سبكيم
Sipchem
EXCELLENCE everywhere

Creating Sustainable Value

Sustainability Report 2017

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

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

His Royal Highness
Prince Mohammed Bin Salman Bin Abdulaziz Al-Saud
Crown Prince, the Vice President of the Council of Ministers and Minister of Defense

About This Report

WELCOME TO SIPCHEM'S SECOND SUSTAINABILITY REPORT, HIGHLIGHTING THE COMPANY'S PERFORMANCE IN 2016 AND 2017 ACROSS ENVIRONMENTAL, SOCIAL AND ECONOMIC DIMENSIONS.

This report has been prepared in accordance with the GRI Standards: Core option. It continues to focus on sustainability issues of material importance to Sipchem and its stakeholders. The data and information in this report have undergone an extensive internal review process to identify and correct any potential inaccuracies.

Reporting Boundary

The report covers all our operating facilities and locations within the Kingdom of Saudi Arabia (KSA). The following limitations apply to the report:

- The data of external contractors, suppliers and clients is not included in this report unless otherwise stated;
- Labor practices cover Sipchem's employees as registered in the payroll or long-term contractors filling established positions.

Feedback

We welcome your feedback on this report and on our performance. Your input will help us to better understand your expectations and the topics that matter the most to you. Any feedback will be considered in our future materiality assessments and programs aimed at addressing stakeholder concerns.

Please send your feedback to **sustainability@sipchem.com**

Table of Contents

ABOUT THIS REPORT	2
MESSAGE FROM THE CEO	4
SECTION 1 CORPORATE PROFILE	6
SECTION 2 SUSTAINABILITY AT SIPCHEM	14
SECTION 3 ACHIEVING ECONOMIC EXCELLENCE	22
SECTION 4 ACHIEVING ENVIRONMENTAL EXCELLENCE	28
SECTION 5 ACHIEVING SOCIAL EXCELLENCE	38
SECTION 6 APPENDICES	55

Message from the CEO

At Sipchem, our vision is to be a global leader in sustainable business within the petrochemical sector. We grow our capability and reach by constantly pushing the boundaries that inspire, enhance and sustain excellence.

2016-2017 delivered another period of solid sustainability performance. It was an exciting time, the enthusiasm and commitment across the organization were outstanding. Our plan is to remain consistent and continuously create value through our sustainability agenda.

The momentum is great, and we do not intend to slow down with our sustainability priorities. We cannot close our eyes to the challenges that the world faces, today or tomorrow. Furthermore, in order to maintain a competitive position and achieve growth aspirations, businesses must be accountable and make explicit and positive contributions to society.

I'm convinced we can contribute in creating a more equitable future for everyone. This is our job, and we are ready. We realize that this job requires a unified front. Thus, global thought leadership, perspective and alignment is important for overall future success. As we visualize what the future might look like, we can look to global mega trends as a reference point. We know that questions are more important than answers, and we all must question what we can do to make a better tomorrow. Long-term government transformation plans have set the stage in which, positive momentum and enthusiasm can resonate. We are taking the necessary actions to play a role in this positive change.

Here at Sipchem, sustainability means being accountable to meet the social, environmental, economic objectives for today and tomorrow. Sustainability is core to what we do and integral to our strategy and long-term commercial success.

Our sustainability strategic approach focuses on delivering programs linked to the most important material issues for our business such as: career development; corporate social responsibility (CSR), occupational health and personal safety; product stewardship; innovation; local content; process safety; plant reliability; business growth and more.

We all make decisions every day, we want to know what is the right thing to do. At Sipchem, we believe in making smart decisions today, for a better tomorrow. I am excited to share with you this year's sustainability report. I hope you enjoy Sipchem's sustainability journey as we create business excellence.

Sincerely,
Ahmad A. Al-Ohali

SECTION 1

About Sipchem

Saudi International Petrochemical Company (Sipchem) is a Saudi publicly traded joint-stock company listed on Tadawul, The Saudi Stock Exchange. It was incorporated on December 22, 1999 with a market capital of 3.6 billion SAR and 366.6 million shares and went public in 2006.

As a globally recognized chemical manufacturer, Sipchem has a key petrochemical complex in Jubail Industrial City, its headquarters in Riyadh, and an administrative building located in Khobar. Sipchem produces a wide range of products from basic chemicals and polymers to specialty chemicals.

In addition to the Jubail petrochemical complex, Sipchem has also established the Kingdom's fastest growing precision engineering company, the Saudi Specialized Products Company (Wahaj). Located in Riyadh and Hail, Wahaj is a fully integrated machining facility providing ISO9100-certified high-precision, high complexity machined components, kits and sub-assemblies for the Aerospace and Defense Industry. Wahaj is the first of its kind in the Gulf region, and also produces EVA film for solar panels and industrial components for the oil and gas industry.

Sipchem strives to continually improve its global competitiveness through research, innovation and the optimal development of products via its fully functional Technology and Innovation Center, MANAR, in the Dhahran Techno Valley.

Sipchem Marketing Company (SMC), a wholly owned Sipchem company, functions independently in the sales and marketing of all Sipchem products and has offices in strategic locations in Europe, Asia and the Middle East. SMC endeavors to utilize the most sophisticated marketing techniques to ensure delivery of quality products to customers located throughout the world. Today SMC has a strong, growing and diversified product portfolio and markets over 65 percent of its total merchant volumes globally.

Sipchem demonstrated continuous growth in its capabilities, and sought to inspire, enhance and sustain excellence while adhering to the highest ethical standards in delivering its products and services.

PERFORMANCE HIGHLIGHTS

15% **production increase** since 2015

7% **reduction in energy intensity** since 2015

9% **reduction in emission intensity** since 2015

25% **reduction in fresh water consumption** since 2015

1,020 **volunteer** man-hours

19 **airplane platforms** manufactured

- Sipchem to **supply CO to SAMAC**
- Sipchem kicks-off its **Safety Excellence Program**
- Sipchem signs long-term agreement with **SASREF to receive CO_2 as feedstock**

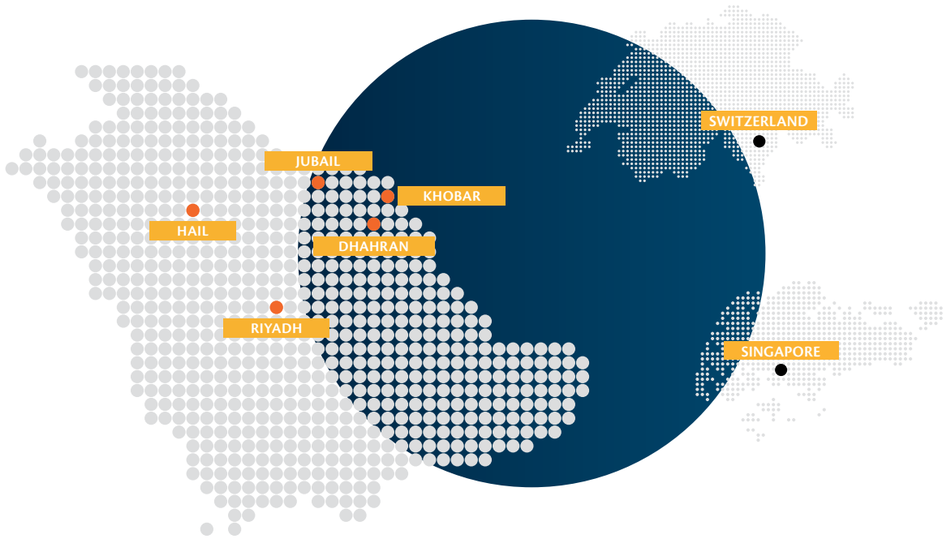
AWARDS AND RECOGNITION

Sipchem puts forth its best efforts every day to ensure its operations are efficient, safe, reliable, and sustainable. In the past two years, Sipchem received the following awards and recognition for its exemplary performance:

- **'Most Improved IR Corporate Large Cap'** at the 2016 Middle East Investor Relations Association (MEIRA) Conference
- **'Sustainability Initiative of the Year'** at the 2016 Oil & Gas Middle East and RPME Awards

HERE, THERE AND EVERYWHERE

Sipchem has a strong growing and diversified product portfolio that is sold across the globe from Sipchem's marketing offices in Khobar, Singapore and Switzerland.



Company Milestones

1999 — Incorporated as a closed joint-stock company

2004 — Methanol plant commenced operations

2005 — Butanediol plant commenced operations

2006 — Went public through a successful IPO

2007 — Established Sipchem Marketing Company

2010
- Began allocating 1% of net profit for CSR
- CO, Acetic Acid and VAM plants commenced operations

2011
- Established marketing unit in Europe
- Achieved Responsible Care© certification

2013
- EA/BA plants commenced operations
- Established marketing unit in Singapore

2015
- Wire and Cable plant commenced operations
- EVA/LDPE plants commenced operations
- Sipchem Technology and Innovation Center (MANAR) inaugurated
- New brand identity launched

2016
- Acquired 11% share in IAC and IVC
- PBT plant commenced operations
- EVA Film plant commenced operations

2017 — Sipchem signed agreement and started supplying CO to Saudi Methylacrylates Company (SAMAC), a subsidiary of SABIC

OUR IDENTITY

Sipchem's aim is to provide high quality petrochemical products for world markets while staying true to its principles:

- Adhering to the highest ethical standards, embracing integrity, trust, and taking responsibility for Sipchem's actions;
- Striving for operational excellence in delivering products and services;
- Embracing innovation and adapting to changing conditions; and
- Caring for the well-being of Sipchem's employees, community and environment.

We believe that to challenge is to learn, to learn is to advance, to advance is to innovate, and to innovate responsibly is to benefit mankind.To ensure the highest quality of products and services we have developed an internal philosophy that will help us deliver excellence everywhere. This philosophy, or way of doing things, is called 'challenge logic' and has been integrated into our brand identity. Challenge logic is our formula for a powerful way of thinking that encourages our internal teams to recognize that questions are more important than answers.

Our Vision

At Sipchem, we believe in challenging assumptions every day to discover and develop responsible solutions, thus enhancing the quality of life for generations to come.

Our Mission

To make this vision a reality, we are actively growing our capability and reach by constantly pushing the boundaries that inspire, enhance, and sustain excellence.

Our Values

Our Vision and Mission are underpinned and will be achieved by living our core values.

PASSION | COURAGE | HIGHER EFFICIENCIES | MOMENTUM

Our Commitment

We are committed to the highest quality standards in all our activities, from products to the integrity of the surrounding environment and to the safety of our employees.

OUR AFFILIATES

Sipchem owns a majority stake in all its affiliate joint ventures.

CHEMICAL

65%	53.9%	72%	87%	87%	100%
International Methanol Company	International Diol Company	International Gases Company	International Acetyl Company	International Vinyl Acetate Company	Sipchem Chemicals Company
Methanol - 970 KTA	BDO - 94 KTA	CO - 340 KTA	AA - 400 KTA AAn - 59 KTA	VAM - 330 KTA	EA - 100 KTA

POLYMERS

75%	100%	50%
International Polymer Company	Sipchem Chemicals Company	Gulf Advanced Cable Insulation Company
LDPE and EVA - 200 KTA	PBT - 63 KTA	SC - 5 KTA XLPE - 20 KTA

DIVERSIFIED PRODUCTS

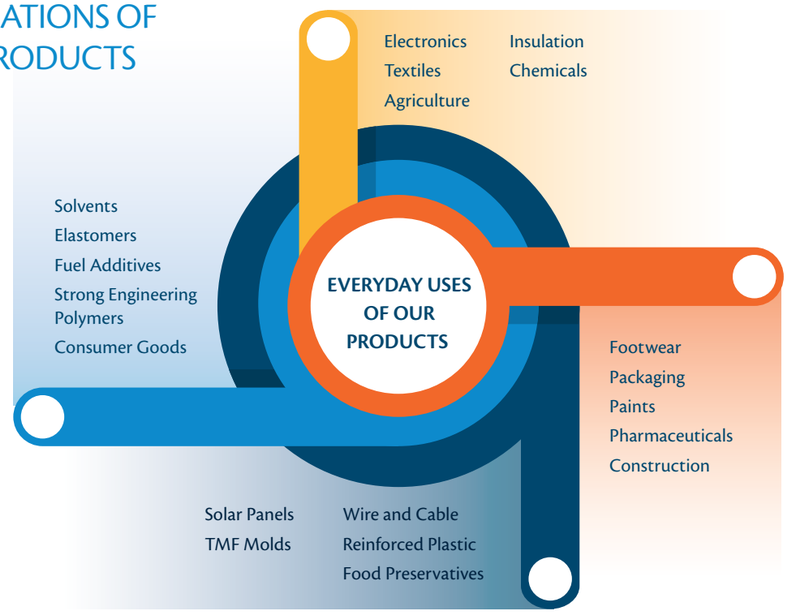
75%
Saudi Specialized Products Company (Wahaj)
Molds and Tools (in Riyadh) EVA Films (in Hail)

OUR PRODUCTS

Liquids	Methanol (MeOH)	Maleic Anhydride (MAN)*	Tetrahydrofuran (THF)	Gamma-ButyroLactone (GBL)	
1, 4-Butanediol (BDO)	Acetic Acid (AA)	Acetic Anhydride (AAn)	Vinyl Acetate Monomer (VAM)	Ethyl Acetate (EA)	Butyl Acetate (BA)
Polymers	Ethylene Vinyl Acetate (EVA)	Low Density Polyethylene (LDPE)	Semi-Conductive LDPE	Cross-linkable LDPE	Polybutylene Terephthalate (PBT)
Diversified Products	EVA Films	Moulds and Tools			
Gas	Carbon Monoxide (CO)				

