



SUSTAINABILITY REPORT 2019

Embracing Change for a Sustainable Future





In the Name of Allah, the Most Compassionate, the Most Merciful.



Custodian of the Two Holy Mosques
King Salman Bin Abdulaziz Al-Saud
King of Saudi Arabia



His Royal Highness
Prince Muhammed Bin Salman Bin Abdulaziz Al-Saud
Crown Prince, Deputy Prime Minister and Minister of Defense



About this Report

GRI 102-45, GRI 102-46

Welcome to the first sustainability report for Sahara International Petrochemical Company (Sipchem) following the merger between the Saudi International Petrochemical Company and Sahara Petrochemicals Company.

This report highlights our approach to managing sustainability in the areas of social, environmental and economic performance, focusing on material sustainability issues to both Sipchem and our stakeholders. We also extend the information provided in our 2019 annual report, whilst contributing to the Saudi Vision 2030.

REPORTING GUIDELINES

This report has been prepared in accordance with the GRI Standards: Core option. For further information please refer to the GRI Content Index on page 60.

REPORTING BOUNDARIES

This report covers all our operating facilities and locations within the Kingdom of Saudi Arabia (KSA), unless otherwise indicated. Additional limitations are outlined below:

- The data regarding external contractors, suppliers and clients are not included in this report unless otherwise stated; and
- Labor practices cover Sipchem's full-time employees and long-term contractors.

The report covers the period from 1 January 2019 to 31 December 2019. This report serves as the baseline for the newly formed entity Sipchem. Thus, historical data is not presented.

FEEDBACK

For questions and comments regarding this report and sustainability at Sipchem, please contact us at: Sipchemcc@sipchem.com.

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Message from our Chief Executive Officer



“I am delighted to present Sipchem’s first sustainability report since the merger of the Saudi International Petrochemical Company and the Sahara Petrochemicals Company. We are proud to communicate on our continued commitment to sustainability and the progress we have achieved.”

Over the past year we have focused on integrating our operations, identifying, and realizing synergies as we build a stronger company. With over 35 years of combined operating history, we have a depth and breadth of resources to draw from to capitalize on additional economies of scale. By increasing our production capacity and expanding our portfolio, we are positioning ourselves for accelerated growth and improving our ability to meet rising global demand over the coming decades as a more diversified business. We recognize that our long-term success rests on our ability to create sustainable value for all our stakeholders, and we firmly believe that embedding sustainability in our business practices contributes to value creation and innovation in today’s rapidly evolving market.

Environmental, social and economic matters are prominent on global and local agendas. As a global petrochemical company, we are committed to do our part by providing sustainable, innovative and quality products that respond to market needs while also protecting the planet. To ensure we are integrating sustainability throughout Sipchem, we have created an executive committee to drive it forward. Through our commitment to sustainability and Responsible Care, we are making strong contributions to Saudi Arabia's Vision 2030 and our other countries of operation.

Although 2019 was a year of transition, we continued to demonstrate progress by implementing several initiatives exemplifying our company values. At our technology and innovation center, Manar, where we engage in research and development seeking circular, value added products and sustainable solutions with minimized environmental impact; we conducted a pilot study on pallets manufactured from recycled polymer to improve strength and durability while reducing weight. In addition, we have initiated a shared distribution network as part of logistics improvement initiatives in collaboration with other petrochemical companies in the region to reduce the density of freight traffic and emissions.

Our employees are at the core of Sipchem's success and continue to be a top priority. In 2019, we continued to implement programs to improve workplace safety and develop our employees through activities such as interactive web-based training sessions and our safety transformation excellence project. During the past year, we provided more than 40,800 training hours, with more than half of these being health and safety related. As a demonstration of our effective measures, we achieved an injury rate of 0.062.

Supporting human capital development beyond Sipchem is a key focus area of our corporate social responsibility program. Throughout KSA we sponsored several education projects in 2019, such as equipping classrooms at four schools in Jubail Industrial City with smart technology and conducting a hands-on innovation club for approximately 500 children. In total, our financial support to socially responsible activities amounted to more than SAR 21 million during the past year. In 2019, we are proud to announce that our efforts to drive sustainability have been acknowledged by winning third place in the **King Khalid Award for Sustainability**.

This report offers our stakeholders a summary of our sustainability management approach to better meet our stakeholders' needs and expectations and improve overall excellence. We look forward to continued collaboration with our stakeholders, in order to be able to more effectively overcome challenges and capture the opportunities and benefits that sustainability offers, together.

Saleh Bahamdan
Chief Executive Officer

2019 Performance Highlights

Successful merger between Saudi International Petrochemical Company and Sahara Petrochemicals Company, forming Sahara International Petrochemical Company (Sipchem).





King Khalid Award for
Sustainability - 3rd Place



Gulf Petrochemicals
and Chemicals Association
(GPCA) Supply Chain
Innovation Award



Authorized Economic
Operator Certification



People

1,588
EMPLOYEES

27
NATIONALITIES

40,878
TRAINING HOURS

79.5%
SAUDIZATION
COMPANYWIDE

Cultural
transformation
program

Launched Rowad and
Ertiqā learning and
development programs



Socio-economic Contribution

SAR 21+
MILLION
CSR CONTRIBUTIONS

347,000+
BENEFICIARIES

86%
OF TOTAL PROCUREMENT
BUDGET SPENT ON LOCAL
SUPPLIERS

SAR 5,440+
MILLION
DIRECT ECONOMIC VALUE
GENERATED

**ISO 9001 &
ISO 27001**
CERTIFIED



Environment, Health & Safety Responsibility

ZERO
ENVIRONMENTAL PENALTIES

**ISO 14001 &
ISO 45001**
CERTIFIED

0.06
INJURY RATE

1.13
GREENHOUSE GAS INTENSITY
(CO₂e metric ton/metric ton
of production)

3.7
WATER CONSUMPTION
(Million m³)

8,647
SAFETY ORIENTATIONS

16.9
ENERGY INTENSITY
(mmBTU/metric ton
of production)

25,814
WASTE GENERATION
(Tonnes)

642
SAFETY TRAINING SESSIONS
FOR CONTRACTORS

About Sipchem

Sahara International Petrochemical Company (Sipchem) is a Saudi publicly traded joint-stock company listed on Tadawul, The Saudi Stock Exchange.

Sipchem as it is named today is the result of the merger between the Saudi International Petrochemical Company and Sahara Petrochemicals Company in 1919.



Sipchem produces a wide range of products from basic chemicals and polymers to specialty chemicals. Our products reach millions of consumers every day in more than 100 countries around the world.

Sipchem is a globally recognized chemical manufacturer based in Saudi Arabia, headquartered in Riyadh and maintains a corporate office in Khobar. Our main industrial complex is in Jubail Industrial City. Based in Khobar, Sipchem Marketing Company (SMC), a wholly owned Sipchem company, which functions independently and supports the sales and marketing of Sipchem products. It has offices in Switzerland, Singapore and Saudi Arabia. SMC endeavors to utilize the most sophisticated marketing techniques to ensure delivery of quality products to customers located throughout the world. Today, SMC has a strong, growing and diversified product portfolio and markets over 75% of its total merchant volumes globally.

To enhance our global competitiveness, we also operate a technology and innovation center, Manar, dedicated to research and development in the Dhahran Techno Valley.

20 YEARS OF PETROCHEMICAL EXCELLENCE



A world-class Saudi petrochemical company, established in 1999



Capacity of 5.1 million tons of petrochemicals products within the Kingdom of Saudi Arabia



Produce more than 30 distinct products, including Chemicals, Polymers and Diversified Products



More than 5,000 jobs have been created directly and indirectly



Committed to growth and production of petrochemicals "globally"

Our Market Presence



Our vision



To be a recognized leader in growth, excellence and partnerships in the chemicals industry.

Our mission



To continuously create value through sustainable, innovative and quality products relying on our growing capabilities and motivated employees.

Our values

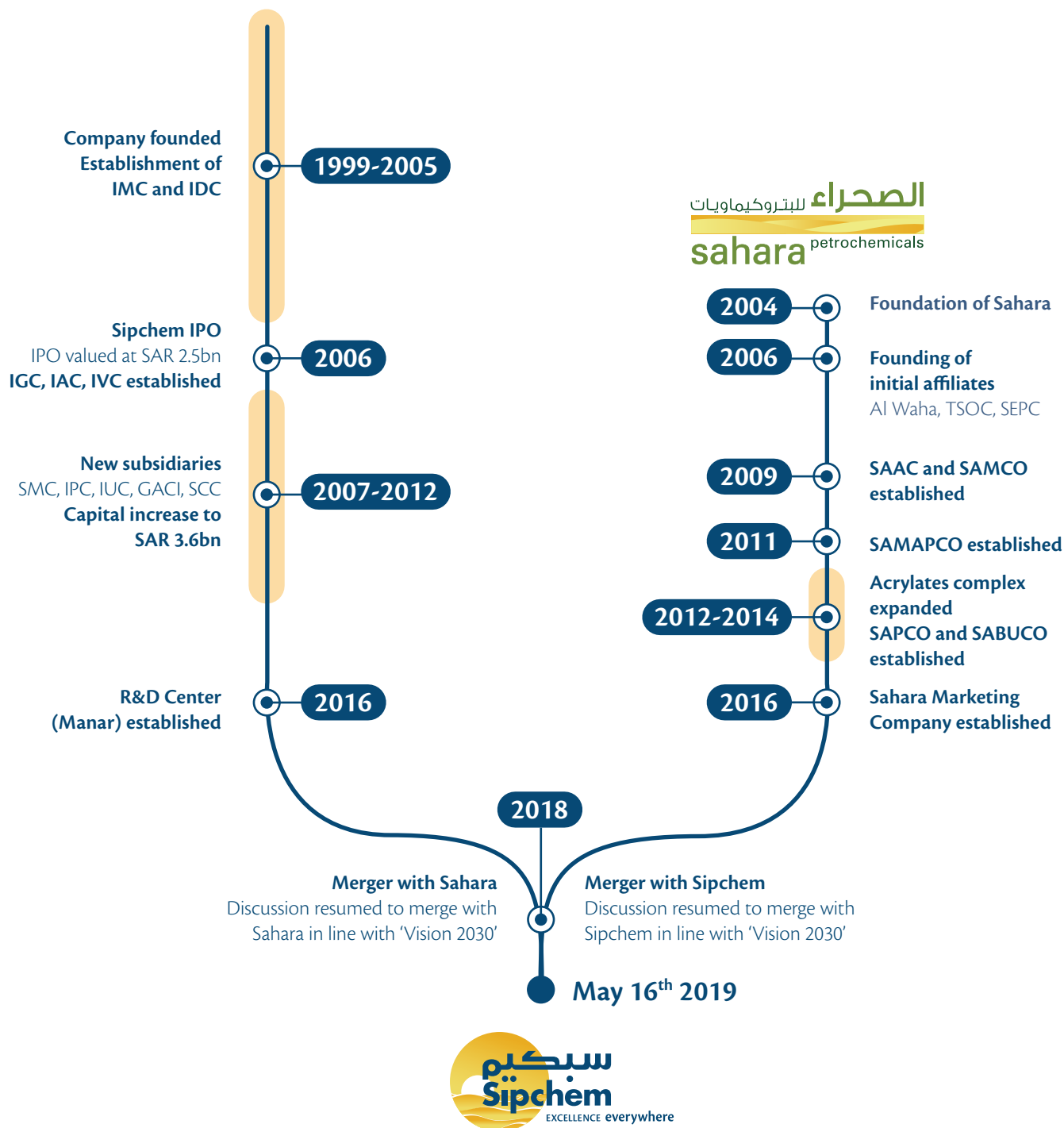
- **Respect:** We actively listen to our stakeholders, consider other's opinions, visions and views, and adhere to company policy and procedures. We value each other and accept differences and diversity.
- **Integrity:** We do the right thing in a reliable way. It's our personality trait that we admire.
- **Collaboration:** We work in spirit and harmonization with our stakeholders, actively participate, and share the load. We support each other and align with each other through sharing knowledge and information to achieve common objectives. We are results oriented.
- **Passion:** What we do positively impacts the world, this encourages us to contribute further.
- **Courage:** Standing up for our beliefs brings us closer to innovative and logical new parameters of possibility.

Our Journey

The formation of Sahara International Petrochemical Company after the multibillion-dollar merger, brought together 35 years of combined operating experience, creating a diversified petrochemical portfolio across 24 affiliates and subsidiaries. The merger has unlocked value, efficiency, viability, resiliency, and created an integrated petrochemical leader in Saudi Arabia.

This merger contributes to the Saudi Vision 2030's objective of creating a thriving private sector in KSA.





IMC: International Methanol Company
IDC: International Diol Company
IPO: Initial Public Offer
IGC: International Gases Company
IAC: International Acetyl Company
IVC: International Vinyl Acetate Company
SMC: Sipchem Marketing Company
SAMCO: Saudi Acrylic Monomers Company
SAPCO: Saudi Acrylic Polymer Company

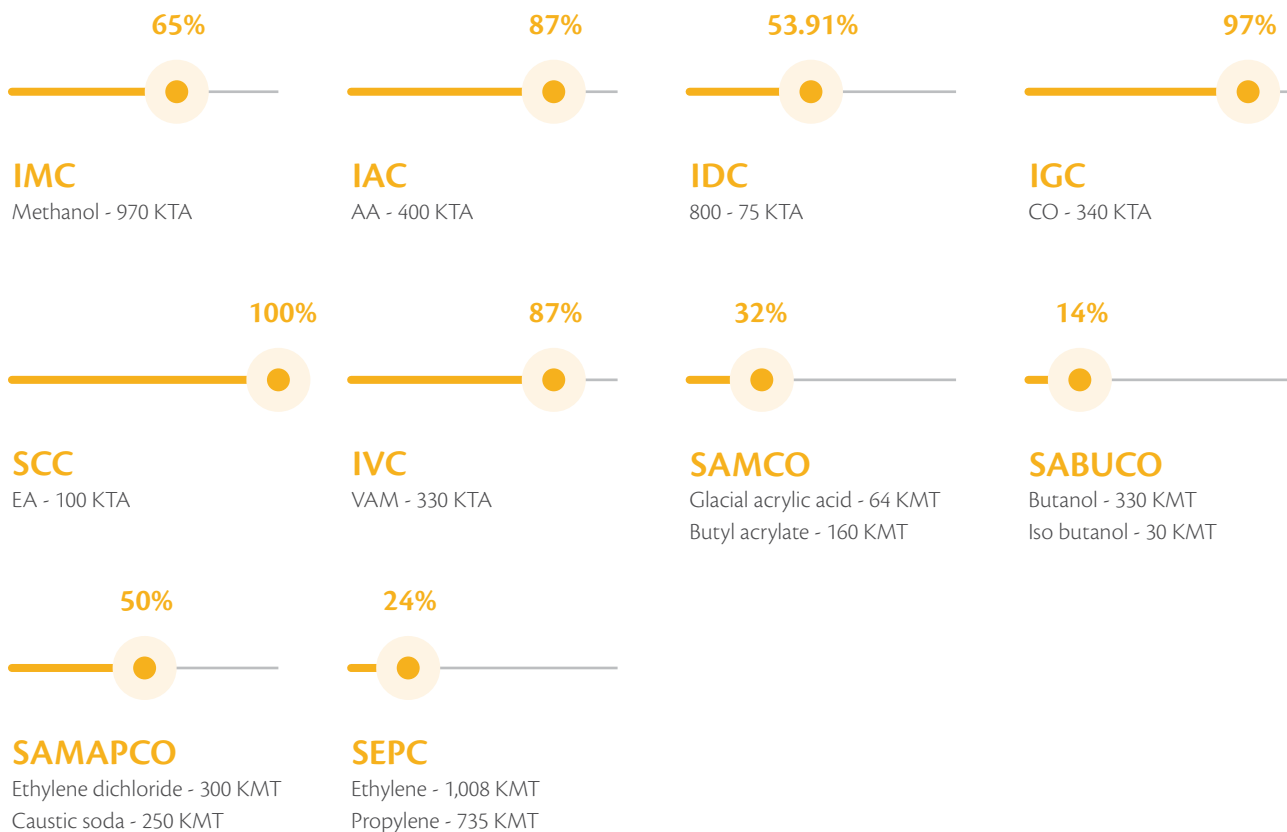
IPC: International Polymers Company
IUC: International Utilities Company
GACI: Gulf Advanced Cable Insulation Company
SCC: Sipchem Chemical Company
TSOC: Tasnee & Sahara Olefin Company
SEPC: Saudi Ethylene & Polyethylene Company
SAAC: Saudi Acrylic Acid Company
SAMAPCO: SAHARA and Ma'aden Petrochemical Company
SABUCO: Saudi Butanol Company

