

**BASIC CHEMICAL INDUSTRIES (BCI) tm**  
**Saudi joint stock Company**



**Board of director's report**

Fiscal year ended December 31, 2020

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## Board of Directors

Abdullah Muhanna Abdul Aziz Al-Moebed (Chairman)

Sulaiman Abdullah Hamed Al-Qadhi  
(Vice Chairman)

Abdul Aziz Muhanna Abdul Aziz Al-Moebed  
Member

Tariq Ali Abdullah Al-Tamimiyy  
Member

Khaled Abdullah Abraham Al-Muammar  
Member

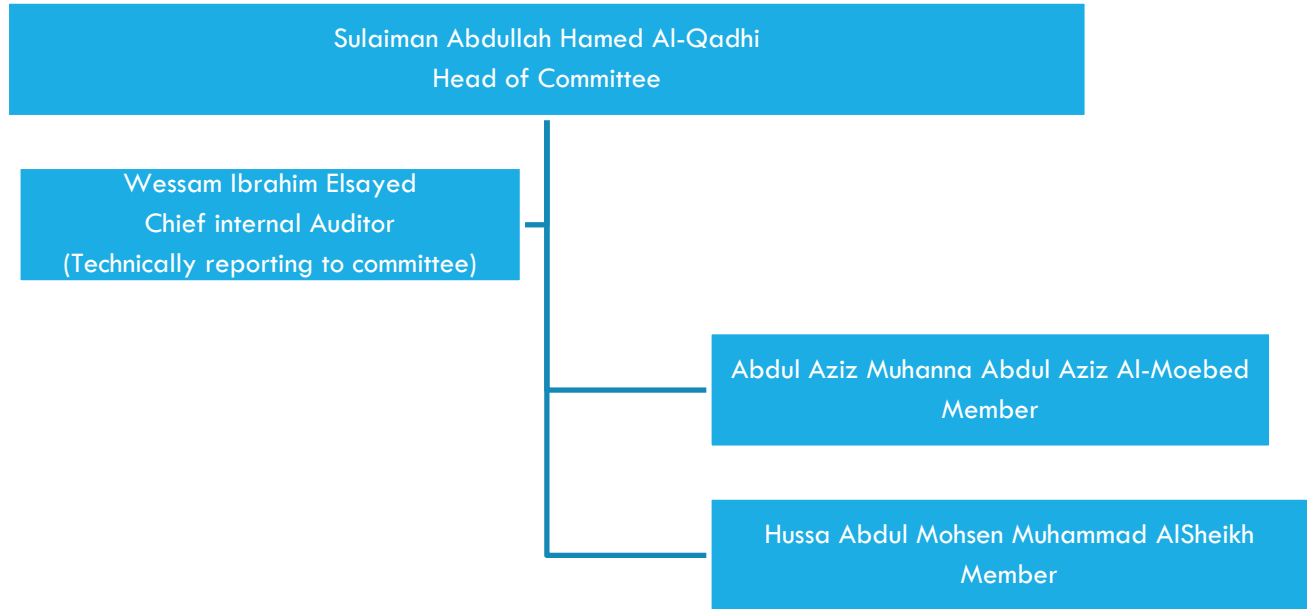
Abdul-Latif Azmy Abdel-Latif Abdel-Hadi  
Member

Hussa Abdul Mohsen Muhammad AlSheikh  
Member

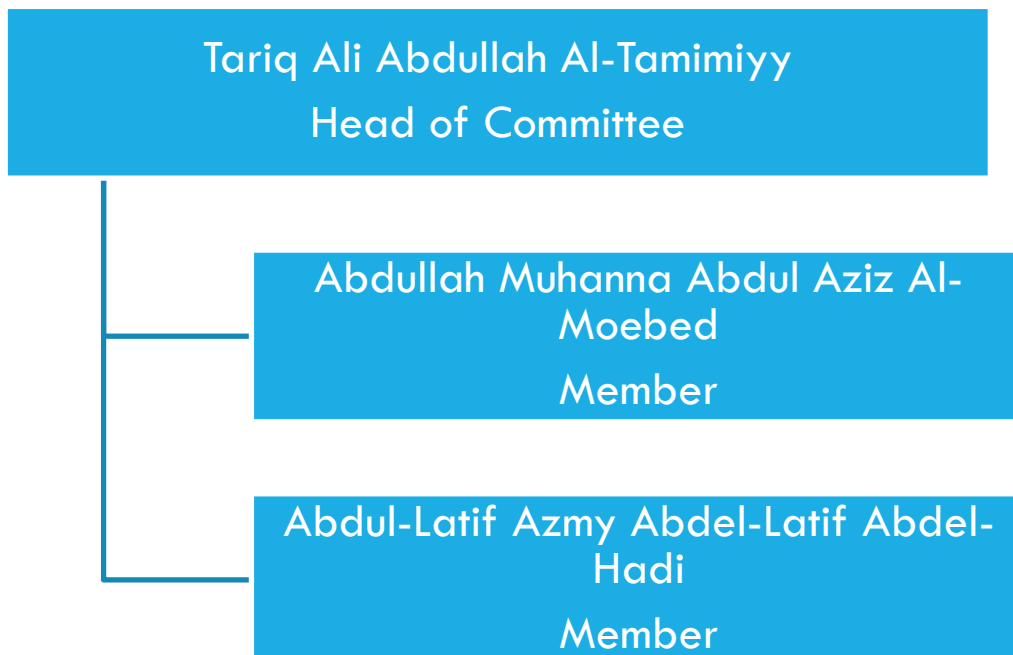
Abd al-Aziz Talal al-Tamimiyy  
Member

Abdul Aziz Abdullah Abdulaziz Al-Nuaim  
Member

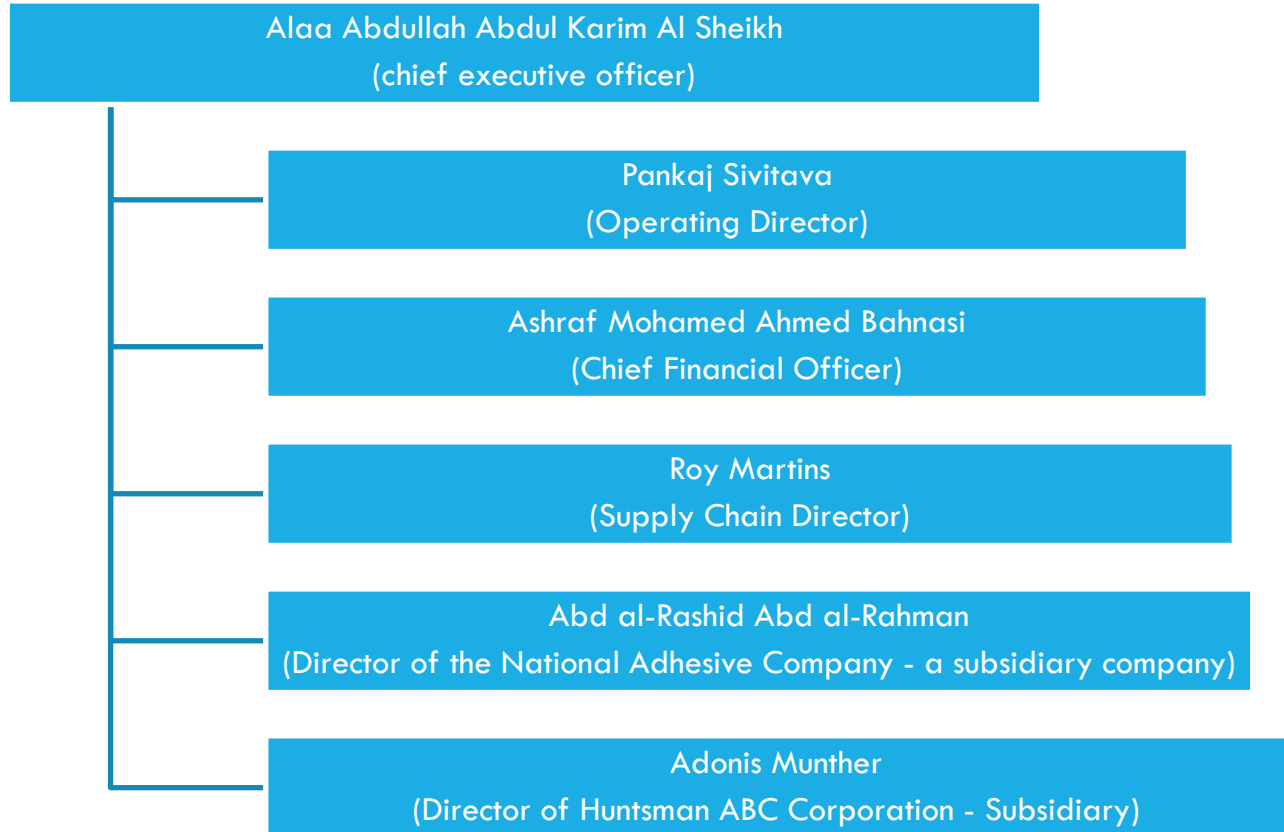
## Members of the Audit Committee



## Members of the Nomination and Remuneration Committee



## Executive management



The word of His Excellency the Chairman of the Board of Directors

In the Name of God, the Most Gracious, the Most Merciful, and may peace and blessings be upon the most honorable messengers, the seal of the Prophet, his family and all of his companions.

Dear shareholders of Basic Chemical Industries (BCI)

Peace, mercy and blessings of God,

On behalf of my colleagues, members of the company's board of directors, I am pleased to put in your hands the annual report of the Basic Chemical Industries Company (BCI) in order to keep you informed of the latest news and developments related to the company's performance during the year 2020 AD, and at the beginning I would like to extend my thanks and appreciation to the General Assembly of shareholders for their support and Their confidence in the members of the Board of Directors, and I would like to take the opportunity to extend my sincere thanks to my colleagues, members of the Board of Directors, for their efforts during this year, as well as the company's management for the great efforts made to improve the overall performance of the company and its subsidiaries and the positive results that were reflected in the operational activities of the company, I am also pleased to present to you, through this report, the results of the company's achievements in its past year on December 31, 2020.

The company achieved a net profit of 58.2 million riyals in the year 2020 AD compared with 59.3 million riyals for the year 2019 AD, and sales of 500.2 million riyals were achieved during the year 2020 AD compared with 534.5 million riyals for the year 2019 AD, and the total shareholders' equity during the year 2020 559.7 million riyals compared to 550.2 million riyals for the year 2019 AD, and these results have been achieved despite the successive local and global economic changes and the resulting severe effects due to the new Corona virus (COVID-19) pandemic, in addition to what the chemical market is going through in terms of price change and severe shortage in Demand and intense competition.

Throughout this year, thanks to God and his grace, the company was able to continue the path of success and strengthen its competitive position among chemical companies, which were achieved by the grace of God, then the efforts of the employees and the directives of the Chairman and members of the Board of Directors and what the executive management is doing in order to improve its performance level, position and ability to achieve the aspirations of its shareholders and all its customers.

The Board is also pleased to respond to your inquiries related to this report during the next Ordinary General Assembly meeting, God willing.

Abdullah Muhanna Al Moaibed  
Chairman of Board of Directors

## **1- Company profile, vision, mission and values**

### **A- Company profile**

\* The Basic Chemical Industries Company was established in Dammam in the year 1973 AD (corresponding to 1392 AH) as a simple partnership company in the name of "Muhanna Al Moaibed and Darwish Al Darwish Company" and its commercial name was "Basic Chemical Industries Company" with commercial register No. 2050002795 issued on 02/28/1392 AH corresponding to 02/02/1973 AD, with a capital of 16,000,000 riyals.

\* The "company" transferred its legal status from a simple partnership company to a limited liability company in the name of "Chemical Industries Company Ltd." on 01/11/1397 AH corresponding to 01/01/1977 AD and reduced its capital to 11,000,080 riyals.

\* Based on the decision of the partners, the capital of the "company" was increased from 11,000,080 riyals in 1977 to 18,915,845 riyals in 1981, and then to 36,011,040 riyals in 1982 AD, and to 37,961,040 riyals in 1995, and then to 100,000,000 riyals in

the year In 2005 AD, all capital increases of the "company" were funded by transferring from retained earnings and reserves.

\* The "company" was transformed into a joint stock company under its current name "Basic Chemical Industries Company" (PCI) according to Ministerial Resolution No. 746 issued on 03/24/1427 AH corresponding to 04/23/2006 AD. The shareholders of the "company" voted in their extraordinary general assembly held on 08/29/1428 AH corresponding to 09/11/2007 AD to raise the "company" capital to 220,000,000 riyals.

\* The "company" was listed on the Saudi stock market on 06/16/2008 AD, and the shareholders of the "company" voted in their extraordinary general assembly that was held on 08/27/1430 AH corresponding to 08/18/2009 AD to raise the company's capital. Through free grants at its current level, which is 275,000,000 Saudi riyals distributed over 27,500,000 shares, the nominal share value per share is 10 Saudi riyals.