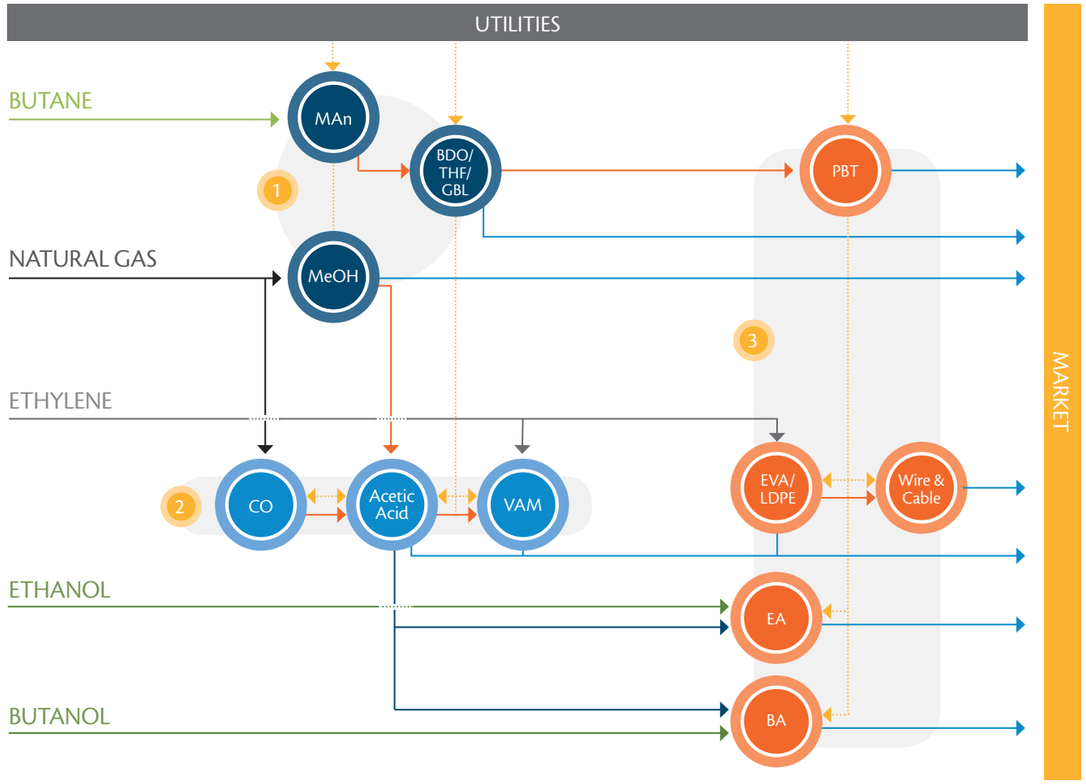
*Liquid above 50 °C.

APPLICATIONS OF OUR PRODUCTS



OUR OPERATIONS

Sipchem has developed a world-class integrated, low-cost value chain.

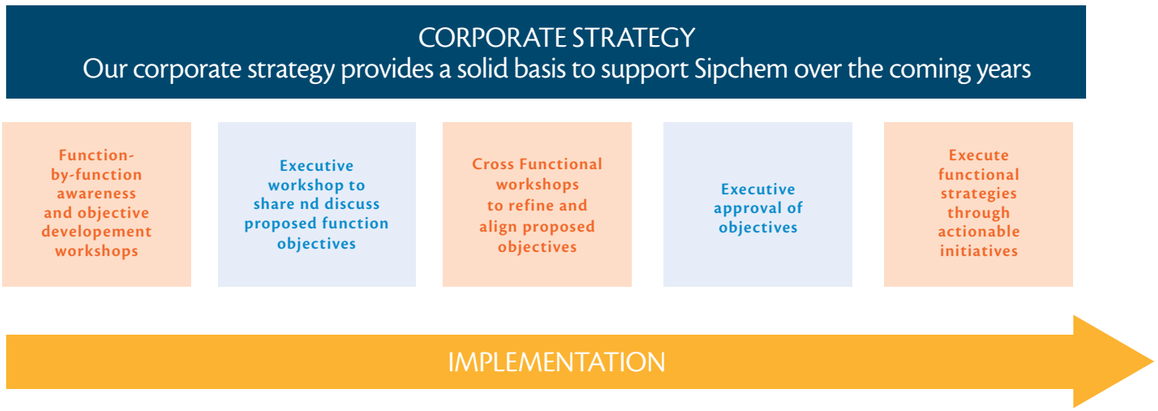


Sipchem strategically developed the business in three phases integrating our whole complex.

OUR CORPORATE STRATEGY

In 2017, Sipchem revised its corporate strategy to better align with and anticipate the changing global and regional economic and political environment. This revision also resulted in a strategy that is more aligned with the Saudi National Vision 2030, by being supportive of local downstream industries.

The new corporate strategy is based on 5 pillars: focus, enhance, grow, sustainability, and step-out. Sipchem will focus its efforts on certain petrochemical value chains and grow in regions offering comparative advantages that will improve Sipchem's local and global competitiveness. In addition to Sipchem's commitment to the Kingdom, Sipchem will also be on the lookout for opportunities outside of the Kingdom when feedstock advantages and/or market access can be obtained. Sipchem will enhance its business efficiency and maximize profitability of its existing business by improving margins through better cost management and more active management of its business portfolio. Sipchem will evaluate step-out opportunities where it can participate in non-petrochemical related projects for the benefit the Kingdom. Sipchem will continue to pursue leadership in corporate sustainability through its strategy, not only to create value in the Middle East, but to also to improve its position itself to compete with global producers.



To ensure the proper execution of our new corporate strategy, Sipchem has held workshops to spread awareness of the new strategy across all functions within the company and has facilitated the identification and development of functional objectives which are in line with the strategy.

In subsequent cross-functional workshops, proper alignment and improved synergy between Sipchem functions has been established. In an executive management meeting all functional objectives have been approved and actionable initiatives were formulated to execute the strategy and to ensure the corporate strategy is well interwoven throughout the whole of Sipchem.

SECTION 2

Sustainability at Sipchem

As sustainability is one of the key pillars of the Sipchem corporate strategy, we have also developed a reinforcing sustainability strategy. This strategy incorporates goals, themes, measures and targets across every material sustainability issue for the company. To conceptualize sustainability at Sipchem, we rely on a clear sustainability framework for defining and handling our environmental, social and economic impacts.

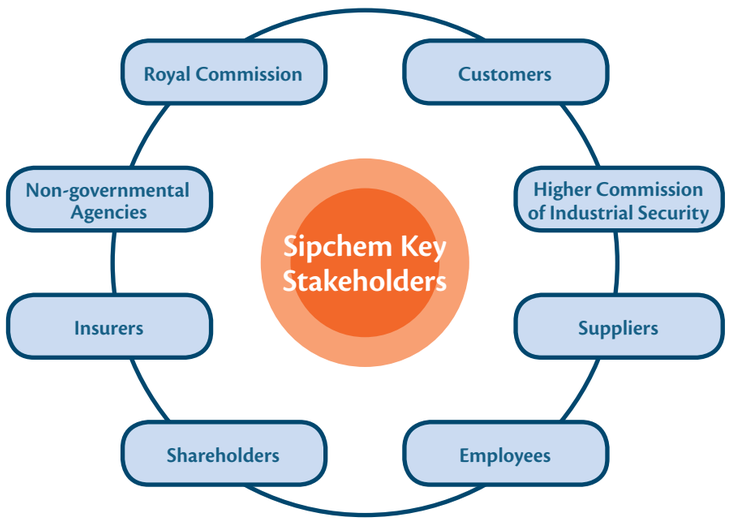
MATERIALITY

In 2017, Sipchem revised the set of material sustainability issues first identified during the 2015 reporting cycle to better reflect Sipchem's environmental, social and economic impacts, and what substantially influences the decisions of our stakeholders. In doing so, we reduced the set of material topics from 26 to 12 as a result of merging similar, cross-cutting issues. This exercise concentrated our strategy and helped inform the development of this sustainability report.