Our Affiliates

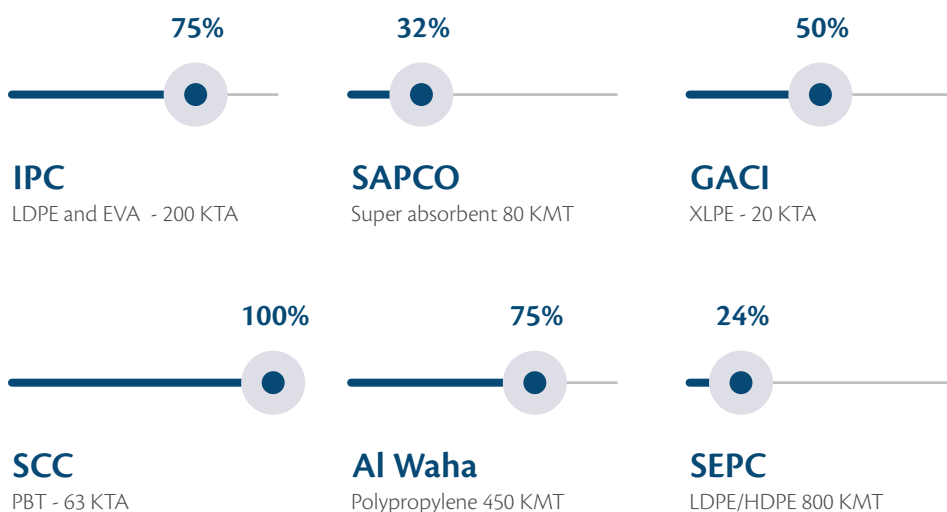
Sipchem's stake in our affiliate joint ventures.



Chemicals



Polymers



Our Seamless Integration

A set of priorities to ensure a seamless transition and integration have been identified and are being managed by the Integration Management Office (IMO). Since the merger in May 2019, the IMO has focused on core competencies, delivery of synergies, integration management, and managing people, culture and change. It is our goal that through sustained, effective change management, we will unlock synergy value and build a winning culture.

The IMO has already identified more than 50 synergy initiatives which will be fully realized by 2022; these initiatives are expected to achieve around SAR 175 – 225 million in cost savings.

Through the integration, Sipchem has increased the scale of its operations and resilience to market trends to meet customer needs. With an expanded product portfolio, new competitive advantages, efficiencies and capabilities, Sipchem is poised to seize new opportunities and enhance our operations. The integration has brought together the best of the two companies and will strengthen our position as a diversified producer of petrochemical products.



Our Products and Global Presence

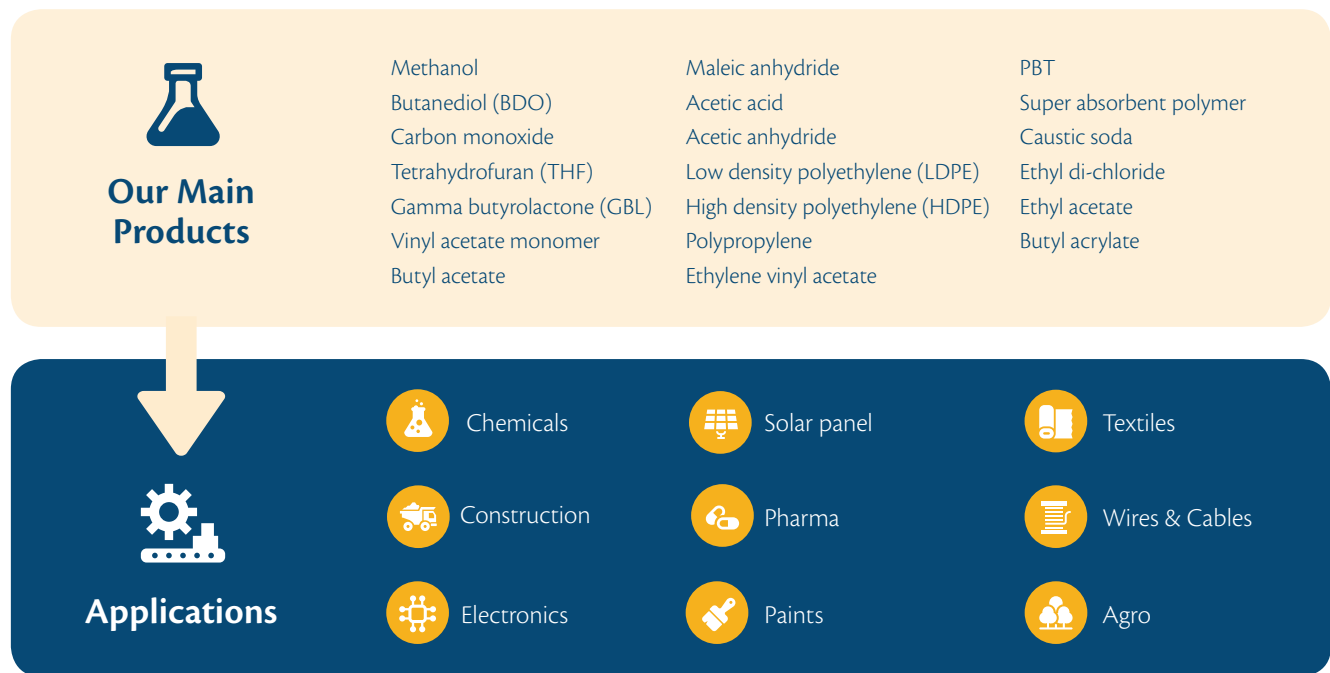
Across our value chain we constantly assess new opportunities to challenge, advance, and innovate responsibly for the benefit of our stakeholders.

Sipchem is classed as one of the world's leading producers of methanol and butanediol. Sipchem is also one of the principal suppliers of tetrahydrofuran and other specialty chemicals. Recently, Sipchem has expanded its product range by producing gamma-butyrolactone. All these products are vital in the manufacture of thousands of consumer and industrial products.

Sipchem's Main Products

Our ever-growing portfolio of products reaches millions of consumers daily. Sipchem's trade mark is registered in more than 100 countries and is a strong demonstration of our capabilities. We are proud of establishing the reputation of operational excellence in delivering world class products and services.

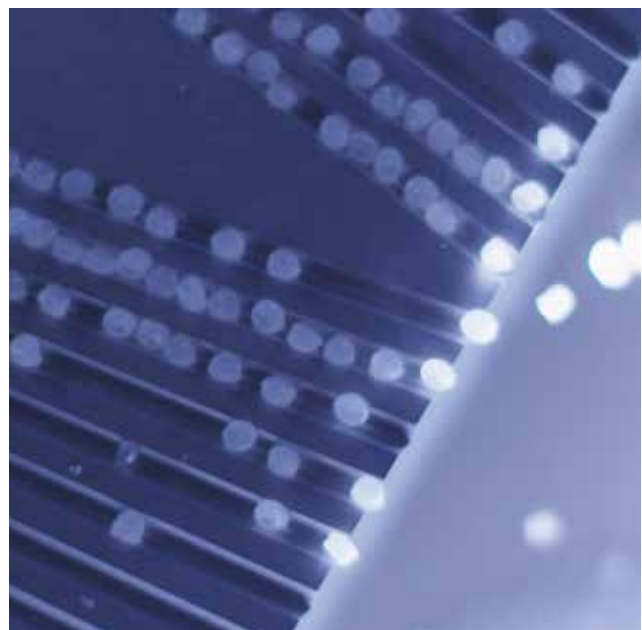
We offer an expansive range of 20+ products in fast-growing segments.



Sipchem's Global Sales

We are rapidly expanding our global reach and expanding our presence in new as well as existing markets. The table below provides a geographic breakdown of our sales.

Region	Percentage
Africa	5.51%
Americas	0.94%
Europe	17.18%
GCC	19.72%
Middle East	0.30%
North East Asia	26.30%
Oceania	1.31%
South East Asia	10.22%
South Asia	18.52%
Total	100.00%



For further information on our commercial activities, please refer to our 2019 annual report.

Sipchem's Corporate Governance

To drive focus, we have implemented a two-dimensional operating model to support us overcome challenges and seize opportunities in the current global environment. Sipchem's Chief Executive Officer (CEO) governs business growth, while Sipchem's Chief Operating Officer (COO) governs reliability and safety. This updated operating model is further supported by a high caliber leadership team that is focused on achieving the integration mandates and delivering synergistic value.



Sipchem's Organizational Structure

We are committed to operating in a transparent and ethical manner that safeguards the interest of all our stakeholders. We strongly believe in the role of a holistic corporate governance structure to drive excellence in our business and to ensure the sustainable long-term growth of the organization. Our corporate governance framework has been established to serve our stakeholders' needs while allowing us to monitor our company's performance and effectively meet our business goals and objectives.

Our corporate governance structure is led by our Board of Directors and Executive Management Team, who are responsible for upholding Sipchem's integrity, accountability, and commitment towards our stakeholders.

Code of Conduct

Sipchem's Code of Conduct provides the foundation for our business culture and emphasizes our commitment to performance with integrity. Sipchem's Code of Conduct provides guidelines for employee behavior and affirms our core values, such as our commitment to our employees, transparent and fair business standards and practice, and long-term partnership with our communities.

Our Code of Conduct includes our key principles and serves as a guideline to everyone associated with Sipchem in terms of conducting their business with integrity, accountability and transparency. Our employees can access it at any time as it is available on our intranet.



Managing Risk

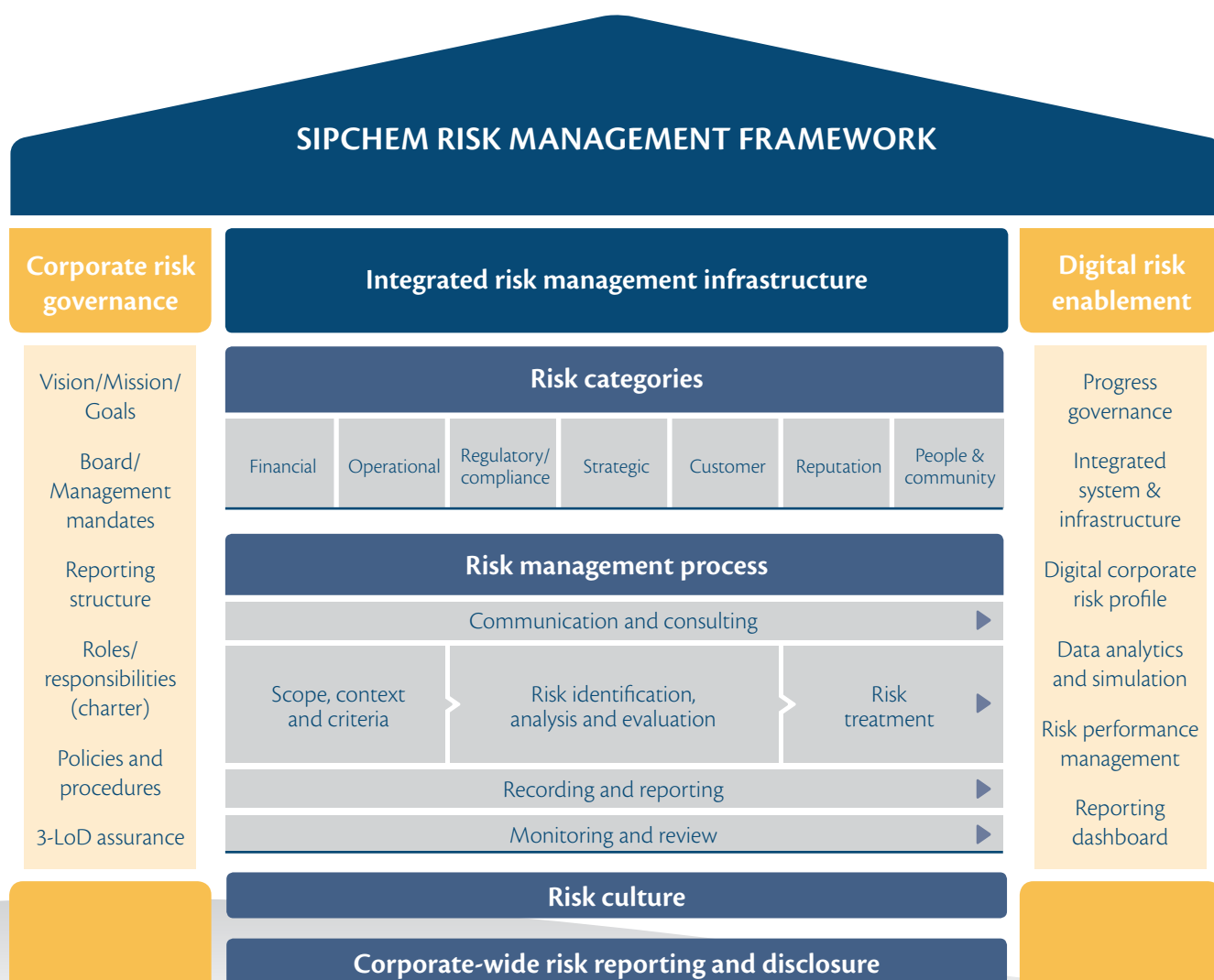
Sipchem operates in a global, competitive environment, which gives rise to operating and market risks exposure. Risk management is considered as a strategic activity and supports our ability to manage risk and create opportunities as well. At Sipchem, internal control is an ongoing process where Sipchem's mission, goals and objectives are regularly evaluated and periodically revised. The risks and opportunities associated with our goals and objectives are analyzed at both the senior and departmental management levels to evaluate the effective implementation of policies and procedures.

Risk management is one of the key responsibilities of Sipchem's Board of Directors (BoD) and senior management. Our overall risk management process consists of both top down and bottom up approaches. The BoD is responsible for overseeing

the overall risk management process to ensure adequate implementation of the process and to assess the effectiveness of these procedures, promote an organization-wide culture of risk management practices, and implement an organization-wide risk management policy. The risk management process entails quarterly meetings to monitor progress of initiatives deployed to achieve our goals and objectives. We periodically revise policies and procedures to better mitigate risks and eliminate redundancy, these changes are communicated internally and externally, as necessary.