#### B- The vision of the company

Basic Chemical Industries Company (BCI) is working to be a leading company in its field, distinguished by its customer focus, the quality of its production, the best operating methods, and the support of the national economy. The performance of the Basic Chemical Industries Company (BCI) during the year 2020 was affected by economic sectors affected by the general economic situation, geographical and external change in addition to competition that affected selling prices, which was reflected in profit margins and thus on financial results as well as changes in the Arab and regional markets. Impacted sales.

#### C- The company's mission

Steadily persevering to produce the finest and highest varieties of chemicals in the most efficient way, with a commitment to protecting and preserving the environment, in addition to maximizing the value for stakeholders.

#### D- Company values

**Client:** Focusing on the customer and achieving the highest benefit for him by providing all the company's chemical products and others with the most efficient, highest quality, and competitive prices while providing technical support to him.

**Investor:** preserving shareholders' rights and maximizing return on investment.

**The employee:** providing a safe and competitive, highly professional work environment that contributes to attracting and maintaining competencies.

**Supplier:** Creating a long-term business relationship between the company and the supplier based on trust and a balance of interests.

**Environment:** working within the highest environmental standards and developing work systems that contribute to the continued preservation of the environment.

**Society:** Enriching the social position of the company through developing the national workforce and contributing to the service and development of society.

2- A description of the main types of activities of the company and its subsidiaries and a statement of each activity and its impact on the volume of the company's business and its contribution to the results

A- A description of the main types of activities of the company and its subsidiaries

main activity	"Company name
Production of hydrochloric acid, caustic soda, sodium hypochlorite, chlorine gas, calcium chloride, hot and cold adhesives, detergents, concrete processing chemicals, ferric chloride, hydrogen peroxide, aluminum chloride, potassium hydroxide.	<b>Basic Chemical Industries Corporation</b>
Production of sulfuric acid, sodium sulfate, potassium sulfate and hydrochloric acid, and marketing of the company's products of industrial chemical.	<b>The National Basic Chemicals Company (Subsidiary)</b>
Production of water-based adhesives and hot-melt adhesives.	<b>National adhesive Company Ltd. (Subsidiary)</b>
Production of biocides, ferric chloride, oxygen inhibitors, anticoagulants, multi-purpose chemical cleaners, anti-calc chemicals for desalination plants, sediment derivatives, anti-foaming materials, anticorrosive and sedimentation inhibitors, and metal surface treatment chemicals.	<b>Saudi Water Treatment Company Ltd. (Subsidiary)</b>



Production of polyurethane and polyether blended polyol systems..	<b>Huntsman ABC Corporation (Subsidiary)</b>
Wholesale and retail trade in commercial and industrial chemical materials, maintenance and repair of onshore and offshore stations for petroleum refineries, maintenance and repair of gas production and distillation plants, pumping stations and their purification, import and export.	<b>Chemicals Marketing and Distribution Company Ltd (Subsidiary)</b>

B- A statement of each activity and effect on the volume of the company's business and its contribution to the results

The following table shows the main activities of the company, according to the different strategic business units, and their impact on the volume of business in 2020 compared to 2019: -

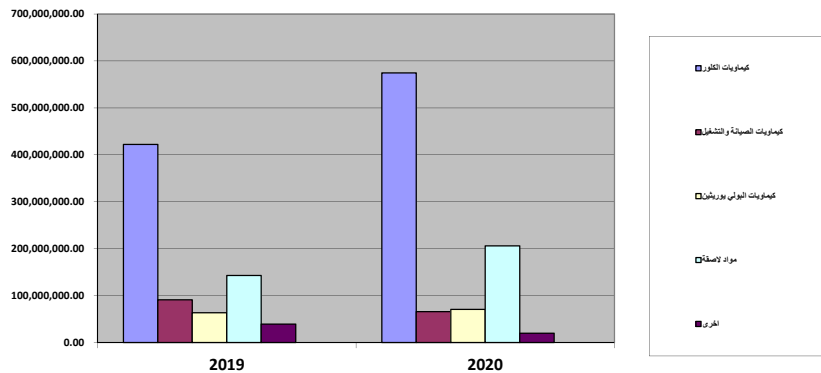
% of total production	Increase/ (decrease)	( 000 TON ) 2019	Production 2020	main product
%75.10	12.72	148.6	161.32	<b>Chlorine chemicals</b>
%2.29	(1.05)	5.98	4.93	<b>Operation and maintenance chemicals</b>
%2.13	(0.22)	4.80	4.58	<b>Polyurethane chemicals</b>
%8.95	(1.91)	21.15	19.24	<b>Adhesives</b>
%11.53	(3.58)	28.34	24.76	<b>Others*</b>
<b>%100</b>	<b>5.96</b>	<b>208.87</b>	<b>214.83</b>	<b>Total</b>

\* Others (water treatment chemicals, concrete, and other chemicals) (all the numbers shown in the table are in thousands of tons) The following table shows the impact of the main activities on the company's sales and profits, as the company's revenues were distributed by activity in 2020 compared to 2019 AD as follows:

total assets 2019	total assets 2020	net profit 2019	net profit 2020	net sales 2019	net sales 2020	Main product
419.854.842	575.432.896	19.124.763	11.275.029	115,111,970	100.033.314	<b>Chlorine chemicals</b>
91,027,879	65,832,946	2.343.893	10.191.573	93,986,578	103.918.916	<b>Operation and maintenance chemicals</b>

63,475,29 3	70,385,254 9	2,983,178 7	3,967,624 9	75,002,565 2	70,570,876 2	<b>Polyurethane chemicals</b>
142,946,4 60	119,805,50 9	33,222,181 7	35,480,58 9	228,205,37 2	205,980,06 2	<b>Adhesives</b>
39,317,47 7	32,677,168 9	1,711,657 7	(2,624,967 )	22,255,011 6	19,736,580 8	<b>Others*</b>
<b>756,351,9 51</b>	<b>864,133,77 3</b>	<b>59,385,672 8</b>	<b>58,289,84 8</b>	<b>534,561,49 6</b>	<b>500,239,74 8</b>	<b>Total</b>

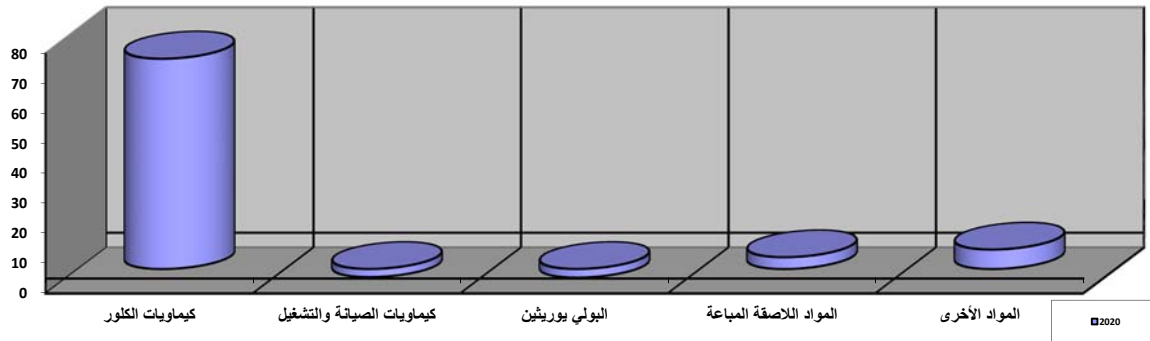
41,221,284	38,624,63	:Net profit for the year attributable to Shareholders of the Basic Chemical Industries Corporation Non-controlling interests  Net profit for the year
18,164,388	5	
	19,665,21	
	3	
<u>59,385,672</u>	<u>58,289,84</u>	
	8	



The amount of sales for the year 2020 AD amounted to about 214.83 thousand metric tons, compared to the amount of sales for the year 2019, which amounted to 208.87 thousand metric tons, an increase of 2.85%, while the sales revenues in 2019 reached 500,239,748 Saudi riyals, compared to the sales revenues for the year 2019, which

amounted to 534,561,496 Saudi riyals, a decrease of 2%, and the details are as follows:

- 
- The amount of chlorine chemicals sold during the year 2020 AD (161.32) thousand tons, with a total value of (100,033,314 Saudi riyals), which is the main activity affecting the volume of the company's main business and its results, at a rate of 75.10%.
- The quantity of maintenance chemicals sold during the year 2020 AD (4.93) thousand tons, with a total value of (103,918,916 Saudi riyals), which is an additional resource and affects the volume of the Company's business by 2.29%.
- The amount of polyurethane sold during the year 2020 AD (4.58) thousand tons, with a total value of (70,570,876 Saudi riyals), which is a major activity and affects the volume of the Company's business by 2.13%.
- The amount of adhesives sold during the year 2020 AD (19.24) thousand tons, with a total value of (205,980,062 Saudi riyals), which is a major activity and affects the volume of the Company's business by 8.95%.
- The amount of other materials sold during the year 2020 (water treatment chemicals, concrete and other chemicals) is (24.76) thousand tons, with a total value of (19,736,580 Saudi riyals), which is an additional resource that affects the volume of the company's business by 11.53%.



3- Description of the company's important plans and decisions (including structural changes, expansion of its business, or suspension of its operations)

## A- Future plans

The executive management works according to the strategic plans by the Board of Directors, whether in managing its operational operations for the existing factories or evaluating and studying some areas and opportunities for future expansions that would develop the rights of its shareholders and contribute to the development of the Kingdom's national economy and maintain its position within the chemical industries sector in the Kingdom for the purpose of continuation. With a distinguished level in production and marketing, the company has started implementing a project in Jubail Industrial Area to manufacture chlorine and its derivatives with an estimated production capacity of 70,000 tons as a first stage. The project is expected to be completed in 2021 AD. The executive management is also working on activating the company's strategy, which depends on:

\* Operational efficiency: The company's management is keen to qualify and develop human resources to meet the needs of the "company" from an experienced technical workforce, as the local labor market faces a challenge in providing the business with manpower in general, and specially trained, to keep pace with the contemporary business boom, and the company is working to attract Saudi skilled workers through the material benefits granted to workers, training them, and benefiting from their skills and experiences. The total number of employees of the "company" and its subsidiaries in 2020 AD reached the following:

Increase/ (decrease)	2019	2020	Number of employees
(1)	99	98	<b>Number of Saudis</b>
(4)	264	260	<b>Number of foreigners</b>
(5)	363	358	<b>Total</b>
%0.09	%27.28	%27.28	<b>Total</b>

\* Distinguished management: The "company" is distinguished by the presence of a distinguished administrative team with a high level of competence, experience and

accurate knowledge in the markets, and continuous work to explore appropriate opportunities to develop the activity of the "company".

\* Quality of products: The "company" provides high-quality products that are able to compete in the regional and global markets. The "company" pursues a policy of providing marketing support for its products and always searching for new products in order to preserve its customers and establish its presence in the local and global markets.

\* Industrial security and environmental safety: The Basic Chemical Industries Company (BCI) pays special attention and top priority to the safety and health of its employees and all other parties affected by its industrial operations, along with its keenness to protect the environment and considers this an integral part of all its operations, Through structured training and preparing periodic qualification programs to follow safety and implementing courses at the group level for all employees and workers, according to an approved methodology that adheres to the highest international standards, and the result of those efforts was a marked decrease in the rate of work injuries, and this has the company contracted with King Fahd University of Petroleum and Minerals to evaluate the performance of the company In the field of industrial security and environmental safety, and comparing it with companies in developed countries, and based on the final report, the company is preparing in the classification of international companies in terms of commitment and adherence to environmental safety and human resources.

#### B- Important decisions during the year 2020 AD

□ The company announced on the "Tadawul" website on 01/21/2021 AD that the Board of Directors decided to pass on 7 Jumada Al Thani 1442 AH corresponding to January 20 2021 AD to accept the resignation of Mr. Osama Farouk Abdel Hamid from his position as CEO of the company due to his personal circumstances.

□ The company announced on the "Tadawul" website on 03/01/2021 AD that the Board of Directors decided by passing on 02-28-2021 AD to approve the appointment of Mr. Alaa Abdullah Abdul Karim Al Sheikh as CEO of the company, as of 03/01-2021 AD.

□ The company announced on the "Tadawul" website on 08/23/2020 that the final approval has been approved, as well as the signing of the final contract between the company and the general contractor for the project, Nasser Saeed Al-Hajri & Partners

Contracting Company, after the signing of a letter of intent (which is the basis for the project start and implementation Actual) on October 16, 2019 as a general contractor for the project, in addition to that the costs associated with the project were changed from 290 million Saudi riyals (according to the letter of intent) to become 295 million Saudi riyals, which is the total value of the contract, and the reasons for the increase in costs are due to the addition of some necessary facilities For the project and the increase in the construction cost of the project due to the high cost and the difference of some measurements and engineering details.

□ The company announced on the “Tadawul” website on 03/26/2020 AD that the Board of Directors recommended to the General Assembly not to distribute profits to shareholders for the last quarter of the fiscal year 2019 AD and to suffice with the distributed profits for the period from 1/1/2019 to 9/30/2019 In the amount of one riyal per share that was distributed on 3/17/2020, which is equivalent to what the company distributed in previous years. The general assembly of shareholders approved the recommendation of the Board of Directors in its meeting held on 06/01/2020.