Each material topic is governed by sub-committees of our Sustainability Committee and chaired by executive management. The diagram below positions our material issues next to the most relevant pillar of our sustainability framework.

STAKEHOLDERS

Sipchem continuously seeks to enhance its understanding of, and responsiveness to, its stakeholders' needs. Open dialogue with our stakeholder groups is an important tool for continuously identifying important issues and improving performance. Throughout the year, Sipchem engages with a wide range of stakeholders, both internal and external, who can be affected by the company's activities, but who can also affect company decision-making.



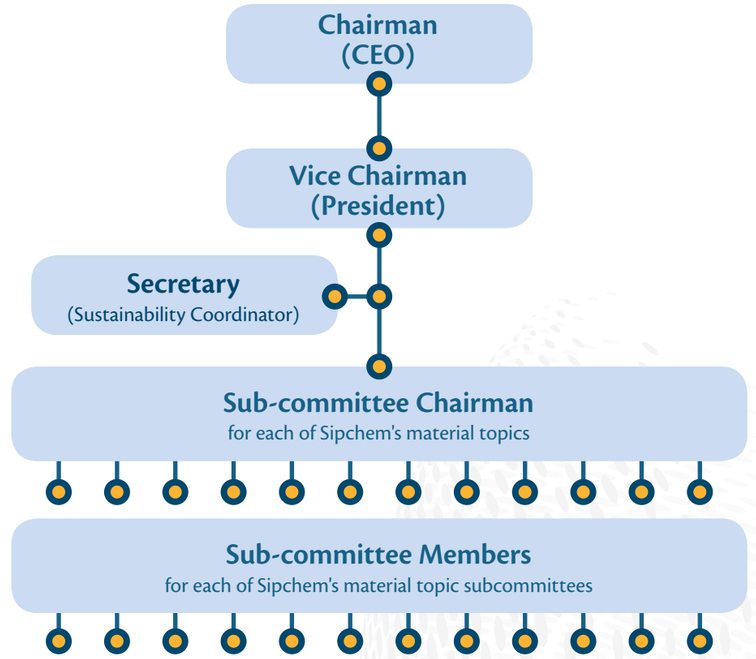
Please see Appendix B for the full details on our stakeholder mapping, which identifies the expectations of each group, our modes of engagement, and how we respond to their needs and expectations.

SUSTAINABILITY GOVERNANCE

To ensure effective sustainability management, Sipchem treats sustainability governance on par with other critical aspects of our business operations. We have worked to firmly integrate sustainability into our organization, thereby creating the structure necessary to promote sustainable business operations in return.

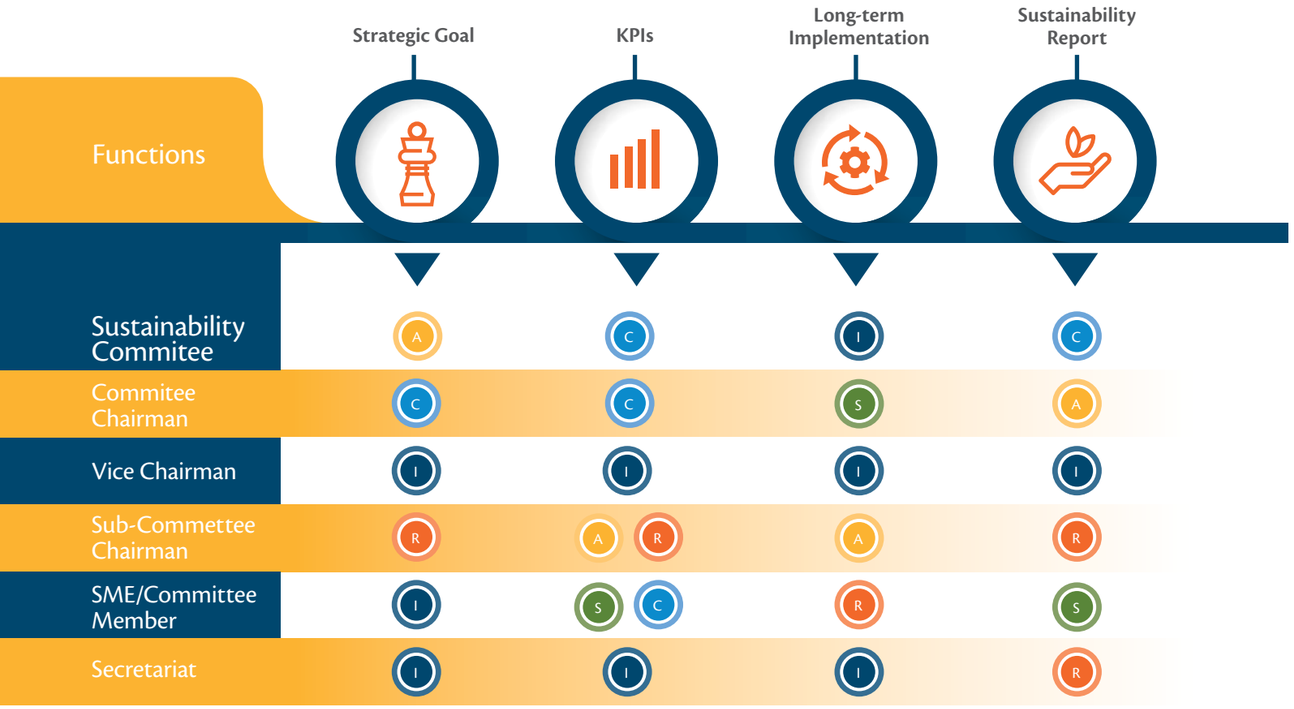
To effectively manage sustainability at Sipchem, the company established a Sustainability Committee which is chaired by Sipchem's CEO Mr. Ahmad Al Ohali, who has direct oversight of all sustainability activities. The Sustainability Committee's primary responsibilities are to shape our sustainability vision, mission, priorities, goals, measures, and to generate ideas and approve long-term initiatives. The management of sustainability issues is determined from the material topics that we identified as being important to Sipchem and our stakeholders during our materiality assessment. The specific topics have then been linked to the annual corporate performance goals and the responsibilities cascading throughout the organization to relevant department owners.

Each material topic is governed by a subcommittee and chaired by executive management. The secretary is responsible for scheduling meetings, follow-up, providing updates, and the preparation of our sustainability report.



The Sustainability Committee recognizes that engagement and measures taken are key to success and hence meets regularly on a quarterly basis to bring proper focus to sustainability and monitor KPIs. By bringing all the functions of the company together around mutual reinforcing goals, the committee also ensures that sustainability becomes more integrated throughout the business.