At the departmental level, department heads consult with and report any identified risks to the risk management department. Adequate controls and strategies are then developed and implemented to manage risk exposure.

SIPCHEM'S RISK MANAGEMENT FRAMEWORK



The risk assessment process is based on leading practices and guidance from the Capital Market Authority in Saudi Arabia, as well as ISO 31000:2018, and followed a qualitative and quantitative approach. Risk is assessed across two dimensions: likelihood of occurrence and severity of impact. The positive and negative impact of potential events are examined at a departmental and corporate level. Risks are then assessed on an inherent basis and prioritized based on an internal rating methodology.

In 2019, following the merger we have implemented our revised risk management framework. Moving forward, we aim to digitize Sipchem's revised risk management processes through a governance, risk management, and compliance (GRC) application. A leading GRC system specifically designed to digitally enable organization-wide end-to-end integrated risk management including risk related strategic and operational planning, identification, analysis, monitoring and reporting has been selected.

Key 2019 Risks

For each identified risk Sipchem has implemented programs and initiatives to mitigate risk exposure and impact.

Risk categories	
Financial	<ul style="list-style-type: none"> • Volatility in feedstock and utility prices • Shareholders' value management
Operational	<ul style="list-style-type: none"> • Plant breakdown/outage • Logistics management
Regulatory	<ul style="list-style-type: none"> • Regulatory requirement management • Contract management
Strategic	<ul style="list-style-type: none"> • Breach of security or asset sabotage • Competition and changes in demand and supply due to market dynamics, technology and product specifications and innovation
Customer	<ul style="list-style-type: none"> • Information technology/Operational technology vulnerability
Reputation	<ul style="list-style-type: none"> • Unethical practices, fraud and corruption
People and community	<ul style="list-style-type: none"> • Health, environment and safety incidents • Human capital management





Managing Sustainability at Sipchem

"Improving the efficiency, reliability and safety of our operations is an ongoing process and a large part of what being a sustainable manufacturer is to Sipchem. As we continue to integrate our operations, we are driving focus across our operations to ensure a common standard of excellence and that we live up to our purpose as a company."

Abdullah Al-Saadoon
Chief Operations Officer



Sipchem seeks to create shared value, for the business and its stakeholders, by integrating sustainability in our daily operations and practices while aiming to set better standards across our sustainability pillars.

This is at the heart of what sustainability means to Sipchem and it guides our actions as we strive to be a responsible company.

Achieving sustainable development is a high priority for Sipchem, and as a leading Saudi company, we embrace a socially responsible culture. We aim to foster a culture of sustainability through our programs that contribute to sustainability management within our operations and through our Responsible Care and Sustainability Committee. We support sustainable development in KSA through our Saudi business operations, local procurement and investments in our Corporate Social Responsibility (CSR) program.

SUSTAINABILITY MANAGEMENT AT SIPCHEM IS STRUCTURED AROUND THREE PILLARS:



Governance for Sustainability

In 2019, Sipchem established a Responsible Care and Sustainability Committee which will be effective starting 2020. The committee will be responsible for setting targets, reviewing performance, approving initiatives and monitoring compliance with respect to Responsible Care and sustainability, and will integrate sustainability into the company's strategic direction and business model.

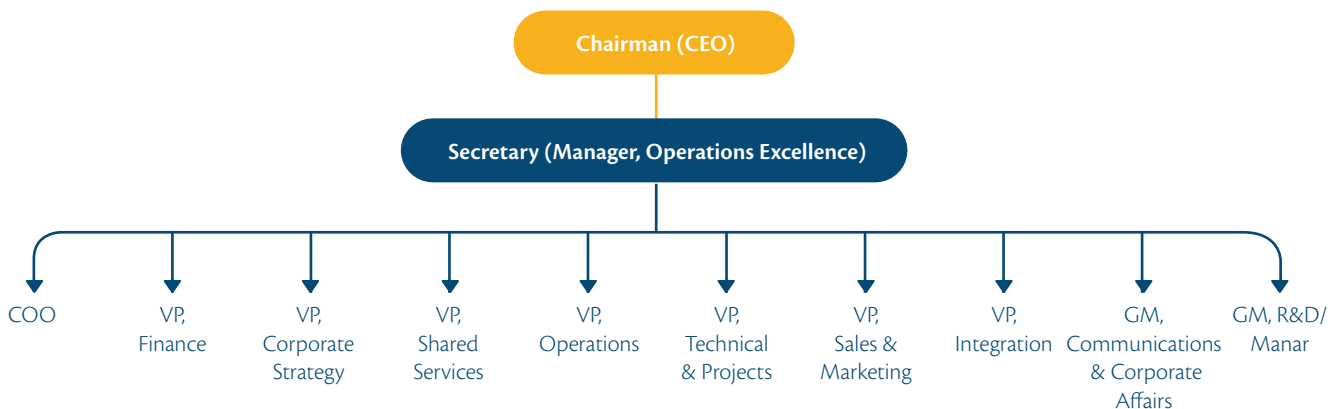
This executive committee is chaired by Sipchem's CEO and is primarily comprised of representatives from Sipchem's senior management. The committee will meet on a quarterly basis to discuss the effective management of Sipchem's material sustainability issues and discuss progress. The following subcommittees have been instituted to support the implementation of sustainability throughout Sipchem:

- Strategy Governance
- Shared Services (Cyber Security, Human Capital Management & Local Content)
- Central Sustainable Safety Committee
- Sustainable Energy and Asset Committee
- Marketing and Supply Chain
- Integration Management Office
- Communication & Corporate Social Responsibility
- Research & Development (R&D) and Manar

With executive accountability for sustainability, Sipchem demonstrates its commitment to sustainability and the value it creates for the business and society.

OUR SUSTAINABILITY GOVERNANCE

Sipchem Responsible Care and Sustainability Committee



VP stands for Vice President and GM stands for General Manager.



Responsible Care®

Responsible Care® is a voluntary commitment by the global chemical industry to drive continuous improvement and achieve excellence in environmental, health and safety and security performance by the International Council of Chemical Association (ICCA).

Sipchem continues to strengthen its position as a company that acts sustainably through its continued commitment to the Responsible Care® initiative. We are proud to have been the first petrochemical company in KSA to embrace this voluntary initiative, apply it across the company, and become certified.

Sipchem's Responsible Care® audit program seeks to define a systematic approach to measuring conformance to applicable management system requirements and compliance with the requirements of Sipchem's policies, procedures, legal and other requirements. Sipchem's audit program ensures proper implementation and monitoring of performance through a 'Plan-Do-Check-Act' approach. The audit function focuses on performing, verifying, supporting, and managing Sipchem's Responsible Care® and quality-related activities.

Sipchem follows the guiding principles of Responsible Care® to build trust and confidence among stakeholders about its manufacturing processes and products.



Our Integrated Management System

Our integrated management system (IMS) addresses quality, health and safety, security, information security, environment, energy and asset integrity management holistically. To demonstrate Sipchem's commitment towards the IMS requirements, implementation and continual improvement, our senior management has documented and communicated an IMS policy which focuses on:

- Continuously setting, monitoring and reviewing the objectives and targets for all aspects of our IMS by ensuring the availability of information and resources to achieve them.
- Providing and ensuring a safe and healthy working condition for our employees to prevent work related injuries and health illnesses.
- Implementing best practices approaches and processes to protect our environment by preventing pollution, conserving natural resources, reducing industrial waste, procurement of energy efficient products, minimizing risk and eliminating hazards associated with our operations.
- Measuring progress to ensure adherence and effectiveness of the IMS policy.

In addition, Sipchem has an internal compliance audit process to support and validate our integrated management system, which ensures we adopt a common approach to quality, health and safety, security, information security, environment, energy and asset integrity issues. Since the merger, multiple audits have been conducted. Internal and external audits were conducted as part of the internal IMS compliance audits and the certification audit. Overall, the results were satisfactory with no major findings.

Moving forward, Sipchem aims to attain ISO 50001:2018 and ISO 55001:2014 certifications a significant milestone which will ensure effective implementation of Energy and Asset Integrity Management Systems respectively. Sipchem has already completed stage one audits, and we are currently undergoing the certifications audit process and with that we will have seven certified management systems.



What Matters Most

Sipchem has identified the sustainability topics that are most material and relevant to its business. As defined by the GRI Standards, material topics are those that reflect an organization's significant economic, environmental and social impact and those that substantively influence the assessment and decisions of stakeholders.

Materiality helps us prioritize our efforts to improve our performance and create positive impact on the issues most important to our business and stakeholders. These material issues guide our sustainability reporting to ensure we address our stakeholders' expectations.

Sustainability reporting is the responsibility of the performance management department and it is led by Abdulaziz Al-Muhana and Waheeb Ammash. Our sustainability reporting team is committed to annually communicate our sustainability performance to our valued stakeholders in a transparent manner.

Sipchem periodically conducts formal materiality assessments. In light of the merger in 2019, we conducted an internal materiality review by assessing the material issues before the merger against international sustainability reporting standards and peers. Based on management's feedback and external considerations, the following list of sustainability issues were identified as most material.



Our Material Topics

GRI 104-47



Our people

- Talent attraction and retention
- Diversity and inclusion
- Learning and development



Our socio-economic impact

- Economic performance
- Asset integrity and reliability
- Industrial innovation
- Indirect economic impacts



Our environmental, health and safety responsibility

- Energy and emissions
- Waste management
- Water and effluents
- Environmental compliance
- Health and safety



Stakeholder Engagement

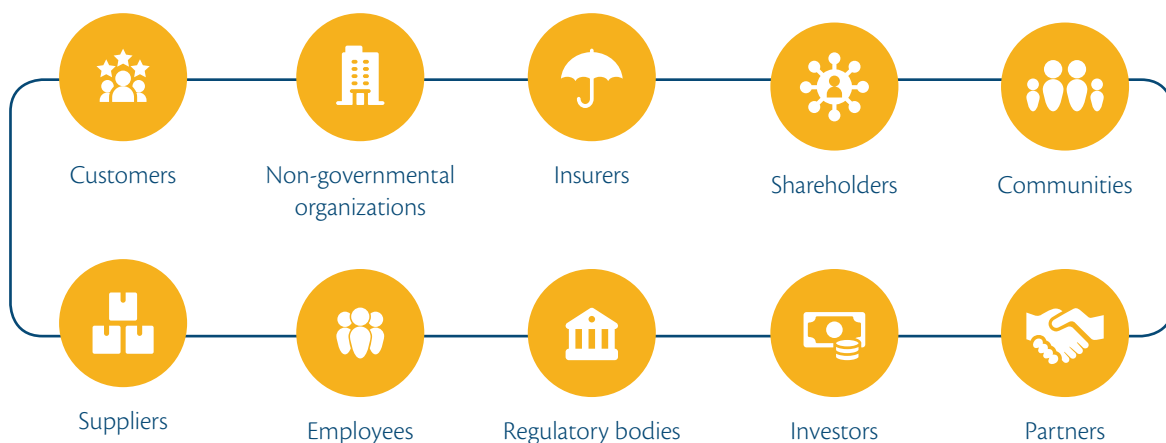
GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

Stakeholder engagement is a critical enabler as it allows us to better understand the issues of importance to our stakeholders, and therefore, integrate these issues and concerns into our operations and strategic direction. We maintain open channels of communication and engage with our stakeholders on a regular basis. Throughout the year, Sipchem connects with its stakeholders through various activities to better address their needs and expectations in our practices. During our most recent materiality review, we have identified ten key stakeholder

groups that are integral to our business and influence our decision-making processes. At Sipchem, we recognize that through systematic stakeholder engagement and collaboration, we can collectively create a greater positive impact for all.

Every day, at every level of the business, Sipchem engages with a large variety of stakeholders, both formally and informally. We continuously engage with our stakeholders to build long-term collaborations and strategic partnerships.

SIPCHEM'S KEY STAKEHOLDER GROUPS



CASE STUDY

Customer Satisfaction

Supplying quality products and services to our customers is one of our main goals and objectives. We work closely with our customers and our business partners to build strong relationships and high satisfaction rates.

We conduct a customer survey for all our customers on biennial basis so that they have a formal opportunity to evaluate the quality of both our products and services.

We value the feedback and recommendations our customers provide us on a wide range of product and service aspects, such as order handling and customer service to delivery speed and value for money, as it helps us to continuously improve.



Stakeholders	Objectives	Method of engagement
 Customers	<ul style="list-style-type: none"> • Provide diverse innovative products 	<ul style="list-style-type: none"> • Customer satisfaction survey • Events • Meetings • Sustainability report • Website and social media
 Non-governmental organizations	<ul style="list-style-type: none"> • Partner for employee and community engagement initiatives 	<ul style="list-style-type: none"> • Meetings • Memorandum of Understandings • Website and social media
 Insurers	<ul style="list-style-type: none"> • Attain ideal insurance coverage in line with prevailing best practices in the market 	<ul style="list-style-type: none"> • Meetings • Seminars • Events • Surveys and inspections
 Shareholders	<ul style="list-style-type: none"> • Ethical business practices • Sustainable returns • Promote a fair market evaluation 	<ul style="list-style-type: none"> • Quarterly meetings • Conferences and seminars • Annual report • Sustainability report • Website
 Communities	<ul style="list-style-type: none"> • Create economic and social value for our communities • Ensure the health and wellbeing of community members 	<ul style="list-style-type: none"> • Events • Community engagement activities • Website and social media • Sustainability report
 Suppliers	<ul style="list-style-type: none"> • Transparent procurement process • Support the development of local suppliers • HSE performance 	<ul style="list-style-type: none"> • Procurement processes • Inspections and audits • Training sessions • Website
 Employees	<ul style="list-style-type: none"> • Attract and retain talent • Support the development and growth of our employees • Protect the health and safety of our employees 	<ul style="list-style-type: none"> • Employee satisfaction survey • Internal communication channels (Intranet) • Training • Events • Code of conduct and policies • Social media • Sustainability report
 Regulatory bodies	<ul style="list-style-type: none"> • Partner to address global and local challenges • Comply with laws, regulations and policies • Enhance local industries 	<ul style="list-style-type: none"> • Quarterly meetings • Audits and inspections • Annual report • Sustainability report
 Investors	<ul style="list-style-type: none"> • Ethical business practices • Sustainable returns 	<ul style="list-style-type: none"> • Meetings • Events • Annual report • Sustainability report • Website
 Partners	<ul style="list-style-type: none"> • Support local products distribution • Penetrate new markets and technologies 	<ul style="list-style-type: none"> • Meetings • Events • Conferences and seminars • Annual report



Our People

"We place people at the forefront of every decision we make. We invest in the wellbeing, growth and development of employees along with industry-leading remuneration, benefits and training opportunities. Our employees are the determining factor of our success to accomplishing our mission and realizing our strategic objectives."

Saeed A. Bayounis

Vice President of Shared Services



Our people propel our success, which is why recruiting, developing and retaining a high caliber workforce is a constant priority.

Through effective employee engagement and capacity building, we aim to improve our employees' capabilities, motivation and productivity, while contributing to human capital development in KSA. We aspire to attract talented people from diverse backgrounds which reflects our conviction that diversity drives innovation and brings added value to the company.