The company announced on the “Tadawul” website on 12/19/2019 that the company's board of directors had recommended in its meeting on 12/18/2019 to distribute cash dividends for the fiscal year 2019 by 27.5 million Saudi riyals, representing 10% of the paid-up capital, at a rate of 1 riyal. For each share, then the company later announced on the Tadawul website on 02/17/2020 AD that it will distribute cash dividends to shareholders for the financial period from 1/1/2019 to 9/30/2019 which is the date of the last approved interim lists from The company. And that is at an amount of 27.5 million Saudi riyals at the rate of (1) riyals per share, which represents (10%) of the capital, and this is considered an amendment to the previous recommendation of the Board of Directors meeting held on 12/18/2019 AD that mentioned the recommendation to distribute cash dividends to shareholders for the financial year Ended 12/31/2019. The Ordinary General Assembly of the shareholders approved the recommendation of the Board of Directors for its meeting that was held on 03/09/2020.

#### **4- Future expectations for the company's business and the risks it faces**

##### A- Future expectations

The company's management expects that the company will continue to maintain its distinguished position in the coming years, God willing, by endeavoring to provide an integrated assortment of high-quality basic chemical products in accordance with the highest international and local standards and specifications, and to provide its customers with high-level services and competitive prices in a manner that meets their needs and expectations as well. The company has started implementing a project in Jubail to manufacture chlorine with an estimated production capacity of 70,000 tons as a first stage, and among the latest developments of the project are the following:

- 100% of the equipment needed for the project has been received.
- The necessary energy for the project has been supplied and coordination has been made between the concerned authorities.
- The construction works have been assigned to Nasser Saeed Al Hajri & Partners Contracting Company.
- The estimated cost to complete the project is 685 million Saudi riyals
- 60% of the construction works of the project have been completed and the rest is being completed.
- It is expected to complete the construction works and start the trial operation phase by July 2021.
- The company announced the latest developments in the project on the Tadawul website on 08/23/2020.

In achieving this, the "company" relies on the elements of strength that characterize the "company" and its subsidiaries, which are: -

- Successful operational record: The "company" has a strong record in manufacturing and operating chlorine gas, caustic soda and hydrochloric acid plants with higher than the design production capacity, as well as being one of the best companies that manufacture chlorine acid, which is mainly supplied to giant companies such as Aramco, Sabic,

Sadara, Sasref and SATORP And the major companies in the Kingdom. As well as the subsidiary companies that produce chemicals and adhesives of the highest quality and are recognized in the local and regional markets.

- Availability of raw materials: Since its inception in 1973, the "company" has succeeded in securing the raw materials needed for production from its own sources through its long-time approved suppliers.

Diversity of products: The company continues to search for opportunities for expansion through the production of more chemicals and the entry of new markets supported by its partners outside the Kingdom, including Huntsman and Henkel.

- Shared services and facilities: The similarity of the needs required by the subsidiaries of the company in addition to their proximity to each other within the same location provides the company with a great opportunity to save capital and operational costs by building and operating a common infrastructure that serves all its subsidiaries. In addition, the subsidiary companies participate in Administrative, financial, maintenance and storage services provided by the Basic Chemical Industries Company, which gives the company a number of important advantages such as administrative experience and the ability to secure financing facilities at favorable prices and reduce costs.

- Geographical location and proximity to markets: The company has established its factories in the first industrial city in Dammam and in Yanbu Industrial City and its branches inside and outside the Kingdom, which provides the subsidiary companies with important positive advantages such as the availability of infrastructure and geographical proximity to the locations of the presence of raw materials in addition to the strategic location between the markets. The company is mainly responsible for exporting its products in the Middle East and North Africa, and this provides the company with a competitive advantage not available to other producers.

- The ability to secure financing: The company was able to secure adequate financing for itself and its subsidiaries. This contributed to enhancing the ability of the company to complete its projects on time and reducing financing costs. This was strengthened by obtaining the approval of a local bank to finance a gas production project. Chlorine and its derivatives.



- The reputation of the company: The “company” managed to secure a number of major strategic shareholders for its subsidiaries, such as Huntsman ABC and the National Labels Company, and from these individual investors and private sector companies in the world (such as Huntsman and Henkel), which provides the projects with an opportunity Benefit from extensive experience and global reliability.
- Strong relations with leading technology companies: The company was able to build strong alliances with a number of leading companies in the technology of the chemical industry that provide the company and its subsidiaries with the necessary technical resources and participate in some companies as a shareholder in its capital, and this reflects the confidence of international technology companies in The company and its departments, one of the subsidiary companies has concluded exclusive representation contracts with several leading companies in the fields of chemicals specializing in water treatment, which gives the company high preferential advantages and gives it a competitive ability in the Gulf markets
- Expansion in the field of water treatment: The Company was able to agree with some leading companies in the field of water treatment to represent them in the Kingdom and countries of the region. The administration hopes to establish the partnership similar to other companies for local production.
- Successful performance record: Basic Chemical Industries Company (BCI) and its subsidiaries and sister companies have achieved a successful record of strong growth and a distinguished reputation in customer service, which made the Company a leader in the chemical market in the Gulf region.
- Exports growth: There are strong opportunities to increase exports to regional markets in the coming years, as the latest sales figures indicate an increase in exports of products such as chlorine chemicals and adhesives, and this reflects the great competitiveness of the company.

B- The risks the company faces

No economic sector is devoid of potential risks, and there is no doubt that there are some risks that the Company's business may be exposed to according to the development of the chemical sector in the Kingdom, including: -

**Currency risk:** Currency risk is the risk of change in the value of financial instruments due to changes in foreign exchange rates. Most of the group's transactions are carried out in Saudi riyals, US dollars and euros. We believe that currency risk is not material to the group.

\* **Interest rate risk on cash flows and fair value:** Interest rate risk on cash flows and fair value is exposure to various risks related to the impact of interest rate fluctuations in the market on the group's financial position and cash flows. The group's financial assets and liabilities are not exposed to fair value interest rate risks. And cash flows. Management monitors changes in interest rates and we believe that the interest rate risk on cash flows and fair value has little impact on the Group.

\* **Price risk:** It is the risk that the value of a financial instrument is exposed to fluctuations as a result of changes in market prices, whether those changes are caused by specific factors of the instrument or its issuer, or factors affecting all instruments traded in the market. The group does not have financial instruments exposed to price risk.

\* **Credit risk:** Credit risk is the inability of the company to fulfill its obligations, which leads to other parties incurring a financial loss, and the group does not have medium or small credit risks and that this results from conservative credit policy, whereby cash is deposited with banks with a high credit rating, Accounts receivable are recorded after deducting the allowance for doubtful debts.

\* **Liquidity risk:** Liquidity risk is the risk of the group's inability to secure the liquidity necessary to meet commitments related to financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed by ensuring management periodically of Availability of sufficient liquidity to meet future liabilities.

\* **Fair value:** The fair value is the value at which an asset is exchanged or a liability settled between knowledgeable and willing parties in the same terms of dealings with

independent parties, as the group's financial instruments are compiled on the basis of the historical cost method, and differences may arise between the value. Carrying and fair value estimates, and management believes that the fair value of the group's financial assets and liabilities are not materially different from their carrying value.

\* Risks of entering competitors and changing demand: the company works to sell its products in competitive markets that are subject to the forces of supply and demand, which exposes the company to competitive risks.

\* Deflation and recession in the global economy: the company is affected by fluctuations in the global economy, which may expose the company to reducing the demand for the company's sales.

\* Change in the prices of raw materials and energy: the company is affected by changes in raw and energy prices, which results in an increase in operating costs, which affects the financial impact of the group, and the management deals with these changes and works to reduce their effects on the company's performance. The company "decisions to deal with such assumptions by re-evaluation of cost control and a comprehensive study of selling prices and the geographical division of sales areas. It is possible that there are other risks that the company does not know at the present time or that it considers unimportant until the date of preparing this report, which could hinder its operations in the future.

\* The emergence of the emerging coronavirus (Covid-19) pandemic, an overview of the financial impact:

In response to the spread of (Covid-19) and the consequent disruption of social and economic activities, the Department has assessed the effects of the spread of the pandemic on its operations and has taken several proactive and preventive measures in order to:

- Ensuring the health and safety of its employees and contractors as well as the surrounding community in which it operates.
- Mitigating the effects of the pandemic on its operations and supplying products to customers.

The administration closely monitored the situation as it developed, and identified the following key dimensions:

Impact on supply chain continuity and working capital management:

Several restrictions have been imposed by the competent authorities in the Kingdom of Saudi Arabia. Nevertheless, the group's business activities remained largely continuous, and the management succeeded in maintaining the stability of operations even during periods of interruption in market demand in order to maintain the flow of products to the market in addition to ensuring the continuous construction of the ongoing project of chlorine derivatives in Jubail. The group is in the process of monitoring the impact and updating future business plans if necessary as the situation continues to evolve.

Impact on expenses:

Management continued to maintain its employees and pay salaries and other employee benefits in the normal course of business. Government grants were received for the salaries of some Saudi citizens for a period of six months in the amount of approximately 1.0 million Saudi Riyal. These grants are accounted for by way of a credit entry on employee costs against the grants received.

Other expenses have had no significant impact as a result of this pandemic.

Impact on trade receivables and other financial assets:

As on December 31, 2020, the management has updated the Expected Credit Loss Allowance Forms by reviewing the clients' files and the record of their repayment of their debts on their due date, in addition to any related information. In addition, the customer's credit quality is also closely monitored for any objective evidence of impairment.

During the year ended December 31, 2020, management continued to collect its trade receivables in the course of its normal business, and no material impact was observed.

## 5- The company's assets and liabilities and the results of its business in the last five years

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Figures (Thousand</u>
557,826	595,540	605,190	534,561	500,240	sales
(410,015)	444,747	450,405	(400,023)	368,94	Sales cost
147,811	(	(		(2	Gross profit
7,697	150,793	154,785	134,538	131,298	Other revenue
(72,530)	10,723	6,688	4,715	3,056	Administrative and marketing expenses
-	(73,635)	(78,593)	(70,055)	(66,829)	Other expenses
82,978	(524)	-	(159)	(137)	Net profit before zakat and taxes
(14,225)	87,357	82,880	69,039	67,388	Zakat and tax expense
68,753	(15,603)	(12,361)	(9,653)	(9,098)	Profit for the year
(22,567)	71,754	70,519	59,386	58,290	Less: non-controlling interests
46,186	(27,985)	(20,851)	(18,164)	(19,665)	Net profit for the year attributable to shareholders of the Chemical Industries Company
135,365	43,769	49,668	41,222	38,625	retained earnings at the beginning of the year
46,186	150,714	160,618	174,201	213,033	Profit for the year
(3,337)	43,769	49,668	41,222	38,625	Transferred to legal reserve
-	(4,377)	(4,967)	(4,122)	(3,862)	Other comprehensive income (loss)
(27,500)	(1,988)	(3,618)	1,732	(1,565)	Other distributions
150,714	(27,500)	(27,500)	-	(27,500)	Retained earnings at the end of the year attributable to the shareholders of the Basic Chemical Industries Company
	160,618	174,201	213,033	218,731	

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Figures (Thousand Riyals)</u>
					Financial position indicators
488,265	486,449	360,102	330,641	280,170	Current assets
524	-	-	-	-	Investments
172,124	194,653	332,487	425,711	583,964	fixed assets
660,913	681,102	692,589	756,352	864,134	Total assets
86,254	89,625	77,472	89,522	174,619	Current liabilities
22,026	24,008	29,377	46,019	66,216	Non-current liabilities
474,410	488,690	507,239	550,192	559,752	Shareholders' equity
78,223	78,779	78,501	70,619	63,547	Non-controlling rights
660,913	681,102	692,589	756,352	864,134	Total liabilities and shareholders' equity

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Figures (Thousand Riyals)</u>
					Cash flow statement indicators
82,978	87,359	82,880	69,039	67,388	Profit before taxes and zakat
62,396	(17,038)	14,403	32,407	93,673	Other changes in operations activities
(452)	(70,479)	114,86) (6	116,93) (5	170,40) (6	Net cash flow of investing activities
(70,925)	(54,820)	(48,400)	(11,656)	14,043	Net cash flow of financing activities
73,997	(54,978)	(65,983)	(27,145)	4,698	Net change in cash and cash equivalents