Furthermore, the Sustainability Committee has laid a solid foundation by spelling out clear roles and responsibilities along with a responsibility assignment matrix for our Sustainability Committee governance structure.



R Responsible A Accountable C Consulted S Support I Informed

OUR SUPPLY CHAIN

At Sipchem, we have a firm belief in the importance of our supply chain for corporate sustainability. Reducing our negative impacts -- by improving energy efficiency, resource utilization, productivity, quality, economic performance, logistics and cost reduction throughout the value chain of a product – plays a major role in Sipchem's success.

Adherence to and compliance with the values and principles for sustainable business are primary elements in Sipchem's journey towards a sustainable future for Sipchem, its stakeholders, society, and the environment. With its skillful and innovative management team, Sipchem has been able to achieve significant improvements in the overall efficiency of resource allocation, distribution and diversity, with a strong focus on waste disposal and a community-oriented culture, while also maximizing the return on capital.

Sipchem is supplying more than 1.5 million MT of liquid chemicals and more than 250 thousand MT of polymers to customers in more than fifty countries, including KSA. To ensure all Sipchem's products are delivered on time and safely, Sipchem has established safe, reliable, environmentally and economically viable means of transportation.

At Sipchem, we are continuously striving for energy-efficient methods in material procurement, processing, distribution, and handling. Through effective communication and audits, we ensure that all our suppliers and contractors are complying to the requirements specified to ensure social and environmental protection, quality, health, and working conditions.

As Sipchem has a diversified product portfolio, we have taken steps to ensure logistics optimization wherever possible; by maximizing bulk shipments and strategically distributing different products in collective shipments, we have contributed to a significant reduction in environmental impacts and logistical costs.

Due to an innovative decision on land transportation optimization, Sipchem eliminated around 3,500 km of roundtrips for more than 2,000 heavy trucks per year. Another such initiative reduced the 200 km roundtrips of more than 11,000 transportation trucks per year. These steps have not only resulted in economic gains, but also helped in reducing the environmental burden and load on land transportation.

GULF SAFETY AND QUALITY ASSESSMENT SYSTEM

Sipchem ensures strict compliance of logistic service providers through the Gulf Safety and Quality Assessment System (SQAS). A valid SQAS assessment report has been made mandatory for consideration of any service provider. This initiative is expected to drive improvements in safe transportation, such as vehicle maintenance, journey management, environmental performance, and driver competency. This strategic and ethical approach to our business has earned Sipchem recognition as a corporate leader through awards and international certifications.

Another company initiative was to support one of our suppliers by eliminating the import of an essential imported raw material they required at the packaging area. Sipchem supported all the supplier testing and trials in the packaging line using one of Sipchem's products, and the trial was successful. This initiative not only helped build mutual trust and improve the reliability of local products with less reliance on imports, but also helped in reducing the environmental burden of transport and provided a significant economic gain to the supplier.

Sipchem has stringent policies for waste handling, and we only work with local approved vendors for waste handling and recycling.

RESPONSIBLE CARE©

Sipchem underlines its objective of becoming a company that acts sustainably through its commitment to the Responsible Care© initiative. Sipchem is proud to have been the first petrochemical company in the Kingdom to embrace this voluntary initiative and apply it across the company.

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

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

MEMBERSHIP IN INTERNATIONAL ASSOCIATIONS AND ORGANIZATIONS

- The Gulf Petrochemicals and Chemicals Association (GPCA)
- The European Petrochemical Association (EPCA)
- The U.S.-Saudi Arabian Business Council (USSABC)
- The Methanol Institute (MI)
- Middle East Investor Relations Association (MEIRA)

GULF تعزيز الإستدامة في سلسلة الإمداد SQAS Driving Supply Chain Sustainability

الرعاية المسئولة التزامنا نحو الاستدامة RESPONSIBLE CARE® OUR COMMITMENT TO SUSTAINABILITY

Responsible Care© is a global, voluntary initiative developed autonomously by the chemical industry and reflects the industry's desire to improve health, safety, and environmental performance. It runs in 52 countries whose combined chemical industries account for nearly 90% of global chemical production. The signatories agree to commit themselves to improve their performances in the fields of environmental protection, occupational safety and health protection, plant safety, product stewardship and logistics, as well as to continuously improve dialog with their neighbors and the public, independent from legal requirements.

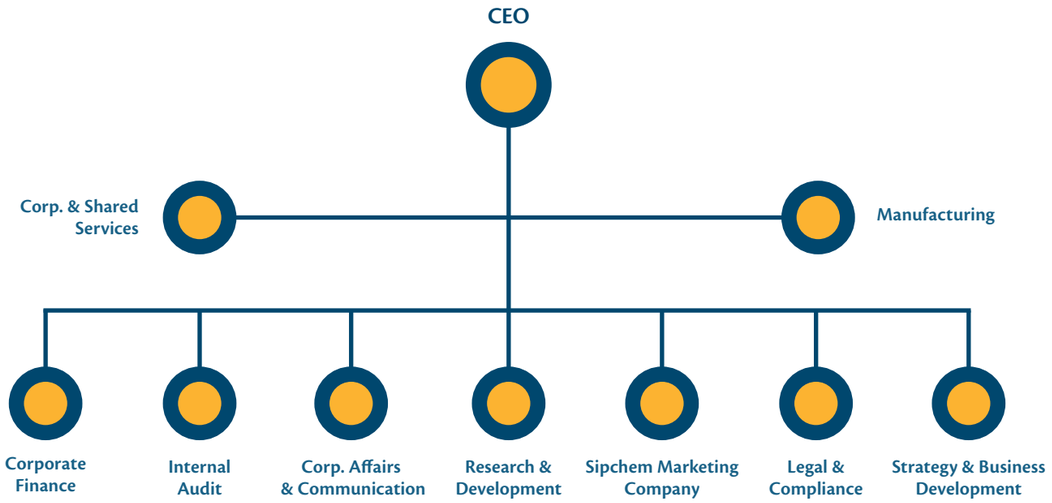
GOVERNANCE

Sipchem is committed to adopting international best practices in corporate governance, based on exemplary ethical conduct, transparency, fast adaptation to change,and responsible supply chain management.

ORGANIZATIONAL STRUCTURE

Our Board of Directors is closely involved in all operations of the company and examines progress on business initiatives and measures for resolving any issues that may arise. The interface from the Board of Directors and the company operations comes through the CEO.

In 2017, Sipchem adjusted its organizational structure with the inclusion of a new supply chain function being placed at the center of our business. This function will replace Corporate Marketing Services and will be under Corporate and Shared Services. This change is to help ensure that: marketing planning and supply/production planning are fully aligned; marketers and producers work together to continuously drive our business forward; and goods and services are cost-effectively delivered to our company on an as-needed basis.



BUSINESS ETHICS

We recognize that a strong ethical culture is the foundation of good corporate governance, and we work to strengthen our ethical culture through a robust ethics program.

To ensure effective governance and ethics, Sipchem applies a strict code of conduct based on a solid moral program which includes education and awareness courses on professional ethics.