Sipchem's Code of Conduct represents our core values and sets the behaviors expected from all employees to create a culture of mutual respect and ensure ethical conduct. Our Human Resources (HR) Center of Excellence is responsible for the effective implementation of our HR Policy and managing performance across all our HR functions. The data reported in this section summarizes our material topics covering our permanent employees in KSA unless stated otherwise.









SIPCHEM'S EMPLOYEE VALUE PROPOSITION

We care: You are part of an incredible family who truly care for each other, the community and the environment. Our open communication and friendly environment build safety and trust.

We enable: We enable you to give your best by providing clear responsibilities and objectives, with all the resources and support you need. You will feel recognized and well rewarded for your contribution.

We grow & improve: We offer a work environment that is engaging and inspiring. You learn and grow every day in an environment that motivates you to continuously improve.

KEY HIGHLIGHTS OF SIPCHEM'S CONTRIBUTION TOWARD ITS PEOPLE

KSA vision 2030 alignment	Key performance highlights in 2019		
Learning for working	 40,878 Training hours	 Launched our Rowad and Ertiqa learning and development programs	
Providing equal opportunities	 1,588 Employees	 Updated our compensation and benefits structure	 Developed a unified performance management system
Attracting the talents we need	 27 Nationalities	 79.5% Saudization	 97 New hires

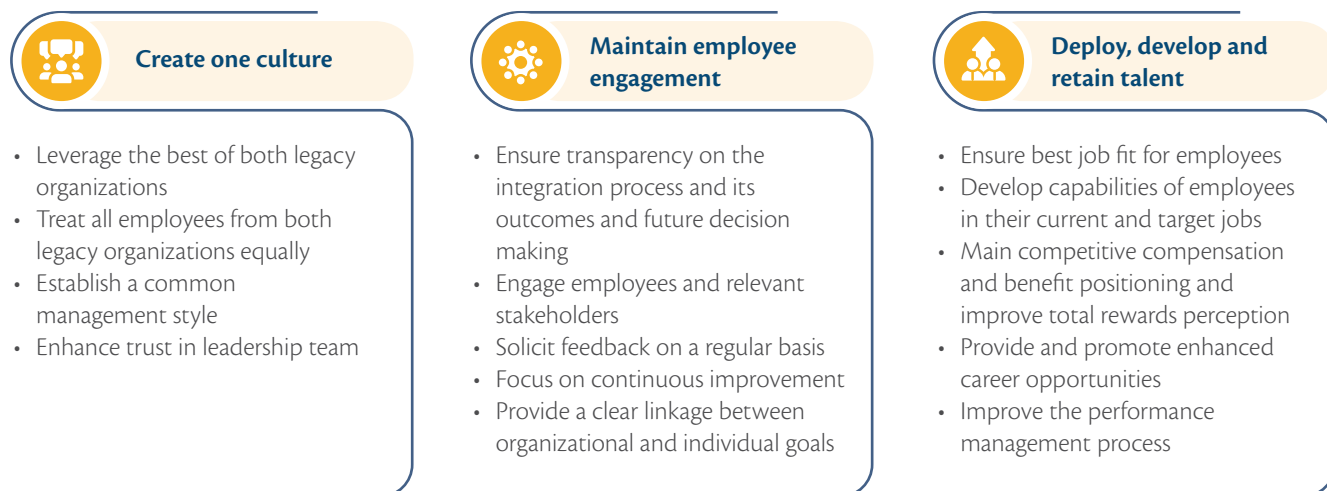







Building Our Culture Post-Merger

In 2019 and in the wake of the merger, significant investments were made to build a strong, unified culture. We were able to achieve our targeted culture by combining and leveraging the best of both legacy organizations.

TALENT PRIORITIES FOR STRONG INTEGRATION



Our cultural transformation approach

 Collaboration Actively promoting collaboration and teamwork between all areas of the organization	<ul style="list-style-type: none"> • Establish a transparent organizational structure/governance model allowing for more collaboration • Launch programs that focus on building relationships between individuals and across functions • Actively promote messages that emphasize collaboration among employees • Establish collaboration norms and ensure that the behaviors are respected at all levels • Introduce more regular touch points with the executive leadership team • Leadership to set the expectation of a 'we' mindset across the organization
 Performance Strengthening company and employee performance management through various levers	<ul style="list-style-type: none"> • Strengthen the individual performance evaluation system • Introduce more regular performance reviews • Do not tolerate low performance • Understand causes of low performance in order to more actively manage • Invest in training managers on performance management • Provide more direct feedback and coaching • More strongly link performance to compensation
 Empowerment Empowering employees to take ownership to deliver their objectives while recognizing their contribution	<ul style="list-style-type: none"> • Clearly define what can be delegated and what cannot • Empower employees to take decisions at the appropriate level • Address those who resist delegation and actively manage • Question escalated actions/decisions and empower employees to take the decisions, if within their remit • Limit overriding of decisions made by individuals where possible



To achieve a coherent transformation and integration process, our approach focused on 25 workstreams such as organization design, workforce planning, HR direction principals and other areas of focus. The HR department reviewed our targets, conducted a detailed review and updated the associated policies and procedures based on market benchmarks and leading practices for each of the workstreams.

Our post-merger approach supported the achievement of the following key HR outcomes:

- Developed a unified performance management system
- Developed a program to minimize leadership and critical position vacancy risk
- Improved transparency on career opportunities and requirements that are better aligned to Sipchem's business requirements
- Validated a competitive pay structure
- Developed a system to better estimate workforce requirements for Sipchem to execute its strategy

2020 HR Plan

Building on our achievements in creating a strong company culture, and as part of our approach to continuously improve our HR processes, we have developed an HR action plan for 2020. Our objective is to create a long-term HR strategy that drives employee engagement, performance, and retention.

HR strategy	Develop a new short and long-term HR strategy that reflects Sipchem's new business strategy and set out a clear roadmap of initiatives to be implemented.
Culture and values	Align HR programs and initiatives to augment our employee value proposition, culture, and values, and establish an implementation timeline and communication plan.
HR communication	Communicate on all HR topics using an omnichannel approach and assign and train change champions to ensure effective communication and engagement.
Employee engagement survey	Improve our employee engagement survey to support dashboard, report and action plan creation.
Employee performance	Develop new employee performance review implementation and reward guidance.
High potential program	Establish a high potential program framework with critical role success profiles and program tools, a high-level implementation plan, and prepare HR staff.

As we move forward, we will continue to follow our integrated approach to HR policies, processes and systems within our operations, and will seek to develop and improve our integrated HR approach to uphold our vision for performance excellence.



Talent Attraction and Retention

We strongly believe that our people are our most valuable asset, and we strive to attract and retain the best talent by providing a world-class employee experience. Our HR Policy further supports establishing mutual understanding between Sipchem and its employees across all aspects of employment and aims to implement fair and equitable HR practices that will enable the attraction, retention, development, and motivation of employees.

In addition to robust learning and development opportunities, employees are provided with generous benefit packages, which include excellent healthcare, financial and non-financial incentives. Benefits include housing, transportation and communication allowances, flexible working hours, annual leave, sick leave, parental leave, Hajj leave, marriage leave, emergency leave, examination leave, relocation leave, among others. Our employees can also benefit from our higher education sponsorship program, 'Ertiqa,' which supports managers and above to pursue a master's degree. To motivate and recognize high performing employees, Sipchem administers annual performance-based merit increase reviews.

As we aspire to be a catalyst for youth employment, we actively recruit new university graduates primarily through our internship program and by participating in several career fairs this year 92 students were hired through the internship program. In 2019, 22% of our total workforce comprised of employees under 30 years of age, which also reflects 15% of our new hires. Over the coming years, we will continue to seek more employees under the age of 30 as this demographic will be the foundation to our future success. Attracting and developing new talent is just as important to our long-term success as it is to retain the expertise of our long-standing, high performing employees, which is why we work to maintain a balance between these two important groups. Employee engagement plays an important role in creating an empowering culture where employees, no matter their position in the company, feel valued and appreciated at Sipchem.

	Talent attraction and retention		2019
	Total new employee hires		96 (6%)
	Under 30 years		57
	30-50 years		35
	Over 50 years		4
	Total employee turnover		43 (2.7%)
	Under 30 years		7
	30-50 years		26
	Over 50 years		10



CASE STUDY

Employee Engagement Survey

We continuously engage with our employees and actively promote the creation of an inclusive environment. Our employee engagement survey provides an anonymous and secure platform for all our employees to assess, evaluate and share their feedback on all aspects of their relationships with Sipchem on a biennial basis. Employees have the opportunity to provide feedback on a range of topics including employee engagement, Sipchem's strategic direction, leadership, quality, HSE, learning and development, performance management, remuneration and ethics, among others.

In 2018, employees overall satisfactory rate based on the survey was 92%. As a response to the feedback received last year, we created an action plan to address our employees concerns and enhance their work experience. During 2019, we agreed on the key priority areas to focus on and appointed champions to sponsor those areas.

The focus areas were identified during a full day off-site workshop where we conducted a root-cause analysis and held brainstorm sessions.

In our efforts to provide our employees with the desired working environment, we worked on enhancing our managers' leadership skills in 2019. We assessed the current competencies, maturity levels and developed a leadership development program for our existing managers, called 'Rowad.' We have also developed a job qualification program for all our employees and developed a guideline that enhances evaluators' employee assessment and evaluation competencies.

For further information on our programs, please refer to the Learning and Development section of this report.



Diversity and Inclusion

Diversity is a strategic and competitive business advantage. Therefore, we strive to maintain a workplace that is inclusive, by building a more diverse workforce to seize opportunities from sharing innovative ways of thinking, which contribute to informed decision making, and enhanced reputation. As a result, we seek out employment candidates from diverse backgrounds to provide us with the depth of talent, skill and potential to meet our goals.

In 2019, our workforce comprised of talented individuals from 27 different nationalities, bringing a diversity of experience and perspectives to Sipchem. Our diversity helps us drive innovative solutions catering to our customers' needs. Similar to other regional industry peers, we are working to identify ways to attract female employees. We have recently set diversity goals as part of our workforce planning process to align with Sipchem's vision and mission. We are assessing the implementation of more flexible work schedules to improve female employment.

We provide employees with equal opportunities for progression and have an internal grievance procedure in place. This provides a pathway for employees and other external stakeholders

we engage with to raise concerns related to any perceived discrimination which stands against our commitments to uphold diversity, equal opportunity, and non-discrimination.

An employee is entitled to file a complaint under Sipchem's grievance procedure if they have been treated in any way that contradicts applicable legislation, their employment contract, the HR policy or have been subjected to prejudicial treatment. The grievance procedure has defined steps that are communicated to all employees. Based on the case, the HR department, grievance committee and Sipchem's General Manager may get involved.

During the past year, we have implemented several initiatives to create a more inclusive company. We expanded our geographic recruitment coverage to attract a diverse pool of candidates. In 2019, we launched a diversity training to raise awareness about the importance and benefits of a diverse and inclusive workplace. This training was further supported by the implementation of our cultural transformation, which focuses on collaboration, performance and empowerment to spread a common mindset across the company to all employees.

Diversity and inclusion		2019
	Gender	
	Male	1,587
	Female	1
	Age Group	
	Under 30 years	350
	30-50 years	1,129
	Over 50 years	109
	Employment Level	
	Executive and senior management	25
	Middle management	127
	Non-managerial and professional staff	1,436
	Nationality	
	Saudi	1,259
	Other	329

Diversity and inclusion data cover permanent employees based in KSA only.




Saudization

Sipchem seeks to promote the employment and advancement of Saudi nationals as part of its contribution to human capital development in KSA and Vision 2030. Our Professional Development Program (PDP) is at the core of our Saudization efforts. This multi-faceted two-year program cultivates young talented Saudi graduates and prepares them for future leadership positions at Sipchem. In 2019, we had 25 new participants, in addition to 40 new Saudi graduates that were hired from across KSA.

We also provide summer training opportunities for Saudi nationals enrolled in technical programs at universities and institutes and hosted 92 students during the past year.

In 2019, Saudization reached 79.5% at Sipchem, with 79.2% of senior management being Saudi nationals.

	Saudization	2019
	Saudization companywide	79.5%
	Saudization of senior management	79.2%



Sipchem Voices



Nora Abdullah Al-Bakhit
Legal Specialist

discusses her perspective as Sipchem's first female employee.

Q: How has your overall experience been since you joined Sipchem?

Since I joined Sipchem more than two years ago, I have found it to be an enriching experience. At Sipchem, I am learning every day, as I am surrounded by passionate and experienced employees who are always eager to share their knowledge and expertise.

Q: How do you describe the support, training and mentorship you have received at Sipchem?

We have a healthy and friendly sense of competition within our team, which helps us to challenge and encourage each other to achieve the highest standards. This environment has helped me to learn and grow both personally and professionally.

Q: Have you ever felt or experienced any discrimination during your time at Sipchem?

No, on the contrary. I have never felt that I have been treated differently from my colleagues because of my gender. Sipchem has always been welcoming and I

am proud to be a pioneer at the company, so to say, by demonstrating that women can make valuable contributions to Sipchem and the industry here in KSA.

Q: Do you see your career progressing at Sipchem? And are you being provided with career growth and learning opportunities to help you achieve your career and personal goals?

Definitely. Working at Sipchem and through interactions with colleagues have given me excellent exposure, which has helped me to better understand working life and discover my aspirations. As an employee at Sipchem, we each have an individual development plan that charts your career path. But we also have plenty of opportunities to learn new skills and further our studies. I am grateful for my direct manager's continual support in this area, especially as I am considering a master's in law degree program specializing in corporate governance to support my career growth at Sipchem.

Q: What would you like to say to Saudi females who are considering employment opportunities at organizations similar to Sipchem?

Don't give up on your goals. Be flexible and always persevere. The path to success is not always direct, but by taking small steps you can reach your goals. There are many excellent career opportunities for women in the petrochemical sector today, in administration, research and development, and onsite in the manufacturing plants. We should not let any potentially negative perceptions make us shy away from the industrial sector.



Learning and Development

Effective employee learning and development programs aim to raise the right capabilities and knowledge among our employees to meet emerging business needs and challenges. Our success rests on our ability to respond to industry and market changes. The investments we make in our employees' education and professional development not only support our current and future business requirements, but also positively impact our employees' satisfaction and retention.

In our efforts to be recognized as a world-class producer of petrochemical products, we remain dedicated to enhancing our employees' technical and leadership skills through the utilization of our integrated talent management system. The learning and development needs of our employees are identified through our 5-step training assessment process, which starts with a training needs analysis and ends with training evaluation and monitoring.

We offer classroom and on-the-job training, special assignments and projects, job rotation, and e-learning opportunities. Our training programs cover a wide range of subjects that include

personal, interpersonal management, leadership, computer and language skills. We continuously seek opportunities to enhance our development programs and provide more relevant learning courses that meet both our employees' and the organization's needs. All employees have individual development plans to ensure employees meet the required competencies for their position.

Employees that demonstrate leadership potential, are selected to be part of our Rowad program to support their development and progression to leadership roles within Sipchem. Rowad aims to foster leaders of the future, where the selected high potential leaders across the organization are enrolled in 12 modules covering various leadership aspects. The program utilizes workshops as well as other activities, and practical assignments are submitted by participants for evaluation by a third-party consultant. In 2019, we had a total of 25 employees enrolled in Rowad.