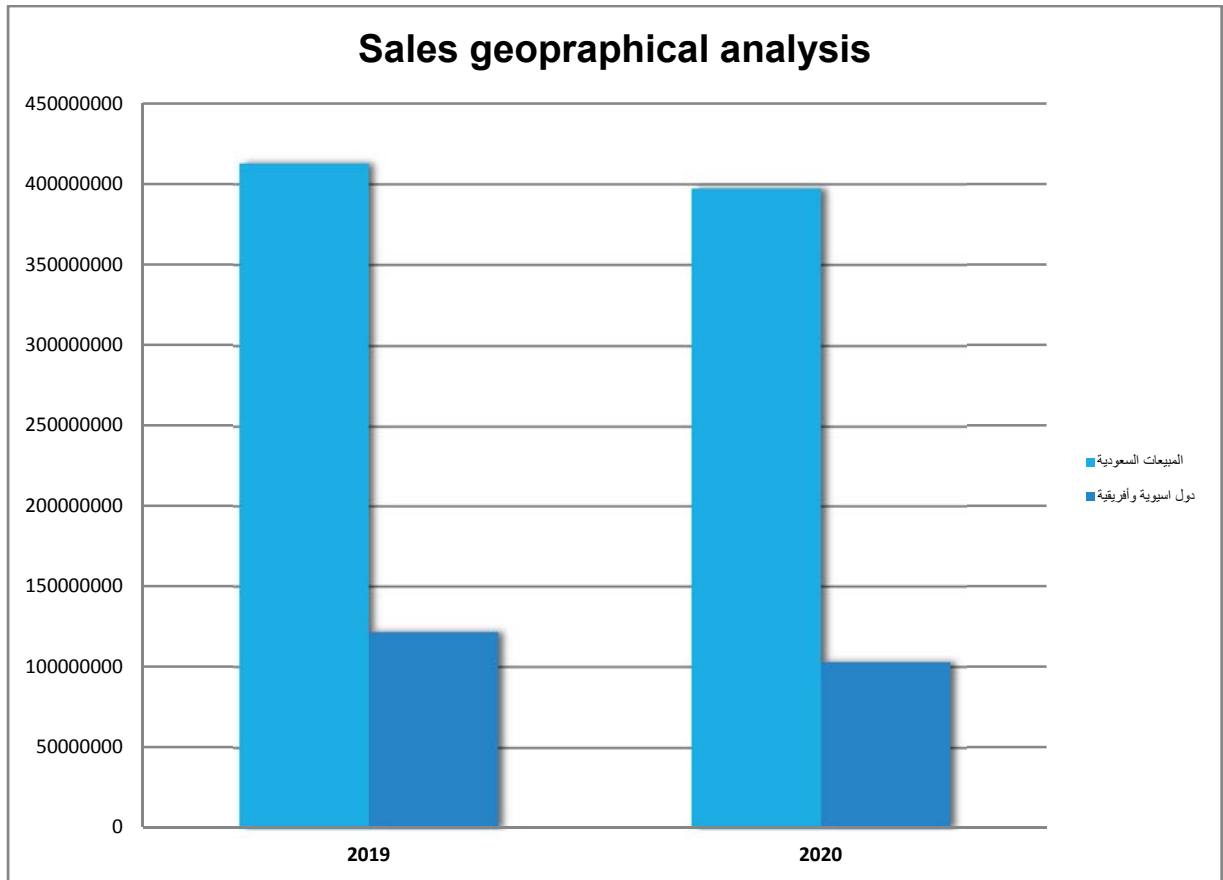
153,859	227,856	172,878	106,895	79,750	Cash at the beginning of the period
227,856	172,878	106,895	79,750	84,448	Cash at the end of the period

## 6- Geographical analysis of the total revenues of the company and its subsidiaries

A- Total sales for the year 2020 AD

2019 Sales	2020 Sales	Description
413,000,946	397,336,070	Within the Kingdom (Kingdom of Saudi Arabia)
121,560,550	102,903,678	Outside the kingdom
<b>534,561,496</b>	<b>500,239,748</b>	<b>Total</b>

B- Analyzing the company's sales graphically



**7 - The material differences in the operating results compared to the results of the previous year or any expectations announced by the company**

%	Change	<u>Saudi 2019</u> <u>Riyal</u>	<u>Saudi 2020</u> <u>Riyal</u>	Description
-%6	34,321,748)	534,561,496	500,239,748	the sales
-%7	31,081,042	(400,022,89	368,941,85)	Sales cost
-%2	(3,240,706)	134,538,602	131,297,896	Gross profit



-%4	2,021,136	(46,603,009)	44,581,873)	Selling and distribution
-%5	1,204,811	(23,452,296)	22,247,485)	General and
+%21	(1,081,065)	(5,097,625)	(6,178,690)	Other income
-%1	(1,095,824)	59,385,672	58,289,848	Profit for the year

The most important reasons for changes in operating results from the results of the previous year:

- The decrease in sales is due to a decrease in internal and external demand for the company's products, in addition to the impact of the Corona virus pandemic on the global economy, where the decrease in sales represented 6%.
- The cost of sales decreased by 7%, due to the decrease in sales by 6%.
- A decrease of 2% in the gross profit, due to the decrease in sales.
- A decrease in selling and distribution expenses by 4% due to the decrease in transportation and rental expenses.
- The decrease in general and administrative expenses by 5% is due to a substantial decrease in the provision for expected credit losses, as a result of the procedures followed by the company with dealing with customers with credit quality.
- The decline in profit for the year was 1%, which is due to the decrease in sales.

In addition to the other reasons that were announced on the Tadawul website at the time, during the year 2020.

#### 8- New International Financial Reporting Standards (IFRS) and their interpretations

The company's board of directors approved, on 01/01/2017 the accounting policies needed to prepare the financial statements in accordance with the International Financial Reporting Standards, which began to be applied on 01 Jan 2017.

There are some new standards and amendments that have been published during the year 2020 AD and are considered mandatory to apply to accounting periods. The company should have changed its accounting policies starting from January 1, 2020 AD as a result of this application, and they are as follows:

- Definition of “Significance” - Amendments to International Accounting Standard No. 1 “Presentation of Financial Statements” and International Accounting Standard No. 18 “Accounting Policies and Changes in Accounting Estimates and Errors”.
- Definition of “Business” - Amendments to IFRS 3 “Entity Grouping”.
- Reform of interest rate reference - Amendments to IFRS 9 “Financial Instruments” and IAS 39 “Financial Instruments - Recognition and Measurement” and IFRS 7 “Financial Instruments - Disclosure”.
- An amendment to the general framework of the financial report.

**9- The name of each subsidiary company, its capital, the percentage of ownership of the company in it, its main activity, the state, the main place of its operations, and the country of its incorporation.**

Home country	Operation Country	Main Activity	BCI Share	Capital	Company
Saudi Arabia Dammam	Saudi Arabia Dammam	Production of hydrochloric acid, caustic soda, hypochlorite, chlorine gas, calcium chloride, hot and cold adhesives, detergents, concrete curing chemicals, hydrogen peroxide, aluminum chloride, potassium hydroxide.	%100	275,000,000 Saudi Riyal	Basic Chemical Industries Corporation
Saudi Arabia Yanbu	Saudi Arabia Yanbu	Production of sulfuric acid, sodium sulfate, potassium sulfate and hydrochloric acid, wholesale and retail trade in chemicals used in industrial work and in	% 100	10,000,000 Saudi Riyal	The National Basic Chemicals Company

		medical and industrial laboratories, and marketing of the company's products of industrial chemicals.			
Saudi Arabia Dammam	Saudi Arabia Dammam	Production of hot and cold adhesives.	% 47	20,795,000 Saudi Riyal	National Adhesive Company Ltd.
Saudi Arabia Dammam	Saudi Arabia Dammam	Production of biocides, ferric chloride, oxygen inhibitors, anticoagulants, multi-purpose chemical cleaners, anti-calc chemicals for desalination plants, sediment derivatives, anti-foaming materials, anti-corrosive and sedimentation inhibitors, metal surface treatment chemicals, and marketing of the company's products.	% 100	16,500,000 Saudi Riyal	Saudi Water Treatment Company Ltd.
Saudi Arabia Dammam	Saudi Arabia Dammam	Production of polyurethane and polyether blended polyol systems	% 49	3.200.000 Saudi Riyal	Huntsman ABC Corporation
Saudi Arabia Dammam	Saudi Arabia Dammam	Wholesale and retail trade in commercial and industrial chemicals.	% 100	1,108,072 Saudi Riyal	Chemicals Marketing and Distribution Company Ltd.

## 10- Details of shares and debt instruments issued for each subsidiary company

The “company” acknowledges that there are no debt instruments on the “company” or its subsidiaries that are convertible into shares, bonds, sukuk, or any option rights, subscription right notes or similar rights, and there are no transfer or subscription rights under transferable instruments. To shares, bonds, sukuk or

similar option rights issued or granted by the "company", and there is no redemption, purchase or cancellation by the "company" of any debt instruments recoverable during the year 2020 AD, and therefore there is no compensation for the "company" Return.

### **11- A description of the company's policy for distributing profits**

The distribution of profits is the prerogative of the ordinary general assembly of the company based on the recommendation of the board of directors, as the policy of the "company" in the distribution of profits is in line with Article (42) of the articles of association of the company which states: - "The net profits of the company are distributed in the following manner: -

- He sets aside ten percent (10%) of the net profits to form the statutory reserve for the company. The Ordinary General Assembly may decide to discontinue this reserve when the aforementioned reserve reaches 30% of the paid-up capital.
- The Ordinary General Assembly, based on the proposal of the Board of Directors, may set aside (5%) of the net profits to form an agreement reserve to be allocated for a specific purpose or purposes for the benefit of the company.
- The Ordinary General Assembly may approve the formation of other reserves, to the extent that it serves the interest of the company or ensures that fixed profits are distributed as much as possible to the shareholders. The aforementioned assembly may also deduct from the net profits amounts for the establishment of social institutions for the company's employees or to assist what may exist from these institutions.
- From the remainder after that, a percentage representing (5%) of the company's paid-up capital shall be distributed to the shareholders.
- Taking into account the provisions stipulated in the articles of association of the company and the companies 'system, after the aforementioned, a percentage (10%) of the remainder is allocated to the members of the Board of Directors with a maximum of 500,000 Saudi riyals, provided that the entitlement of this reward is proportional to the number of sessions attended by the member.

- The rest is then distributed to shareholders as an additional share in profits.
- The company may also distribute interim dividends to its shareholders on a semi-annual or quarterly basis after fulfilling the statutory requirements.

The "company" distributes profits according to the following policy:

The net profits after calculating the statutory provisions mentioned in Article (42) of the Articles of Association are sufficient to ensure their ability to be distributed.

Availability of necessary liquidity.

The dividend distribution does not conflict with any banking agreements, if any.  
 That the profit distribution process does not limit the ability of the "company" to continue its growth.

Profits to be distributed to shareholders shall be paid out of their net profits after deducting zakat after the approval of the Ordinary Assembly, and the entitlement to dividends is distributed to shareholders registered in the "company" records at the end of the trading day of the assembly.

The Board of Directors determines the date for payment of profits, which will be announced through the Tadawul website and official newspapers.

Profits are distributed to shareholders through direct deposit in their portfolios automatically and in coordination with Tadawul.

The company announced on the Tadawul website on 12/19/2019 that the company's board of directors had recommended in its meeting on 12/18/2019 to distribute cash dividends for the fiscal year 2019 by 27.5 million Saudi riyals representing 10% of the paid-up capital, at a rate of 1 riyal for Each share, then the company later announced on the Tadawul website on 02/17/2020 AD that it will distribute cash dividends to shareholders for the financial period from 1/1/2019 to 9/30/2019 AD, which is the date of the last interim lists approved by the company . And that is at an amount of 27.5 million Saudi riyals at the rate of (1) riyals per share, which represents (10%) of the capital, and this is considered an amendment to the previous recommendation of the Board of Directors meeting held on 12/18/2019 AD that mentioned the recommendation to distribute cash dividends to shareholders for the financial year Ended 12/31/2019.

The Ordinary General Assembly of the shareholders approved the recommendation of the Board of Directors and approved the eligibility of the profits for the shareholders who own the shares registered in the Company's shareholders' register at the Securities Depository Center Company (Depository Center) at the end of the second trading day from the day of the Ordinary General Assembly held on 03/09/2020. The date and method of dividend distribution was announced on the Tadawul website on 03/12/2020.

The following is a statement of the profits that have been distributed since the listing of "the company" in the Saudi stock market on June 16, 2008 until December 31, 2020:-

Bank Name	Distributed profit per share	Distribution method	Distribution date	Due date	Announcement date
Arab national Bank	One Riyal	Account transfer	202/03/17 0	2020/03/09	2019/12/19
Arab national Bank	One Riyal	Account transfer	201/06/06 8	2018/05/15	2018/02/27
Arab national Bank	One Riyal	Account transfer	201/05/23 7	2017/05/10	2017/03/05
Arab national Bank	One Riyal	Account transfer	201/06/09 6	2016/05/15	2016/04/10
Arab national Bank	One Riyal	Account transfer	201/05/07 5	2015/04/28	2015/01/19
SAAB	One Riyal	Account transfer	201/05/11 4	2014/04/21	2014/01/13
SAAB	One and half Riyal	Account transfer	201/05/13 3	2013/04/21	2013/01/12
SAAB	One Riyal	Account transfer	201/05/16 2	2012/05/01	2013/01/25
Arab national Bank	One Riyal	Account transfer	201/04/24 1	2011/04/05	2010/12/11
Arab national Bank	One Riyal	Account transfer	201/05/03 0	2010/04/14	2010/01/16

SAAB	One Riyal	Account transfer	200/07/21 9	2009/06/30	2009/04/21
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The company announced on the "Tadawul" website on 03/26/2020 AD that the Board of Directors recommended to the General Assembly not to distribute profits to shareholders for the last quarter of the fiscal year 2019 AD and to be satisfied with the profits distributed for the period from 1/1/2019 to 9/30/2019 at an amount One riyal per share that was distributed on 3/17/2020, which is equivalent to what the company distributed in previous years. The Ordinary General Assembly of shareholders approved the recommendation of the Board of Directors in its meeting held on 06/01/2020 AD and the results of the Ordinary General Assembly meeting were announced on the "trading" website on 02/02/2020.

