position		Consolidated statement of income	
	2023	2022	2023	2022
– Property, plant and equipment and intangible assets	(1,969,906)	(2,026,798)	(60,922)	220,261
– Right-of-use assets	(754,507)	(817,790)	(71,124)	(39,551)
– Inventories	(4,499)	(3,271)	1,228	(6,690)
– Outside basis differences	(256,101)	(290,527)	(35,283)	(1,744)
– Others	(55,718)	(11,642)	44,076	(67,444)
Deferred income tax liabilities	(3,040,731)	(3,150,028)		
Set-off with deferred income tax assets	2,225,789	2,246,479		
Net deferred income tax liabilities	(814,942)	(903,549)		
– Tax loss carry forward	12,338,316	9,669,070	(2,643,746)	(1,447,365)
– Property, plant and equipment and intangible assets	124,924	125,937	1,013	(75,601)
– Employee benefits	262,695	276,618	14,753	(2,774)
– Lease liabilities	763,977	846,766	94,465	(4,077)
– Deferred charges	376,782	346,048	(31,098)	(24,501)
– Provisions on receivables and inventories	131,320	94,561	(37,076)	149,854
– Interest carry forward	2,138,328	1,977,765	(120,932)	(858,127)
– Tax credits	330,290	312,497	(13,692)	(183,242)
– Others	519,020	331,499	(177,272)	148,100
Deferred income tax assets	16,985,652	13,980,761		
Unrecognised deferred income tax assets	(13,010,577)	(10,952,686)	2,013,469	1,911,517
Set-off with deferred income tax liabilities	(2,225,789)	(2,246,479)		
Net deferred income tax assets	1,749,286	781,596		
Deferred income tax benefit			(1,022,141)	(281,384)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

31. ZAKAT AND INCOME TAX (CONTINUED)

31.2 INCOME TAX (CONTINUED)

The Group has not recognised SR 13,011 million (2022: SR 10,953 million) of deferred income tax assets, largely related to tax losses carry forward in various jurisdictions, as no sufficient evidence exists to support the Group's ability to realise such assets. The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considered the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

Based on profitability forecasts for future years, the Group has recognised deferred income tax assets related to its tax losses carry forward in Saudi Arabia of SR 8 million (2022: SR 10 million), in the Netherlands of SR 1,143 million (2022: SR 440 million), in Spain of SR 139 million (2022: SR 138 million) and in the United States of America of SR 425 million (2022: SR 425 million).

An overview of the Group's recognised tax loss carry forward is shown below:

As at 31 December	2023	2022	Expiration ranges
Saudi Arabia	39,510	48,659	Indefinite
Netherlands	4,911,802	1,704,815	Indefinite
United States of America	1,817,320	1,817,320	2027 – Indefinite
Spain	555,869	551,341	Indefinite
Others	624,892	394,229	Various
Total	7,949,393	4,516,364	

In addition, the Group has unrecognised tax losses carry forward available of SR 42,699 million (2022: SR 32,252 million), mainly in Luxembourg, Netherlands and the United States of America and which can be applied against future taxable income. In certain jurisdictions, these tax losses are pending completion of tax filings and/or acceptance of tax filings by tax authorities.

The Group has recognised a deferred income tax liability of SR 256 million (2022: SR 291 million) for withholding taxes that would be payable on the distribution of unremitted earnings of its subsidiaries, joint ventures and associates.

GLOBAL MINIMUM TAX

SABIC, being part of the Saudi Aramco Group, is in scope of OECD Pillar Two model rules and has performed an assessment of its exposure to Pillar Two income taxes. An assessment of the potential exposure to Pillar Two income taxes has been made for the jurisdictions where Pillar Two legislation has been enacted or substantively enacted as at the reporting date, and where this legislation will be effective for financial year beginning 1 January 2024. The estimation of the Pillar Two income tax exposure is based on historical country-by-country reporting and financial data for the constituent entities.

Based on this assessment, for most of the jurisdictions in which SABIC and the Saudi Aramco Group operate, SABIC and the Saudi Aramco Group are expected to qualify for the transitional CBCR safe harbour relief. However, there are a limited number of jurisdictions where the transitional CBCR safe harbour relief does not apply. SABIC does not expect a material exposure to Pillar Two income taxes in those jurisdictions based on the facts and information available as at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

32. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the (Parent) by the weighted average number of ordinary shares during the year.

Diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the (Parent) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

For the years ended 31 December	2023	2022
Net (loss) income attributable to equity holders of the Parent (SR '000)	(2,772,282)	16,529,722
Weighted average number of ordinary shares ('000)	3,000,000	3,000,000
Earnings per share from net (loss) income attributable to equity holders of the Parent (SR)	**(0.92)**	**5.51**
Net income from continuing operations attributable to equity holders of the Parent (SR '000)	1,304,657	15,785,864
Weighted average number of ordinary shares ('000)	3,000,000	3,000,000
Earnings per share from net income from continuing operations attributable to equity holders of the Parent (SR)	**0.43**	**5.26**

There are no instruments that have diluted the weighted average number of ordinary shares.

Interests in subsidiaries are set out in Note 41.

33. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties are legal entities or individuals that can exercise influence on SABIC and its subsidiaries and entities over which SABIC can exercise control or joint control, or a significant influence. These primarily include joint ventures and associates, and Saudi Aramco (being Parent), its subsidiaries, joint ventures and associates.

As part of its normal course of business, SABIC and its subsidiaries and integrated joint ventures enters into various related party contracts and transactions. These principally include sales and purchases, providing and receiving services, and give and receive loans.

The following tables show the volume of business with related parties:

	For the year ended 31 December 2023		As at 31 December 2023	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Associates	100,123	5,356,852	22,052	525,347
Joint ventures	7,222,654	15,962,367	4,368,145	5,506,494
Saudi Aramco	13,191	19,178,341	4,543	3,856,450
Saudi Aramco's subsidiaries, joint ventures and associates	13,932,075	24,380,410	1,823,502	3,496,446

As at 31 December 2023	Associates	Joint ventures	Entities (FVOCI equity accounted)	Total
Loans to related parties	32,739	625,795	48,749	707,283

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

33. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

	For the year ended 31 December 2022		As at 31 December 2022	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Associates	164,823	6,131,785	38,555	515,963
Joint ventures	8,027,896	20,039,831	3,237,839	5,662,217
Saudi Aramco	3,363	26,039,131	1,987	3,797,877
Saudi Aramco's subsidiaries, joint ventures and associates	15,064,006	25,660,433	1,560,188	3,540,790

As at 31 December 2022	Associates	Joint ventures	Entities (FVOCI equity accounted)	Total
Loans to related parties	34,414	561,796	41,648	637,858

(i) In 2023, SABIC obtained a loan from Saudi Aramco amounting to SR 3,750 million (refer Note 22).

(ii) Loans to related parties includes an amount of SR 44 million (2022: SR 9 million) related to a loan from Hadeed to TAKAMUL, which is part of liabilities directly associated with assets held for sale.

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

The sales to and purchases from related parties are made at agreed terms and conditions. Outstanding balances are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the years ended 31 December 2023 and 2022, the Group has not recognised any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Transactions and balances with entities controlled by the Saudi government can be shown as follows:

For the years ended 31 December	2023	2022
Purchases of goods and services	3,012,601	2,844,795
Sales of goods and services	14,298	17,683

As at 31 December	2023	2022
Due to entities controlled by the Saudi government	321,812	348,752
Due from entities controlled by the Saudi government	6,837	8,246

KEY MANAGEMENT PERSONNEL COMPENSATION

In addition to remunerations to key management personnel, the Group also provides non-cash benefits to directors and executive officers, and contributes to a post-employment defined benefit plan on their behalf.

Remuneration of key management can be shown as follows:

For the years ended 31 December	2023	2022
Short-term employee benefits	44,731	36,586
Post-employment benefits	10,243	592
Other long-term benefits	33,603	25,675
Total	88,577	62,853

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All amounts in thousands of Saudi Riyals unless otherwise stated.

34. DISCONTINUED OPERATION

On 3 September 2023, the Group announced signing an agreement with the 'Public Investment Fund' ("PIF") to acquire all SABIC shares in the 'Saudi Iron and Steel Company' ("HADEED").

Following the signing of the agreement, Hadeed has been presented as 'discontinued operation' under IFRS 5 *'Non-current Assets Held for Sale and Discontinued Operations'*. The assets and liabilities of the disposal group are therefore classified and presented separately as *'held for sale'* in these consolidated financial statements. These are measured at lower of their carrying amount and fair value less costs to sell (based on the agreement) and depreciation is ceased on relevant assets from the date of their classification as *'held for sale'*.

As a consequence of the re-measurement of the assets and liabilities at fair value, a loss of SR 2,931 million was recognized.

The transaction is subject to customary conditions and regulatory approvals and the closing is expected to be in the course of 2024.

34.1 FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION

The financial performance presented below refers to the discontinued operation for the years ended 31 December 2023 and 31 December 2022.

For the years ended 31 December	2023	2022
Revenue	13,053,749	15,390,169
Depreciation and amortisation	(763,633)	(1,197,869)
Cost of sales and other expenses, net	(13,167,150)	(13,221,113)
Finance income and expenses	(153,019)	(94,841)
Results from non-integral joint ventures and associates	(547)	(551)
(Loss) income before zakat	(1,030,600)	875,795
Zakat expense	(115,297)	(131,937)
(Loss) income after zakat	(1,145,897)	743,858
Fair value re-measurement on assets held for sale	(2,931,042)	–
(Loss) income from discontinued operation	(4,076,939)	743,858
Items that will not be reclassified to the statement of income	(140,008)	786,386
Total comprehensive (loss) income from discontinued operation	(4,216,947)	1,530,244

The cash flow information presented below refers to the discontinued operation for the years ended 31 December 2023 and 31 December 2022.

For the years ended 31 December	2023	2022
Net cash inflow from operating activities	926,710	1,338,419
Net cash used in investing activities	(596,704)	(584,309)
Net cash used in financing activities	(289,409)	(217,408)
Net increase in cash and cash equivalents	40,597	536,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

34. DISCONTINUED OPERATION (CONTINUED)

34.1 FINANCIAL PERFORMANCE AND CASH FLOW INFORMATION (CONTINUED)

Loss before zakat and income tax from discontinued operations, as presented in the consolidated statement of cash flows amounting to SR 3,962 million including the fair value re-measurement on assets held for sale.

34.2 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The carrying amounts of assets and liabilities of disposal group classified as held for sale as at 31 December 2023 were:

	As at 31 December 2023
Assets held for sale	
Property, plant and equipment, right-of-use assets and intangible assets	5,334,816
Inventories	3,904,243
Trade receivables	2,765,103
Other non-current and current assets	2,036,146
Cash and cash equivalents	1,383,646
Total assets	15,423,954
Liabilities directly associated with assets held for sale	
Employee benefits	2,957,098
Other current and non-current liabilities	2,214,757
Trade payables	529,035
Total liabilities	5,700,890
Net assets	9,723,064

The fair value re-measurement has been entirely allocated to 'Property, plant and equipment, right-of-use assets and intangible assets'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

35. SEGMENT INFORMATION

For management purposes, the Group is organised into four operating segments.

The **Petrochemicals** segment consists of Chemicals and Polymer products.

- Chemicals products are produced from hydrocarbon feedstock including Methane, Ethane, Propane, Butane, and light Naphtha, with a wide range of products including Olefins, Methanol, Aromatics, Glycols, Carbon Dioxide, Methyl Tert-Butyl Ether (MTBE) and other Chemicals.
- Polymer products include Polyethylene (PE) and Polypropylene (PP), Polycarbonate (PC), and other Polymers products
  - The PE range includes: Linear Low Density Polyethylene (LLDPE), Low Density Polyethylene (LDPE), and High Density Polyethylene (HDPE).
  - The PP range includes Homo, Random and Impact Polypropylene and Polypropylene Compounds Homopolymer, Random and impact copolymer as well as specialty automotive grades.
  - Other key products include Polyvinyl Chloride (PVC), Polyethylene Terephthalate (PET), Polystyrene (PS), and Acrylonitrile Butadiene Styrene (ABS).

The **Specialties** segment – includes polymer technologies, application development on a global scale, innovative process technologies, and environmentally responsible solutions in almost every area of modern life, from automotive, aviation and electronics to construction, alternative energy, and health care. Specialties' portfolio of flagship products – NORYL™, ULTEM™, EXTEM™ and SILTEM™ resins, a vast range of LNP™ compounds and copolymers, and a variety of thermosets and additives – helps meet complex thermal, mechanical, optical and electrical performance and sustainability requirements.

At 31 December 2023 the Specialties segment does not meet the individual reporting requirements of IFRS 8 '*Operating Segments*'. The Specialties amounts therefore are included as part of the Petrochemicals' reporting segment.

The **Agri-Nutrients** segment consists of range of fertiliser products; including Urea, Ammonia, Phosphate, as well as compound fertilisers.

Hadeed wholly-owned manufacturing business is concerned with production of steel products; long products and flat products.

Hadeed is reported as 'discontinued operation' in these consolidated financial statements (refer Note 34).

The Chief Executive Officer monitors the results of its segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income statement and is measured consistently with profit or loss in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

35. SEGMENT INFORMATION (CONTINUED)

The segments' financial details are shown below:

	For the year ended 31 December 2023		
	Petrochemicals & Specialties	Agri-nutrients	Continuing operations
Revenue	131,257,832	10,279,355	141,537,187
Depreciation and amortisation	(12,574,482)	(876,260)	(13,450,742)
Impairments and write-offs	(1,844,422)	–	(1,844,422)
Income from operations	198,078	3,522,315	3,720,393
Share of results of non-integral joint ventures and associates	(819,201)	610,744	(208,457)
Finance income			3,626,328
Finance cost			(2,614,650)
Income before zakat and income tax			4,523,614

	For the year ended 31 December 2022		
	Petrochemicals & Specialties	Agri-nutrients	Continuing operations
Revenue	164,845,987	18,230,607	183,076,594
Depreciation and amortisation	(12,120,416)	(839,403)	(12,959,819)
Impairments and write-offs	(532,968)	–	(532,968)
Income from operations	12,447,111	10,460,762	22,907,873
Share of results of non-integral joint ventures and associates	288,478	2,395,516	2,683,994
Finance income*			1,408,320
Finance cost*			(1,887,806)
Income before zakat and income tax			25,112,381

Refer Note 30 for comparatives.