Overview of Sipchem's development programs

Ertiqa

Ertiqa is a program that enables managers and above continue their formal higher education. Ertiqa supports our Career Development and Succession Planning programs by allowing employees to receive the skills and qualifications to support their future growth at Sipchem.

Sipchem e-Learning Academy

The Sipchem e-Learning Academy is our cloud-based portal that offers rich online training courses in different fields such as management, customer experience, communication, basic maintenance and operation, and health and safety. The courses are available to all employees and give employees the flexibility complete the trainings around their schedules.

Professional Development Program

The Professional Development Program (PDP) is a two-year training program designed for fresh graduate new joiners. The PDP consists of various training sessions including on-the-job training, technical assignments, and job rotation opportunities.

In 2019, 25 engineering and science graduates have enrolled in the program.

Job Qualification Program

The Job Qualification Program is designed for technical employees and seeks to fill any identified skill gaps to improve participants' ability to perform their jobs more efficiently and effectively. The program covers all plant operators, maintenance, lab, fire management employees and security guards. The program includes practical and theoretical tests and certifications.

In 2019, 450 employees have benefited from this program.

Rowad

Rowad is a program that targets first line managers and future leaders based on a set of selection criteria that includes experience and performance assessment results, to name a few examples.

In 2019, Rowad's 25 participants covered two topics per month over the course of a year from the following modules:

- Communication
- Developing people
- Managing change
- Problem solving
- Strategic thinking
- Customer Service
- Leadership
- Negotiation
- Raising productivity
- Team building



Our yearly training calendar includes courses for all staff levels. Our management, soft skills and technical courses have been designed and tailored specifically to meet our strategic goals. We partner with local and international training companies to deliver our programs, and we use robust selection criteria to ensure world class quality of our programs. In addition, to the in-house courses conducted onsite in KSA, we send our employees to international courses, seminars, and conferences.

In 2019, 100% of our permanent employees received regular performance and career development reviews as part of the annual performance management cycle. We strive to drive our employees' career progression through a structured performance management process underpinned by adequate training opportunities.

In 2019, our permanent employees received a total of 40,878 hours of training, an average of 26 hours of training per employee.

	Learning and development		2019
	Total hours of workforce training		40,878
	Permanent employees		1,588
	Average hours of training per permanent employee		26
	Total cost of training (million SAR)		10.1
	Average cost of training per employee (SAR)		6,360
	Man-hours of training by job category		
	Executive and senior management		884
	Middle management		5,000
	Non-managerial and professional staff		34,994

Learning and development data covers permanent employees based in KSA only.

CASE STUDY

Digitizing Our HR Procedures

In 2019, we commenced the first phase of integrating our HR processes into SAP, and the project will be completed by the second quarter of 2020. This project aims to enhance and facilitate HR processes by enabling HR employees to have access to an online portal for managing recruitment, compensation, onboarding, and career and succession evaluations.

Moreover, and in an effort to enhance our employees' experience. We have launched a mobile application that is accessible to all employees during 2019. The application is user friendly and easy to navigate. Employees can connect and complete their work regardless of their location. This application is expected to improve employees' connectivity and efficiency, especially those who work extensively onsite.



Our Socio-economic Contribution

"To be a leading petrochemical company, requires us to continuously excel, innovate and collaborate with our stakeholders to address today's world challenges and create shared value."

Paul Jacobs
Vice President, Corporate Strategy










Our business activities generate direct and indirect economic value, locally and regionally, through payments to our employees, local and international suppliers, small and medium-sized enterprises, as well as to the governments of the countries in which we operate, through taxes and tariffs.

In addition, we engage in strategic partnerships, devise community initiatives, and execute awareness campaigns to support social causes ranging from education, entrepreneurship, arts, and sports.

As a major petrochemical producer in Saudi Arabia, we will continue to support and contribute to local and national economic growth and Vision 2030. KSA has been increasingly focused on economic diversification to create 'a thriving economy' under its vision. Sipchem has made it a business priority to drive diversified economic value in support of national objectives through expanding our integrated production capabilities and diversifying our production portfolio. The data reported in this section summarizes our socio-economic material topics related to our global operations unless stated otherwise.



KEY HIGHLIGHTS OF SIPCHEM'S SOCIO-ECONOMIC CONTRIBUTION

KSA vision 2030 alignment	Key performance highlights in 2019	
Empowering our society	 SAR 21+ million CSR spending	 347,000+ CSR beneficiaries
Supporting our national companies	 SAR 6,471+ million spent on local suppliers	
Being responsible for our lives	 Implemented several healthcare, educational and social initiatives	 Became ISO 9001 and ISO 27001 certified
Improving the business environment	 Winner of Gulf Petrochemicals and Chemicals Association (GPCA) Supply Chain Innovation Award	 Achieved Authorized Economic Operator certification



Economic Performance

Productivity, profitability and cost-control are key metrics to assess our corporate performance results and identify areas for improvement.

Our industry continues to be impacted by global trends including crude oil price fluctuations, environmental concerns, technological disruption, and shifts in demand for petrochemical products. As a result, Sipchem is constantly adapting its approach to align our business strategy and capabilities with opportunities in the marketplace.

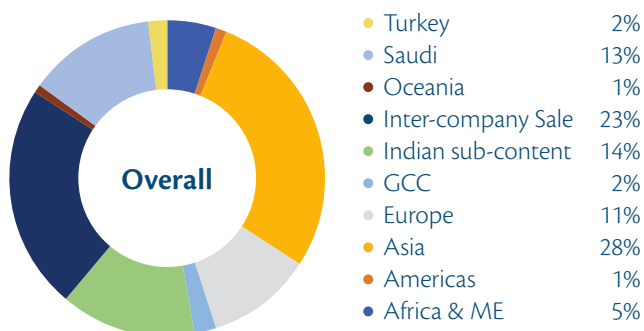
The merger has supported the expansion of our portfolio and production capabilities by more than 150%. In 2019, our total production reached 3 million metric tons (MT).

At Sipchem we rely on strong planning mechanisms, risk mitigation strategies and robust executive management governance to improve revenue growth and improve profitability year-on-year. Sipchem's focus on diversification, improving efficiency and innovation to raise profitability across the business has paid off. In 2019, Sipchem's net sales were SAR 1,450.6 million, despite global challenges and tepid global market conditions.

Our Geographic Reach and Distribution of Revenue

By improving efficiencies, leveraging synergies, and operating with excellence across all our business practices, Sipchem will further enhance its market position, expand its reach, generate more revenue, and share the positive socio-economic impacts not only in KSA, but also in the local economies where we operate.

OUR REVENUE DISTRIBUTION ACROSS THE GLOBE



Economic performance (SAR Million)

2019

Direct economic value generated	5,440
Economic value distributed	5,140
Operating costs	3,897
Employee wages and benefits	637
Payments to government*	59
Payments to providers of capital*	678
Community investments	21
Economic value retained	300

* These payments are actual cash flows and are not considered part of the economic value distributed.



CASE STUDY

Authorized Economic Operator

Sipchem is a certified Authorized Economic Operator by Saudi Customs. This distinction is a demonstration of our strong supply chain processes and brings several benefits to the business such as reduced custom clearance time and cost along with reciprocity programs for other participating parties.



Asset Integrity and Reliability

At Sipchem, asset integrity and reliability are at the core of our process safety management system and critical to the success of our commercial operations. We invest heavily in maintenance to safely extend the lifetime of equipment and infrastructure and to maintain high production performance. Employee process safety training forms an integral part of our approach to maintaining our assets and improving reliability as well. Initiatives focused on asset integrity and reliability deliver value by reducing operational interruptions which translate to better health and safety performance and increased production.

Asset integrity is governed by the Central Sustainable Safety Committee, a sub-committee of the Sipchem Responsible Care and Sustainability Committee, headed by the VP of Operations

with key performance indicators (KPIs) that are monitored and reviewed by our senior management on a monthly and quarterly basis. We have set targets against the following KPIs:

- Greater than 90% for plant reliability performance
- 100% for critical machines spare availability status
- Greater than 90% for condition monitoring productive maintenance compliance

Reliability and maintenance engineers are responsible for sharing information on asset integrity at the sites. For more information on process safety at Sipchem, refer to the environmental, health and safety responsibility section of this report.



CASE STUDY

Sipchem Total Assets Management Program (STAMP) initiative

To ensure reliable and sustained operations with optimized resource consumption and minimum downtime, Sipchem developed STAMP. Through this initiative we are identifying all critical equipment and upgrading our maintenance approach to these assets by focusing on predictive measures and taking a reliability centric perspective to preventative maintenance. By transforming our practices, we are aiming to minimize equipment breakdown to avoid potential production shutdowns, hazards, and emergency scenarios.

STAMP sets out clear processes to improve our operations:

Asset Criticality Analysis (ACA): A process to identify the gaps in our SAP system and rank the asset based on the impact of its failure from safety, environmental, and financial perspectives. This process is also a prerequisite for performing Reliability Centered Maintenance (RCM).

Reliability Centered Maintenance (RCM): is used for designing a routine maintenance program that focuses economic resources on different systems based on its criticality and reliability. Studies were completed in East Park and the IMC plant. The results of the pilot showed a 92% reduction in total expenditure and we are implementing further RCM studies in all Sipchem's plants.

Risk Based Inspection (RBI): RBI is a decision-making methodology for optimizing inspection intervals based on site-acceptable risk levels and operating limits.

- A study on all static equipment was completed in IGC and Utility 1 plants which serve our IMC and IDC affiliates in East Park.
- The revalidation of IMC, IAC, IVC and IPC plants will commence in 2020, and the business case preparation for West Park plants is in progress.
- As part of the RBI study, an Integrity Operating Window has been developed and implemented in IGC and IUC-1 to identify any deviation in the process parameters beyond the limits which can affect asset integrity.

Software Integration: All software used by various reliability work streams are planned to be integrated in order to facilitate data sharing, as part of the digital transformation initiatives.

Reliability Performance Dashboard: This dashboard was introduced in 2019 to monitor the plant reliability performance. In total, ten KPIs are monitored periodically on a monthly and quarterly basis.



Digital Security and Data Privacy

Sipchem considers data as an important corporate asset that needs to be fully protected and safeguarded. This is achieved through active management of data that reduces our exposure to financial and reputational risks and maintain compliance with regulations, high levels of productivity, and upholds our stakeholders' trust.

Sipchem's business expansion after the merger, brings with it an added exposure to the risk of cyber-attacks. Sipchem understands that these attacks have the potential to disrupt the progress of digitization and threaten the benefits it offers. Therefore, Sipchem established effective controls to create a secure digital environment. These measures include the participation of all essential stakeholders along Sipchem's value chain.

Sipchem complies with the data protection regulations imposed by the regulatory and Capital Market Authority in Saudi Arabia. In addition, Sipchem considers data privacy as a key element in the development of new services, programs, and strategies that involve the use of personal information. Privacy protection is incorporated at the early stages design as a result.

Sipchem has established a full-scale cybersecurity function to boost the company's defenses against evolving cybersecurity practices within our Information Technology and Operation Technology functions. Additionally, we established a cybersecurity awareness program targeting all employees to establish common understanding and continuously raise awareness on cybersecurity defenses and best practices. In 2019, Sipchem achieved the ISO 27001:2013 certification for information security management, which guides our management approach towards data and information security in line with best practices.

We expect all our employees to adhere to our IT policies and information security and data protection requirements to ensure that confidential information is protected at all times. In addition, all employees are also responsible for ensuring compliance with data privacy requirements under the laws and regulations of the countries where they work.

We are committed to collecting, handling and protecting confidential information responsibly, and in compliance with applicable privacy and information security laws. In 2019, we had zero incidents of security breaches.

Industrial Innovation

Industrialization generates employment opportunities, provides educational opportunities, encourages advancement and innovation, and enhances resource utilization. All of these benefits make industrial development extremely valuable to the population, the local economy, and Sipchem.

Industrial development benefits both the local economy and grows the market capacity for Sipchem's products. Sipchem engages primarily with the Saudi industry through the Dhahran Techno Valley Science Park community and with companies in the plastics conversions sector where Sipchem organizes and attends networking events that are designed to exchange technical information and to generate collaboration opportunities. Sipchem is currently carrying out several research investigations in partnership with King Fahd University of Petroleum & Minerals (KFUPM) and is a member of King Abdullah University of Science and Technology (KAUST) Industry Collaboration Program (KICP).

Sipchem considers sustainability and innovation are complimentary fields for growth and disruption. Innovation underpins Sipchem's approach to achieving its sustainability goals, improving existing assets, and driving growth. Sipchem

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“We are focused on developing derivatives through several progressive industrial projects to drive new business growth. At the center of these efforts, the Sipchem Technology and Innovation Center and Sipchem Marketing Company are working closely with plastics converters and entrepreneurs in the Kingdom of Saudi Arabia to develop and commercialize sustainable and innovative products. These initiatives assist in meeting market demands and thereby catalyzing growth of local manufacturers and supporting Vision 2030 through creating a more diverse and sustainable economy.”

MATER ALDHAFERI

Vice President, Sales & Marketing

”



Technology and Innovation Center, Manar, was inaugurated in 2015 to build a new growth engine for the business. The Arabic word “Manar” translates to “beacon of light” and encompasses the promise that R&D plays in our future success. In 2019, Sipchem invested SAR 22.5+ million in R&D and employed 21 people in the technical team.

The center has departments with capabilities in materials characterization, testing, chemical analysis, and processing. Working alongside Sipchem’s affiliates and departments, the center’s resources are deployed to realize product

and application development innovation and process improvements.

Moreover, in 2019, Sipchem has been awarded the GPCA for the Supply Chain Innovation category due to Sipchem’s efforts in establishing and upgrading new solutions, including replacement of wooden pallets with plastic pallets, reducing polymer bag thickness, and optimizing freight transportation. Detailed case studies of these initiatives are presented throughout this report.



CASE STUDY

Reducing Polymer Bag Thickness

Sipchem is the only company in the Middle East that has a fully automated warehouse with a storage capacity of 45,000 MT of palletized finished goods. To reduce the risk in this multi-level facility, it was recommended to reduce film thickness from 180 to 150 microns. Following this successful reduction, Sipchem launched a study to reduce the thickness of the form fill and seal bag tube further to 140 microns. The bags were tested with a large local supplier in coordination with

Sipchem’s logistics team to ensure the tensile strength of the bags would not be compromised. The trial was a success, which has translated to reduced raw material requirements for bag manufacturers, enabling them to produce lighter bags, while increasing the quantity of bags per roll. This innovation was paid back in cost savings of approximately SAR 548,500 per annum and has improved overall supply chain efficiency.





Driving Innovation

In 2019, a new research department called 'Process Development and Technology' was created to focus on research areas around catalysts, process simulation and corrosion to identify chemical process improvements. Through this expansion of Manar's R&D capabilities and activities, Sipchem is creating new opportunities to enhance operational excellence.

During the past year, the International Diol Company's operation and process engineering department and Manar's process development and technology department conducted studies on an alternative resin catalyst for producing 1,4-butanediol. Following a successful field trial, the exiting catalyst was replaced with expected annual savings amounting to SAR 2 million.

Manar is currently working on several other projects focused on addressing corrosion in the production of ethyl acetate and methyl acetate, and alternative hydrogenation catalysts to produce 1,4-butanediol. The innovative solutions under investigation are expected to positively impact plant reliability and reduce maintenance and replace costs.