**12 - A description of any interest in the category of shares eligible to vote belonging to persons (other than members of the company's board of directors, senior executives and their relatives) who informed the company of those rights under Article (45) of the registration and listing rules and any change in those rights during the last fiscal year**

The "company" acknowledges that there is no interest in a class of voting-eligible shares belonging to persons (except for members of the board of directors, senior executives and their spouses and minor children) who informed the "company" of those rights according to Article (45) of the registration and listing rules, and none of the shareholders To inform the "company" of any change in the ownership of shares during the fiscal year ending 12/31/2020 AD.

**13- A description of any interest, contractual securities and subscription rights of the members of the company's board of directors, senior executives and their relatives in the shares or debt instruments of the company or any of its subsidiaries and any change in that interest or those rights during the last fiscal year**

A- A description of any interest of the members of the board of directors and their wives and minor children in the shares or debt instruments of the company or its subsidiaries

%	Net change	2019		2020		Name	S
		<u>Debt instrument</u> s	<u>Shares</u>	<u>Debt instruments</u>	<u>Shares</u>		
-	-	None	2,724,796	None	2,724,796	Abdullah Muhanna Abdul Aziz Al-Muaybad	1
-	-	None	455	None	455	Suleiman Abdullah Hamad Al-Qadi	2
-	-	None	1,394,273	None	1,394,273	Abdul Aziz Muhanna Abdul Aziz Al Moaibed	3
-	-	None	6,066,185	None	6,066,185	Tariq Ali Abdullah Al-Tamimi *	4
-	-	None	10,443	None	10,443	Khaled Abdullah Ibrahim Al-Muammar	5
-	-	None	15,000	None	15,000	Abdel-Latif Azmy Abdel-Hadi	6
%12	294,406	None	2,380,822	None	2,675,228	Hussa Abdul Mohsen Muhammad Al-Sheikh **	7
-	-	None	1,000	None	1,000	Abdul Aziz Abdullah Al-Na`im	8
-	-	None	-	None	-	Abdul Aziz Talal Al-Tamimi	9

\* Mr. Tariq Ali Al-Tamimi does not own any personal shares, but he represents the company that owns the shares (Ali Abdullah Al-Tamimi Company).



\*\* Mrs. Hassa Abdul-Mohsen Muhammad Al-Sheikh does not own any personal shares, but she represents the corporation that owns the shares (the Public Pension Agency and the pioneering investment company “Raed”).

B- A description of any interest of the senior executives and their wives and minor children in the shares or debt instruments of the company or its subsidiary companies

%	Net change	2019		2020		Name	S
		<u>Debt instruments</u>	<u>Shares</u>	<u>Debt instruments</u>	<u>Shares</u>		
-	-	NA	NA	NA	NA	Alaa Abdullah Abdul Karim Al Sheikh *	1
-	-	None	None	None	None	Pankaj Sivitava	3
-	-	None	None	None	None	Ashraf Mohamed Ahmed Bahnasy	4
-	-	None	None	None	None	Roy Martins	6

\* The Board of Directors decided to accept the resignation of Mr. Osama Farouk Abdel Hamid from the position of CEO of a company, as of January 20, 2021 AD. The decision was announced on the “Tadawul” website on the same day and during the year 2020 AD he or his wife and children did not have any interest in Shares or debt instruments of the company and its subsidiaries. The Board of Directors decided to approve the appointment of Mr. Alaa Abdullah Abd Al-Karim Al-Sheikh as CEO of the company as of March 1, 2021 AD. The decision was announced on the “Tadawul” website on the same date.

\*\* With the exception of the above, there is no interest, contractual securities, and subscription rights belonging to the members of the company's board of directors, senior executives and their relatives, in the shares or debt instruments of the company or any of its subsidiaries.

**14 - Information related to any loans on the company (whether they are payable on demand or otherwise) and a disclosure of the total indebtedness of the companies and its subsidiaries and any sums paid by the company in repayment of loans during the year**

On 05/28/2018 AD, the company signed an agreement to increase and amend the limit of credit facilities granted to the company that are compatible with Islamic Sharia from the Arab National Bank, and the balance of the debt owed to the bank as on 12/31/2020 AD amounted to 85,565,944 Saudi riyals (compared to: \$ 15 million Saudi riyals in the year 2019 AD) of the total credit facilities granted amounting to 262 million Saudi riyals, due for repayment starting from 12/31/2021 AD and therefore the company did not pay any dues to the Arab National Bank as of 12/31/2020.

**15- A description of the categories and numbers of any convertible debt instruments and any contractual securities, subscription right notes, or similar rights issued or granted by the company during the fiscal year ending 12/31/2020 AD**

The "company" acknowledges that there are no debt instruments, contractual securities, subscription right notes, or any similar rights issued or granted by the company during the year 2020 AD.

**16- A description of any transfer or subscription rights under convertible debt instruments, contractual securities, subscription right notes, or similar rights issued or granted by the company**

The "company" acknowledges that during the year 2020 AD it did not grant or issue any convertible debt instruments, any contractual securities, subscription warrants, or similar rights.

**17- A description of any redemption, purchase or cancellation by the company of any redeemable debt instruments and the value of the remaining securities, with a distinction between the listed securities purchased by the company and those purchased by its subsidiaries**

The company acknowledges that there are no redemptions, purchases or cancellations by the company or its subsidiaries for any redeemable debt instruments during the year 2020.

**18- The number of board meetings held during the year 2020 AD and the record of attending each meeting indicating the names of the attendees**

During the year 2020 AD, the Board of Directors held (4) sessions, the following is a statement of attendance: -

Total	fourth meeting 20/12/16 20	Third meeting 202/10/22 0	second meeting 202/06/24 0	first meeting 20/03/25 20	الاسم	S
4	✓	✓	✓	✓	Abdullah Muhanna Abdul Aziz Al-Muaybad	1
4	✓	✓	✓	✓	Suleiman Abdullah Hamad Al-Qadi	2
4	✓	✓	✓	✓	Abdul Aziz Muhanna Abdul Aziz Al-Moebed	3
2	*	*	✓	✓	Tariq Ali Abdullah Al-Tamimi *	4
4	✓	✓	✓	✓	Khaled Abdullah Ibrahim Al-Muammar	5
3	✓	✓	**	✓	Abdel-Latif Azmy Abdel-Hadi	6

4	✓	✓	✓	✓	Hussa Abdul Mohsen Muhammad Al-Sheikh	7
4	✓	✓	✓	✓	Abdul Aziz Abdullah Al- Na`im	8
4	✓	✓	✓	✓	Abdul Aziz Talal Al-Tamimi	9

\* Mr. Tariq Ali Abdullah Al-Tamimi apologized for attending the third and fourth meeting and was authorized by Mr. Abdullah Muhanna Abdul Aziz Al-Moaibed.

\*\* Mr. Abdul Latif Azmi Abdel-Hadi apologized for attending the second meeting and was authorized by Mr. Suleiman Hamad Al-Qadi.

### 19- A description of any transaction between the company and a related party

Transactions with related parties as on 12/31/2020 are as follows: -

2020	2019	Purpose	Related Party	Company name
28,031,193	36,522,192	Purchase of Material	Huntsman Corporation Netherlands (Related party)	Basic Chemical Industries Corporation
7,894,268	4,573,315	Purchase of Material	Henkel Group of Companies in the Middle East (Related party)	Basic Chemical Industries Corporation
7,358,471	7,945,790	Franchise fees	Henkel UK Limited (Related party)	Basic Chemical Industries Corporation
13,141,120	23,334,105	Sale of material	Henkel Group of Companies in the Middle East (Related party)	Basic Chemical Industries Corporation
2,500,000	4,906,223	Engineering consulting services	Abdul Latif Azmy Abdul Alaa ) Latif Abdul Hadi Azmy Abdel Hadi and his successor Abdullah Al-Hawas Company for (Engineering Consulting	Basic Chemical Industries Corporation

Other than the above, there are currently no commercial dealings with any of the company's board members, its executive directors, who owns a share (5%) or more of the company's shares, or any of their relatives who has a direct or indirect material interest in this. Transactions, and there are no powers that give any of them the right to vote on these transactions.

Noting that all these contracts with related parties are based on commercial bases without any preferential conditions and achieve the interest of the company and do not negatively affect its performance and do not constitute a financial burden, but rather increase the profitability of shareholders and that the prices specified in these contracts provide savings for the company compared to those popular in Local markets are therefore in the interest of shareholders and are considered preferential prices for the company.

**20 - Information related to any business or contracts in which the company is a party, or in which there is an interest in a member of the company's board of directors, the CEO, the financial manager, or any person related to any of them.**

The date of the assembly's approval of the contract	Balance as of 12/31/2020	The date of the assembly's approval of the contract	Balance as of December 31, 2019	The purpose of the contract	Related party	The name of the stakeholder company
Will be presented to the next General Assembly	2,500,000	20/06/0120	4,906,223	Engineering consulting services	Abdul Latif Azmy Abdul Latif Abdul Hadi	<b>Basic Chemical Industries Corporation</b>

The company acknowledges that no member of the board of directors, the chief executive officer, or the financial controller has any direct or indirect interest in the business and contracts that are made for the company's account, and no member of the members has obtained a license from the general assembly. The company also acknowledges that the members of the board of directors did not participate. In any business that would compete with the company or trade in one of the branches of activity that the Basic Chemical Industries Company engages in, and none of the members were informed that he had a personal interest in the business and contracts concluded by the company for its account.

Except for Mr. / Abdul Latif Azmy Abdel-Latif Abdel-Hadi (a member of the board of directors) and his brother company / Alaa Azmy Abdel-Hadi and Khalifa Abdullah Al-Hawas Company for Engineering Consulting, in which a member of the board of directors Mr. Abdul-Latif Azmi Abdel-Hadi occupies the position of a member of the board of directors, where a contract was concluded with it within a year 2017 AD regarding engineering consultations related to the company's projects at a rate of 8,400,000 Saudi riyals for a period of 36 months from the date 02/18/2016 until 02/17/2019 AD and the provision of consulting services to the company was actually started during the year 2017 AD and the amount was paid and approved by the General Assembly, as well. A new contract was signed with the same company, "Alaa Azmi Abdel Hadi and Khalifa Abdullah Al-Hawas Engineering Consulting Company", regarding engineering consultations for a "first phase" of the chlorine production project established in Jubail Industrial City on 07/09/2018 at a rate of 5,822,500 Saudi riyals in addition to new operating orders for an amount of 1,353,035 Saudi riyals, with a total amount of 7,175,535 Saudi riyals, and the service has actually started during 2018 and it is still continuing. The company has paid an amount of 2,500,000 Saudi riyals for the services that have been provided during the year 2020, according to the terms agreed upon in the contract and the operating order.

**21- A statement of any arrangements or agreement under which a member of the company's board of directors or a senior executive waived any salaries,**

**compensation, or any loans granted by the company to members of the board of directors.**

The "company" acknowledges that there is no arrangement or agreement under which a member of the board of directors or a senior executive has waived any salary or compensation. The company also acknowledges that it did not provide any cash loans of any kind to members of its board of directors or guaranteed any loan contracted by one of them with others.

**22- A statement of any arrangements or agreement under which a shareholder of the company waived any rights to profits**

The "company" acknowledges that there is no arrangement, agreement or assignment under which any of the shareholders of the company has waived any rights in profits.

**23- A statement of the value of the statutory payments due for the payment of any zakat, taxes, fees, or any other dues, with a brief description of them and their reasons**

A- The company has paid dues to government agencies as follows: -

2019	2020	Reason	Statement
11,107,292	9,973,230	Under the zakat and income tax system	Department of Zakat and Income
2,652,702	2,490,050	Under the social security system	The Public Institution for Social Security
377,827	389,224	Shareholder registry services fees and a stock registry report request	Saudi Market Company Tadawul
1,789,706	2,089,179	Fees for visas, accommodations and certifications	Passports, work office, certifications, government fees and others
<b>15,927,527</b>	<b>14,941,683</b>	<b>Total</b>	

**24- The number of the company's requests for the shareholders 'register and the dates of those requests:**

Request purpose	Request date	S
Other	2020/02/11	1

General Assembly	م2020/03/05	<b>2</b>
profitsdistribution	م2020/04/22	<b>3</b>
General Assembly	م2020/06/01	<b>4</b>
Other	م2020/07/16	<b>5</b>

## 25- A statement of the value of any investments or reserves established for the benefit of the company's employees

Except for the end of service gratuity, there are no investments or reserves established for the employees' health during the year 2020.