As at December 2023	Petrochemicals & Specialties	Agri-nutrients	Continuing operations
Total assets	260,315,379	18,641,118	278,956,497
Capital expenditure	8,967,834	899,570	9,867,404
Investment in associates and joint ventures	33,016,209	8,221,092	41,237,301
Total liabilities	89,772,173	3,624,848	93,397,021

As at December 2022	Petrochemicals & Specialties	Agri-nutrients	Hadeed	Consolidated
Total assets	271,936,874	21,536,224	19,632,719	313,105,817
Capital expenditure	8,862,914	771,621	589,147	10,223,682
Investment in associates and joint ventures	34,668,964	6,844,654	173,145	41,686,763
Total liabilities	86,874,558	2,983,373	5,630,627	95,488,558

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All amounts in thousands of Saudi Riyals unless otherwise stated.

35. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL DISTRIBUTION OF REVENUE

	For the year ended 31 December 2023	%	For the year ended 31 December 2022	%
KSA	19,807,715	14	27,142,647	15
China	27,192,924	19	33,290,282	18
Rest of Asia	31,156,327	22	32,260,656	17
Europe	29,532,746	21	42,422,513	23
Americas	14,720,382	10	19,387,810	11
Africa	7,656,434	5	11,979,503	7
Others	11,470,659	9	16,593,183	9
	141,537,187	100	183,076,594	100

The revenue information above is based on the locations of the customers.

GEOGRAPHICAL DISTRIBUTION FOR NON-CURRENT ASSETS EXCLUDING FINANCIAL ASSETS AND DEFERRED TAX ASSETS

As at 31 December	2023	%	2022	%
KSA	99,600,827	69	112,506,034	71
Europe	18,711,114	13	18,939,974	12
Americas	22,608,242	16	23,517,746	15
Asia	2,902,078	2	2,913,423	2
Africa	41,121	–	12,860	–
	143,863,382	100	157,890,037	100

36. FINANCIAL RISK MANAGEMENT

OVERVIEW

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

36.1 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The maximum exposure to credit risk is the carrying value of these assets.

The Group's policies limit the amount of credit exposure to any individual counterparty based on their credit rating as well as other factors. Moreover, the Group's policies require that cash and cash equivalents and short-term investments be invested with a diversified group of financial institutions, in the majority of cases with investment grade credit ratings. The Group ensures that each counterparty is of an acceptable credit quality by relying on quantitative and qualitative measures compiled from internal and third party rating models.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 CREDIT RISK (CONTINUED)

	For the year ended 31 December 2023										
	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Other	Carry value in the statement of financial position
Bank balances and fixed term deposits	–	–	65,780	7,074,108	20,836,251	4,308,173	1,951	–	–	127,456	32,413,719
Investments in equity instruments	–	3,691	–	–	–	–	–	–	–	232,794	236,485
Investments in debt instruments	–	–	–	–	241,961	–	–	–	–	145,030	386,991
Short-term investments (i)	–	–	–	614,906	5,460,670	3,552,282	–	–	–	160,226	9,788,084
	–	3,691	65,780	7,689,014	26,538,882	7,860,455	1,951	–	–	665,506	42,825,279

	For the year ended 31 December 2022										
	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Other	Carry value in the statement of financial position
Bank balances and fixed term deposits	–	3	5,388	10,326,229	8,943,636	17,912,903	2,708,118	6,743	11,234	143,773	40,058,027
Investments in equity instruments	–	4,290	–	–	–	–	–	–	–	231,129	235,419
Investments in debt instruments	–	–	–	–	623,125	–	–	–	–	145,250	768,375
Short-term investments (i)	–	–	–	347,970	739,368	4,630,200	2,588,300	–	–	–	8,305,838
	–	4,293	5,388	10,674,199	10,306,129	22,543,103	5,296,418	6,743	11,234	520,152	49,367,659

(i) Excludes investments in debt instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.1 CREDIT RISK (CONTINUED)

TRADE RECEIVABLES

The Group's exposure to credit risk is influenced mainly be the individual characteristics of each customer. However, management also considers the customer demographics, including default risk of the industry and country in which customer operates, as these factors may have an influence on credit risk. Due to the global activities and diversified customer structure of the Group, there is no significant concentration of credit default risk.

The Group takes credit risk on trades with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive internal credit rating scorecard by taking into account the payment behaviour, company legal structure, financial and non-financial profile and external data where available. Credit limits are established accordingly and frequently monitored in accordance with the established policy. Payment terms are generally agreed upon individually with customers and, as a rule, are within 30-120 days. The Group considers additional measures to mitigate credit risk when deemed appropriate by means of letter of credits, credit insurance, bank guarantees or parent company guarantees.

The Group applies the simplified approach allowed by IFRS 9 '*Financial Instruments*' in providing for expected credit losses for trade receivables which uses the lifetime expected credit loss provision for all trade receivables. Such credit losses have historically been nominal and the loss allowance for trade receivables (refer Note 17) is not material.

36.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities, as they fall due. Liquidity risk mainly relates to trade and other payables, borrowings, leases liabilities, and financial instruments. SABIC's approach to managing liquidity risk is to maintain sufficient cash and cash equivalents and short-term investments, and through ensuring the availability of adequate banking facilities (refer Note 22).

At the group level liquidity risk is managed through, setting an appropriate liquidity framework, monitoring cash flow forecasts to ensure overall liquidity is available, maintaining a sufficient portfolio of assets that can be easily liquidated and through the use of a global cash pooling mechanisms.

The Group invests surplus funds in current accounts, fixed term deposits, money market deposits and marketable securities. The Group prioritizes security and liquidity over yield.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.2 LIQUIDITY RISK (CONTINUED)

The table below summaries the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	31 December 2023				
	Within 1 year	Between 1-2 years	Between 2-5 years	More than 5 years	Total
Debt (excludes lease liabilities)	2,077,080	1,972,559	14,248,707	10,035,898	28,334,244
Short-term borrowings	2,414,233	–	–	–	2,414,233
Interest on loans and borrowings (i)	1,474,001	1,247,628	1,385,860	1,156,602	5,264,091
Trade payables	20,087,016	–	–	–	20,087,016
Lease liabilities	1,083,698	896,887	1,547,773	7,162,544	10,690,902
Dividend payable	7,003,335	–	–	–	7,003,335
Other liabilities	6,907	–	–	–	6,907
Obligations to acquire the remaining shares of certain subsidiaries	–	–	–	572,269	572,269
Financial liabilities – derivatives financial instruments	–	–	–	1,438,875	1,438,875
	34,146,270	4,117,074	17,182,340	20,366,188	75,811,872

	31 December 2022				
	Within 1 year	Between 1-2 years	Between 2-5 years	More than 5 years	Total
Debt (excludes lease liabilities)	5,853,133	2,050,829	7,406,654	11,653,069	26,963,685
Short-term borrowings	915,839	–	–	–	915,839
Interest on loans and borrowings (i)	1,359,467	1,054,697	2,207,826	2,218,362	6,840,352
Trade payables	22,537,990	–	–	–	22,537,990
Lease liabilities	1,294,311	1,859,280	1,310,371	10,174,648	14,638,610
Other liabilities	409,331	–	–	–	409,331
Obligations to acquire the remaining shares of certain subsidiaries	–	–	–	554,860	554,860
Financial liabilities – derivatives financial instruments	–	–	–	2,373,750	2,373,750
Guarantees (refer Note 38.2)	231,869	–	–	–	231,869
	32,601,940	4,964,806	10,924,851	26,974,689	75,466,286

(i) Excludes interest on lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

36.3 MARKET RISK

Market risk is the risk that changes in market prices, such as foreign equity prices, exchange rates and interest rates and will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group has derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee.

EQUITY PRICE RISK

The Group's exposure to equity price risk arises from investments in equity instruments. To manage its price risk arising from these investments, the Group diversifies its investment portfolio. Diversification of the investment portfolio is in accordance with the limits set by the Group.

CURRENCY EXCHANGE RATE RISK

The Group's foreign currency risk management objective is to protect future cash flows in SR and in USD. Cash flow foreign currency risk exposures are considered at the Group level and these primarily consist of currency exchange risks from account payables and receivables. SABIC management centrally manage currency risk and monitor currency exposures through applying a value-at-risk (VaR) methodology which is based on a Monte Carlo simulation, at a 97.5% confidence level, a 12-month time horizon is considered. If a foreign currency exposure breaches certain thresholds then the Group will apply risk management activities. There is no exposure of SR to USD, as the SR is pegged to the USD.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To lower volatility and increase predictability of interest expenses, the Group may enter into simple financial derivatives such as interest rate swaps. During the years ended 2023 and 2022, the Group had no interest rate swaps outstanding.

Debt interest rate classification between fixed and variable rate borrowings is disclosed under Note 22. The total value of variable rate borrowings were 19,803 million (2022: SR 16,470 million) and the total value of fixed rate borrowings were SR 8,164 million (2022: SR 12,139 million).

The following table demonstrates the sensitivity of the Group to a reasonably possible change in interest rates, with all other variables held constant, of the Groups profit before tax (through the impact on floating rate borrowings):

	31 December 2023	
	Gains (losses) through income and equity	
	+100 bps	-100 bps
1M SAIBOR	(2,222)	2,222
3M SAIBOR	31	(31)
6M SAIBOR	(3,603)	3,603
6M SOFR	(5,142)	5,142

	31 December 2022	
	Gains (losses) through income and equity	
	+100 bps	-100 bps
1M SAIBOR	–	–
3M SAIBOR	27	(27)
6M SAIBOR	(3,365)	3,365
6M LIBOR	(5,254)	5,254

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

37. CAPITAL MANAGEMENT

The primary objective to the Group's capital management is to support its business and maximise shareholder value.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions.

The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by total shareholders' equity, and non-controlling interests. There were no changes in the Group's approach to capital management during the year. The Board of Directors also monitors the level of dividends to ordinary shareholders and capital management. Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

In 2022, SABIC had started to disclose the net debt to equity ratio, replacing the liabilities to equity ratio, in order to align with the common practices in the capital markets. The Group believes that this measure provides more useful information to investors to see the economic effect of finance debt, cash and cash equivalents in total and also enables investors to see how significant net debt is relative to total equity.

The Group's net debt to equity ratio at the end of the reporting years is as follows:

	31 December 2023	31 December 2022
Gross debt	33,496,767	34,813,325
Less: Cash and cash equivalents	(32,414,996)	(40,059,331)
Less: Short-term fixed term deposits	(9,842,617)	(8,678,959)
Net debt	(8,760,846)	(13,924,965)
Total equity	195,282,540	217,617,259
Net debt to equity ratio	(4)%	(6)%

37.1 COMPLIANCE WITH COVENANTS

The Group is subject to certain covenants related primarily to its borrowings. Non-compliance with such covenants may result in negative consequences including growth in the cost of borrowings and declaration of default. The Group was in compliance with covenants at 31 December 2023 and 31 December 2022.

38. COMMITMENTS AND CONTINGENCIES

38.1 COMMITMENTS

At 31 December 2023, the Group had commitments of SR 9,238 million (31 December 2022: SR 10,799 million) relating to capital expenditures including Hadeed.

SABIC has an equity contribution commitment towards its 15% interest in MWSPC. As at 31 December 2023, the outstanding commitment toward this investment amounts to SR 74 million (31 December 2022: SR 74 million). Pursuant to the terms of agreements with the other shareholders and external lenders, SABIC has agreed to contribute additional funds to the project, under certain circumstances and to the extent required, in the event of project cost over-runs.

NUSANED has equity contribution commitments towards its 50% interest in NUSANED Fund I and 60% interest in NUSANED Fund II. As of at 31 December 2023, the outstanding commitments toward these investments amounts to SR 13.6 million and SR 446 million respectively (31 December 2022: SR 13.6 million and SR 450 million respectively).

38.2 GUARANTEES

SABIC had issued financial guarantee contracts to make specified payments to reimburse holders for losses incurred due to certain associates and joint ventures failing to make payments when due, in accordance with original or modified terms of the debt instrument, such as a loan agreement.

The Group has provided a financial guarantee on behalf of an associated company, during the year ended 31 December 2023, the associated company defaulted and the Group settled the outstanding obligation of SR 45 million. There were no other events that took place during the years ended 31 December 2023 and 31 December 2022 that have triggered the use of these financial guarantees. There are no outstanding financial guarantees as at 31 December 2023 (31 December 2022: SR 225 million). These amounts together with the associated interest exposure have been included as a part of the liquidity note (refer Note 36.2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

38. COMMITMENTS AND CONTINGENCIES (CONTINUED)

38.3. CONTINGENT LIABILITIES

In the ordinary course of business, SABIC has a number of legal claims. After having obtained appropriate legal advice, management is of the opinion that these claims will not have a significant adverse impact on the financial position of SABIC or its future results, other than those that have been accrued for.

The Group's bankers have issued, on its behalf, bank guarantees amounting to SR 1,263 million (31 December 2022: SR 1,167 million) in the normal course of business, including Hadeed.

38.4 LEASES

The Group is deemed as a lessor in certain supply contracts where the agreements convey the right to use related equipment, mainly gas pipelines and other related accessories. The duration of the lease agreements are between 15 to 20 years which are a significant majority of the useful lives of the related assets. The lessor is responsible for maintenance and insurance of the assets.

Generally, there are minimum payments due from the lessee regardless of potential termination of the agreements. Renewal of lease agreements are possible but are subject to mutual agreement.