In addition, we have developed our R&D department's five-year strategy and roadmap. Our strategy focuses on building our capability to support process improvements. There is strong emphasis on catalyst expertise, industrial chemical processes simulation, and polymer product and application development. These internal capabilities and extended resources that can be accessed through local and international research organizations will be leveraged to realize process cost savings, plant reliability improvements, and the development of value-added products for Sipchem.

Sipchem Technology and Innovation Forum - Value Creation Through Innovation

Our third Technology and Innovation Forum focused on "Value Creation Through Innovation." The forum celebrated and acknowledged Sipchem employees' innovative ideas and seeks to foster and strengthen the roots of the company's creative culture and innovative ideas.

The aim of the forum is to consolidate the capabilities of innovation and creativity among our employees and to stimulate plans for continuous improvement in our operations in terms of product development, research and performance efficiency, as well as the adoption of the latest technologies and solutions.

This year's forum drew attention to the findings from ten specialized technical working papers that were prepared by Sipchem employees from different fields. The findings covered

various technical and operational issues and their implications on our operations. Some of the research conducted focused on the following topics: an expert system for improved process control in the carbon monoxide plant, a process improvement to reduce the loss of organics into the waste water of the butane diol plant, optimization of grade transitioning to reduce off-specification polypropylene products, and a process control approach to enhance the consistency of polybutylene terephthalate products. On this occasion, our COO praised the efforts of the participants and their research that is contributing to innovative solutions to improve operational performance at Sipchem. Sipchem strives to provide an environment that spurs creativity and development, and it is through this forum that we are helping to instill a spirit of creativity.



CASE STUDY

Engaging with Downstream Local Companies - Manar Promotes Local Production and Hosts Technical Seminar for Plastics Converters in KSA

In 2019, Manar worked closely with plastics converters and local entrepreneurs to promote local content and support the manufacture of plastic products in KSA to replace imports. In collaboration with a customer in Riyadh, Manar developed compounds for the production of safety rollers. Safety rollers that used to be imported from East Asia are now being manufactured locally for deployment on the roads in KSA.

Manar also actively continued supporting the use of Ethylene Vinyl Acetate (EVA) for film and packaging applications in KSA through product development and optimization of some of its key properties to enhance film performance and its suitability to meet the needs of local producers.

In November 2019, Manar also held the seminar "Opportunities for Products and Applications Development in Saudi Arabia." During the seminar, Manar showcased its capabilities and services available to support local plastics converters and introduced new specialty polymer grades recently developed locally in KSA.

The event also featured several technical papers related to its extended polymer product portfolio including

Polypropylene (PP), EVA, Polybutylene Terephthalate (PBT) and Crosslinkable Polyethylene (XLPE). Some of which are new polymers being produced by Sipchem for the first time in KSA and the Middle East.

The seminar was attended by more than 100 company representatives and executives across the downstream plastics industry, as well as faculty members and students from KFUPM and members from Sipchem's management team.

While establishing Manar as the go-to center to support local plastics converters, this event emphasized Sipchem's commitment to developing new applications and the importance of initiatives to promote a culture of innovation and collaboration across the downstream plastics industry in KSA.

The exchange of ideas which is essential to accelerating learning and advancing opportunities for future innovation and collaboration was an important outcome of this seminar. Through discussing industry needs, several potential business opportunities for new products and applications were identified and will be explored further.



Indirect Economic Impacts

We have made a conscious decision to identify, measure and enhance the socio-economic value we create as a company for all our stakeholders. We are currently integrating all legacy information systems and processes, while adopting international best practices to improve our product offerings. Sipchem is conscious of the indirect economic impacts we create through our business activities and the knock-on effects this has within the local economies in our countries of operation.



CASE STUDY

Contributing to Saudi Arabia's Vision 2030

Sipchem positively contributes to achieving Vision 2030 every day. Our key contributions stem primarily from the economic value we generate as a company in the form of revenue and tax payments to the government. Tax and zakat payments amounted to SAR 59.1 million in 2019. Wages paid to employees and payments made to local suppliers of goods and services which amounted to SAR 7,107.8 million also have strong indirect impacts as they

are reinjected into the local economy and contribute to generating additional economic activity.

Sipchem's efforts to develop local suppliers and employee talents, and the various programs we support through our CSR activities all further contribute to creating positive socio-economic externalities.

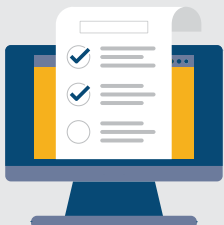
Local Content

Sipchem aspires to support local suppliers of goods and services, while ensuring selected suppliers meet our Supplier Code of Conduct and technical and quality requirements.

In 2019, we have continued our engagement with Namaa, the government's Local Content and Private Sector Development Unit, for Vision 2030. Since engaging with Namaa, we have been adopting newer more sophisticated and unified KPIs that will give better indicators on local content across the country. Once more work is completed on this, we will be setting local content targets to achieve.

At Sipchem, we believe that our suppliers are our partners, and therefore, play a pivotal part in driving us towards achieving our sustainability goals. We hold our suppliers accountable not only to high-quality standards, but also to high environmental, human rights and ethical standards. Compliance requirements have been developed to provide simple and clear guidance as outlined in our Supplier Code of Conduct.

In 2019, Sipchem's estimated contribution to local Saudi suppliers is SAR 6,471 million. In addition, we contribute to local employment, employing over 1,250 Saudi nationals.



Local content (SAR Million)

2019

Total procurement budget spent on suppliers within significant operations

7,535

Total procurement budget spent on local suppliers within significant operations

6,471

Percentage of procurement spend on local suppliers

86%

The procurement data includes inter-company procurement transactions.



CASE STUDY

Sipchem's Supplier Selection Criteria to Build a Network of Sustainable Vendors

We are committed to work with reliable, safe and sustainable vendors for our logistics operations. Our supplier selection criteria follows the GPCA's Sustainability and Quality Assessment System (SQAS), which evaluates the quality, safety, security and environmental performance of logistics service providers in a uniform manner following standardized assessments conducted by independent assessors using a standard questionnaire.

Being part of Gulf SQAS initiative, Sipchem mandates that all transporters and tank cleaning service providers are

SQAS approved. The suppliers vetting process is overseen by our responsible care, procurement, and logistics departments. Our vendors go through a comprehensive screening process in order to be an approved registered vendor with Sipchem. The process emphasizes that all our logistic service providers follow high safety measures and are environmentally friendly.

Adopting the SQAS has helped us have our products stored, processed and delivered with caution, in a sustainable manner and up to the highest standards.



Sipchem's Corporate Social Responsibility

Corporate social responsibility

We are committed to allocating 1% of our net profit to CSR initiatives and community investments.



9,000 volunteering hours



347,000+ beneficiaries reached



SAR 21+ million total investments

Sipchem operates in towns and cities around the world as an employer and manufacturer. Understanding the needs of the local communities where we operate and responding in a constructive matter through our CSR activities, is part of our role as a community member and one to which we are deeply committed. Our Communications and Corporate Social Responsibility Committee is responsible for endorsing how funds are allocated and in 2019 SAR 21 million was contributed to support various humanitarian and charitable causes. The contribution of Sipchem's community investments span across five focus areas.

- Cultural programs and educational development
- Entrepreneurship
- Volunteering
- Healthcare
- Sports

Cultural programs and educational development

Sipchem embraces the fourth wave of industrial and social development and have implemented several youth initiatives that focus on science and encourage knowledge acquisition through unique partnerships that target youth and children. In 2019, we have financed the fourth wave of a summer innovation club for approximately 500 children. The program provides participants the opportunity to explore programming, robotics, and 3D printing. Sipchem has also sponsored a special award to encourage outstanding and talented students

and financed several school projects focused on developing experimental learning techniques to captivate students in entertaining ways.

Sipchem sponsors cultural festivals and events across the Eastern Region for Eid and National Day, as well as the Summer Festival, the East Coast Festival, the Youth Festival, and other cultural events that attract youth and support tourism development in the region.





Entrepreneurship

As a responsible business, Sipchem aims to empower societies through our corporate responsibility programs to nurture the employability and entrepreneurship skills of young people in our communities.

In 2019, we supported the follow initiatives:

- Sponsoring the Productive Families Exhibition in the western region that was organized by Asharqia Chamber.
- Vocational training, where we have trained orphan girls on mastering professions and skills such as cosmetics, sewing, and computer and secretary skills in cooperation with the Women Charity Association in Jubail industrial city.
- Engaging with regional universities to establish Sipchem's Fund for Financing to support entrepreneurs and encourage innovation among our youth.
- Empowering Saudi female entrepreneurs by financing their small and medium based projects implemented across KSA. Throughout 2019, Sipchem donated SAR 1.2 million to finance 80+ projects.

In alignment with the Saudi Vision 2030 to create a thriving business environment, Sipchem actively encourages

entrepreneurs and start-ups. Sipchem has established a partnership with the Khobar Hub of the Global Shapers Community, an initiative of the World Economic Forum. A series of intensive initiatives including forums, workshops, and outreach programs were conducted throughout the year. Knowledge sharing sessions touched on more than 30 leading topics including science and health to name a few. More than 2,000 beneficiaries aged 18 - 30, benefited from these events.



Volunteering

Sipchem encourages its employees to volunteer their time and expertise to benefit local communities and non-profit partner organizations. Sipchem's volunteering team is one of the secrets to the success and sustainability of Sipchem's CSR activities. Throughout 2019, Sipchem's volunteering team has

implemented 17 volunteer-based programs during 2018 - 2019 and volunteers from Sipchem have contributed 650 working hours. Sipchem's volunteering team is the first of its kind among large Saudi industrial companies.





Healthcare

Sipchem provides donations to health awareness and treatment programs for people in need and donates equipment to medical centers. In 2019, Sipchem financed cancer treatment for 80 people across KSA, furnished and equipped a dialysis center in Al Qaisumah governorate, and provided medication to more than 1,000 pilgrims visiting the Two Holy Mosques during Hajj.

In addition, Sipchem has signed an agreement with Al Ihsan Medical Charity Association in Jazan to establish a mobile clinic

to treat ophthalmic diseases. It is anticipated that more than 35,000 people will benefit from this service annually during the first and second phases.

In 2019, Sipchem undertook more than 20 surgeries to replace the joints of more than 18 persons with special needs and those with rheumatic disease, where they are now able to walk normally.



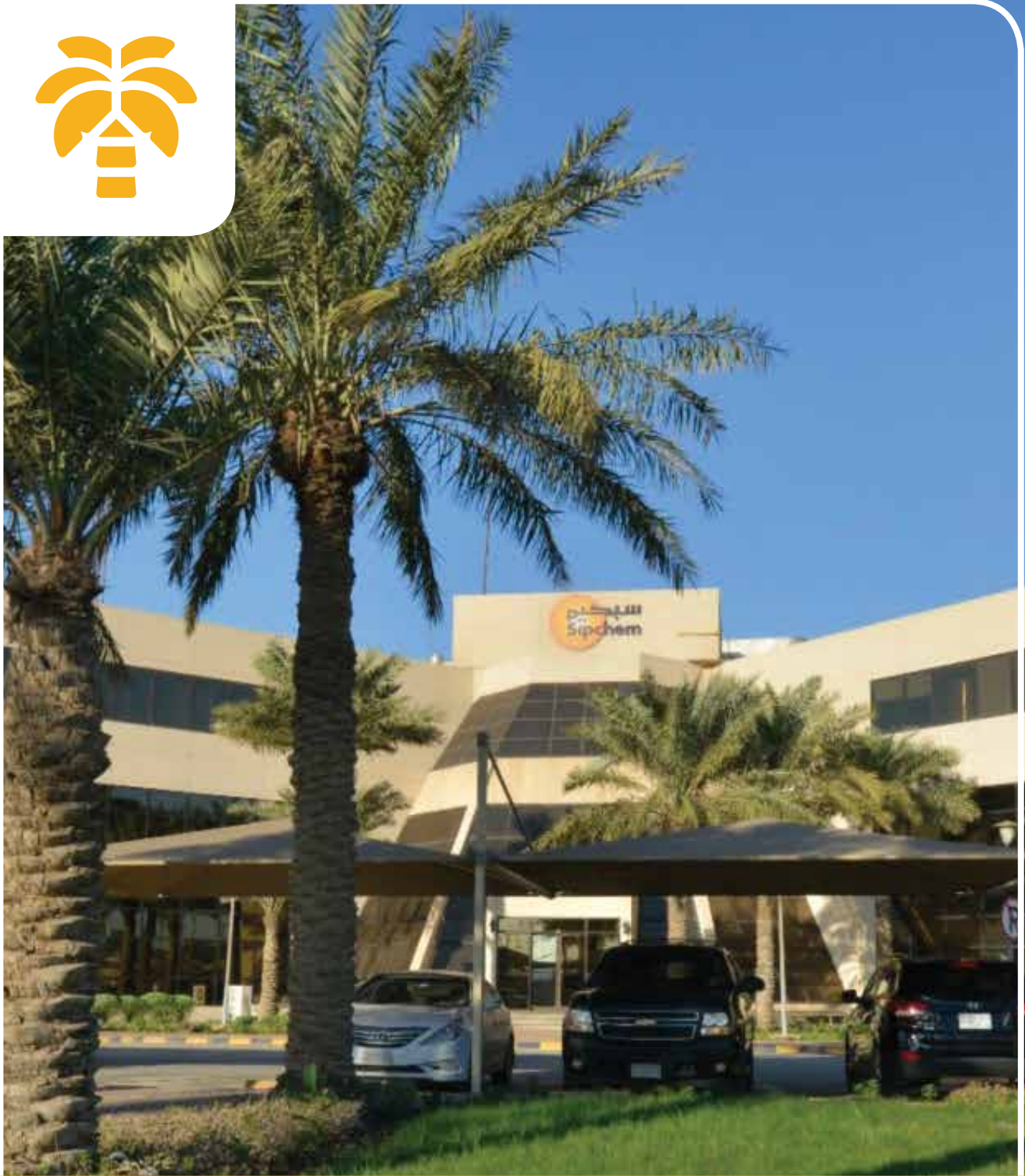
Sports

At Sipchem, we believe that sports help individuals to build leadership and cooperation skills and improve their physical wellbeing. To foster a healthy sport culture in KSA, we sponsor and organize initiatives that encourage physical activity to help build a healthier society.

In 2019, total sponsorship of athletic activities amounted to nearly SAR 1.2 million. Sipchem sponsored the voluntary cyclists sporting team to help spread awareness about the benefits of sports and exercise as well as to promote cycling. During the year, Sipchem also helped to organize and sponsor various sport tournaments for basketball, cricket, and volleyball.







Our Environmental, Health and Safety Responsibility

"At Sipchem, we strive for continuous improvement in our environmental, health and safety performance. This entails working to keep our people safe, extending provisions to ensure our suppliers protect the safety of their workers, and that we are protecting the environment. Every day, we aim to transform environmental, health and safety challenges into opportunities, and we are achieving this by implementing robust management systems, international standards, and the latest technology."

Eid Al-Juaid

General Manager, ISD and Responsible Care













At Sipchem, we are committed to improving our environmental performance and safeguarding the health and safety of our employees.