%	2019	2020	Item
%8	28,724,961	31,138,971	<b>End of service</b>

## 26- Social responsibility

In continuation of the company's policy in supporting social work, the company is always keen to support some charitable societies licensed by government agencies in Dammam and other regions across the Kingdom. The Board of Directors has approved the following payments: -

Amount	Name of the donor's association
407,800	<b>Charitable societies licensed by government agencies in Dammam and other regions in the Kingdom</b>

## 27- Declarations of the Board of Directors

Based on the information available to us, and based on the auditor's report, current market results and data and future indicators, the Board of Directors of the Basic Chemical Industries Company declares the following: -

- That the account records were properly prepared.
- That the internal control system was prepared on a sound basis and has been effectively implemented.
- There is no doubt about the source's ability to continue its activity.



## 28-Information to be disclosed under the Corporate Governance Law

### 1- Compliance with the Corporate Governance Law:

On November 12, 2006, the Board of the Capital Market Authority issued the guiding regulations for the governance of public listed companies, then circulars issued by the Capital Market Authority to compel some articles to the guideline. The company complies with the requirements and decisions of the authority , In accordance with the public listed Companies Law and the requirements of the Capital Market Authority, it was submitted to the Board of Directors in its session held on Saturday 21/04/2012 AD, and after reviewing it, it was approved and recommended to be presented to the General Assembly that was held on Tuesday 5/1/2012 AD, and the approval The company has provided the Capital Market Authority with a complete copy of the bylaw after its approval by the General Assembly.

### Items not adopted and why:

Article No.	Description	Reason of non-adopting
70 , 71 & 72	Formation, terms of reference and meetings of the Risk Committee	These articles are indicative, noting that the audit committee covers most of these tasks. The company has not currently established a separate committee to manage risks, but the company has many procedures and policies for managing risks and reducing their impact.

2- Names of companies for which a member of the company's board of directors is a member of its current or previous boards of directors or of its managers as of 12/31/2020:

Member name	Company name	Designation	Committee membership
Abdullah Muhanna Abdul Aziz Al- Moaibed	- Al Etihade Cooperative assurance - Azmi Abdel Hadi and Abdullah Al Moaibed Engineering Consultants	- Member (non-executive) - Partner / Cahirman	-
Suleiman Abdullah Hamad Al-Qadi	- Untied Cooperative insurance - First bank	- Member / Independent - Member / Independent	- Head NRC - Head AC / NRC member
Abdullatif Azmy Abdulhadi	- Abdul Hadi and Al Moaibed Company Ltd. "Holding" - Alaa Abdulhadi and Khalifa Al-Hawas Consulting Company. - KBR Abdulhadi & Al Moaibed Consulting Company. - The Specialized Company for Project Services - Kingdom of Bahrain. - Saudi Total care. - Azmi Abdulhadi & Sons Holding Company	- Member / Partner - Member / Independent - Member / Partner - Chairman - Member / Partner - Chairman	AC member

Khaled Ibrahim Moammar Abdullah Al	- Al Moammar Information Systems. - Saudi Acer. - Edarat Company. - Saudi Industrial Gas Company.	- Chairman / non-executive. - Chairman / executive. - Chairman / executive. - Member / non-executive	
Tariq Ali Abdullah Al-Tamimi	- Gulf United Cooperative insurance. - Dammam Hotels Company. - Janan Real Estate. - Educational Services Company. - Saudi Electrical Materials Company. - Clarinet Ltd. - The Arab Company for the Construction of Electrical Installations. - United Gulf Contractors Company Ltd - Tunnel Boring Construction Company Ltd.	- Member / Non-executive - Member / Independent - Member / Non-executive - Member / Independent - Chairman - Chairman - Chairman - Chairman - Chairman	Head of AC
Abdul Aziz Abdullah Al-Naem	- GIB Capital Company - Fund of Funds Company. - Companies within the Mayer Capital. - Abdul Rahman Al Turki Group ATCO	- Member / Independent - Member / Independent - Member / Executive - Member / Executive	- Member / NRC - Member / NRC

### 3- The qualifications of the members of the Board of Directors:

Name	Designation	Qualification	Year	Awarding body
Abdulla Muhanna Abul Aziz Al-Moaibed	Chairman	Bachelor of Civil Engineering	1974	Seattle University - USA
Sulaiman Abdullah Hamd Alqadi	Vice chairman	Bachelor of Petroleum Engineering	1964	The University of Texas - USA
Abdul Aziz Muhanna Abul Aziz Al-Moaibed	Member	High school	1954	KSA
Tariq Ali Abdulla Al-Tamimi	Member	Bachelor of Business Administration	1983	Wirth Worth University - USA

Khalid Abdullah Ibrahim Al-Moammer	Member	Bachelor of Industrial Engineering	1980	University of Washington - USA
Abdullatif Azmi Abdullatif Abdul Hadi	Member	bachelor of Civil Engineering	1992	Central Florida University - USA
Abdulaziz Abdulla Abdulaziz Alnaim	Member	Bachelor of Business Administration	2003	Massachusetts Institute of Technology - USA
Abdul Aziz Talal Ali Altamimi	Member	Bachelor of Finance	2013	King Fahd University of Petroleum and Minerals
Hessa Abdulmohsin Mohammed Alalshaikh	Member	Bachelor of Business Administration	2011	Yamama University - KSA

4- Names of the executive management, their qualifications, and their current and previous positions:

Name	Current position	Previous position	Awarding body
Ala Abdulkarim Al-Shaikh	Chief Executive Officer - BCI	CEO of Al Majdoi Industries	He holds a Bachelor's degree in Mechanical Engineering from King Fahd University of Petroleum and Mining, in addition to a Master's degree in Executive Business Administration from the same university
Pankaj Srivastava	Operation director - BCI	Production manager - BCI	He holds a Bachelor's degree in Chemical Engineering from the University of Delhi - India
Ruy Peixoto Martins	Supply Chain director - BCI	Manager of Supply Chain and Procurement at Eureka Explosives - United Arab Emirates (outside the Kingdom)	He holds a Bachelor's degree in Chemical Engineering from Uni Camp-Sao Paulo, Brazil
Ashraf Mohamed Bahnacy	Finance manager - BCI	Accounting manager - BCI	He holds a Bachelor's degree in

			Commerce, Accounting Division from Alexandria University, as well as registered in the Register of Chartered Accountants in the Arab Republic of Egypt
Abdul Rasheed Abdulrahman	General Manager - NAL (BCI Subsidiary)	Quality Manager – NAL (BCI Subsidiary)	He holds a Bachelor of Science from Kyofimpio University, India
Adonis Munzer	General Manager – HAPC (BCI Subsidiary)	Site Manager – HAPC (BCI Subsidiary)	He holds a Bachelor's degree in Chemistry from the American University of Lebanon

5- Composition of the Board of Directors and classification of its members (executive / non-executive / independent)

The Board of Directors consists of nine members in accordance with Article (15) of the Articles of Association which states: “The company shall be managed by a board of directors consisting of nine members elected by the Ordinary General Assembly of shareholders for a period not exceeding three years and may be re-appointed for several terms”. A new board of directors, whose session begins on 06/15/2019 and ends on 06/14/2022 AD, for a period of three years. The Ordinary General Assembly of shareholders agreed to elect the new board at its meeting held on 05/23/2019.

Name	Nationality	Designation	Membership
Abdulla Muhanna Abul Aziz Al-Moaibed	Saudi	Chairman	Non-executive
Sulaiman Abdullah Hamd Alqadi	Saudi	Vice Chairman	Independent
Abdul Aziz Muhanna Abul Aziz Al-Moaibed	Saudi	Member	Non-executive
Tariq Ali Abdulla Al-Tamimi	Saudi	Member	Non-executive
Khalid Abdullah Ibrahim Al-Moammer	Saudi	Member	Non-executive
Abdullatif Azmi Abdullatif Abdul Hadi	Saudi	Member	Non-executive
Abdulaziz Abdulla Abdulaziz Alnaim	Saudi	Member	Independent
Abdul Aziz Talal Ali Altamimi	Saudi	Member	Independent

Hessa Abdulmohsin Mohammed Alalshaikh	Saudi	Member	Non-executive
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- 6- A brief description of the competencies of the main board committees, their tasks, the names of the committees, their heads and members, and the number of their meetings:

The Ordinary General Assembly formed the Audit Committee and the Board of Directors formed the Nomination and Remuneration Committee, both of which play an important and main role to assist the Board of Directors in carrying out the statutory duties entrusted to it to achieve optimal performance, and to benefit from the various experiences of its members in developing policies, programs, review and raising recommendations, and the corporate governance regulation has been organized. The purpose, responsibilities, duties and tasks assigned to these committees are as follows:

#### 6.1 Audit Committee:

The audit committee consists of:

Name	Designation
Sulaiman Abdullah Hamd Alqadi	Head – Independent
Abdul Aziz Muhanna Abul Aziz Al-Moaibed	Member – non executive
Hessa Abdulmohsin Mohammed Alalshaikh	Member – non executive

The number of audit committee meetings and the attendance record of members:

Name	Meeting (1) on 25/3/2020	Meeting (2) on 24/6/2020	Meeting (3) on 22/10/2020	Meeting (4) on 16/12/2020	Total
Sulaiman Abdullah Hamd Alqadi	✓	✓	✓	✓	4
Abdul Aziz Muhanna Abul Aziz Al-Moaibed	✓	✓	✓	✓	4
Hessa Abdulmohsin Mohammed Alalshaikh	✓	✓	✓	✓	4

## The duties of the audit committee, its terms of reference and its term of work

- Ensure that the financial reports have been prepared in accordance with the accounting policies followed by the company.
- Identify and review the accounting problems that affect the process of preparing financial reports and understand the extent of their impact on the validity of those reports.
- Studying the draft financial statements before submitting them to the Board of Directors and giving opinions and recommendations regarding them.
- Preparing recommendations for the Board of Directors regarding the appropriateness of accounting policies applied to the nature of the company and its evaluation of the financial reports issued by the company and the nature of the review process.
- Preparing recommendations for the Board of Directors regarding the annual report of the company, prior to its approval by the Board.
- Preparing recommendations related to establishing, improving and disseminating the control environment within the company.
- Preparing an evaluation of the internal control systems, developing reports on its opinion and recommendations, and supervising the internal audit department.
- Make recommendations related to the selection of the chartered accountant, which includes the committee's review of his professionalism and independence, the expected risks of having a conflict of interest, as well as the fees that he will receive.
- Conducting an annual review of the performance of the chartered accountant and making recommendations related to his appointment, reappointment, or termination of his contract.
- Working with the chartered accountant in order to coordinate the preparation of the audit plan and procedures, taking into account the circumstances of the company and any changes that occurred in the conditions required by the legal supervisory authorities during the current year.
- Discussing the important findings and recommendations reached by the chartered accountant and the degree of management's response to them, as well as the corrective measures taken by them based on those recommendations.
- Preparing recommendations for company policy regarding determining the period required to change the chartered accountant.
- Preparing recommendations for establishing the company's internal audit department and its budget, selecting the department head, and monitoring the degree of independence of the internal auditors.
- Preparing an evaluation of the performance of the internal audit department and preparing the necessary recommendations to improve its effectiveness.
- Discussing deviations and errors contained in the reports prepared by the internal audit department and ensuring that the management takes appropriate corrective actions.
- Ensure that the executive management follows the company's rules and regulations, and that there are no violations.

- The term of the committee's work is three years, starting from 07/10/2019, and for a period of 3 years.

During the year 2017 AD, the management worked on updating the audit committee regulation in line with the government laws and rules, and the administration has completed preparing and updating these bylaws the audit committee at the beginning of 2018 and it was presented to the company shareholders and they approved it in the ordinary general assembly meeting that was held On 02/06/2018 AD, the results of the meeting were published on Tadawul on 07/02/2018.

The main tasks of the audit committee in the updated regulations are to form a conviction about the adequacy and effectiveness of the internal control system, and to submit any recommendations to the Board of Directors that would activate and develop the system in order to achieve the company's objectives and protect the interests of shareholders and investors with high efficiency. The audit committee has the right to view the information, data, reports, or other matters that the committee deems important to have access to. The audit committee is responsible for monitoring the company's business and verifying the integrity and integrity of the reports, financial statements, and internal control systems. The scope of the committee's work includes carrying out all the work that enables it to achieve its tasks, including:

A- Financial reporting:

- Study the interim and annual financial statements before submitting them to the Board of Directors in order to express opinion and recommendation on them (if any), to ensure their integrity, fairness and transparency.
- Expressing a technical opinion upon the request of the Board of Directors on whether the report of the Board of Directors and the financial statements of the company is fair, balanced and understandable, and includes information that allows shareholders and investors to evaluate the financial position of the company, its performance, business model and strategy.
- Study any important or unfamiliar issues included in the financial reports.
- Carefully researching any issues raised by the company's financial manager, whoever assumes his duties, the company's compliance officer, or the auditor.
- Verify the accounting estimates in the fundamental issues mentioned in the financial reports.
- Study the accounting policies followed in the company and express opinion and recommendation to the Board of Directors in this regard.