Sipchem's Code of Conduct sets expectations for acceptable behaviors in conducting business within the organization and with external parties.

It includes elements such as company board oversight, strong leadership, ethics training, continuous monitoring and communication, and preventative and corrective actions. Our employees sign a copy of this code upon joining and reacknowledge their understanding and compliance with the code at the end of each year.

Sipchem's essential objective is to uphold the highest standards of ethical conduct in all its activities while recognizing that no code of conduct can replace the example of thoughtful behavior by an ethical employer. It is expected that every employee of Sipchem will live by the code at all times.

Our Code of Conduct is supported by Sipchem's fraud and internal control awareness sessions. In 2017, the sessions were held for 30 employees for a combined total of 60 hours. The sessions provide general awareness of fraud and internal controls in the workplace. These sessions are designed to help employees detect fraud as well as how to prevent and report it. The sessions include real-life examples of fraud committed and the impact the fraud had on the companies involved.

ETHICS AND ANTI-CORRUPTION

Our Code of Conduct formally establishes expectations of our employees. To reinforce ethics across the company, Sipchem runs mandatory training focused on anti-corruption issues as well. Sipchem's ethics program encourages employees to report any potential violations of the law. There were no business ethics concerns raised in 2017.

INTERNAL GRIEVANCE MECHANISM

Established in 2015, Sipchem has a dedicated hotline email in which employees can report non-compliance or unethical behavior. All concerns raised are promptly evaluated, and all potential code violations are investigated. Over the past three years, only two matters reported on the hotline required investigations. Consequently, appropriate corrective actions were taken.

Ethics	2015	2016	2017
Training on anti-corruption (number of employees)	240	0	60
Business ethics concerns raised	1	1	0

GOVERNANCE IN OUR SUPPLY CHAIN

At Sipchem, we also seek to ensure that the businesses we engage with in our supply chain operate our Supplier Code of Conduct and under its terms, suppliers must abide by the Code and its principles, and at a minimum must comply with the laws, rules, and regulations of the Kingdom of Saudi Arabia, the locations in which they operate outside of the Kingdom, and with all applicable international treaties and standards.Suppliers are expected to be familiar with the business practices of their suppliers, subsidiaries, affiliates, and subcontractors, and ensure they also cooperate in accordance with the standards found in our Supplier Code of Conduct.

In accordance with the code, suppliers are required to maintain appropriate records to substantiate compliance with the terms and conditions of the code and provide documentation to Sipchem upon request. Sipchem or its designated representatives may engage in periodic monitoring activities to confirm suppliers' compliance with the code. These monitoring activities may include onsite inspections of facilities, use of questionnaires, review of publicly available information, or other measures necessary to assess supplier compliance. Such monitoring activities may be performed in addition to any audits which may be set forth in an agreement with Sipchem.

Based on the assessment of information made available to Sipchem, Sipchem reserves the right (in addition to all legal and contractual rights) to disqualify any potential supplier or terminate any relationship with a current supplier that is found to be in violation of Sipchem's Supplier Code of Conduct, without liability.

SIPCHEM'S SUPPLIER CODE OF CONDUCT COVERS:

- Fair trade practices
- Environment, health and safety
- Ethical business practices
- Bribery
- Kickbacks and fraud
- Gifts, gratuities and hospitality
- Relationships and communications; and Monitoring and compliance.

SECTION 3

Achieving Economic Excellence

Achieving sustainable economic growth is one of our top priorities.

We strive to build our brand value through providing superior product quality and by focusing on satisfying our customers' needs while being mindful of our social and environmental impacts. As our business grows and new opportunities arise, we are careful in performing our due diligence, with environmental, health and safety issues being very important considerations

2017 AT A GLANCE

- 2.6 Million MT Total Production
- SR 4,459m Revenue
- SR 437m Net Profit

OUR PRODUCTION AND FINANCIAL PERFORMANCE

Sipchem's discipline and focus on improving efficiency to raise profitability across the business has paid off. For the past two years, Sipchem has delivered strong financial results despite many persistent global challenges and tepid global market conditions. In 2017, our revenues reached 4,459 million SAR and net profit rose by 52% since 2015.

In 2017, Sipchem's gross production reached 2.6 million MT, a 15% increase from 2015. This reflects our consistent and strong focus on improving reliability, ensuring sustainable business operations, and steadily increasing production.

Direct Economic Value	2015	2016	2017
Total Production (million MT)	2.2	2.7	2.6
Revenue (million SAR)	3,514	3,515	4,459
Net Profit (million SAR)	288	43.1	437.4

AERONAUTIC LOCALIZATION: A STEP TOWARDS ACHIEVING VISION 2030

In alignment with the Saudi National Vision 2030, Sipchem has sought partnerships to contribute to the Vision 2030 localization program. In 2016, Saudi Specialized Product Company (Wahaj), in agreement with BAE Systems of the United Kingdom, manufactured 18 aircraft platforms for the Hawk 165 aircraft of the Royal Saudi Air Force (RSAF).

Wahaj's successful execution of its first ever aerospace order is a strong precedent in the Kingdom of Saudi Arabia, a country with strong aspirations to manufacture aircraft as part of the Vision 2030. It is a major step towards local content development for the aerospace and defense industry in KSA.

Wahaj's commitment to quality manufacturing is evident by its ISO 9100 (Quality Management Systems: Aviation, Space and Defense Organizations) certification, which certifies its manufactured products are safe, reliable, and meet international aerospace standards.

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BUSINESS CONTINUITY

Business continuity management (BCM) is the cornerstone for delivering reliable products and supporting a customer first culture. Sipchem realizes the potential risks that operational interruption can have on cash flow and its ability to meet its obligations to its stakeholders.

Sipchem demonstrates its commitment to our stakeholders by focusing on managing the risks and related business impacts that could result from disruptions across our value chain. Identifying, assessing and treating risks provide the company direction for operations planning.

Threats of interruption to core business areas represent the highest risk to Sipchem. Therefore, achieving continuity in the business requires embedding sustainable risk based decision culture to help identify, assess, treat and monitor those material risks that could interrupt our primary business activities and disrupt company's cash flows.

In 2017, to further enhance the effectiveness of BCM framework, Sipchem launched a Corporate Risk Management (CRM) framework implementation plan that will better support the leadership in company's business continuity and embed resilience into its organizational processes. Currently, the CRM function supports in standardizing risk identification, assessment, prioritization, treatment and monitoring process, while keeping the relevant stakeholders, such as executive leadership team members, the CEO and the Board informed as needed. But ultimately, the success of the business continuity rests with each employee of Sipchem. Each employee, by working in an aligned manner with his manager, can do their part to allay potential risks of interruption.

Moving forward, Sipchem plans to build a firm foundation of Business Excellence through revising its policies and procedures by the close of 2018. In 2019 and beyond, Sipchem will continue to enhance and align its BCM activities to support the integration of these procedures across the entire organization.

RELIABILITY IMPROVEMENT INITIATIVE

To ensure reliable and sustained operations with optimized resource consumption and minimum downtime, Sipchem created a task force to identify vulnerabilities and provide tangible recommendations to improve productivity, safety, and thereby ensure the sustainability of our operations.