As a responsible organization, we are conscious of our environmental obligations with respect to the rapid environmental challenges facing global society, which are exacerbated by population growth and the additional pressure this place on natural resources. Technology advancements, fluctuating energy prices and climate change are driving the energy transition to a lower carbon economy. The petrochemical industry has an important role to play in contributing to this shift, and Sipchem is working to ensure that we are at the forefront. Protecting people and the environment is an essential element of our operations, where each employee has a responsibility in ensuring that our products and operations meet applicable government and industry standards. Our goal is to eliminate all injuries, prevent adverse environmental and health impacts, reduce waste and emissions, and promote resource conservation throughout our production cycle.

Our commitment to Responsible Care® underpins our approach to drive continuous improvement and achieve excellence in our environmental, health, safety and security performance. Responsible Care® harnesses the industry's dedication to safely managing chemicals throughout their lifecycle from development, manufacture and distribution to disposal, while simultaneously ensuring that chemistry contributes to a healthier environment, improved living standards and a better quality of life for all.

We have comprehensive guidelines, policies and procedures in place for reducing energy, managing water, minimizing waste, and protecting the health and safety of our employees. The data reported in this section summarizes our EHS material topics for our operations and employees in KSA unless stated otherwise.

KEY HIGHLIGHTS OF SIPCHEM'S ENVIRONMENTAL, HEALTH AND SAFETY CONTRIBUTION

KSA vision 2030 alignment	Key performance highlights in 2019		
Being responsible for our lives	 642 Safety training sessions for contractors	 Conducted 4 safety awareness campaigns and 8,647 safety orientations	 Achieved 23,500 health and safety training hours
Achieving environmental sustainability	 ISO 14001 and ISO 45001 certified  Energy intensity of 16.9 mmBTU/metric ton of production	 Greenhouse gas intensity of 1.13 CO ₂ e metric ton/metric ton of production	 3.7 million m ³ water consumption  25,814 tonnes waste generation
Improving the business environment	 Zero environmental penalties		
Embracing transparency	 0.062 injuries rate		



Energy and Emissions

As an energy intensive industry, we are committed to optimize energy efficiency through operational and behavioral changes, and by introducing new technologies that reduce our carbon footprint and energy requirements. Energy and emissions management is governed by the Sustainable Energy and Asset Committee, a sub-committee of the Sipchem Responsible Care and Sustainability Committee, with KPIs that are monitored and reviewed by management on a monthly and quarterly basis.

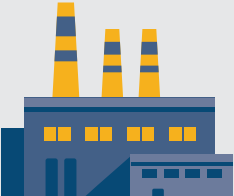
Energy

As an industrial company, energy plays a key role in our daily production processes. Our energy consumption is material to Sipchem from two perspectives - our commitment to an energy-efficient industry and to provide cost effective products to our stakeholders. To improve our energy efficiency, we measure and monitor our energy consumption, which allows us to track and improve our plants' performance and processes for our major energy streams. We consider reducing our energy consumption as an on-going goal that keeps evolving with the adoption of new technological advancements.

In 2019, we continued to implement energy efficiency initiatives across Sipchem to reduce our operational energy requirements. In our Ethyl Acetate (EA) plant, we switched to utilizing low

pressure steam (LPS) from our affiliate company, IUC, which contributed to an energy saving amounting to 81,000 mmBTU for the year. This change also contributed to a reduction of 27,000 MT in LPS venting at IUC. In 2019, our energy intensity was 16.9 mmBTU/metric ton of production.

To enhance the organization's energy performance, the ISO 50001:2011 Energy Management System (EnMS)¹ certification has been a priority in 2019. This international guideline represents a systematic method towards using energy more efficiently, conserving energy resources, and reducing GHG emissions. The certification process is progressing and expected to be attained in 2020.

	Energy consumption (mmBTU)		2019
	Direct energy consumption		47,882,330
	Indirect energy consumption		4,024,834
	Total energy consumption		51,907,164
	Energy intensity (mmBTU/MT of production)		16.9



CASE STUDY

Optimizing Transport Loads

Sipchem uses trucks to transport specialty polymer products from Jubail to local customers based in Riyadh, Jeddah, Yanbu, Rabigh and export to GCC countries on flatbed trucks. Sipchem recently replaced flatbed trucks with curtain-side trucks to increase the carriable load from 11 to 22 MT. By optimizing truck loads, Sipchem has

witnessed a 50% financial saving, and reduced transport fuel requirements per trip and traffic congestion by sending less trucks onto the roads. We are committed to streamline our processes throughout our value to chain to gain positive economic, social and environmental impacts.

¹ ISO 50001:2011 specifies requirements for establishing, implementing, maintaining and improving an energy management system.




Greenhouse Gas Emissions

The chemical and petrochemical industry is a large greenhouse gas (GHG) contributor. Our energy consumption is directly tied to our production of atmospheric GHG emissions. Therefore, we focus on energy efficiency to reduce our carbon footprint. It is increasingly important that Sipchem continues to accelerate the uptake of clean energy technologies to supplement our energy demands where feasible. This forms part of our belief that it is possible to reduce GHG emissions while growing our operations. By embracing the best available and emerging technologies and identifying new value chains within our integrated production processes, we can reduce our GHG emissions.

Sipchem strictly complies with the Royal Commission Environmental Regulations (RCER) and monitors carbon emissions at all affiliate plants to ensure emissions are below the limits set by the RCER. Sipchem has comprehensive

guidelines on controlling emissions and emission KPIs are linked to performance incentives, as all calculations are done and completed by a Royal Commission (RC) approved third party company following RC's approved methodology.

In 2019, the GHG intensity of our operations was 1.13 metric tons of carbon dioxide equivalent (CO₂e) per metric ton of production. Our direct, Scope 1, emissions are generated primarily from the combustion of compressed natural gas, while our indirect, Scope 2, emissions derive from purchased electricity. We are currently working on a process which will enable Sipchem to measure its value chain, Scope 3, emissions in the future.

	GHG ² emissions (CO ₂ e MT)		2019
	Scope 1: Direct GHG emissions		2,625,057
	• Natural gas		
	• Butane		
	Scope 2: Indirect GHG emissions		845,781
	• Electricity consumption		
	Total GHG emissions		3,470,838
	GHG emissions intensity (CO₂e MT/MT of production)		1.13



CASE STUDY

Plastic Pallets Initiative

In 2019, Sipchem initiated a trial project to replace wood pallets used for transporting our products with plastic pallets made from recycled polymers. Lightweight and durable, not only will the pallets to be introduced as part of this initiative create a circular opportunity and new value stream, but will also support CO₂ reductions, by

reducing the amounts of timber required and reduction in the requirement for virgin polymer product used in the manufacture of the pallets.

Further trials and market testing are underway. Should they prove successful, we plan to expand this initiative.

² Reported GHG emissions include carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) and is calculated following the US Environmental Protection Authority methodology. Sipchem does not currently measure its Scope 3 emissions.




Flaring

Flare stacks are used for burning off flammable gas released by pressure relief valves during unplanned over-pressuring of plant equipment. This usually occurs during start-ups and shutdowns in production when the volume of gas being extracted can be uncertain.

Pollutants, such as Nitrogen Oxides and Sulfur Oxides, have adverse effects on climate, ecosystems, air quality, habitats, agriculture, and human and animal health. As a result, industrial organizations like Sipchem monitors its emissions and create solutions to reduce the amount of gas flared. Currently, our

operations monitor emissions of nitrogen oxides and sulfur oxides and are committed to reducing these emissions. We follow the US-EPA methodology for our calculations which is recommended and accepted by the RC.

To monitor our flaring, thermal cameras are being used, which are connected to Distributed Control System (DCS) and monitored by the Operations DCS team as we avoid black smoke flaring for more than 6 minutes, following RC regulation during flaring.

	Air emissions (Ton per year)		2019
	Nitrogen Oxide (NO _x)		587
	Sulfur Oxide (SO _x)		18
	Volatile organic compounds (VOC)		1.4
	Hazardous air pollutants (HAP)		3.3
	Particulate matter (PM)		89
	Other standard categories of air emissions identified in relevant regulations		146





Waste Management

As a responsible petrochemical producer, we strive to protect the environment, natural resources, wildlife, and the communities where we operate. To meet our commitment to conservation and ensuring the wellbeing of community members, we have well-defined policies, requirements and management systems for the effective management of natural resource use and waste. We endeavor to minimize waste, safely dispose of hazardous waste and have robust controls in place to prevent spills.

Waste management at Sipchem encompasses utilizing safe storage, recycling and disposal methods available to us, to minimize the risks to human health and the environment. We pay particular attention to:

- Inherent waste hazards
- The degree of effectiveness in destroying or eliminating hazardous waste
- Residues or by-products created
- Handling and transportation risks
- Short- and long-term costs
- Short- and long-term risks to human health and the environment
- Short- and long-term liability potential
- Applicable governmental regulations

Within this context, we strive to eliminate or minimize the generation of waste at source. When this is not possible, Sipchem seeks to recycle or reuse the waste it generates, and if it cannot, we ensure that it is disposed of safely by Responsible Care® approved companies.

Sipchem operations generate both hazardous and non-hazardous waste. Our hazardous waste includes: oil contaminated liquids, acetic acid chemical, contaminated water with acid, and tar. Our non-hazardous waste includes: insulation waste materials, spent resin, water sludge, and bio sludge. Sipchem currently recycles 5.6% of hydrocarbon waste based on the regulatory approvals received, and our waste is currently being recycled/reused instead of incineration. During 2019, we were able to save SAR 1.5+ million through our waste management and recycling initiatives. Meanwhile we are currently working on a new initiative to enable us to recycle non-hazardous waste.

	Waste (Tonnes)	2019
	Total hazardous waste generated	7,385
	Reused	120
	Recycled	418
	Incinerated	1,785
	Landfill	5,062
	Total non-hazardous waste generated	18,429
	Stabilization/composting	52
	Evaporation pond/deep well injection	168
	Landfill	18,209
	Total waste generated³	25,814
	Total recycled waste	418


³ Data reported include waste water.



Water and Effluents

Water management is at the core of sustainable development and is critical for socio-economic development, healthy ecosystems, and human survival. Saudi Arabia has limited water resources and must rely on either non-renewable groundwater or energy intensive desalinated water, which is why Sipchem is endeavoring to ensure good stewardship over the country's water resources. At Sipchem, water supplied by municipal and private utilities accounts for 100% of total water consumption. Our water KPIs have been defined and are being monitored quarterly.

Sipchem has a dedicated team that reviews potable and wastewater management performance monthly which is monitored and reported by our process engineering department. Wastewater is generated as a result of various processes at Sipchem's production facilities. Wastewater is treated and discharged to sea at levels well below RCER limits at all our plants Sipchem has its own wastewater treatment unit to treat contaminated wastewater. The unit uses activated sludge-based bioreactors to treat the water; the treated wastewater is then discharged from the plant complex. The discharged water is continuously tested to ensure compliance with RCER.

Water and effluents (m ³)		2019
	Water consumption	3,688,216
	Wastewater discharged	1,582,418

Environmental Compliance

The cost of environmental compliance is not limited to financial impacts, as with evolving regulatory requirements, our license to operate and reputation are at risk. Sipchem is subject to national and foreign laws, regulations and rules relating to pollution, environmental protection, GHG emissions, and the generation, treatment and disposal of hazardous substances and waste materials.

Sipchem tracks all environmental fines, penalties and sanctions that may have incurred. During the reporting period, Sipchem did not face any regulatory incidents or fines related to non-compliance in any of its countries of operation. Additionally, Sipchem did not record any significant negative impacts on local biodiversity and monitors noise and odor levels as per RCER.





Health and Safety

The health and wellbeing of our employees is a key priority for Sipchem. Sipchem's safety policy, endorsed by the senior management, aspires for a zero accidents record. To support this goal, we adhere to global best safety practices and standards to protect workers across our operations. We rely on effective communication, comprehensive training, and strict policies and procedures to reinforce a safety culture. We not only focus on responding to health and safety risks but on developing a culture that focuses on prevention and accountability.

Sipchem's Zero Harm policy ensures that the company operates its assets in a responsible and careful manner. Sipchem is committed to providing the required resources and showing visible leadership in implementing and monitoring its safety policies across the company. In return and to help achieve its goals, Sipchem asks all its employees and contractors to take active ownership implementing health and safety measures.

Occupational health and safety, process safety and asset integrity are managed in an integrated approach at Sipchem to benefit from activities connectivity and synergies. Our performance is governed by a Central Sustainable Safety Committee, a sub-committee of the Sipchem Responsible Care and Sustainability Committee, headed by the VP of Operations with metrics that are monitored and reviewed by management on a monthly and quarterly basis.

Through our health and safety standards, we aim to establish a consistent approach to health and safety management that brings improvement across the organization. In 2019, we have achieved our goal to have our KSA operations certified under the ISO 45001:2018 Occupational Health and Safety Management System. We work to further embed safety standards, including those that relate to working at height, mobile equipment, lifting operations, live energy, hazardous materials, working in confined spaces, and fire, among others.

To achieve the highest standards of safety, our internal health and safety standards and policies align to national and international standards and regulations including:

- Saudi labor law
- General Organization for Social Insurance (GOSI)
- High Commission for Industrial Security (HCIS)
- Nuclear and Radiological Regulatory Commission
- Occupational Safety and Health Administration (OSHA) Standards

We conduct annual health and safety risk assessments for all internal activities. Sipchem requires that all parties operating within its facilities to conduct risk assessments for their own activities. We have a risk containment program, initiated by a qualified third party, which covers all Sipchem's affiliates and identifies hazards and risks in relation to their operations. Sipchem's commitment to managing its health and safety risks covers the organization's permanent employees and extends to its contractors in KSA. Our risk assessment approach is supported by a rigorous audit and inspection program.

The approach follows five main steps as a hierarchy of hazard control which are: elimination; substitution; engineering control; admin control, and lastly personal protective equipment. The assessment studies the likelihood and the potential harm the risk can impose and then identifies the adequate corrective actions as per the hierarchy of hazard control. The selection of hazard controls process incorporates employees' suggestions, which are affected by the risks, in its decision-making process. Our safety teams monitor and control the risk assessment documentations and oversee the implementation in the field to ensure its effectiveness. The safety teams receive pertinent training sessions and are certified to perform health and safety risk assessment.

All routine activities are conducted under a set of standard health and safety operating procedures whereas any non-routine activities require a work permit that is processed through our safe work permit system. Work permits are tracked online and for each permit a job hazard analysis is conducted and accordingly control measures are put in place before any work commences. Hazards that are identified in relation to the work permit are communicated to all the workers through frequent safety meetings and sessions.



To continually monitor and improve our occupational health and safety management performance, we utilize a safety and health program assessment worksheet which enables us to review the activities progress, identify upcoming risks, investigate incidents and inspect equipment and processes.

All incidents are reported in our incident reporting system. In the event of a safety incident, Sipchem's Root Cause Analysis (RCA) process is followed to investigate and determine its root cause. The RCA outcome is communicated to all employees via emails and awareness sessions are conducted to prevent the re-occurrence of the incident in the future. In 2019, we developed an incident investigation dashboard to bolster our ability to effectively identify and respond to potential risks.