B- Internal Audit:

- Coordination with the Internal Audit Department with regard to studying and reviewing the company's internal and financial control and risk management



systems to form a conviction that the internal control system is effective and meets the company's objectives in this regard.

- Reviewing and approving the annual and strategic audit plan for the internal audit department.
- Study the reports of the Internal Audit Department and follow up on the implementation of corrective measures for the observations contained in the reports.
- Control and supervise the performance and activities of the Internal Audit Department, in order to verify the availability of the necessary resources, their effectiveness in performing the tasks and tasks assigned to them, their independence and objectivity.
- Recommending to the Board of Directors to appoint, exempt or remunerate a director of an internal audit unit or department.

#### C- External Auditor:

- Recommending to the Board of Directors to nominate and dismiss auditors, determine their fees and evaluate their performance, after verifying their independence and reviewing the scope of their work and the terms of contracting with them.
- Verifying the auditor's independence, objectivity and fairness, and the effectiveness of the audit work, taking into account the relevant rules and standards.
- Reviewing the auditor's plan and work, verifying that he has not submitted technical or administrative works outside the scope of the audit work, and expressing her views on this.
- Answer the inquiries of the company's auditor.
- Study the auditor's report and his notes on the financial statements and follow up on what has been taken in their regard.

#### D- Compliance:

- Review the results of the reports of the supervisory authorities and verify that the company has taken the necessary actions regarding them.
- Verify the company's compliance with the relevant laws, regulations, policies and instructions.

- Review the contracts and proposed transactions that the company conducts with related parties, and submit their opinions on this to the Board of Directors.
- Raise the issues it deems necessary to take action in their regard to the Board of Directors, and make recommendations on the measures to be taken.

E- Formation of the Committee:

- The Board of Directors shall, by a decision of the Company's Ordinary General Assembly, form a review committee consisting of three members selected by the Company's Board of Directors, whether from shareholders or others, for the duration of the Board's term, which is three years, subject to renewal. The members of the committee must be independent or non-executive, and in all cases one of the committee members must be independent.
- It is not permissible for anyone who works or has been working during the past two years in the executive or financial management of the company, or with the company's auditor, to be a member of the audit committee.

F- The authorities of the Committee:

- The Audit Committee is responsible for monitoring the company's business, and for this purpose it may:
- The right to view the company's records and documents.
- Requesting any clarification or statement from members of the Board of Directors or the executive management.
- It may request the board of directors to call the general assembly of the company to convene if the board of directors impedes its work or the company suffers heavy damage or losses.

## 6.2 Nomination and Remuneration Committee:

The Nomination and Remuneration Committee consists of:

Name	Designation
Tariq Ali Abdulla Al-Tamimi	Head / non-executive
Abdulla Muhanna Abul Aziz Al-Moaibed	Member / non-executive
Abdullatif Azmi Abdullatif Abdul Hadi	Member / non-executive

Number of Nomination and Remuneration Committee meetings:

The Nominations and Remuneration Committee held a meeting during the year (1) on 05/04/2020 AD and all members attended the committee meeting.

The duties of the Nomination and Remuneration Committee, its terms of reference and its term of work

- Annual review of the required needs of appropriate skills for membership of the Board of Directors, preparing a description of the capabilities and qualifications required for membership of the Board of Directors, and recommending to the Board of Directors the nomination in accordance with the approved policies and standards.
- Reviewing the structure of the Board of Directors and making recommendations regarding the changes that can be made.
- Determining the strengths and weaknesses of the board of directors and proposing remedies in accordance with the company's interest.
- Setting standards to determine the independence of a member of the board of directors, ensuring his independence on an annual basis, and ensuring that there is no conflict of interest if the member is a member of the board of directors of another company.
- Preparing recommendations for the Board of Directors related to defining certain criteria for selecting people to fill the position of CEO and heads of the main departments of the company.
- Preparing an initial evaluation of the persons nominated for the position of the CEO and the heads of departments and divisions of the company and setting appropriate standards and procedures for evaluating performance.
- Organizing training programs for executives related to corporate governance and ethical behavior.
- Establishing a policy for rewards and incentives for members of the Board of Directors and executives of the company aimed at increasing the value of the company.
- Examine nomination applications for membership of the Board of Directors in accordance with the experiences, controls, conditions and standards set by the Corporate Governance Regulations, and ensure that those previously convicted of a crime involving dishonesty and breach of trust are not nominated.

The period of the committee's work is three years, starting on 6/15/2019 AD and ending with the end of the current session of the Council on 6/14/2022 AD.

During the year 2017 AD, the management worked on updating the list of the Nominations and Remuneration Committee in line with the laws and rules of the government, and the administration has completed preparing and updating this list of the Nominations and Remuneration Committee at the beginning of 2018 AD and it was presented to the

shareholders of the company and they approved it at the Ordinary General Assembly meeting Which was held on 02/06/2018 AD, and the results of the meeting were published on Tadawul website on 02/07/2018.

The Nominations and Remuneration Committee, according to the updated regulations, shall be responsible for the following:

- Propose clear controls and criteria for membership in the Board of Directors and executive management.
  - Recommending to the Board of Directors to nominate its members and re-nominate them in accordance with the approved controls and standards, taking into account not to nominate any person previously convicted of a breach of trust.
  - Prepare a description of the capabilities and qualifications required for membership in the Board of Directors and occupying executive management positions.
  - Annual review of the necessary needs of skills or appropriate expertise for board membership and executive management functions.
  - Reviewing the structure of the Board of Directors and the executive management and submitting recommendations to the Board regarding the changes that can be made.
  - Determine the strengths and weaknesses of the board and propose solutions to address them in accordance with the interests of the company.
  - Checking on an annual basis the independence of the members and the absence of a conflict of interest if the member is a member of the board of directors of another company.
  - Establish job descriptions for executive members, non-executive members, independent members and senior executives.
  - Establishing special procedures in case the position of a member of the Board of Directors or a senior executive becomes vacant.
  - Preparing a clear list of remuneration for members of the Board of Directors and the committees emanating from the Board and the Executive Management, and submitting them to the Board of Directors for consideration in preparation for approval by the General Assembly, taking into account in this policy the following standards related to performance, disclosure of them, and verification of their implementation.
  - Clarify the relationship between the granted rewards and the applicable remuneration list, and indicate any fundamental deviation from this bylaw.
  - Periodic review of the rewards list, and evaluation of their effectiveness in achieving the desired goals.
  - Recommending to the Board of Directors the remuneration of the members of the Board of Directors and the committees emanating from it and the senior executives of the company in accordance with the approved bylaw.
- 7- Details of remuneration and compensation paid to board members and senior executives

The remuneration of the Board of Directors consists of the percentage stipulated in Article (4-18) of the Articles of Association and within the limits of what is stipulated in the Companies Law or any other regulations, decisions or instructions that complement it. Remuneration and compensation during the year 2020: -

Description	Executives BOD members	Independents / Non Executives BOD members	Executive management
Salaries and compensation	-	-	5,822,856
Allowances for attending board meetings	-	165,000	-
Travel allowance for members of the Board of Directors	-	6,000	-
Periodic and annual bonuses	-	1,569,000	585,000
Periodic remuneration for committee members	-	300,000	-
Allowances for attending committee meetings	-	60,000	-
Any compensation or other benefits in kind paid monthly or annually	-	The company provides a car to the Chairman of the Board of Directors	The company provides a car and housing for senior executives
<b>Total</b>	-	<b>2,100,000</b>	<b>6,407,856</b>

Any penalty or precautionary restriction imposed on the company by the Authority or any other supervisory, regulatory or judicial authority.

There is no fine, penalty, precautionary measure or other reserve restriction imposed on the company by the competent authority or from any other supervisory, regulatory or judicial authority.

Results of the annual review of the effectiveness of the company's internal control procedures:

The annual report shows the results of the internal audit as follows:

- The internal audit work has been directed to the activities and functions of high risk and to raise the effectiveness and efficiency of the company's operations.
- The internal auditor has coordinated fully with the external auditor in a satisfactory and effective manner.
- The internal auditor does not have any reservations or restrictions to access any information, documents, records or assets of the company

All observations related to internal control are submitted by the audit committee to the board of directors, and it is not clear that there are substantial observations that can be mentioned.

Independence, powers and responsibilities:

The internal audit provides independent objective services with the aim of assisting the board of directors, the audit committee, and the executive management in carrying out their responsibilities with a high degree of efficiency and effectiveness. The internal audit is not subject to any influence by the executive management, and it has full powers for unrestricted full access to any records (manual or electronic), properties and employees of the company, according to what is required to perform its work.

Internal audit responsibilities:

- Preparing the strategic plan for the work of the internal audit.
- Executing inspections according to the annual plan.
- Submit reports on examination results.
- Identifying financial and operational risks, and cooperating with management to provide effective control tools at an appropriate cost to limit the effects of these risks and discover them as soon as they arise.
- Coordination between the various departments in the companies and the external supervisory bodies, including the external auditor.
- Developing the audit implementation policies and procedures to be consistent with best professional practices.

Scope of work:

The internal audit adopted, when carrying out its work, a systematic approach to evaluate and improve the effectiveness of internal control in order to achieve the goals of the company and protect its assets. To achieve the company's objectives, the scope of the internal audit has included:

- Periodic checking and examination.

- Informing officials of the results of the examination carried out by the internal audit in order to verify that the necessary measures have been taken to address the identified weaknesses.
- Evaluating the plans and procedures presented by officials in the various departments of external relationship to deal with the observations and recommendations included in the audit report, and in the event that the measures that have been taken are not sufficient, the matter has been discussed with the officials to ensure the efficiency and adequacy of the measures taken.

## 29-Shareholders' rights and general assemblies:

The Basic Chemical Industries Company (BCI) represented on its board of directors is very keen to know the valued shareholders of their rights guaranteed by the company's articles of association, internal bylaws and corporate governance regulations, which were approved by the General Assembly on 05/01/2012 AD, in order to The importance of the shareholders' role in monitoring and following up the company's business and participation in order for the company to prosper and develop as a leading company in the world of the chemical industry, which includes all the rights related to the share, and in particular the right to obtain a share of the profits that are decided to be distributed ,

The right to obtain a share of the “company” assets upon liquidation, the right to attend shareholders 'assemblies, participate in their deliberations and vote on their decisions, the right to dispose of shares, the right to monitor the business of the board of directors and file a liability lawsuit against the members of the board, and the right to inquire and request information in a manner that does not harm the interests of The “company” does not conflict with the financial market system and the executive regulations, according to the following articles of the company's articles of association:

- 1- The right to receive a share of the profits to be distributed:

Article no.	Description
Article No. (42) of the Articles of Association	The net profits of the company are distributed as follows....: 6- ) The remainder is then distributed to the shareholders as an additional share in the profits.
Article No. (43) of the Articles of Association	The shareholder is entitled to a share in the profits in accordance with the decision of the General Assembly issued in this regard, and the decision specifies the date of entitlement and the date of distribution, and the eligibility of the profits shall be for the owners of the shares registered in the shareholders 'records at the end of the day specified for entitlement.



Article 4/2 of the Corporate Governance Law	The Board of Directors protects and facilitates shareholders' exercise of their basic rights, which include: 6) Sharing the company's profits.
Article 1/5 of the Corporate Governance Law	General rights of the shareholders: Shareholders are guaranteed all rights related to their shares, in particular: 1) The right to share distributable profits
Article 3/5 of the Corporate Governance Law	Shareholders' equity in profits: The Board of Directors shall set a clear policy related to dividend distributions in a manner that achieves the interests of the shareholders and the company. Shareholders must be informed of this policy during the General Assembly and referred to in the report of the Board of Directors. The General Assembly will approve the dividends and the date of their distribution, whether in cash or additional shares, which will be given to the shareholders - as their right - whose names appear in the Securities Depository Center as stated at the end of the trading session on the day that the General Assembly was held.
Article 110 of the Companies Law 2015	Shares set equal rights and obligations and prove to the shareholder all the rights related to the share, and in particular he has the right to obtain a share of the net profits to be distributed.....