As part of the recommendation development process, the task force assessed each plant's operational history, financials, downtime, training needs, emissions, waste, reliability benchmarks, contracts, and shutdown timelines, along with their causes. They also assessed previously identified vulnerabilities and areas of potential future concern.

Throughout the year, on a weekly basis, the management team monitored the progress made in responding to curative recommendations so as to ensure effective implementation. The team also remained focused on transparent, efficient, robust risk assessment, management, and control, by proactively highlighting any reliability concerns to prevent any unforeseen losses to safety, environment, health and production fields. This commitment minimized the impact of all our activities on the environment while strengthening the business and our team's performance.

The major focus areas that remain to be addressed are asset integrity, asset performance monitoring and initiatives, enhancement of existing inspection and monitoring systems, HSE (health, safety and environment) and reliability improvement projects, and reliability improvement strategy.

1 Business Continuity Management is a 'holistic management process that identifies potential threats to an organization and the impacts to business operations those threats, if realized, might cause, and which provides a framework for building organizational resilience with the capability of an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities.' (International Glossary for Resiliency)

2 Business Excellence, as described by the European Foundation for Quality Management (EFQM), refers to 'Outstanding practices in managing the organisation and achieving results, all based on a set of eight fundamental concepts', those being: 'results orientation; customer focus; leadership and constancy of purpose; management by processes and facts; people development and involvement; continuous learning, innovation and improvement; partnership development; and public responsibility.'

INNOVATION AT SIPCHEM

Sipchem endorses innovation in every function of the company. Innovation underpins the company's goal of achieving sustainability, optimizing existing assets, and driving growth. Innovation has played an even more central role since our move into the polymers market, and the need to develop different grades of polymers to meet our customers' needs.

To support Sipchem's innovation activities, MANAR – Sipchem's Technology and Innovation Center - was inaugurated in 2015. The word "manar" translates to "beacon of light" in Arabic and encompasses the promise that research and development (R&D) plays in our future success. The Center has specialized departments in material characterization, testing, chemical analysis, and processing. Working alongside Sipchem's affiliates and departments, the Center deploys resources to realize product and application development innovations and improvements.

In 2017, Sipchem held its first technology and innovation forum entitled 'Innovating Together'. Over 95 representatives from Sipchem and its affiliates attended the event to share knowledge on technical successes that have been implemented at Sipchem and to inspire new ideas for future initiatives. Ten presentations covering themes of product development, plant process improvements, in-house maintenance services, reliability excellence, catalyst optimization, resource management, and waste reduction were made by Sipchem affiliates and department staff.

Sipchem is member of the King Abdullah University of Science and Technology (KAUST)'s Industrial Collaboration Project (KICP), which provides opportunities for collaboration between academia and industry. In 2018, Sipchem is planning to undertake an investigation on catalyst performance under the auspices of KICP. Sipchem is also actively engaged with King Fahd University of Petroleum and Minerals on research across the fields of chemical engineering, nanotechnology, and renewable energy. Through our collaboration with higher education institutions, Sipchem aims to advance science and technology in the Kingdom, discover new, practical, marketable applications for our products, and improve our processes.

EUREKA

Through its innovation-driven operations, Sipchem creates value through its expert solutions while seeking to make a positive impact on society and the environment. Sipchem's long-standing Eureka program has helped to spread and consolidate a culture of innovation among our employees and is closely linked to our goal of excellence.

The program welcomes and encourages ideas from employees within the company. It promotes cross-functional collaboration to explore new and efficient ways of working. Since Eureka started, Sipchem has approved 1,900 ideas, 10% of which were translated into capital projects. The value created from implemented ideas reached more than 280 million SAR at the end of 2016.

In 2017, Sipchem organized two internal innovation campaigns under Eureka:

- The "Sustainable Safety Excellence" campaign, where 75 ideas were received and ranked according to value and ease of implementation; and
- The "Cost Control" campaign, where over 45 ideas were received and ranked in the same way.

The ideas received are ranked according to most value added and ease of implementation.

INNOVATION - A CASE STUDY

A project to develop an EVA-based formulation to be used in the manufacture of photovoltaic encapsulant sheets was implemented at Wahaj EVA sheet plant in Hail.

An optimized EVA encapsulant sheet formulation was developed at MANAR through laboratory scale processing trials focused on the performance of the additive formulation. The validation work carried out in MANAR was proven during a plant trial in the Sipchem facility in Hail and a performance trial on test photovoltaic (PV) modules at King Abdulaziz City for Science and Technology (KACST) in Riyadh. After a positive result from the KACST evaluation, sheet materials with the new formulation were produced at the Wahaj EVA plant and supplied to several manufacturers of PV modules for industrial trials. During the industrial trials, it was established that the new encapsulant sheet formulation met the manufacturing requirements of the PV modules.

SIPCHEM STRENGTHENS ITS VISION FOR RENEWABLE ENERGY:

THE SAUDI SPECIALIZED PRODUCT COMPANY (WAHAJ)

In 2013, Sipchem took the initiative of investing in the production of ethylene vinyl acetate (EVA) to promote renewable energy. EVA film is an important element of photovoltaic solar panels as it is used to encapsulate the solar cell.

Cross-linkable EVA is a similar material that has helped to extend panel life up to 30 years as it plays an important role in preventing humidity and dirt from penetrating the solar panels and ensures that the solar cells 'are floating' between the glass and the back sheet, which helps to soften shocks and vibrations, thereby protecting the solar cells and their circuits. In addition, it provides high durability, excellent long term adhesive bonding, high transparency (optical transmission, lower sunshine blockage), good thermal expansion, low fusion and polymerization temperature, low water absorption ratio and high electrical resistivity, and prevents oxygen and other gasses from oxidizing the cell. Thus it is a good electric insulator.

As the sole producer of EVA film in the GCC, Sipchem's decision to support the renewable energy industry is directly aligned with Vision 2030 and the call to enhance renewable energy's share in the Kingdom's total energy mix. Sipchem's decision will also help to reduce the energy and industry sector's dependency on non-renewable resources, minimize CO_2 emissions and address global climate change, as well as other related health issues. Ultimately, this decision was about helping to provide KSA with a cleaner and healthier energy future.

Life-cycle GHG emissions associated with renewable energy are minimal compared to fossil fuels; the life-cycle emissions associated with solar energy are even lower compared to other renewable energy sources. In fact, a solar power plant's carbon footprint per unit of energy production is 95% lower than that of a fossil fuel power plant. Given KSA's location and solar irradiance level, it is well placed to make an early transition to solar energy.

Sipchem is already producing 4,000 MT of solar EVA film per year, which is equivalent to 1 GW of solar energy per year, considering the capacity of the cells that this amount of EVA film can be applied to. It is estimated that this would save approximately save 500 tonnes of CO_2 emissions per year and contribute to the Kingdom's 2023 target of producing 9.5 GW of renewable energy.

A KEY ENABLER FOR SUSTAINABILITY IN A DYNAMIC AGE: IT

Profound and rapid technological change has brought about countless benefits but also increasingly complex cyber-security threats. Sipchem understands these risks pose a threat and has taken several steps to build its capabilities to flexibly respond to these challenges.