	Health and safety⁴		2019
	Total man-hours worked		9,771,496
	HSE training hours		23,555
	Rate of high-consequence work-related injuries per million man-hours		0.062
	Process safety incident rate ⁵		0.0803
	The number and rate of fatalities as a result of work-related injury		0
	The number of recordable work-related injuries		3
	The rate of recordable work-related injuries		0.025
	Fatalities as a result of work-related ill health		0
	Cases of recordable work-related ill health		0
	The work-related hazards that pose a risk of high-consequence injury		0

All new Sipchem employees receive mandatory health and safety training as part of their induction program. In 2019, we have delivered 8,647 safety orientations. The training covers the importance of occupational health and personal safety and a review of relevant local laws and regulations. In 2019, Sipchem provided 23,555 of HSE training hours for our employees and contractors. 642 safety training sessions were conducted for our contractors.

Safety campaigns

Safety at Sipchem is everybody's responsibility.

To promote a culture of safety at all levels of our organization, Sipchem offers diverse safety training and awareness sessions to provide employees with the latest information on best practices. These campaigns are chosen in accordance to the highest identified work-related hazards each year. We also empower them to speak up if they identify any health and safety related issue that may impact safety conditions.

In 2019, our highest risk activities identified were water jetting, working at height, lifting operations, live energy, hazardous materials, working in confined spaces, and fire. Accordingly, we have conducted awareness campaigns to address these risky activities, in addition to our Job Onsite Safety Evaluation, Job Safety Analysis, Safe work permit system and incident reporting system.

⁴Health and Safety data in this table covers Sipchem's employees and contractors within KSA.

⁵The process safety incident rate has been calculated based on 200,000 hours of work.



SAFETY CAMPAIGNS

Heat stress



This campaign was conducted during summer 2019 to educate employees about the signs of heat stress and how to prevent it.

Hands protection



A workshop for all employees took place on how to avoid hand injuries from pinch points and sharp edges.

Work at height



This campaign was held in support of one of Sipchem's life saving rules that a fall arrest system should be used if working at height. Banners and posters were prominently displayed across our sites.

Company safety day



This campaign was held on the International Safety Day (28 April 2019) to educate our employee & elevate the awareness about safety & its requirements. Banners were prominently displayed at the location of campaign.

To monitor and motivate our employees' compliance to our health and safety policy and procedures, the Life Saving Rules (LSR) program was established in 2019. All employees receiving training on the LSR and these set of rules are continuously monitored and examined to record any violations or non-compliance. Violations are analyzed and communicated to the respective employee, if violations are frequented an employee might receive a written notice. Based on the violations recorded we conduct awareness campaigns to address repeated violations and non-compliance.

OUR LIFE SAVING RULES



Always work with a valid **WORK PERMIT** when required.



Never introduce an **IGNITION SOURCE** outside of designated areas.



Always verify **ALL ENERGY SOURCES** are **ISOLATED** before beginning work.



Always use approved falling protection equipment when **WORKING AT HEIGHT**.



Always obtain authorization before **OVERRIDING** or disabling any **SAFETY CRITICAL EQUIPMENT**.



Never conduct **LIFTING ACTIVITIES** without an approved lifting plan and do not walk under a **SUSPENDED LOAD**.



Always obtain authorization before entering a **CONFINED SPACE**.



Process Safety

Process safety is of critical importance to the commercial success of Sipchem's operations, and the protection of our employees and the surrounding environment. As a result of the major risks process safety poses, Sipchem has put in place a robust integrated management system at the corporate level. Asset integrity and process safety management covers all Sipchem's facilities but excludes transportation processes outside our premises.

All critical process safety equipment is maintained according to safety integrity level requirements and each process safety element has sub-procedures where responsibilities are clearly defined. There is a process safety engineer at each site for process safety management. Sipchem has a feedback and grievance procedure enabling any employee to raise concern related to process safety.



CASE STUDY

S-STEP and Risk Containment Program

The Sipchem Safety Transformation Excellence Project (S-STEP) is an executive management initiative with Dupont Sustainable Solutions to transform the safety culture at SIPCHEM and within all its affiliates. We intend to establish accountability and create a sense of ownership of safety companywide, and the S-STEP program is driving this transformation forward. The project execution team includes representatives from both Dupont Sustainable Solutions and Sipchem, along with key personnel from all affiliates.

In addition, Sipchem has implemented a risk containment program as part of S-STEP, which identifies risks present at sites by conducting site visits. These identified risks are actively monitored to implement preventive processes that create a safe working environment for all employees.

All findings are stored in a database. Once corrective actions are implemented, and an identified risk has been eliminated, lessons learned are shared with Sipchem's employees via email and associated announcements are posted on notice boards.

Following a detailed analysis of Process Safety Management (PSM) at Sipchem, a three-year roadmap of targets and actions were developed to monitor our progress on this journey. All key findings and outcomes from S-STEP are regularly communicated to employees through various media channels, workshops, health and safety meetings, and the risk containment program.



During the past year, a PSM compliance audit was conducted for Sipchem including all of its affiliates covering core process safety elements over six cycles. The main core process safety elements covered were:



The 38 audits conducted, concluded with nearly 300 observations and recommendations. The audit activities included a chemical exposure and a noise and illumination survey, as well as a chemical exposure sampling.

At Sipchem, we apply and follow the most stringent of nationally and internationally accepted asset integrity and process safety disciplines in accordance with the Recognized and Generally Accepted Good Engineering Practice (RAGAGEP). The PSM is intended to ensure that asset integrity failures do not cause or fail to prevent or mitigate significant process safety incidents. Our PSM is in line with the following codes and regulations:

- Occupational Safety and Health Administration (OSHA) 1910.119
- International Electrotechnical Commission (IEC) 61508
- National Fire Protection Association (NFPA)
- American Society for Testing and Materials (ASTM)
- Higher Commission for Industrial Security (HCIS)

All related process safety incidents and near misses are reported, managed, reviewed through our SAP system. The investigation results of incidents and near misses which are also referred to as potential accidents are posted on the system.

In 2019 we had zero Tier 1⁶ incidents, and three Tier 2⁷ incidents. The Tier 2 incidents were related to an oxygen line rupture and an ethylene tank leak leading to a fire, equipment damage and chemical release. To prevent similar incidents in the future, we conducted a formal investigation and detailed root cause analysis to identify the causes. Accordingly, we have implemented corrective actions and upgraded our systems to maintain process safety management through a systematic approach.

⁶ Tier 1 incidents are those which include Lost Work Day Injury or Fatality with direct costs amounting to $\geq 400,000$ SAR.

⁷ Tier 2 incidents are those which include Medical Treatment Case or Restricted Work Injury amounting in between $\geq 10,000$ and $< 400,000$ SAR.

Appendices

Appendix I – GRI INDEX

GRI Content Index			
General Disclosures			
GRI Standard	Disclosure	Page	Reason for omission
GRI 102: General Disclosures 2016	102-1 Name of the organization	Cover page	
	102-2 Activities, brands, products and services	8, 12, 13, 14	For more information please refer to: https://www.sipchem.com/en/products/basic-products
	102-3 Location of headquarters	8	
	102-4 Location of operations	8	
	102-5 Ownership and legal form	8	
	102-6 Markets served	8, 9, 36	
	102-7 Scale of organization	7, 8	
	102-8 Information on employees and other workers	7, 25	
	102-9 Supply chain	8, 13, 14	
	102-10 Significant changes to the organization and its supply chain	8, 12	
	102-12 External initiatives	7, 13, 44, 45, 46	
	102-13 Memberships of associations	7, 20	
	102-14 Statement from senior decision-maker	5	
	102-15 Key impacts, risks and opportunities	13, 16, 17	
	102-16 Values, principles, standards, and norms of behavior	9, 15	
	102-17 Mechanism for advice and concerns about ethics	15, 49	
	102-18 Governance structure	15, 19	
	102-40 List of stakeholder groups	22, 23	
	102-41 Collective bargaining agreements	Not applicable	
	102-42 Identifying and selecting stakeholders	22	
	102-43 Approach to stakeholder engagement	22	
	102-44 Key topics and concerns raised	22, 23	
	102-45 Entities included in the consolidated financial statements	2	

GRI Standard	Disclosure	Page	Reason for omission
GRI 102: General Disclosures 2016	102-46 Defining report content and topic boundaries	2	
	102-47 List of material topics	21	
	102-48 Restatements of information	Not applicable	Sipchem's first sustainability report since the merger
	102-49 Changes in reporting	Not applicable	Sipchem's first sustainability report since the merger
	102-50 Reporting period	2	
	102-51 Date of most recent report	Not applicable	Sipchem's first sustainability report since the merger
	102-52 Reporting cycle		Sipchem commits to report its sustainability performance on an annual basis
	102-53 Contact point for questions regarding report	2	
	102-54 Claims of reporting in accordance with GRI Standards	2	
	102-55 GRI content index	60	
	102-56 External assurance		External assurance for Sipchem's 2019 Sustainability Report was not sought

GRI Standard	Disclosure	Page	Reason for omission
Material topics			
Economic performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	35, 36	
	103-2 The management approach and its components	35, 36	
	103-3 Evaluation of the management approach	35, 36	
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	35, 36	
GRI 203: Indirect economic impact 2016	203-1 Infrastructure investments and services supported	35, 36, 42, 44, 45, 46	
Procurement practices			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	42	
	103-2 The management approach and its components	42	
	103-3 Evaluation of the management approach	42	
GRI 204: Procurement practices 2016	204-1 Proportion of spending on local suppliers	42	
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	48, 49, 50	
	103-2 The management approach and its components	48, 49, 50	
	103-3 Evaluation of the management approach	48, 49, 50	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	50	
	302-3 Energy intensity	49	
Water and effluents			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	49, 54	
	103-2 The management approach and its components	49, 54	
	103-3 Evaluation of the management approach	49, 54	
GRI 303: Water and effluents 2018	303-4 Water discharge	54	
	303-5 Water consumption	49, 54	
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	48, 49, 51, 52	
	103-2 The management approach and its components	48, 49, 51, 52	
	103-3 Evaluation of the management approach	48, 49, 51, 52	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	48, 49, 51	
	305-2 Energy indirect (Scope 2) GHG emissions	48, 49, 51	
	305-7 Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	52	

GRI Standard	Disclosure	Page	Reason for omission
Effluents and waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	49, 53	
	103-2 The management approach and its components	49, 53	
	103-3 Evaluation of the management approach	49, 53	
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination	53	
	306-2 Waste by type and disposal method	53	
Environmental compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	49, 54	
	103-2 The management approach and its components	49, 54	
	103-3 Evaluation of the management approach	49, 55	
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	49, 54	
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	24, 25	
	103-2 The management approach and its components	24, 25, 26	
	103-3 Evaluation of the management approach	24, 25, 26	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	25, 28	
Occupational health and safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	55	
	103-2 The management approach and its components	55, 56	
	103-3 Evaluation of the management approach	55, 56	
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	55, 56, 57, 58, 59	
	403-9 Work-related injuries	49, 55, 56, 57	
	403-10 Work-related ill health	49, 55, 57	
Training and education			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	24, 25, 32	
	103-2 The management approach and its components	24, 25, 26, 32, 33	
	103-3 Evaluation of the management approach	24, 25, 26, 32, 33	
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	33	
	404-3 Percentage of employees receiving regular performance and career development reviews	33	

GRI Standard	Disclosure	Page	Reason for omission
Diversity and inclusiveness			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	25, 30	
	103-2 The management approach and its components	24, 25, 26	
	103-3 Evaluation of the management approach	24, 25, 26	
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	30, 31	
Customer privacy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	38	
	103-2 The management approach and its components	38	
	103-3 Evaluation of the management approach	38	
GRI 418: Customer privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	38	
Other topics			
Asset integrity and process safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	37, 58, 59	
	103-2 The management approach and its components	37, 58, 59	
	103-3 Evaluation of the management approach	37, 57	
GRI OG: Asset integrity and process safety GRI OG: Asset integrity and process safety	OG13: Number of process safety events by business activity	37, 58, 59	
Industrial Innovation			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	38, 39, 40, 41	
	103-2 The management approach and its components	38, 39, 40, 41	
	103-3 Evaluation of the management approach	38, 39, 40, 41	
Industrial innovation	New products and processes efficiency	38, 39, 40, 41	

Appendix II – Table of acronyms

Acronym	Description	Acronym	Description
ACA	Asset Criticality Analysis	KICP	Industry Collaboration Program
ASTM	American Society for Testing and Materials	KPI	Key Performance Indicators
BDO	Butanedoile	KSA	Kingdom of Saudi Arabia
BOD	Board of Directors	LDPE	Low Density Polyethylene
CEO	Chief Executive Officer	LPS	Low Pressure Steam
CH ₄	Methane	LSR	Life Saving Rules
CO ₂	Carbon Dioxide	LTI	Lost Time Injury
CO ₂ e	Carbon Dioxide Equivalent	m ³	Cubic Meter
COO	Chief Operations Officer	MT	Metric Tons
CSR	Corporate Social Responsibility	N ₂ O	Nitrous Oxide
DCS	Distributed Control System	NFPA	National Fire Protection Association
EA	Ethyl Acetate	NO _x	Nitrogen Oxide
EHS	Environment, Health and Safety	OSHA	Occupational Safety and Health Administration USA
EnMS	Energy Management System	PBT	Polybutylene Terephthalate
EPCD	Environmental Protection and Control Department	PDP	Professional Development Program
EVA	Ethylene Vinyl Acetate	PM	Particulate Matter
GACI	Gulf Advanced Cable Insulation Company	PP	Polypropylene
GBL	Gamma Butyrolactone	PSM	Process Safety Management
GCC	Gulf Cooperation Council	R&D	Research and Development
GHG	Greenhouse Gases	RAGAGEP	Recognized and Generally Accepted Good Engineering Practice
GM	General Manager		
GOSI	General Organization for Social Insurance	RBI	Risk Based Inspection
GPCA	Gulf Petrochemicals and Chemicals Association	RC	Royal Commission
GRC	Governance, Risk management, and Compliance	RCA	Root Cause Analysis
GRI	Global Reporting Initiative	RCER	Royal Commission Environmental Regulations
HAP	Hazardous Air Pollutants	RCM	Reliability Centered Maintenance
HCIS	Higher Commission for Industrial Security	SAAC	Saudi Acrylic Acid Company
HDPE	HighDensity Polyethylene	SABUCO	Saudi Butanol Company
HR	Human Resources	SAMAPCO	SAHARA and Ma'aden Petrochemical Company
HSE	Health, Safety and Environment	SAMCO	Saudi Acrylic Monomers Company
IAC	International Acetyl Company	SAPCO	Saudi Acrylic Polymer Company
ICCA	International Council of Chemical Association	SAR	Saudi Arabian Riyal
IDC	International Diol Company	SCC	Sipchem Chemical Company
IEC	International Electrotechnical Commission	SEPC	Saudi Ethylene & Polyethylene Company
IGC	International Gases Company	SMC	Sipchem Marketing Company
IMC	International Methanol Company	SO _x	Sulfur Oxide
IMO	Integration Management Office	SQAS	Sustainability and Quality Assessment System
IMS	Integrated Management System	S-Step	Sipchem Safety Transformation Excellence Project
IPC	International Polymers Company	STAMP	Sipchem Total Assets Management Program
IPO	Initial Public Offer	THF	Tetrahydrofuran
ISO	International Organization for Standardization	TSOC	Tasnee & Sahara Olefin Company
IUC	International Utilities Company	VOC	Volatile Organic Compounds
IVC	International Vinyl Acetate Company	VP	Vice President
KAUST	King Abdullah University of Science and Technology	XLPE	Crosslinkable Polyethylene
KFUPM	King Fahd University of Petroleum & Minerals		



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