Minimum lease payment receivables on leases are as follows:

As at 31 December	2023	2022
Within 1 year	38,177	39,648
1 – 2 years	36,276	38,177
2 – 3 years	35,497	36,276
3 – 4 years	32,894	35,497
4 – 5 years	31,907	32,894
More than 5 years	196,173	228,080
	370,924	410,572

39. APPROPRIATIONS

On 11 Ramadan 1444H (corresponding to 2 April 2023), SABIC distributed cash dividends amounting to SR 6,000 million (at SR 2.00 per share) for the second half of financial year 2022, resulting in a full year cash dividend distribution of SR 12,750 million (at SR 4.25 per share), which was ratified by the General Assembly ("GA") in its meeting held on 4 Dhu Al-Hijjah 1444H (corresponding to 22 June 2023).

On 17 Rabi' al-Awwal 1445H (corresponding to 2 October 2023), SABIC distributed interim cash dividends amounting to SR 5,400 million (at SR 1.80 per share) for the first half of the year 2023.

On 28 Jumada Al-Ula 1445H (corresponding to 12 December 2023), SABIC declared cash interim dividends amounting to SR 4,800 million (at SR 1.60 per share) for the second half of year 2023, which were recorded in these consolidated financial statements.

The total interim dividends for the year 2023 are amounting to SR 10,200 million (at SR 3.40 per share).

Both interim dividends were recorded in these consolidated financial statements. In total, the interim dividends during the year 2023 are translating into a multiple of 7.82 of the net income from continuing operations attributable to equity holders of the Parent.

40. SUBSEQUENT EVENTS

On 9 Rajab 1445H (corresponding to 21 January 2024), SABIC decided to move forward with developing a world scale Petrochemical complex located in Fujian (China) in partnership with 'Fujian Fuhua Gulei Petrochemical Co., Ltd.', the joint venture partner. SABIC will have 51% ownership in the joint venture 'SABIC Fujian Petrochemicals Co., Ltd.' ("FUJIAN"). The estimated cost of the project is approximately USD 6,400 million, and the construction of the project is expected to begin during the first half of the year 2024.

In the opinion of management, there have been no further significant subsequent events, other than those disclosed in these consolidated financial statements, since the year ended 31 December 2023, which would have a material impact on the financial position of the Group as reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

SUBSIDIARIES OF THE GROUP ARE SET OUT BELOW:

	Country of incorporation	Country of operation	Principal business activity (ii)	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct an indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries (i)									
SABIC International Holdings B.V. and its subsidiaries	Netherlands	Netherlands	Petrochemicals	100.00	100.00	37,852,564	61,779	32,241,923	–
SABIC Investment and Local Content Development Company (“NUSANED”) and its subsidiaries	KSA	KSA	Investment	100.00	100.00	379,731	–	–	–
SABIC Industrial Investments Company (“SIIC”) and its subsidiaries	KSA	KSA	Investments	100.00	100.00	300,000	6,813	589,342	–
SABIC Capital B.V. and its subsidiaries	Netherlands	Netherlands	Financing	100.00	100.00	87	–	208,852	–
SABIC Agri-Nutrients Company (“SABIC AN”) and its subsidiaries (iii)	KSA	KSA	Agri-Nutrients	50.10	50.10	4,760,354	–	92,776	907
Arabian Petrochemical Company (“PETROKEMYA”)	KSA	KSA	Petrochemicals	100.00	100.00	1,955,540	–	623,546	344
Saudi Iron and Steel Company (“HADEED”) (iv)	KSA	KSA	Metals	100.00	100.00	1,070,000	–	2,003,867	15,892
SABIC Luxembourg S.à r.l.	Luxembourg	Luxembourg	Petrochemicals	100.00	100.00	34,388	75,080	11,983,979	–
National Global Business Services Company (v)	KSA	KSA	Shared Service	100.00	100.00	100	–	-	–
Saudi European Petrochemical Company (“IBN ZAHR”)	KSA	KSA	Petrochemicals	80.00	80.00	1,025,666	–	135,740	–
Jubail United Petrochemical Company (“UNITED”)	KSA	KSA	Petrochemicals	75.00	75.00	2,495,620	530	104,701	–
Saudi Methanol Company (“AR-RAZI”)	KSA	KSA	Petrochemicals	75.00	75.00	259,000	–	325,427	–
National Industrial Gases Company (“GAS”)	KSA	KSA	Utilities	74.00	74.00	248,000	99,817	114,107	14,381
Yanbu National Petrochemical Company (“YANSAB”) (iii)	KSA	KSA	Petrochemicals	52.08	52.08	5,625,000	–	112,627	46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF THE GROUP ARE SET OUT BELOW (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity (ii)	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries (i)									
National Methanol Company ("IBN-SINA")	KSA	KSA	Petrochemicals	50.00	50.00	558,000	–	90,001	–
Arabian Industrial Fibers Company ("IBN RUSHD")	KSA	KSA	Petrochemicals	48.37	48.37	2,000,000	–	613,050	–
Saudi Kayan Petrochemical Company ("SAUDI KAYAN") (iii)	KSA	KSA	Petrochemicals	35.00	35.00	15,000,000	–	2,676,037	–

Notes:

(i) Critical judgements are considered in determination of the control over entities based on underlying agreements and constitutive documents. (refer Note 3.2.3)

(ii) The principal activities of majority of the Group's subsidiaries are manufacturing, marketing and distribution of petrochemicals, specialties and related products except for SABIC AN, AL BAYRONI and IBN AL-BAYTAR that are involved in agri-nutrients business; and HADEED is involved in metal business.

(iii) YANSAB, SABIC AN, and SAUDI KAYAN are publicly traded companies and listed on the Saudi Exchange (Tadawul).

(iv) On 3 September 2023, the group announced signing an agreement with the Public Investment Fund (PIF) to acquire all SABIC shares in the Saudi Iron and Steel Company (HADEED) (refer Note 34)

(v) National Global Business Services Company has been established in 2023.

SUBSIDIARIES OF SABIC CAPITAL B.V.

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABIC Capital I B.V.	Netherlands	Netherlands	Financing	100.00	100.00	87	443,166	31,573,038	77,574
SABIC Capital II B.V.	Netherlands	Netherlands	Financing	100.00	100.00	87	343,682	4,163,897	28,938

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41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V.

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABIC US Holdings LP	USA	USA	Petrochemicals	100.00	100.00	13,967,985	1,326,292	–	–
SABIC Innovative Plastics US LLC (i)	USA	USA	Petrochemicals	100.00	100.00	9,766,152	295,594	11,314,554	–
SABIC Innovative Plastics Mt. Vernon, LLC	USA	USA	Petrochemicals	100.00	100.00	7,685,716	559,130	24,581	–
SABIC Innovative Plastics Espana ScpA (i)	Spain	Spain	Petrochemicals	100.00	100.00	2,603,643	995,939	1,894,366	–
SABIC UK Petrochemicals Ltd.	UK	UK	Petrochemicals	100.00	100.00	2,576,265	167,801	1,027,653	12
SABIC Innovative Plastics Holding Singapore Pte. Ltd.	Singapore	Singapore	Petrochemicals	100.00	100.00	1,902,551	108,850	–	–
SHPP Singapore Pte. Ltd.	Singapore	Singapore	Specialties	100.00	100.00	1,827,525	592,813	23,109	–
SABIC Tees Holdings Ltd.	UK	UK	Petrochemicals	100.00	100.00	1,245,003	371	1,489,785	–
SABIC Europe B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	747,092	574,210	261,986	–
SABIC Innovative Plastics B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	648,567	6,598	2,992,031	2
SHPP (Shanghai) Co., Ltd.	China	China	Specialties	100.00	100.00	432,713	135,474	7,448	1,298
SABIC Innovative Plastics (China) Co., Ltd.	China	China	Petrochemicals	100.00	100.00	392,226	189,383	10,650	612
Exatec, LLC	USA	USA	Petrochemicals	100.00	100.00	380,614	12,331	–	–
SABIC Innovative Plastics South America – Indústria e Comércio de Plásticos Ltda.	Brazil	Brazil	Petrochemicals	100.00	100.00	318,816	85,017	88,613	5,220
SABIC Innovative Plastics Hong Kong Ltd.	Hong Kong	Hong Kong	Petrochemicals	100.00	100.00	279,709	55,401	–	–
SHPP Japan LLC	Japan	Japan	Specialties	100.00	100.00	276,755	114,831	5,233	–
SABIC Innovative Plastics (SEA) Pte. Ltd.	Singapore	Singapore	Petrochemicals	100.00	100.00	271,032	50,647	164	–
SABIC R&T Pvt Ltd.	India	India	Petrochemicals	100.00	100.00	259,653	85,435	161	–
SABIC Ventures US Holdings LLC	USA	USA	Petrochemicals	100.00	100.00	231,046	127,353	–	3,507
SABIC Belgium NV	Belgium	Belgium	Petrochemicals	100.00	100.00	210,064	–	67,611	–
SHPP Canada, Inc.	Canada	Canada	Specialties	100.00	100.00	209,100	32,857	84	1,419
SABIC Petrochemicals B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	192,086	22,792	3,605,441	2,980
SABIC (China) Research & Development Co. Ltd.	China	China	Petrochemicals	100.00	100.00	170,589	29,958	121	187

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41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABIC Global Ltd.	UK	UK	Petrochemicals	100.00	100.00	166,298	156,946	–	–
SABIC Innovative Plastics GmbH & Co KG (Austria)	Austria	Austria	Petrochemicals	100.00	100.00	164,676	50,484	26,764	–
SABIC Innovative Plastics Chongqing Co., Ltd.	China	China	Petrochemicals	100.00	100.00	112,500	13,894	203,721	189
SABIC Australia Pty Ltd.	Australia	Australia	Petrochemicals	100.00	100.00	110,155	22,951	–	13
SABIC Taiwan Holding Ltd. (Hong Kong)	Hong Kong	Hong Kong	Petrochemicals	100.00	100.00	92,724	40,230	–	–
SABIC Korea Ltd.	Korea	Korea	Petrochemicals	100.00	100.00	86,659	31,448	3,417	75
SHPP Manufacturing UK Ltd	UK	UK	Specialties	100.00	100.00	80,052	18,890	1,703	–
SHPP Thailand Co. Ltd.	Thailand	Thailand	Specialties	100.00	100.00	70,904	49,665	66	5
SABIC Innovative Plastics Italy Srl	Italy	Italy	Petrochemicals	100.00	100.00	69,770	48,937	1,343	–
Scientific Design Co. Inc.	USA	USA	Specialties	100.00	100.00	69,163	1,395	10,424	470
SHPP Korea Ltd.	Korea	Korea	Specialties	100.00	100.00	63,634	27,912	546	383
SABIC US Projects LLC	USA	USA	Petrochemicals	100.00	100.00	56,250	1,210,905	812,520	–
SHPP South America-Comércio de Plásticos Ltda	Brazil	Brazil	Specialties	100.00	100.00	44,317	26,467	84	33
SABIC Innovative Plastics Mexico S de RL de CV	Mexico	Mexico	Petrochemicals	100.00	100.00	36,215	77,726	237,590	4,237
SABIC Innovative Plastics India Private Ltd.	India	India	Petrochemicals	100.00	100.00	34,372	21,642	813	6
SABIC Innovative Plastics Argentina SRL	Argentina	Argentina	Petrochemicals	100.00	100.00	33,460	17,826	–	815
SABIC (Thailand) Co. Ltd.	Thailand	Thailand	Petrochemicals	100.00	100.00	28,785	17,440	1,090	–
SABIC Innovative Plastics SIT Holding Ltd.	Hong Kong	Hong Kong	Petrochemicals	100.00	100.00	27,358	555	–	–
SABIC Innovative Plastics Ltd.	UK	UK	Petrochemicals	100.00	100.00	17,478	30,040	–	–
SABIC (Shanghai) Trading Co. Ltd.	China	China	Petrochemicals	100.00	100.00	16,912	539,856	–	1,253

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41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
High Performance Plastics Manufacturing Mexico S de RL de CV	Mexico	Mexico	Specialties	100.00	100.00	13,839	4,441	604	368
Petrochemical Pipeline Services B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	13,559	13,387	4,900	–
SHPP Hong Kong	Hong Kong	Hong Kong	Specialties	100.00	100.00	12,652	52,966	1,231	–
NV Pijpleiding Antwerpen-Limburg-Luik (PALL)	Belgium	Belgium	Support services	100.00	100.00	12,345	744	–	–
SHPP France S.A.S.	France	France	Specialties	100.00	100.00	9,834	3,063	110	–
SABIC Innovative Plastics Malaysia Sdn Bhd	Malaysia	Malaysia	Petrochemicals	100.00	100.00	8,548	10,341	82	422
SABIC Americas LLC	USA	USA	Petrochemicals, Agri-Nutrients	100.00	100.00	7,000	560,391	32,389	–
JVSS Holding Co Inc.	USA	USA	Specialties	100.00	100.00	6,000	7	–	–
SABIC Innovative Plastics France S.A.S.	France	France	Petrochemicals	100.00	100.00	4,527	78,206	878	–
SABIC Petrochemicals Japan LLC	Japan	Japan	Petrochemicals	100.00	100.00	3,631	19,123	56,644	–
SABIC India Pvt. Ltd.	India	India	Petrochemicals	100.00	100.00	3,346	52,718	1,172	77
SABIC Innovative Plastics Finland OY	Finland	Finland	Petrochemicals	100.00	100.00	3,024	12,184	90	–
SABIC High Performance Plastic (“SHPP”) Argentina SRL	Argentina	Argentina	Specialties	100.00	100.00	3,006	2,396	3	–
SABIC Nordic A/S	Denmark	Denmark	Petrochemicals	100.00	100.00	2,004	15,632	62	–
SABIC France S.A.S.	France	France	Petrochemicals	100.00	100.00	1,898	61,461	1,205	–
SABIC Vietnam Company Ltd.	Vietnam	Vietnam	Petrochemicals	100.00	100.00	1,875	2,858	822	–
SABIC Innovative Plastics Poland Sp. Z o.o.	Poland	Poland	Petrochemicals	100.00	100.00	1,817	38,617	563	–
Saudi Innovative Plastics Sweden AB	Sweden	Sweden	Petrochemicals	100.00	100.00	1,619	11,406	–	–
SABIC Innovative Plastics International Trading (Shanghai) Ltd.	China	China	Petrochemicals	100.00	100.00	1,162	7,600	25,282	195