## 2- The right to obtain a share of the company's assets upon liquidation

Article no.	Description
Article No. (47) of the Articles of Association	"As soon as the company expires, the company enters the role of liquidation and retains the legal personality to the extent necessary for liquidation. The voluntary liquidation decision is issued by the extraordinary general assembly. The liquidation decision must include the appointment of the liquidator, specifying his powers, his fees, the restrictions imposed on his powers and the time



	required for liquidation. The period of voluntary liquidation must not exceed five years. It may be extended to more than that except by a court order and the authority of the company's board of directors ends with its dissolution. Nevertheless, these remain in charge of managing the company and are prepared with regard to the change in the liquidators' judgment until the liquidator is appointed. Shareholders' associations remain in place during the liquidation period and their role is limited to exercising their jurisdiction that does not conflict with the terms of reference. Liquidator. "
Article 1/5 of the Corporate Governance Law	Shareholders are guaranteed all rights related to their shares, in particular: 2) The right to share the company's assets upon liquidation

3- The right to attend general assemblies, participate in its deliberations, and vote on its decisions

Article no.	Description
Article No. (23) of the Articles of Association	"Every shareholder, regardless of the number of his shares, has the right to attend the general assembly of shareholders, and he has the right to delegate on him another person other than members of the board of directors or company employees to attend the general assembly."
Article No. (30) of the Articles of Association	Every shareholder has a vote for every share in the general assemblies, and the cumulative vote is used in the election of the Board of Directors, so that the right to vote for the share may not be used more than once. Also, members of the Board of Directors may not participate in voting on the Assembly's decisions related to

	absolving them of responsibility for managing The company or that is related to a direct or indirect interest to them. "
Article 1/5 of the Corporate Governance Law	Shareholders are guaranteed all rights related to their shares, in particular: 2) The right to attend general assemblies, especially the right to debate and vote - in person or by proxy - on decisions that concern them. 3) Every shareholder has the right to attend the general assemblies of the shareholders even if the company statute stipulates otherwise..... Every shareholder has the right
Article 96 of the Companies Law 2015	Every shareholder has the right to discuss the topics on the assembly's agenda and direct questions about them to the members of the board of directors and the auditor.

#### 4- The right to dispose of shares

Article no.	Description
Article No. (12) of the Articles of Association	The company's shares trade in accordance with the provisions of the Capital Market Law.
Article 1/5 of the Corporate Governance Law	General rights of the shareholders: Shareholders are guaranteed all rights related to their shares, in particular: 4) The right to dispose of shares by selling, assigning, or transferring ownership.

#### 5- The right to monitor the activities of the board of directors and file a liability lawsuit against the members of the board

Article no.	Description
Article No. (46) of the Articles of Association	"Every shareholder has the right to file a liability lawsuit for the company against the members of the board of directors if the mistake made by them would cause a special harm to him. The shareholders may not file the aforementioned lawsuit

	unless the company's right to file it is still valid. The shareholder must inform the company of his intention to file a filing. The lawsuit. "
Article 1/5 of the Corporate Governance Law	General rights of the shareholders: Shareholders are guaranteed all rights related to their shares, in particular: 5) The right to supervise the activities of the members of the Board of Directors, and to file liability claims against them.
Article 80 of the Companies Law 2015	Every shareholder has the right to file a lawsuit for the liability established for the company against the members of the Board of Directors

- 6- The right to inquire and request information in a manner that does not harm the interests of the company and does not oppose the financial market system and its implementing regulations

Article no.	Description
Article No. (32) of the Articles of Association	"Every shareholder has the right to discuss the topics on the assembly's agenda and to direct questions about them to the members of the board of directors and the auditor. Every text depriving the shareholder of this right is void, and the board of directors or the auditor answers the shareholders' questions to the extent that does not expose the interest of the company to harm .... .
Article 1/5 of the Corporate Governance Law	General rights of the shareholders: Shareholders are guaranteed all rights related to their shares, in particular: 6) The right - upon request and on a regular basis - to obtain inquiries about and access to essential information and information about the company that are relevant to them without prejudice to the interests of the company, and in a manner that does not conflict with the Capital

	Market Law and its implementing regulations.
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7- Facilitating shareholders' exercise of their rights and access to information

7.1 The company's articles of association and its internal regulations specify the procedures and precautions necessary to be taken so that the shareholders can exercise all their legal rights.

Article no.	Description
Clause (5/3) of the approved corporate governance law	The company must take all the necessary legal procedures and precautions for the shareholders to exercise all their legitimate rights, and all information that enables shareholders to properly exercise their rights shall be made available to them, and the information available in this way must be comprehensive and accurate, and it must be available and updated within the specified times. By using the most effective means of communicating with shareholders in a decent and respectful manner.

7.2 The company is keen to provide all information on a regular basis in accordance with the standards of disclosure through annual reports, Tadawul website, visual and readable media (local newspapers) in a comprehensive and accurate manner and publish the financial statements on the company's website.

7.3 The company is keen to provide information to the shareholders without discrimination among them, and for that, the company has created a special department "Shareholders Affairs Department" that aims to respond to all shareholders' inquiries and provide them with information that does not harm the interests of the company and does not conflict with the financial market system and the executive regulations.

8- The extraordinary general assemblies held in 2020 AD and the reasons for their convening

No extraordinary shareholders' assemblies were held during the year 2020.

9- Ordinary general assemblies held in 2020 AD and the reasons for their holding

1- An Ordinary General Assembly was held on 07/18/1441 AH corresponding to 09/03/2020 AD at the Carlton Al Moaibed Hotel in Dammam, the results of which were to approve the Board of Directors' recommendation to distribute cash

dividends to shareholders for the financial period from 1/1/2019 until 9/30/2019 for an amount of (27,500,000) riyals at a rate of (1) riyals per share, which represents (10%) of the capital, provided that the shareholders who own the shares on the day of the assembly and who are registered in the company's shareholders register with the Securities Depository Center Company ( Depository Center) at the end of the second trading day following the date of the Assembly.

2- An ordinary general assembly meeting was held on 10/09/1441 AH corresponding to 06/01/2020 AD at the headquarters of the Carlton Al Moaibed Hotel in Dammam, and its results were as follows:

- Approval of the Company's external auditor's report for the fiscal year ending on 31/12/2019.
- Approval of the Board of Directors' report for the fiscal year ending on 31/12/2019.
- Approval of the financial statements for the fiscal year ending on 31/12/2019.
- Approval of the appointment of PricewaterhouseCoopers as an auditor for the company from among the candidates nominated by the Audit Committee, in order to examine, review and audit the financial statements for the second, third and annual quarters of the fiscal year 2020 AD and the first quarter of the fiscal year 2021 AD and determine their fees.
- Approval of the works and contracts that have been concluded between the company and the Alaa Azmy Abdul-Hadi and Khalifa Abdullah Al-Hawas Engineering Consulting Company, in which a member of the Board of Directors Abd al-Latif Azmi Abd al-Latif Abdul-Hadi has an indirect interest in it without preferential conditions, which are advisory services for the company's projects at an amount of 4,906,223 Saudi riyals and extending the contract to 12/31/2021.
- Approval of absolving the members of the Board of Directors from liability for the financial year ending 12/31/2019.
- Approval of the disbursement of a total amount of (2,012,000) Saudi riyals to the Board of Directors 'remuneration for the fiscal year ending on 31/12/2019.
- Agreeing not to distribute profits to shareholders for the last quarter of the fiscal year 2019 AD and to be satisfied with the profits distributed for the period from 1/1/2019 to 9/30/2019 in the amount of one riyal per share that was distributed on 3/17/2020, which is equivalent to what the company distributed on Previous years.
- Approval of authorizing the Board's General Assembly to distribute interim dividends to shareholders on a semi-annual or quarterly basis for the fiscal year 2020.

**30-Contingent liabilities and obligations on the annual financial statements included in the external auditor's report for the year ended 12/31/2020.**

- 1- The Group has contingent liabilities for bank guarantees issued to the Group in the normal course of business, amounting to SR 8.8 million as on December 31, 2020, against 8.4 million riyals for the year 2019.
- 2- Capital expenditures contracted by the Group but not incurred until December 31, 2020, amounted to approximately 287.4 million Saudi riyals, compared to 390 million riyals for the year 2019.
- 3- Potential Zakat liabilities: The group received additional zakat assessments from the Authority in 2012 in the amount of 10.4 million Saudi riyals for the years 2003 AD until 2010 AD. One million Saudi riyals, and the company objected again to the Authority. In 2018, the company paid an amount of 1.5 million Saudi riyals for the final settlement of the additional assessments for the years from 2005 to 2010. However, the Authority has not yet issued final zakat certificates for these years. The company received additional zakat assessments from the Authority in the amount of 12.9 million Saudi riyals for the years from 2011 AD to 2015 AD, and the group objected to these additional assessments with the various objection bodies and before the end of the year the Authority issued a modified evaluation by which the additional assessments were reduced to an amount of 3.2 million Saudi riyals, and the company objected At the General Secretariat for Tax Committees, in relation to matters that the Authority did not take into consideration during the examination work. The administration believes that there is no additional zakat that may be generated upon the completion of the objections. During the year ending on December 31, 2020 AD, the General Authority for Zakat and Income issued a link to one of the subsidiary companies for the years from 2015 AD to 2018 AD. The assessment resulted in additional zakat in the amount of 11.1 million Saudi riyals. 2020 AD, and the administration believes that no additional zakat obligations will arise upon the completion of the appeal. The Authority issued zakat and tax assessments relating to subsidiaries for some years, which were approved by the subsidiaries. That the zakat and tax assessments for some years are currently under review by the Authority. All subsidiaries received zakat and tax certificates for the years until 2019. The management believes that all of what was stated in the external auditor's report regarding potential liabilities and obligations are potential liabilities and may not occur. They represent bank guarantees in the normal course of the company's business, and that the capital expenditures contracted by the group are not material and in the context of the company's operational work.

**31-Recommendation of the Board of Directors to replace the external auditors:  
The Board of Directors did not recommend replacing the external auditor  
before the expiry of the period for which he was appointed**



**32-Confirmations:**

1. The company confirms that it did not receive from the Company's external auditor a request to convene the general assembly during the year ending 12/31/2020 AD, and it has not been held.
2. The company confirms that it has not received from shareholders who own 5% of the capital or more, a request to convene the general assembly during the fiscal year ending 12/31/2020, and it has not been held.
3. The company announced the date, place and agenda of the two ordinary general assemblies (the first announcement) on the Tadawul website. The first meeting was on 02/17/2020 and twenty-one days before the date. The results of the meeting were published on the Tadawul website on 03/10/2020. . The second meeting, on 05/11/2020, twenty-one days before the deadline, the results of the Ordinary General Assembly were published on the Tadawul website on 06/02/2020.
4. Shareholders are informed of the rules governing general assembly meetings and voting procedures by announcing the invitation to the assembly and in the local newspapers, and by distributing written procedures that are distributed before the meeting, and shareholders have the opportunity to actively participate and vote in the general assembly meetings.
5. The company confirms that the shareholders who own 5% or more of the company's shares did not ask to add one or more subjects to the agenda of the general assembly when preparing it.
6. The company confirms that it enables the shareholders to exercise their right to discuss the topics on the agenda of the general assembly and to ask questions to the members of the board of directors and to the chartered accountant, and the chairman of the association announces the opening of discussion during the session for the shareholders and directs questions to the members of the board or the chartered accountant and confirms during the session that it is the shareholder's right if He saw that the answer to an unconvincing question is to refer to the general assembly and its decision is enforceable, and no one of the shareholders asked any questions to the members of the board or the chartered accountant, and this was proven in the minutes of the assembly.
7. The company confirms that it is keen that all issues presented to the general assembly are accompanied by sufficient information that enables the shareholder to make a decision.
8. The company works to enable shareholders to view the meeting minutes readily during the session and distribute the meeting minutes at the company's headquarters. The financial market is informed of the results of the meeting as soon as the meeting ends 2020. The market was informed of the results of the general assembly upon its completion on the Tadawal website on March 10, 2020 at 9:18 a.m. and before the market opened, and the results of the association were also published on the company's website. The Capital Market Authority has been informed of the minutes of the Ordinary General Assembly as soon as the meeting ends, and a copy of the minutes has been sent by e-mail on 06/02/2020. The

market was informed of the results of the general assembly upon its completion on the Tadawal website on 06/02/2020 at 8:42 a.m. and before the market opened, and the results of the association were also published on the company's website.

9. The company confirms that there are no obstacles to the shareholder's exercise of the right to vote, and the company seeks to facilitate that.
10. The company used the cumulative voting method to elect the current members of the board.
11. The company is obligated to verify that the shareholders' authorizations to attend the general assembly meeting (which must be in writing) were for shareholders who are not members of the board of directors and non-employees of the company, in addition to the supervision of the representative of the Ministry of Trade and Industry in charge of attending the meeting and the process of screening the agencies.

### **33-Conclusion:**

Finally, the Board of Directors thanks you for the precious confidence that you have placed in it, which it appreciates and cherishes and it is directed to God Almighty, the Almighty, with sincere supplication to preserve for this country the leader of its march and the symbol of its renaissance, the Custodian of the Two Holy Mosques King Salman bin Abdulaziz, and his trustworthy Crown Prince His Royal Highness Prince Muhammad bin Salman bin Abdulaziz, and to guide them and our rational government to what is good for this country and its citizens.

The Board of Directors also extends its thanks to all the employees of the company for their hard work and sincerity in order to maintain the company's continued progress and prosperity.

***Chairman***