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41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SHPP Malaysia Sdn Bhd	Malaysia	Malaysia	Specialties	100.00	100.00	904	4,808	–	–
SABIC (China) Holding Co., Ltd	China	China	Petrochemicals	100.00	100.00	750	1,596,035	319,060	2,317
SABIC Italia Srl	Italy	Italy	Petrochemicals	100.00	100.00	514	90,327	3,634	–
SABIC Sales Europe B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	498	857,620	–	–
SABIC Innovative Plastics GmbH	Germany	Germany	Petrochemicals	100.00	100.00	478	226,323	1,155	–
SHPP Vietnam Co Ltd	Vietnam	Vietnam	Specialties	100.00	100.00	375	6,693	131	–
SABIC Marketing Ibérica S.A.	Spain	Spain	Petrochemicals	100.00	100.00	329	73,359	435	–
SABIC Innovative Plastics Holding Germany GmbH	Germany	Germany	Petrochemicals	100.00	100.00	254	–	107,036	89
SABIC Asia Pacific Pte Ltd (“SAPPL”)	Singapore	Singapore	Petrochemicals, Agri-Nutrients	100.00	100.00	226	1,786,249	1,202,802	278
SABIC Innovative Plastics Austria GmbH	Austria	Austria	Petrochemicals	100.00	100.00	178	14,561	–	–
SABIC Polyolefine GmbH	Germany	Germany	Petrochemicals	100.00	100.00	127	461,639	44,911	–
SABIC Deutschland GmbH	Germany	Germany	Petrochemicals	100.00	100.00	125	355,529	2,028	–
SABIC Holding Deutschland GmbH	Germany	Germany	Petrochemicals	100.00	100.00	125	50,872	682,853	342
SHPP Germany GmbH	Germany	Germany	Specialties	100.00	100.00	105	29,457	1,982	–
SABIC Licensing B.V.	Netherlands	Netherlands	License Company	100.00	100.00	99	124,159	–	–
SD Verwaltungs GmbH	Germany	Germany	Administrative Company	100.00	100.00	99	203	–	–
SABIC Ventures B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	98	311,206	–	–
SABIC Innovative Plastics Holding B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	92	378,030	–	–
SABIC Innovative Plastics GP B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	92	31,584	–	–
SABIC Global Technologies B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	92	513,376	446	–
SABIC Mining B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	91	185,997	–	–

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41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABIC Limburg B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	90	20,500	–	–
SABIC Greece M.E.P.E.	Greece	Greece	Petrochemicals	100.00	100.00	90	4,657	–	–
SABIC Innovative Plastics Denmark Aps	Denmark	Denmark	Petrochemicals	100.00	100.00	69	37,793	–	–
SABIC Innovative Plastics Kereskedelmi Kft.	Hungary	Hungary	Petrochemicals	100.00	100.00	66	23,622	–	–
SABIC Poland Sp. Z o.o.	Poland	Poland	Petrochemicals	100.00	100.00	63	13,462	1,337	–
SABIC Hungary Kft.	Hungary	Hungary	Petrochemicals	100.00	100.00	54	4,255	94	1
SHPP Italy Srl	Italy	Italy	Specialties	100.00	100.00	44	14,214	168	–
SHPP Sales Italy Srl	Italy	Italy	Specialties	100.00	100.00	44	–	4,821	–
SABIC Sales Italy Srl	Italy	Italy	Petrochemicals	100.00	100.00	41	10,253	657	–
SHPP Hungary Kft.	Hungary	Hungary	Specialties	100.00	100.00	37	1,154	–	–
SABIC Innovative Plastics Czech s.r.o.	Czech Republic	Czech Republic	Petrochemicals	100.00	100.00	37	8,594	208	–
SHPP Petrokimya Ticaret Ltd Sirketi	Turkey	Turkey	Specialties	100.00	100.00	34	873	–	–
BV Snij-Unie HiFi	Netherlands	Netherlands	Petrochemicals	100.00	100.00	23	26,371	429	–
High Performance Plastics India Pvt Ltd.	India	India	Specialties	100.00	100.00	19	28,794	29,126	–
SHPP Manufacturing Spain SL	Spain	Spain	Specialties	100.00	100.00	13	149	74	–
SHPP Marketing Plastics SL	Spain	Spain	Specialties	100.00	100.00	13	7,507	212	–
SABIC Sales Spain SL	Spain	Spain	Petrochemicals	100.00	100.00	12	13,890	343	–
SHPP Finland OY	Finland	Finland	Specialties	100.00	100.00	11	2,050	66	–
SHPP Poland Sp. Z o.o.	Poland	Poland	Specialties	100.00	100.00	5	801	236	–
SHPP Holding B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	2	–	52,137	–
SHPP Czech s.r.o.	Czech Republic	Czech Republic	Specialties	100.00	100.00	2	914	209	–
SABIC Innovative Plastics Rus Z.o.o	Russia	Russia	Petrochemicals	100.00	100.00	1	3,876	372	–
SHPP Capital B.V.	Netherlands	Netherlands	Financing	100.00	100.00	1	3,381	–	–

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41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
LLC SABIC Eastern Europe	Russia	Russia	Petrochemicals	100.00	100.00	1	6,432	117	–
SHPP Russia OOO	Russia	Russia	Specialties	100.00	100.00	1	20	60	–
SHPP Sales B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	1	5,421	–	–
SHPP Sales UK Ltd.	UK	UK	Specialties	100.00	100.00	1	902	–	–
SHPP Ventures B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	1	200	–	–
SHPP B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	1	1,084	523,592	–
SHPP Global Technologies B.V.	Netherlands	Netherlands	Specialties	100.00	100.00	1	7,051	–	–
SHPP Capital I B.V.	Netherlands	Netherlands	Financing	100.00	100.00	1	245,096	254,661	28,610
SHPP Capital II B.V.	Netherlands	Netherlands	Financing	100.00	100.00	1	119,584	125,725	9,064
SHPP US LLC	USA	USA	Specialties	100.00	100.00	1	119,795	481,597	–
SABIC Petrochemicals Canada, Inc.	Canada	Canada	Petrochemicals	100.00	100.00	1	47,015	40	977
SABIC Innovative Plastics Utilities B.V.	Netherlands	Netherlands	Petrochemicals	100.00	100.00	1	4,869	–	–
SABIC UK Ltd.	UK	UK	Petrochemicals	100.00	100.00	1	125,083	355	–
SABIC US Methanol LLC	USA	USA	Petrochemicals	100.00	100.00	1	1,052	–	–
SABIC UK Pension Trustee Ltd.	UK	UK	Petrochemicals	100.00	100.00	1	-	–	–
SABIC Petrochemicals Holding US, LLC	USA	USA	Petrochemicals	100.00	100.00	1	100,832	7	–
SABIC Canada, Inc. (ii)	Canada	Canada	Petrochemicals	100.00	–	1	–	–	–
F&S Holding BV	Netherlands	Netherlands	Petrochemicals	100.00	–	1	–	–	–
F&S BV	Netherlands	Netherlands	Petrochemicals	100.00	–	1	–	–	–
F&S Capital I BV	Netherlands	Netherlands	Petrochemicals	100.00	–	1	–	1	–
Forms & Sheets Spain, S.L.	Spain	Spain	Petrochemicals	100.00	–	12	12	–	–
F&S France SAS	France	France	Petrochemicals	100.00	–	1	–	–	–
F&S Germany GmbH	Germany	Germany	Petrochemicals	100.00	–	103	102	–	–

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41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SABIC INTERNATIONAL HOLDINGS B.V. (CONTINUED)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
F&S US LLC	USA	USA	Petrochemicals	100.00	–	1	–	1	–
Films & Sheets South America Ltda.	Brazil	Brazil	Petrochemicals	100.00	–	3,631	77	–	–
F&S Japan LLC	Japan	Japan	Petrochemicals	100.00	–	1	–	–	–
F&S (SEA) Singapore Sales Pte Ltd	Singapore	Singapore	Petrochemicals	100.00	–	1	–	–	–
F&S Sales India Private Limited	India	India	Petrochemicals	100.00	–	5	1	–	–
F&S Malaysia Sdn. Bhd.	Malaysia	Malaysia	Petrochemicals	100.00	–	1	–	–	–
Films & Sheets Korea Ltd.	Korea	Korea	Petrochemicals	100.00	–	290	–	–	–
Film & Sheets Hong Kong Co. Ltd.	Hong Kong	Hong Kong	Petrochemicals	100.00	–	64	1	–	–
F&S China Co. Ltd.	China	China	Petrochemicals	100.00	–	48,750	364	–	–
SD Lizenzverwertungs GmbH & Co KG (iii)	Germany	Germany	License Company	100.00	100.00	–	–	–	–
SD Beteiligungs GmbH & Co KG (iii)	Germany	Germany	Specialties	100.00	100.00	–	–	–	–
SABIC Innovative Plastics GP BV, Sociedad en Comandita (i)	Spain	Spain	Petrochemicals	–	100.00	–	–	–	–
Mt. Vernon Phenol Plant Partnership (iv)	USA	USA	Petrochemicals	–	100.00	–	–	–	–
SABIC Innovative Plastics Management (Shanghai) Co., Ltd. (iv)	China	China	Petrochemicals	–	100.00	–	–	–	–
SABIC Americas Growth LLC (i)	USA	USA	Petrochemicals	–	100.00	–	–	–	–
SHPP Slovakia s.r.o. (iv)	Slovakia	Slovakia	Specialties	–	100.00	–	–	–	–

Notes:

(i) SABIC Innovative Plastics GP BV S.Com merged into SABIC Innovative Plastics Espana ScpA and SABIC Americas Growth LLC merged into SABIC Innovative Plastics US LLC.

(ii) SABIC Canada Inc. has been established in 2023.

(iii) SD Lizenzverwertungs GmbH & Co KG and SD Beteiligungs GmbH & Co KG are under liquidation.

(iv) Mt Vernon Phenol Plant Partnership, SABIC Innovative Plastics Management (Shanghai) Co., Ltd. and SHPP Slovakia s.r.o were liquidated during 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES OF SIIC

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
SABCAP Insurance Limited	Guernsey	Guernsey	Insurance	100.00	100.00	187,500	235,226	–	–
SABIC Petrokemya Ticaret Limited	Turkey	Turkey	Petrochemicals	100.00	100.00	931	–	–	–
SABIC Pakistan (Pvt.) Ltd.	Pakistan	Pakistan	Petrochemicals	100.00	100.00	907	–	523	2,829
SABIC Kenya	Kenya	Kenya	Petrochemicals	100.00	100.00	883	–	1,255	24
SABIC Tunisia	Tunisia	Tunisia	Petrochemicals	100.00	100.00	763	1	–	74
SABIC Morocco	Morocco	Morocco	Petrochemicals	100.00	100.00	437	–	–	–
SABIC Africa for Trade & Marketing ("S.A.E.") (i)	Egypt	Egypt	Petrochemicals	100.00	100.00	114	–	–	–
SABIC Middle East Offshore Company ("SABIC MIDDLE EAST") (i)	Lebanon	Lebanon	Petrochemicals	100.00	100.00	75	4	–	–
SABIC Middle East Business Management LLC	Jordan	Jordon	Petrochemicals	100.00	100.00	74	2	878	–
SABIC Global Mobility ("GMC LLC") (i)	UAE	UAE	Personnel and other support services	100.00	100.00	51	–	–	–
SABIC Global Mobility Company FZ LLC ("GMC")	UAE	UAE	Personnel and other support services	100.00	100.00	–	–	–	–
SABIC South Africa Proprietary Ltd.	South Africa	South Africa	Petrochemicals	100.00	100.00	–	4	4,520	11
SABIC East Africa for Trade and Marketing LLC	Egypt	Egypt	Petrochemicals	99.99	99.99	47	–	4,042	–
International Shipping and Transportation Co. ("ISTC")	KSA	KSA	Supply chain	99.00	99.00	40,000	–	336,345	–
SABIC Supply Chain Services Limited Company ("SSCS")	KSA	KSA	Supply chain	99.00	99.00	500	–	171,203	–
SABIC Terminal Services ("SABTANK")	KSA	KSA	Supply chain	90.00	90.00	30,000	5	10,783	–
Jubail Chemical Storage and Services Company ("CHEMTANK")	KSA	KSA	Supply chain	58.00	58.00	582,813	–	59,079	–

Notes:

(i) SABIC MIDDLE EAST, S.A.E. and GMC LLC are under liquidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS OF SABIC AN (I)

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Subsidiaries									
Al-Jubail Fertiliser Company ("AL BAYRONI")	KSA	KSA	Agri-Nutrients	50.00	50.00	671,500	–	54,279	–
National Chemical Fertiliser Company ("IBN AL-BAYTAR")	KSA	KSA	Agri-Nutrients	100.00	100.00	494,700	–	64,973	–
SABIC Agri-Nutrients Investment Company ("SANIC")	KSA	KSA	Agri-Nutrients	100.00	100.00	25	–	–	–
Associates									
Gulf Petrochemical Industries Company ("GPIC")	Bahrain	Bahrain	Agri-Nutrients, Petrochemicals	33.33	33.33	600,000	–	–	–
Joint Ventures									
ETG Inputs Holdco Limited ("EIHL") (Refer note 10.2)	UAE	UAE	Agri-Nutrients	49.00	–	229	–	–	–

Note:

(i) SABIC AN owns 100% (direct and indirect) in SANIC and IBN AL-BAYTAR, 50% in AL-BAYRONI, 33.33% in GPIC and 49% in EIHL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES OF NUSANED

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Joint ventures (i)									
Advanced Energy Storage System Investment Company ("AESSIC") (ii)	KSA	KSA	Renewable Energy	48.72	48.72	–	–	–	–
Saudi Pallet Manufacturing Company ("SPMC") (iii)	KSA	KSA	Logistic	38.00	30.50	61,273	–	169,988	–
Isotopes Company ("IHC")	KSA	KSA	Machinery Equipment	13.44	13.44	23,354	–	1,700	–
Associates (i)									
Nusaned Fund I	KSA	KSA	Equity Investments	50.00	50.00	32,449	69,180	4,282	–
Nusaned Fund II	KSA	KSA	Equity Investments	60.00	60.00	3,872	2,984	217	–

Notes:

(i) Critical judgements are considered in determination of the classification of these investments as associates and joint ventures based on underlying agreements and constitutive documents. (refer Note 3.2.3)

(ii) AESSIC is a Limited Liability Company, and it was wholly owned by NUSANED located in Germany and is under liquidation.

(iii) Nusaned Investment owns SPMC 26% (direct) and through Nusaned Fund I 24% (indirect).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

GROUP'S INVESTMENTS IN ASSOCIATES:

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect) at 31 December 2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Associates (i)									
Clariant AG ("CLARIANT")	Switzerland	Switzerland	Specialty chemical	31.50	31.50	3,226,383	1,377,242	12,054,373	57,932
Ma'aden Phosphate Company ("MPC")	KSA	KSA	Agri-Nutrients	30.00	30.00	6,208,480	3,223,583	–	134,749
Bahrain Aluminium Company BSC ("ALBA")	Bahrain	Bahrain	Aluminium	20.62	20.62	1,412,900	–	6,808,238	–
Power and Water Utilities Company for Jubail and Yanbu ("MARAFIQ")	KSA	KSA	Utilities	17.50	17.50	11,500,000	–	–	–
Ma'aden Wa'ad Al Shamal Phosphate Company ("MWSPC")	KSA	KSA	Agri-Nutrients	15.00	15.00	7,942,502	1,825,248	7,156,184	162,439
National Chemical Carrier Company ("NCC")	KSA	KSA	Transportation	20.00	20.00	610,000	–	–	–
Saudi Arabian Industrial Investment Company ("DUSSUR")	KSA	KSA	Investments	25.00	25.00	3,850,000	–	–	2,863
ARG mbH & Co KG ("ARG") (ii)	Germany	Germany	Transportation	25.00	25.00	25,770	16,213	76,470	526
ARG Verwaltungs GmbH (ii)	Germany	Germany	Administrative company	25.00	25.00	74	857	–	2
German Pipeline Development Company GMBH ("GPDC")	Germany	Germany	Transportation	39.00	39.00	103	172	1	–
Mallinda, Inc. ("MALLINDA")	USA	USA	Ventures	26.20	26.20	–	–	–	–
Gulf Aluminium Rolling Mill Company ("GARMCO") (iii)	Bahrain	Bahrain	Aluminium	14.90	30.40	551,823	490,807	765,013	4,249

Notes:

(i) Critical judgements are considered in determination of the classification of these investments as associates based on underlying agreements and constitutive documents. (refer Note 3.2.3)

(ii) ARG includes ARG Verwaltungs GmbH which is administrative and non-operating company based in Germany.

(iii) Investment in Gulf Aluminium Rolling Mill Company ("GARMCO") has been reduced from 30.4% to 14.9% during 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

All amounts in thousands of Saudi Riyals unless otherwise stated.

41. SUBSIDIARIES AND INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

GROUP'S INVESTMENTS IN JOINT ARRANGEMENTS:

	Country of incorporation	Country of operation	Principal business activity	% Shareholding (direct and indirect at 31 December2023	% Shareholding (direct and indirect) at 31 December 2022	Share capital at 31 December 2023	Conventional financial assets at 31 December 2023	Conventional financial liabilities at 31 December 2023	Interest income from conventional financial assets for the year ended 31 December 2023
Joint ventures (i)									
Eastern Petrochemical Company ("SHARQ")	KSA	KSA	Petrochemicals	50.00	50.00	1,890,000	46	348,144	1,335
Saudi Yanbu Petrochemical Company ("YANPET")	KSA	KSA	Petrochemicals	50.00	50.00	4,596,000	90	216,979	27,154
Al-Jubail Petrochemical Company ("KEMYA")	KSA	KSA	Petrochemicals	50.00	50.00	2,149,200	–	169,040	12,620
SINOPEC/SABIC Tianjin Petrochemical Company Limited ("SSTPC")	China	China	Petrochemicals	50.00	50.00	5,558,039	1,571,009	3,620,169	59,619
SABIC SK Nexlene Company Pte. Ltd. ("SSNC")	Singapore	Singapore	Petrochemicals	50.00	50.00	1,125,038	482,171	937,505	12,225
Cosmar Company ("COSMAR")	USA	USA	Petrochemicals	50.00	50.00				
Utility Support Group ("USG") B.V. (ii)	Netherlands	Netherlands	Utilities	50.00	50.00	384,881	870,732	1,332,734	1,535
SABIC Plastic Energy Advanced Recycling BV ("SPEAR") (iii)	Netherlands	Netherlands	Petrochemicals	50.00	50.00	206,925	11,344	172,191	–
Mauritania Saudi Mining & Steel Company S.A. ("TAKAMUL") (iv)	Mauritania	Mauritania	Mining (Metal)	45.00	45.00	–	–	–	–
SABIC Fujian Petrochemicals Co., Ltd. ("FUJIAN")	China	China	Petrochemicals	51.00	51.00	967,235	260,723	5,925	6,676
Joint operations (v)									
Saudi Methacrylates Company ("SAMAC") (vi)	KSA	KSA	Petrochemicals	50.00	50.00	1,350,000	–	976,759	38
Gulf Coast Growth Venture LLC ("GCGV") (vii)	USA	USA	Petrochemicals	50.00	50.00	24,701,497	1,802,695	1,625,041	–
Saudi Acrylic Butanol Company ("SABUCO") (viii)	KSA	KSA	Petrochemicals	11.67	11.67	–	–	–	–
Geismar (ix)	USA	USA	Petrochemicals	11.50	11.50	–	–	–	–

Notes:

(i) Critical judgements are considered in determination of the classification of these investments as joint ventures based on underlying agreements and constitutive documents. (refer Note 3.2.3).

(ii) USG (Geleen, Netherlands), which is operated jointly with other stakeholders to produce utilities for a production site. USG has been reclassified from join operations to joint venture in 2021.

(iii) SPEAR is a joint venture and engaged in plastic recycling, located in Sittard-Geleen, Netherlands.

(iv) On September 3, 2023, the group announced signing an agreement with the Public Investment Fund (PIF) to acquire all SABIC shares in the Saudi Iron and Steel Company (HADEED). As a result, investment in Takamul, has been reclassified to assets held for sale (refer Note 34).

(v) The Group holds a joint control in each of these joint operations with the respective partners. The partners ensure the ongoing financing of the companies, either by the product and utility directly sold to the partners or sharing the costs. Refer Note 6.2 which explains the classification of these investments as joint operations based on underlying agreements and constitutive document.

(vi) SAMAC is a Limited Liability Company, registered in KSA and involved in production and selling of Methyl Methacrylate ("MMA") and Poly Methyl Methacrylate ("PMMA").

(vii) Gulf Coast Growth Venture LLC ("GCGV") is a joint venture established with Exxon Mobil (a foreign partner) for the production of petrochemicals products.

(viii) SABUCO, a Saudi based mixed limited liability company, having principal activities comprise of Butanol plant in Jubail for production of N-Butanol and Iso-Butanol. SABUCO is owned 33.33% by SAUDI KAYAN and SABIC share is 11.67%. During the year 2021, this been classified as a joint operation based on reassessment of its control over this investment.

(ix) Geismar, Louisiana, USA, is a cooperation with NOVA Chemicals to produce ethylene. The Group holds 11.5% share in this joint operation and controls it jointly with the partner.

NON-FINANCIAL STATEMENTS

SUSTAINABILITY PERFORMANCE SUMMARY

✓ Indicators with this icon underwent limited assurance for the fiscal year 2023

○ Indicators with this icon exclude Hadeed data from 2018 to 2023.

All other indicators, unless otherwise noted, include Hadeed data from 2018 to 2023 (with the 2023 value for Hadeed provided in parenthesis where available).

Most material key performance indicators	Unit	2023	2022	2021	2020	2019	2018
Resource efficiency							
✓ Energy intensity	GJ/t product sales	16.1	16.2	16.6	17.0	17.2	17.9
✓ Water intensity	m^3/t product sales	2.6	2.6	2.7	2.7	2.7	2.8
✓ Material-loss	t/t product sales	0.059	0.061	0.063	0.063	0.069	0.068
✓ Flaring reduction since 2010	%	37%	56%	52%	56%	47%	42%
✓ CO_2 utilization	Mn. t	3.8	3.8	3.6	3.7	3.6	4.0
Air emissions							
✓ NOx	t	21,567	23,929				
✓ SOx	t	2,933	3,071				
Waste management							
✓ Hazardous waste generated	t	484,585					
○ Hazardous waste diverted from disposal	t	348,774					
○ Hazardous waste directed to disposal	t	135,811					
✓ Non-hazardous waste generated	t	139,655					
○ Non-hazardous waste diverted from disposal	t	46,505					
○ Non-hazardous waste directed to disposal	t	93,155					

SUSTAINABILITY PERFORMANCE SUMMARY (CONTINUED)

✓ Indicators with this icon underwent limited assurance for the fiscal year 2023

◯ Indicators with this icon exclude Hadeed data from 2018 to 2023.

All other indicators, unless otherwise noted, include Hadeed data from 2018 to 2023 (with the 2023 value for Hadeed provided in parenthesis where available).

	Most material key performance indicators	Unit	2023	2022	2021	2020	2019	2018
Climate								
✓◯	Absolute GHG emissions (total Scopes 1 and 2)	Mn. tCO_2e	43.6	45.2	44.6	48.1	48.2	49.8
✓◯	GHG emission intensity	tCO_2e/t product sales	1.02	1.03	1.08	1.12	1.14	1.19
✓◯	Scope 3 emissions	Mn. tCO_2e	30.12					
Innovation and sustainability solutions								
n/a	TRUCIRCLE™ sales	t product sales	18,000					
	Portfolio sustainability assessment coverage	% of total SABIC corporate revenue	63 (A++: 11%, A+: 3%, B: 71%, C: 5%, and C- 10%)	48				
	Total SABIC patent portfolio (Hadeed)	#	11,070 (73)	9,948 (72)	10,090 (73)	9,946 (54)	12,540 (79)	11,738 (66)
Governance and integrity*								
✓	Compliance concerns raised	#	147	136	99	90	157	152
✓	Investigations closed	#	114	113	89	69	135	119
✓	Violations found (addressed)	#	51	42	41	30	41	42
✓	Training completion	%	96	99	99	99	99	99

2023 numbers exclude Hadeed.

SUSTAINABILITY PERFORMANCE SUMMARY (CONTINUED)

✓ Indicators with this icon underwent limited assurance for the fiscal year 2023

○ Indicators with this icon exclude Hadeed data from 2018 to 2023.

All other indicators, unless otherwise noted, include Hadeed data from 2018 to 2023 (with the 2023 value for Hadeed provided in parenthesis where available).

Most material key performance indicators	Unit	2023	2022	2021	2020	2019	2018
Environment, health, safety, and security							
✓ Total recordable incident rate	Incidents/200,000 hours worked	0.10	0.10	0.11	0.10	0.14	0.14
✓ Occupational illness rate	Incidents/200,000 hours worked	0.001	0.002	0.002	0.003	0.008	0.003
✓ Fatalities	#	1	0	0	3	0	0
✓ Fatalities rate	Fatalities/200,000 hours worked	0.001	0.000	0.000	0.003	0.000	0.000
✓ API 754 PSE Tier 1 incidents	#	11	11	15	10	25	7
Human capital development							
Women in the workplace	% of workforce	7.9% (8.8% with the exclusion of Hadeed's total workforce)	7.7	7.4	7.4	7.5	7.3
Social impacts							
○ Community giving	Mn. US$	12.8	28.9	33.6	39.3	15.6	36.7
Supply chain							
Safety and quality assessment system – liquids*	% of suppliers	100	94	81	100	100	100
Safety and quality assessment system – solids*	% of suppliers	97	87	85	98	93	91
Total suppliers through SLM	#	33,591	32,254	30,355	28,563	27,318	
Suppliers assessed through TfS-EcoVadis	#	167					
Suppliers audited through TUV	#	165					
Suppliers qualified through TUV	#	115					

**SQAS data covers Polymers and Chemicals only*

Reporting Boundaries

INDEPENDENT LIMITED ASSURANCE REPORT

KPMG Professional Services
Roshn Front, Airport Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

INDEPENDENT LIMITED ASSURANCE REPORT TO SAUDI BASIC INDUSTRIES CORPORATION ON SELECTED QUANTITATIVE INDICATORS DISCLOSED IN SABIC'S INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

TO THE MANAGEMENT OF THE SAUDI BASIC INDUSTRIES CORPORATION ("SABIC")

We have been engaged by the management of the Saudi Basic Industries Corporation ("the Company", "SABIC") to carry out a limited assurance engagement in order to state whether anything has come to our attention that causes us to believe that the subject matter information detailed below ("Subject Matter"), has not been prepared, in all material respects, in accordance with the applicable criteria ("Applicable Criteria") as set out below.

SUBJECT MATTER

The Subject Matter for our limited assurance engagement were the selected quantitative indicators ("the Indicators") as detailed in Annexure 1(a) of this report, as detailed in SABIC's 2023 Integrated Report for the year ended 31 December 2023 ("the Report"), as prepared and presented by the management of the Company.

The Indicators are aggregated based on the reporting boundaries developed by the Company which are detailed in Annexure 1(b) of this report.

APPLICABLE CRITERIA

The Applicable Criteria for this limited assurance engagement is SABIC's internally developed criteria, the details of which are mentioned in Annexure 2 of this report and extracts of which are relevant to the measurement of the Subject Matter information are detailed in the *Sustainability KPI Standards and Methodologies* section provided on page 335 to 337 of the Report.

SAUDI BASIC INDUSTRIES CORPORATION'S RESPONSIBILITY

The management of the Company is responsible for preparing and presenting the Subject Matter information that is free from material misstatement in accordance with the Applicable Criteria and for the information contained therein.

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of the Subject Matter information that is free from material misstatement, whether due to fraud or error. It also includes developing the Applicable Criteria as the criteria to evaluate the Subject Matter information.

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with the laws and regulations applicable to its activities. The management of the Company is responsible for ensuring that staff involved with the preparation of the Subject Matter information are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

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OUR RESPONSIBILITY

Our responsibility is to examine the Subject Matter information prepared by the Company and to report thereon in the form of an independent limited assurance conclusion based on the procedures we have performed and the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements ("ISAE") 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance Engagements On Greenhouse Gas Statements* as endorsed in the Kingdom of Saudi Arabia and the terms and conditions for this engagement as agreed with the Company's management. ISAE 3000 (Revised) and ISAE 3410 require that we plan and perform the engagement to obtain limited assurance about whether the Subject Matter information has been properly prepared, in all material respects, in accordance with the Applicable Criteria.

Our firm applies the International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Subject Matter and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the Subject Matter information and other engagement circumstances, we have considered the process used to prepare the Subject Matter information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the preparation and presentation of the Subject Matter information. A limited assurance engagement in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the risks of material misstatement of the Subject Matter information, whether due to fraud or error, responding to the assessed risks as necessary in the circumstances of the engagement and evaluating the overall presentation of the Subject Matter information.

Our engagement also included: assessing the appropriateness of the Subject Matter, the suitability of the criteria used by the Company in preparing the Subject Matter information in the circumstances of the engagement, evaluating the appropriateness of the procedures used in the preparation of the Subject Matter information and the reasonableness of estimates made by the Company, where applicable.

Limited assurance is less than absolute assurance and reasonable assurance. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Subject Matter information nor of the underlying records or other sources from which the Subject Matter information was extracted.

PROCEDURES PERFORMED

Our limited assurance engagement on the Subject Matter information consisted of making enquiries, primarily of persons responsible for the preparation of the Subject Matter information, and applying analytical and other procedures, as appropriate. These procedures were based on our professional judgement and included the following, amongst others, for the year ended 31 December 2023:

- Obtaining an understanding of the collection, compilation and reporting processes for SABIC, including obtaining an understanding of internal controls, systems and processes relevant to the preparation of the Subject Matter;
- Interviewing management and other relevant staff/ personnel at corporate and site level responsible for data collection, data management, and data analysis pertaining to the Indicators in scope;
- Reviewing management documentation and Company data reporting tools to the extent they underpin the preparation of the Subject Matter;
- Assessing the appropriateness of the conversion and or emission factors applied by the Company in arriving at Indicator's quantitative data in accordance with the assigned unit of reporting, where applicable;

KPMG

- Obtaining inventory data for each selected Indicator, at aggregated corporate level and selected site level, as per the reporting boundary developed by management and agreeing the data with the information detailed in the Subject matter;
- Obtaining inventory breakdown data for each selected Indicator, at site level, as per the reporting boundary developed by management.
- Selecting a sample of sites, and performing the following for each selected site in relation to the Indicators:
  - Agreeing the site level Indicator's information to consolidated data inventory;
  - Obtaining supporting evidence, source information, or underlying records for selected data points to evaluate site level information;
  - Checking aggregation of quantitative data for the Indicators to include all sites in the reporting boundaries set by the management; and
  - Performing recalculation, where applicable, of the Indicator data of the relevant selected sites based on site level data obtained from system outputs, reports and other relevant records;
- For the Indicators tested at corporate level, selected samples based on corporate data inventory and agreed the same with supporting evidence, source information, or underlying records;
- Performing an analytical review of the Indicator data and trends; and
- Reviewing the consistency of the Subject Matter information in relation to the wider Report, including review of qualitative narratives that support the Subject Matter information.

CHARACTERISTICS AND LIMITATIONS

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Subject Matter may occur and not be detected. The assurance relies on documentation furnished by the Company and interactions with relevant personnel within the Company to validate the Subject Matter information. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation of the Subject Matter information as the procedures performed were undertaken on a test basis.

Our engagement was not designed to test, verify or audit the completeness and accuracy of system outputs from the Company.

Furthermore, for the purpose of this limited assurance engagement, we have not performed any procedures around:

- Checking of the disclosure of the Indicators in reference to any framework or guidance other than what is entailed in the Applicable Criteria, such as for example, Global Reporting Initiative (“GRI”) standards, Integrated Reporting Framework, GHG protocols etc.
- Assessing compliance of any other indicators or related information, either qualitative or quantitative, which is not part of the Indicators selected for this engagement, featuring in the Report with the disclosure requirements of applicable internal or external standards.
- Assessment of accuracy and completeness of the reporting boundaries determined by the management for the purposes of the Report;
- Audit, review or verification of the Subject Matter information nor of the underlying records or other sources from which the Subject Matter information was extracted;
- Assessing the appropriateness of the materiality approach applied by management in preparation of the Report and selection of the material sustainability related indicators that were subject to limited assurance;
- Testing effectiveness of and detecting any weaknesses in the internal controls over the preparation of the Subject Matter information as the procedures performed were undertaken on a test basis;
- Testing, verifying or auditing the completeness and accuracy of system outputs and other data collecting systems used for the compilation of the Subject Matter information;
- Assessing the completeness and reasonableness of the methods, data and assumptions applied by the management for the purpose of estimating Greenhouse Gas Scope 3 emissions, including evaluating management's judgement in terms of inclusion/exclusion of relevant categories; and
- Assessing management’s judgment in relation to the categorization and subsequent resolution of the compliance concerns reported under the Ethics and Integrity topic, as our procedures were limited to the quantitative absolute figures of such compliance concerns.

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LIMITED ASSURANCE CONCLUSION

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter information is not prepared, in all material respects, in accordance with the Applicable Criteria.

RESTRICTION OF USE OF OUR REPORT

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company, for any purpose or in any context. Any party other than the Company who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to the Company on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

KPMG Professional Services

Fahad Mubark Aldossari

License no: 469

Riyadh, _

Corresponding to: _

ANNEXURE 1

(a) Details of the selected quantitative indicators ("the Indicators") comprising of the Subject Matter:

Indicator description	Location of disclosure (page)
Environment	
1. Greenhouse gas (GHG) (Scope 1 & 2) emission & GHG intensity	326
2. GHG Scope 3 emissions	326
3. Energy consumption and energy intensity	325
4. Water usage & water intensity	325
5. Material loss & material loss intensity	325
6. Flaring reduction since 2010	325
7. CO_2 utilization	325
Ethics and integrity	
8. Compliance concerns raised	326
9. Incidents closed	326
10. Violations found and addressed	326
11. Code of ethics training completion	326
Environmental, Health, Safety and Security (EHSS)	
12. Total recordable incidents rate	327
13. Occupational illness and occupational illness rate category	327
14. Fatalities and fatalities rate	327
15. API 754 Tier 1 incidents	327
16. SOx & NOx emission to air	325
17. Hazardous and non-hazardous waste	325

*The assurance report, issued and signed on March 28, 2024, can be found on www.sabic.com.

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(b) Details of reporting boundaries established for the aggregation of the Subject Matter information:

Indicator description	Reporting boundaries
Environment	
1. GHG (Scope 1 & 2) emissions & GHG intensity 2. GHG Scope 3 emissions 3. Energy consumption and energy intensity 4. Water usage and water intensity 5. Material loss and material loss intensity 6. Flaring reduction since 2010 7. CO2 Utilization	Reporting boundaries comprise of: • 100% of the sustainability footprint of financially consolidated entities. • 100% of the sustainability footprint of integral joint ventures (these include: Kemya, Sharq, and Yanpet). • The sustainability footprint for joint operations entities is considered based on equity share (these include: SAMAC and GCGV) • 0% of sustainability footprint is considered for all non-controlled investments. • Sustainability footprint of SABIC Iron and Steel Company ("Hadeed") is not included.
Ethics and integrity:	
8. Compliance concerns raised 9. Incidents closed 10. Violations found and addressed 11. Code of ethics training completion	Reporting boundaries are similar to environment related indicators as mentioned above, with following exceptions: • SAMAC is included 100% • GCGV is not included as data is not available
Environmental, Health, Safety and Security:	
12. Total recordable incidents rate 13. Occupational illness and occupational illness rate 14. Fatalities and fatalities rate 15. API 754 Tier 1 incidents 16. Sox & NOx emissions to air 17. Hazardous and non-hazardous waste	Reporting boundaries are same as for the Environment related Indicators as mentioned above, with the following exceptions: • GCGV not included • SAMAC is included 100% • Mega projects are included • T&I centers are included

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ANNEXURE 2

Applicable requirements of SABIC's internal reporting framework, as applicable to the respective Indicator in scope, comprising of the Applicable Criteria

Indicator	Framework document detailing Applicable Criteria	Relevant section of the framework document which was referred to as Applicable Criteria
GHG (Scope 1 & 2) emissions & GHG intensity	SABIC manufacturing footprint development standards	Section 3 GHG accounting principles and 4 GHG emission sources
GHG Scope 3 emissions	Procedure for Scope 3 accounting and reporting	Section 0 to 16, except for 0.1, 0.2a,0.2e, 0.3, 0.6.
Energy consumption & energy intensity	SABIC manufacturing footprint development standards	Section 5 Energy Accounting
Water usage & water intensity	SABIC manufacturing footprint development standards	Section 6 Water Accounting
Material Loss & material loss intensity	SABIC manufacturing footprint development standards	Section 7 Material Loss Accounting
Flaring reduction since 2010	CSD 02-02 Flaring reduction metric protocol	Section 3,4 and 5
CO_2 utilization	CSD 02-03 CO_2 utilization metric.	Section 3,4 and 5
Renewable energy	Renewable energy protocol	Section 3,4 and 5
Compliance concerns raised	Code of ethics	FAQ 2 '' What happens when a compliance concern is raised"
Incidents closed	Code of ethics	FAQ 2 '' What happens when a compliance concern is raised"
Violations founds (addressed)	Code of ethics	FAQ 2 '' What happens when a compliance concern is raised"
Code of ethics training completion	Code of ethics	Clause IV of ''Read and understand the Code of ethics"
Fatalities and fatalities Rate	Operation Management System SHEM 10 EHSS incident reporting, classification Investigation and analysis	Indicator definition as mentioned in "EHSS master glossary sheet" – "Fatality" Formula used for computation of indicator as defined in "EHSS master glossary sheet": **(Number of fatality incidents x 200,000)/(Company Employees and Outsourced contractors Man-hours worked)**
API 754 (Tier 1 incidents)	Operation Management System SHEM 10 EHSS incident reporting, classification Investigation and analysis	Definition of classification based SHEM 10 Attachment 1: *Mandatory – EHSS Incident Severity Determination Matrix and relevant clauses of API 754 "process safety"* Formula is not applicable since an absolute indicator

Indicator	Framework document detailing Applicable Criteria	Relevant section of the framework document which was referred to as Applicable Criteria
Hazardous and non-hazardous waste	CSD-02-04: Absolute Hazardous and Non-Hazardous Wastes Reduction Metric Protocol	Section 3 to Section 5
SOx and NOx emissions in the air	Guidance on Non GHG emission KPI calculation	Section 4 to Section 9
Total recordable incidents rate	Operation Management System SHEM 10 EHSS incident reporting, classification Investigation and Analysis – including the attachments to the document [Attachment 1B, & glossary in particular]	Incident classification and definition as per SHEM 10 Attachment 1B: Mandatory – *EHSS Incident Severity Determination Matrix* Formula used for computation of indicator as defined in “EHSS master glossary sheet”: **(Number of Recordable Injuries + illnesses x 200,000)/(Company Employees and Outsourced contractors Man-hours worked)**
Occupational illness and occupational illness rate	Operation Management System SHEM 10 EHSS incident reporting, classification Investigation and analysis	Illness classification and definition as per SHEM 10 Attachment 1: *Mandatory – EHSS Incident Severity Determination Matrix* Formula used for computation of indicator as defined in “EHSS master glossary sheet”: **(Number of Occupational illnesses incidents x 200,000)/(Company Employees and Outsourced contractors Man-hours worked)**

SUSTAINABILITY KPI STANDARDS AND METHODOLOGIES

Indicator	Standards/methodology used as basis of computation of indicator values
Energy use	WBCSD chemical sector guidelines
GHG emissions (Scope 1 & 2)	World Resource Institute (WRI)/WBCSD GHG protocol WBCSD chemical sector value chain GHG reporting and accounting guidance American petroleum industry guidelines for reporting GHG emissions
GHG emissions (Scope 3)	• We report categories 1 to 8 of scope 3 GHG emissions: • We reported feedstock, a short list of strategic chemicals we purchase and use in our processes, as a separate category 1 item, “emissions associated with purchased goods and services: feedstock.” Calculations are based on actual purchases of feedstock and cradle-to-gate emission factors sourced from the life cycle inventory database, Ecoinvent 3.6. • We clustered all other purchases in a combined category 1 & category 2, “emissions associated with purchased goods (other than feedstock), services, and capital goods.” For these categories, we are applying economic activity-based emission factors from the Department for Environmental, Food and Rural Affairs (DEFRA). • For category 3, “emissions associated with fuel and energy use not already reported in Scope 1 and 2,” we have applied upstream purchased fuels and electricity cradle-to-gate emission factors from the engineering toolbox and regional electricity grids. • The approach to category 4, “emissions associated with upstream transportation and distribution,” is based on inbound (suppliers) and outbound (from SABIC to direct customers) transport operations. The calculations are based on metric tons carried and mileage traveled applied to transport mode emission factors from DEFRA. • Category 5, “emissions attributed to waste generated in operations”, includes all emissions from third-party disposal and treatment of waste (waste operators) that is generated in affiliates where SABIC has some equity and controlled operations. • Category 6, “emissions attributed to business travel”, includes emissions from the transportation of employees for business-related activities in vehicles owned or operated by third parties, such as aircraft, trains, buses, and passenger cars. • Category 7, “emissions attributed to employee commuting”, includes emissions from the transportation of employees of entities and facilities owned, operated, or leased by SABIC between their homes and their worksites. For reference tabs, see prior category. • Category 8, “emissions attributed to upstream leased assets”, includes emissions from the operation of assets that are leased by SABIC. SABIC has no upstream leased assets except for the International Shipping Transportation Company (ISCT). SABIC owns 100% of ISTC and the asset financial data is consolidated on the balance sheet. However, SABIC contracts operation of these assets and, therefore, does not have direct operational control. In addition, EHSS and other corporate policies are not implemented in the logistic operations. The operated assets (i.e. the ships) are leased and not owned. Therefore, they are considered as “leased assets” for inventory purpose. It is understood that the ships are contracted using operating lease arrangements, because SABIC would not own the ship at the end of the life of the lease. Given the foregoing, under the GHG protocol guidance, emissions from ISTC assets are considered part of Scope 3 and are included in category 4.
Water consumption	GRI 303 water and effluents Note: Our ambition is to reduce our freshwater use intensity by 25% from 2010 levels by 2025. To that effect, we take operational steps to reduce freshwater consumption and deploy the latest technologies to recover and recycle freshwater streams. The intensity goal includes only freshwater, to focus on water of importance to the local communities and to enhance water availability in the areas where we operate. Our Saudi Arabia-based sites were designed to operate in the water-scarce region. The largest volume of water used in chemical plants is for cooling. Our Saudi process operations use sea water for the large majority of process cooling. The sea-water cooling systems incorporate process design and metallurgy to handle the saline water. The cooling systems include design for recycling of this water to minimize volumes used, and instrumentation is installed to monitor the flow of sea water that returns to the original source. The fresh (non-saline) water used for process and potable uses comes almost entirely from public utility desalination plants, minimizing any impact to the water table or availability of water in the community. The majority of community potable water used near our areas of operation also comes from the desalination plants.

Indicator	Standards/methodology used as basis of computation of indicator values
Material loss	Material loss is a measure of our operational resource efficiency on the significant losses of process-related materials or process-related activities to the environment. It is the sum of process material losses to flaring, process vents, fugitive losses, hazardous and non-hazardous wastes, and process material lost to wastewater. SABIC takes this comprehensive measurement approach to allow our various sites to focus on the most important aspects of material loss for each process. We also use this concept to reinforce the importance of optimizing material usage in our production operations. Improvements in material loss typically result in additional material availability for production or reduction in waste disposal; therefore, improvements directly impact economic performance. Material loss categories include: • Hazardous and non-hazardous waste • Point source emissions to air • Fugitive emissions • Material loss to water • Spills and releases • Storage tank and (un)loading losses
Flaring reduction	Percentage reduction in GHG emission (e.g., tCO_2eq arising from materials lost to flaring within a calendar year as compared to 2010, our base year. $Flaring\ Reduction = \Sigma 2010\ Flaring - \Sigma Year\ i\ Flaring\ X\ 100\ \Sigma 2010\ Flaring$ The following are the categories of the flaring emissions: 1. Flaring streams continuously (not included in categories 2, 3, 4, and 5 below) 2. Flaring (pilot gas) 3. Flaring (sweeping gas) 4. Flaring during planned turn-around 5. Flaring during emergency/upset situations including shutdown/start-up

Indicator	Standards/methodology used as basis of computation of indicator values
CO_2 utilization	There is no international standard or external guidance on CO_2 utilization metrics. As such, our definition of this indicator has been implemented and externally reported since 2013. CO_2 utilization: the process of capturing and utilizing (i.e. sourcing) CO_2 compounds emitted from specific process units into other process units as a feedstock (i.e. raw material) to produce SABIC products. The indicator is defined as the total annual CO_2 utilized in our operations, measured in metric tons.
SOx and NOx emission to air	Reference standard for reporting non-GHG emissions is developed for SABIC using references from GRI disclosure GRI-305-7. Several methods are used within SABIC to calculate NOx and SOx emissions. Following are the estimation methods in accordance with US EPA-authorized methods: 1. Stack testing as direct measurement. 2. CEMS/PEMS data as direct measurement. 3. Fuel analysis or as site specific data. 4. By use of published emission factor 5. Process knowledge (e.g. mass balance, manufacturing specifications) if all other methods are not available.
Hazardous and non-hazardous waste	This specifies the absolute quantity of hazardous and non-hazardous waste volumes in metric tons from process activities that meet the definition of hazardous and non-hazardous waste as per GRI.
Recordable incident rate	Incident definition is based on United States' 29 CFR 1904 (Occupational Safety and Health Act) Formula of recordable incident rate is applied as follows: Number of recordable injuries + illnesses x 200,000)/(company employees and outsourced contractors man-hours worked)

Indicator	Standards/methodology used as basis of computation of indicator values
Occupational illness rate	Incident definition is based on United States' 29 CFR 1904 (Occupational Safety and Health Act) Formula of occupational illness rate is applied as follows: Number of occupational illnesses incidents x 200,000)/(company employees and outsourced contractors man-hours worked)
Fatalities and fatality rate	Incident definition is based on United States' 29 CFR 1904 (Occupational Safety and Health Act) Formula of fatalities rate is applied as follows: Number of fatality incidents x 200,000)/(company employees and outsourced contractors man-hours worked)
API 754 PSE Tier 1	American Petroleum Institute guide to reporting process safety events
Indicators related to ethics, compliance, and human rights	SABIC's code of ethics form basis for all indicators in ethics, compliance, and human rights category

GRI CONTENT INDEX

SABIC has reported the information cited in this GRI content index for the period January 1, 2023 to December 31, 2023 with reference to the GRI Standards.

GRI Standard/Disclosure		Report reference	Website reference
General disclosures			
GRI 1: Foundation 2021			
GRI 2: General disclosures 2021			
2-1	Organizational details	Our global footprint About this report	About SABIC
2-2	Entities included in the organization's sustainability reporting	About the report List of legal entities	SABIC global entities
2-3	Reporting period, frequency and contact point	About this report info@SABIC.com	
2-4	Restatements of information	Any restatement of previously reported data is explained in a footnote next to the respective disclosure.	
2-5	External assurance	Audited financial statements – Independent auditor's report Non-financial statements – Independent limited assurance report	
2-6	Activities, value chain and other business relationships	Strategy	
2-7	Employees	Our people	
2-8	Workers who are not employees	We have approximately 2.500 supplementary workforce, corresponding to approximately 8% of the total workforce. In addition, a number of people work for SABIC externally through service agreements and it is not possible to determine the precise number since performance is not defined on number of people.	Temporary worker code of conduct Global supplier information letter
2-9	Governance structure and composition	Corporate governance – Board structure and composition	Corporate governance
2-10	Nomination and selection of the highest governance body	Corporate governance – Nomination and selection	Corporate governance
2-11	Chair of the highest governance body	Corporate governance – Board structure and composition	Corporate governance
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate governance	Corporate governance
2-13	Delegation of responsibility for managing impacts	Corporate governance framework	Corporate governance
2-14	Role of the highest governance body in sustainability reporting	Corporate governance	Our integrity culture
2-15	Conflicts of interest	Corporate governance – Board independence	SABIC's conflict of interest policy
2-16	Communication of critical concerns	Ethics, compliance, and human rights	SABIC's code of ethics SABIC's code of ethics

GRI Standard/Disclosure		Report reference	Website reference
2-17	Collective knowledge of the highest governance body	Corporate governance	Corporate governance
2-18	Evaluation of the performance of the highest governance body	Corporate governance – Board performance assessment	
2-19	Remuneration policies	Corporate governance – Board remuneration & nomination committee	Remuneration and nomination committee charter
2-20	Process to determine remuneration	Corporate governance – Board remuneration & nomination committee	
2-22	Statement on sustainable development strategy	Strategy	
2-23	Policy commitments	SABIC policies have been approved by the board.	Corporate governance SABIC's code of ethics
2-24	Embedding policy commitments	Ethics, compliance, and human rights	SABIC's code of ethics UNGC Principles
2-25	Processes to remediate negative impacts	Risks and opportunities Ethics, compliance, and human rights	Our human rights program
2-26	Mechanisms for seeking advice and raising concerns	Ethics, compliance, and human rights	SABIC's code of ethics
2-27	Compliance with laws and regulations	Ethics, compliance, and human rights	SABIC's code of ethic
2-28	Membership associations	Stakeholder engagement	Government engagement

GRI Standard/Disclosure		Report reference	Website reference
2-29	Approach to stakeholder engagement	Stakeholder engagement	People and collaboration Responsible Care® Global supplier information letter
2-30	Collective bargaining agreements		Our human rights program
Specific standard disclosures			
GRI 3: Material topics 2021			
3-1	Process to determine material topics	Materiality	
3-2	List of material topics	Materiality	
3-3	Management of material topics	Materiality	
GRI 200: Economic topics			
GRI 201: Economic performance 2016			
3-3	Management of material topics	Strategy	
201-1	Direct economic value generated and distributed	Financial review Audited financial statements	Quarterly financial statements
201-2	Financial implications and other risks and opportunities due to climate change	Risks and opportunities – Climate change Climate-related risks and opportunities	

GRI Standard/Disclosure		Report reference	Website reference
201-3	Defined benefit plan obligations and other retirement plans	Additional financial information Employee benefits	Benefits that matter
GRI 202: Market presence 2016			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Our people	
202-2	Proportion of senior management hired from the local community	Corporate governance – Executive management	
GRI 203: Indirect economic impacts 2016			
203-1	Infrastructure investments and services supported	Chairman's message Strategy – Future perspectives Driving local content	NUSANED™ annual reports About NUSANED™
203-2	Significant indirect economic impacts	Stakeholder engagement Driving local content	NUSANED™ annual reports
GRI 204: Procurement practices 2016			
204-1	Proportion of spending on local suppliers	Driving local content	
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	Compliance risks Procurement Ethics, compliance, and human rights	Our compliance culture
205-2	Communication and training about anti-corruption policies and procedures	Compliance risks Procurement Ethics, compliance, and human rights	Our compliance culture SABIC and Ethisphere
205-3	Confirmed incidents of corruption and actions taken	Ethics, compliance, and human rights	Our compliance culture
GRI 206: Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Compliance risks Procurement Ethics, compliance, and human rights	Our compliance culture
GRI 207: Tax 2019			
207-1	Approach to tax	Financial review – Tax	Global tax strategy
207-2	Tax governance, control, and risk management	Financial review – Tax	Global tax strategy ERM risk management policy
207-3	Stakeholder engagement and management of concerns related to tax	Tax – Engaging with key stakeholders	Global tax strategy
GRI 300: Environmental Topics			
GRI 301: Materials 2016			
3-3	Management of material topics	Climate change and resource efficiency	Sustainable solutions

GRI Standard/Disclosure		Report reference	Website reference
301-1	Materials used by weight or volume	Embedding life cycle concepts Waste management Climate change and resource efficiency	
301-2	Recycled input materials used	TRUCIRCLE™ Embedding life cycle concepts Waste management Climate change and resource efficiency Raw materials	Sustainable solutions
301-3	Reclaimed products and their packaging materials	TRUCIRCLE™ Embedding life cycle concepts Waste management Climate change and resource efficiency Raw materials	Sustainable solutions
GRI 302: Energy 2016			
3-3	Management of material topics	Climate change and resource efficiency	Climate, energy and resource efficiency
302-1	Energy consumption within the organization	Climate change and resource efficiency	
302-3	Energy intensity	Climate change and resource efficiency	
302-4	Reduction of energy consumption	Climate change and resource efficiency	

GRI Standard/Disclosure		Report reference	Website reference
GRI 303: Water and Effluents 2018			
3-3	Management of material topics	Management of water discharge	
303-1	Interactions with water as a shared resource	Water consumption details	
303-2	Management of water discharge-related impacts	Management of water discharge	
303-3	Water withdrawal	Water consumption details	
303-4	Water discharge	Water consumption details	
303-5	Water consumption	Water consumption details	
GRI 304: Biodiversity 2016			
3-3	Management of material topics	Biodiversity	
GRI 305: Emissions 2016			
3-3	Management of material topics	Our approach to circularity Climate change and resource efficiency	Climate, energy and resource efficiency
305-1	Direct (Scope 1) GHG emissions	Climate change and resource efficiency	
305-2	Energy indirect (Scope 2) GHG emissions	Climate change and resource efficiency	
305-3	Other indirect (Scope 3) GHG emissions	Climate change and resource efficiency	
305-4	GHG emissions intensity	Climate change and resource efficiency	

GRI Standard/Disclosure		Report reference	Website reference
305-5	Reduction of GHG emissions	Climate change and resource efficiency	
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental, health, safety, and security	
GRI 306: Waste 2020			
3-3	Management of material topics	Our approach to circularity Environmental, health, safety and security	Environmental compliance
306-1	Waste generation and significant waste-related impacts	Environmental, health, safety and security Waste management Case study: operation clean sweep	
306-2	Management of significant waste-related impacts	Waste management	
306-3	Waste generated	Environmental, health, safety and security	
306-4	Waste diverted from disposal	Environmental, health, safety and security	
306-5	Waste directed to disposal	Environmental, health, safety and security	
GRI 308: Supplier environmental assessment 2016			
3-3	Management of material topics	Procurement Ethics, compliance, and human rights	Supplier code of conduct

GRI Standard/Disclosure		Report reference	Website reference
308-1	New suppliers that were screened using environmental criteria	Procurement	
308-2	Negative environmental impacts in the supply chain and actions taken	Stakeholder engagement – Suppliers and alliance partners Procurement Raw materials Ethics, compliance, and human rights	
GRI 400: Social topics			
GRI 401: Employment 2016			
3-3	Management of material topics	Stakeholder engagement – Employees and their families Our people	
401-1	New employee hires and employee turnover	Our people	Benefits that matter
GRI 402: Labor/Management relations 2016			
3-3	Management of material topics	Stakeholder engagement – Employees and their families Our people	Benefits that matter
GRI 403: Occupational health and safety 2018			
3-3	Management of material topics	Environmental, health, safety and security	Environmental, health, safety, and security Creating a culture of safety
403-1	Occupational health and safety management system	Environmental, health, safety and security	EHSS management systems

GRI Standard/Disclosure		Report reference	Website reference
403-2	Hazard identification, risk assessment, and incident investigation	Product stewardship Environmental, health, safety and security	EHSS process risk management
403-3	Occupational health services	Environmental, health, safety and security	
403-4	Worker participation, consultation, and communication on occupational health and safety	Environmental, health, safety and security	
403-5	Worker training on occupational health and safety	Environmental, health, safety and security	
403-6	Promotion of worker health	Our people – Employee wellbeing	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Environmental, health, safety and security	
403-8	Workers covered by an occupational health and safety management system	Environmental, health, safety and security	
403-9	Work-related injuries	Environmental, health, safety and security	
403-10	Work-related ill health	Environmental, health, safety and security	
GRI 404:	**Training and education 2016**		
3-3	Management of material topics	Our people – Approach	
404-1	Average hours of training per year per employee	Our people	
404-2	Programmes for upgrading employee skills and transition assistance programmes	Our people – People development	

GRI Standard/Disclosure		Report reference	Website reference
404-3	Percentage of employees receiving regular performance and career development reviews	Our people – Talent matters	
GRI 405: Diversity and equal opportunity 2016			
3-3	Management of material topics	Our people Board diversity	
405-1	Diversity of governance bodies and employees	Our people Board diversity	
GRI 406: Non-discrimination 2016			
3-3	Management of material topics	Ethics, compliance, and human rights	SABIC code of ethics
406-1	Incidents of discrimination and corrective actions taken	Ethics, compliance, and human rights	SABIC code of ethics
GRI 407: Freedom of association and collective bargaining 2016			
3-3	Management of material topics	Ethics, compliance, and human rights	Our human rights program
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Ethics, compliance, and human rights	Our human rights program
GRI 408: Child labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labour	Ethics, compliance, and human rights	Supplier code of conduct

GRI Standard/Disclosure		Report reference	Website reference
GRI 409: Forced or compulsory labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Environmental, health, safety, and security Procurement Ethics, compliance, and human rights	Supplier code of conduct
GRI 410: Security practices 2016			
3-3	Management of material topics	Environmental, health, safety and security	Security and crisis management
GRI 413: Local communities 2016			
3-3	Management of material topics	Stakeholder engagement – Community and Society EHSS – Engagement with stakeholders Driving local content Communities	
413-1	Operations with local community engagement, impact assessments, and development programmes	Stakeholder engagement – Community and Society EHSS – Engagement with stakeholders Driving local content Communities	

GRI Standard/Disclosure		Report reference	Website reference
GRI 414: Supplier social assessment 2016			
3-3	Management of material topics	Procurement	
414-1	New suppliers that were screened using social criteria	Stakeholder engagement – Suppliers and alliance partners Procurement Together for Sustainability Ethics, compliance, and human rights	
414-2	Negative social impacts in the supply chain and actions taken	Stakeholder engagement – Suppliers and alliance partners Supply chain EHSS Procurement	
GRI 415: Public policy 2016			
3-3	Management of material topics	Stakeholder engagement – Governments and regulatory bodies Ethics, compliance, and human rights – Political contributions	Government engagement
415-1	Political contributions	Ethics, compliance, and human rights – Political contributions	Government engagement

GRI Standard/Disclosure		Report reference	Website reference
GRI 416: Customer health and safety 2016			
3-3	Management of material topics	Product stewardship	Product stewardship
416-1	Assessment of the health and safety impacts of product and service categories	Product stewardship	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product stewardship	
GRI 417: Marketing and labeling 2016			
417-1	Requirements for product and service information and labeling	Product stewardship	
417-2	Incidents of non-compliance concerning product and service information and labeling	Product stewardship	
GRI 418: Customer privacy 2016			
3-3	Management of material topics	Ethics, compliance, and human rights	Data protection & Privacy notice
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer feedback	

SUPPLEMENTARY INFORMATION

GLOSSARY

A

Avoided emissions refer to emission reductions that take place outside of a product's life cycle or value chain, such as energy efficiency improvements, carbon capture utilization and storage (CCUS), and feedstock optimization.

B

BLUEHERO™: an expanding ecosystem of materials, solutions, expertise, and programs designed to help accelerate the world's energy transition to electric power and support meeting global goals on climate change, beginning with supporting the automotive industry to create better, safer, and more efficient electric vehicles (EVs).

Bio-based feedstock is raw material derived from renewable biological sources such as plants, animals, microorganisms, or other biological material microorganisms, used as the primary input for the production of various products.

C

California Proposition 65 is an American law that requires the state to publish a list of chemicals known to cause cancer or birth defects or other reproductive harm, and businesses to notify Californians about significant amounts of chemicals in the products they purchase, in their homes or workplaces, or that are released into the environment.

Carbon dioxide (CO_2) is a greenhouse gas that traps heat in the Earth's atmosphere, helping to warm the planet enough to support life.

Carbon capture feedstock refers to using proprietary technology to capture and convert carbon into feedstock for industrial processes that delivers increased value and reduce emissions simultaneously.

Chemical recycling and mechanical recycling are distinct approaches to managing plastic waste with the mutual aim of reducing the environmental impact of plastic materials. Chemical recycling (also known as advanced recycling or feedstock recycling) breaks down the molecular structure of plastics into their original monomers or converts them into other useful chemicals such as naphtha. Mechanical recycling (also known as physical recycling or traditional recycling) involves collecting, sorting, cleaning, and processing plastic waste into new products without altering the material's basic chemical structure.

Chemicals of concern (COC) refers to chemical substances that are highly hazardous to human health or the environment (GHS category 1 and 2 substances) that may be present in SABIC products or processes. In general, CoC are under public scrutiny and, based on societal concerns, are scheduled by brand owners and regulators for future deselection or bans. CoC meeting the SABIC definition will be considered for substitution, elimination or reduction.

Close the loop to cut down on waste and the use of resources, using existing material to create new products.

Collective bargaining refers to the negotiation of employment terms between an employer and a group of workers.

Commodity chemicals are common chemicals that can be produced in bulk quantities since the chemical production quality is developed in a standardized form with exact compositional matches. Commodity chemicals can include polymers, and petrochemicals, as well as basic inorganic chemicals and fertilizers.

Cracking is a vital process used to break down large hydrocarbon molecules into smaller and more valuable molecules such as olefins, ethylene, gasoline, and more, via either thermal cracking or catalytic cracking.

D

Diversity refers to a workforce inclusive of different backgrounds and national origins and a place where all individuals are welcomed and given the opportunity to succeed and achieve their full potential.

Downstream refers to the final processes in the production and sale of goods, where finished products are created and sold to consumers.

E

Earnings before interest, taxes, depreciation, and amortization (EBITDA) refers to income from operations plus depreciation, amortization, as well as asset impairments.

Employee engagement describes and measures the level of emotional commitment and involvement that employees have towards their organization.

F

Free cash flow (FCF) is the net cash generated from operating activities less capital expenditures.

G

Globally harmonized system (GHS) of classification and labelling of chemicals is an internationally agreed-upon system to standardize chemical hazard classification and communication.

Greenhouse gases (GHG) are any gas (e.g., carbon dioxide, methane, and water vapor) that can absorb infrared radiation from the Earth's surface and redirect it, contributing to the greenhouse effect, which can have a significant impact on climate change.

Greenhouse Gas (GHG) Protocol is the main global standard for public and private sector entities to measure GHG emissions in order for individual entities to track and monitor emissions and identify the most effective ways to reduce their climate impact.

H

Human capital is the economic value of a worker's experience and skills that includes assets like education, training, intelligence, and other factor such as loyalty that cannot be listed on a company's balance sheet due to being an intangible asset.

Hydrocarbon is the principal compound of petroleum and natural gas, serving as fuels and lubricant for the production of plastics, fibers, industrial chemicals, and more.

I

Income (loss) attributable to SABIC shareholders includes results from discontinued operations including losses from fair valuation of the Hadeed business.

Income from operations (EBIT) represents earnings before finance income and cost, zakat and tax, and results from non-integral joint ventures and associates.

International Sustainability and Carbon Certification (ISCC) PLUS is a voluntary certification scheme applicable for the bioeconomy and circular economy for food, feed, chemicals, plastics, packaging, textiles, and renewable feedstock derived from a process using renewable energy sources.

Integrated report is a concise document that outlines an organization's strategy, governance, performance, and prospects, presenting each topic in the context of the company's external environment and summarizing how value is created in the short, medium, and long term, to create value for shareholders and understand better about environmental risks and opportunities connected with information presented in financial statements.

L

Life cycle assessment (LCA) is a tool to assess potential environmental impacts throughout a product's life cycle (from acquiring natural resource, production, and waste management). This is in order to prevent problems shifting from one life cycle stage to another, or from one environmental impact to another.

Living wage is a level of remuneration that enables workers and their families to meet their basic needs.

Local content refers to the value brought to the local, regional or national economy from the project by leveraging linkages, beyond the revenues these generate, in the form of local labor and procuring local goods and services from the host country.

Low-carbon products are products or services with comparatively lower emissions across their entire life cycle (i.e. from material acquisition through to product end-of-life) if its production and use does not prevent and/or contributes to reaching carbon neutrality by 2050.

M

Mass balance approach defines a step-by-step transformation towards using recycled or renewable feed stock without needing to set up separate production lines for sustainable products.

N

Naphtha is a term used to refer to a group of flammable hydrocarbon mixtures used as raw material for gasoline conversion. A lightweight petrochemical feedstock, it is separated from crude oil in the fractional distillation process, along with kerosene and jet fuel.

Net debt is the total debt and lease liabilities less short-term investments and cash and cash equivalents.

NUSANED™ is an initiative that aims to support SMEs, entrepreneurs, and local companies seeking to grow their ventures by providing local workforce development and training support, in order to boost local business.

NUSANED™ graduate (s) refers to SMEs, entrepreneurs, and local companies who have successfully completed the program.

O

Ocean-bound plastic (OBP) is a term to convey that the plastic used in a product has been sourced from areas near coastlines, rivers, or other locations where plastic is at risk of entering the ocean, in order to reduce plastic pollution.

Olefins are hydrocarbon compounds produced at crude oil refineries and petrochemical plants, not naturally occurring constituents of oil and natural gas.

Occupational Safety & Health Administration (OSHA) is a regulatory agency of the United States Department of Labor created to ensure safe and healthful working conditions for workers through enforced standards.

P

PFAS (or PFCs) (per- and polyfluoroalkyl substances) are a group of synthetic chemicals that have been used in many consumer products that can remain in the environment and bioconcentrate in animals and humans for many years.

Process safety incidents refer to incidents that have the potential to release hazardous materials or energy at site that could lead to toxic effects, fire or explosion, or serious injuries, property damage, lost production, and environmental impact.

Product carbon footprint is the calculated value of total greenhouse gas emissions generated by a product over different stages of its life cycle.

Product sustainability assessment (PSA) is a process that uses indicators such as the WBCSD framework to evaluate the sustainability performance of a product in its entire life cycle.

Q

Quality assurance is a broad concept that encompasses systematic processes and methodologies used to ensure that quality standards are met throughout the project life cycle, creating comprehensive quality management systems (QMS) that define clear responsibilities, procedures, and quality standards while incorporating audits, reviews, and assessments to determine compliance with these established standards.

R

REACH substances of very high concern (SVHC) refer to the substances of very high concern that fall under the scope of REACH (the Registration, Evaluation, Authorisation, and Restriction of Chemicals) in the EU chemicals industry. SVHCs are chemicals that have serious effects on human health or the environment, including substances that are carcinogenic, mutagenic, bio-accumulative, or toxic for reproduction.

Recordable injuries occupational health refers to any work-related fatality, injury or illness that results in loss of consciousness, days away from work, restricted work, or transfer to another job. It can also apply to any work-related injury or illness requiring medical treatment beyond first aid.

S

SABIC Leadership Way (SLW) is SABIC's leadership framework, which outlines the values and day-to day-behaviors expected of every employee at every level within SABIC.

Safer Chemistry is the name of the SABIC program that identifies and reduces the number of Chemicals of Concern, to create products and processes with a lower hazard footprint. Alternative terminology used by external stakeholders, which sometimes have similar meaning, include "Safe Chemistry", "Sustainable Chemistry", and "Green Chemistry".

Safety data sheet (SDS) is hazard communication document containing a wide range of product information on composition, physical, chemical, human, and environmental health, safe usage, storage, and disposal. It is designed to help all relevant stakeholders to take protective measures for human, environmental, and occupational safety.

Shareek, also known as Private Sector Partnership Reinforcement Program, is an initiative launched in March 2021, to develop strong partnerships between the public and private sector (both listed and non-listed companies) to build the national economy and support sustainable growth.

SHE is the name and brand of SABIC Women's Network with the vision of making SABIC the most preferred brand for women working in the chemicals industry.

T

Talent review process (TRP) is the global annual performance evaluation process, which includes conversations on goal setting and achievements, issues around SABIC Leadership Way, and development planning.

TALK5 is a series of continuous dialogues (with five categories of conversations, five times a year) between employees and leaders to explore what matters to individuals and to the organization. It is an employee engagement initiative that is key to driving performance and growth.

Thermoplastics are a class of polymer that can be softened through heating before being processed using methods such as extrusion, injection molding, blow molding, and thermoforming. Thermoplastics are easily recyclable because they can be heated and cooled through multiple cycles without showing any changes in chemical property.

TRUCIRCLE™ is a comprehensive circular portfolio of solutions that offers customers more sustainable products that drive circularity, reduce CO_2 emissions, and close the loop, using biobased feedstock and recycled plastic to develop new products. For more, refer to mechanical recycling, chemical recycling, and close the loop.

U

Upstream is the term used in exploring the initial production stages of the oil and gas industry, including exploration, drilling, and extraction, and the farthest stage from the end-user consumer in the oil and gas supply chain.

The United Nations' Universal Declaration of Human Rights is a document that acts as a global road map for freedom and equality where countries agreed to protect the rights of every individual, everywhere, equally, and in dignity.

SITE MAP

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