Sipchem's IT department has been successful at navigating these challenges in collaboration with its strategic partner, IBM. Since 2011, the IT department has supported and initiated multiple projects including 'Business Process Transformation,' 'Optimization,' 'Cultural Change,' 'Executive Succession Planning,' 'Government Regulations Compliance,' and the implementation of new products with IBM.

In 2016, Sipchem initiated a 10-year strategic partnership with IBM to assist its IT department in managing its application management services, IT security, and infrastructure and asset management. Sipchem also collaborated with IBM to host an event in Jubail focused on IT challenges facing the Chemical and Petroleum (C&P) industry. One of the key outcomes of this event was the development of a joint framework for C&P peer companies to collectively be able to detect, respond to, and more importantly, prevent cyber attacks before they happen.

In 2017, Sipchem's held its first IT Innovation Council at IBM Studios. What emerged from the council was the development of the Sipchem IT Business Connect program, in which IBM conducted workshops with Sipchem's IT Department to learn their pain points from a business perspective and deliver innovative solutions like process automation.

By embracing IT as part of its sustainability strategy, Sipchem has been a pioneer in KSA, and has benefited from realizing increased efficiencies and revenue growth, and has joined the ranks of market outperformers.

CUSTOMER RELATIONSHIP MANAGEMENT

Our ultimate success as a business rests on how we can understand and satisfy our customers' evolving needs and expectations. To help improve our customers' experience of doing business with Sipchem, we have a feedback management system in place. As part of our strategy moving forward, we aim to enhance this system to better identify trends, using improved analytics, and develop systematic corrective actions. We also plan to circulate formal customer satisfaction surveys to our customers on a biannual basis. Collectively, these two mechanisms will enable Sipchem to develop targeted approaches to providing customer-centric solutions that will enhance the customer experience and grow our customer base. One such approach taken already was to move the logistics function – an important role in customer service - to SMC so as to increase customer focus within the function.

In 2017, Sipchem surveyed a segment of its SMC customers and recorded an overall customer satisfaction rating of 84%, and we are targeting to reach 90% in 2019. We are also aiming to reach a larger segment of our customer base, and to improve the process to increase participation.

Customer experience	2015	2016	2017
Complaints received	39	60	62

SECTION 4

Achieving Environmental Excellence

Sipchem strives to reduce its environmental footprint across its operations. We understand that improving the sustainability of our operations not only impacts our business, but the surrounding communities where we operate, the environment, and our collective future.

As a chemical manufacturing company that has been committed to Responsible Care© for the past seven years, Sipchem sets challenging targets and pursues action plans to achieve them. We have comprehensive guidelines, policies and procedures in place for reducing energy, addressing climate change, managing water, and minimizing waste.

2017 AT A GLANCE

- 1.72 MT CO_2 /MT production GHG intensity
- 0.77 mm BTU/MT production Flaring intensity
- 0.57% m^3/MT production Wastewater intensity

ENERGY MANAGEMENT

We recognize the environmental challenges facing our industrial sector due to the depletion of non-renewable energy resources, thus affecting climate change. We take responsibility for our environmental impacts through our strategies to increase energy efficiency, reduce our carbon footprint, and drive operational changes to increase the efficiency of our overall operations.

Energy efficiency is part of our culture. We are an integrated energy company and always intend to use energy in an effective manner.

Management's commitment towards natural resource conservation is driven by continuous improvement in our resource conservation strategies. Aligned with our corporate strategy to enhance the efficiency of our operations, Sipchem has established an Energy Committee led by the Manufacturing President. The committee monitors performance on a monthly basis and follows up on valuable ideas generated through Eureka!. The committee also works with various departments to improve energy efficiency through process redesign, retrofitting, and behavioral change.

Our plants are relatively new and designed with modern technologies, nonetheless, Sipchem believes that there is always room for improvement. Aligned with the Saudi Energy Efficiency Center (SEEC), we have embarked on an energy efficiency improvement project in the methanol plant, anticipated to be completed in 2018, with benefits being realized as early as 2019.

Our focus is not limited to Sipchem's manufacturing units. We have changed conventional fluorescent lights to LED, along with utilizing some automation at various locations including our headquarters, administration, engineering, maintenance, and warehouse buildings, and in control rooms and MANAR's R&D department.

As a demonstration of our commitment to sustainable energy management, we have set an ambitious target to reduce our energy intensity by 20% by 2022. To meet this challenge, we are working on many initiatives including the use of renewable energy to achieve this target.

In 2016, we made remarkable progress and reduced energy intensity by 9%, which was due primarily to an increase in production volume along with steam network optimization. However, in 2017, energy intensity rose slightly, by 2% as a result of higher direct energy consumption and a decrease in production volume.

Energy	2015	2016	2017
Direct energy consumption (mm BTU)	37,769,353*	41,841,390	42,729,592
Indirect energy consumption (mm BTU)	2,490,937	2,653,719	2,442,675
Total energy consumption (mm BTU)	40,260,291*	44,495,109	45,172,266
Energy Intensity (mm BTU/ MT of production)	27.5*	25.1	25.7

* Revised based on energy modeling of a plant

INTERNATIONAL METHANOL COMPANY (IMC) EFFICIENCY ENHANCEMENT PROJECT:

Aligned with the Saudi Energy Efficiency Center (SEEC), Sipchem initiated the Energy Efficiency Enhancement project to become a world-class low energy intensity plant. As part of the energy efficiency enhancement in the methanol plant, Sipchem signed a long-term carbon dioxide (CO_2) supply agreement with Saudi Aramco Shell Refinery Company (SASREF) in 2017, and it is expected to receive CO_2 by the end of 2018. This CO_2 will be used as an added feedstock, where it will not only reduce the amount of CO_2 emitted into the environment, but it will also convert this greenhouse gas to a valuable, clean energy source - methanol.

This agreement not only supports Sipchem's vision for improving energy efficiency, reducing emissions, and effective resource utilization, but also exhibits a continuation of Sipchem's efforts to utilize other resources available in the Kingdom through effective partnerships,

maximizing the value added of the company's products through natural resource conservation, improved efficiency, and the competitiveness of our operations.

Currently in the construction phase, the Energy Efficiency Enhancement project is scheduled to register its positive environmental and financial impact in the first quarter of 2019. Moreover, this project demonstrates that we are holding ourselves accountable to our commitment to a more sustainable future.

CLIMATE CHANGE AND GHG EMISSIONS

Sipchem strictly complies with the Royal Commission Environmental Regulations (RCER). All Sipchem production affiliates have ISO 14001:2004 certification for their environmental management systems. We align to Responsible Care© ethics and have a clear goal to use natural resources and energy efficiently. We continuously make process improvements that lower the generation of hazardous and non-hazardous substances. Collectively, the above-mentioned practices help the company to address the issue of GHG emissions and climate change.

Our drive for energy conservation and efficiency across all our manufacturing affiliates has resulted in a reduction in GHG emission intensity. As a responsible company, we remain committed to making a positive contribution in mitigating against climate change. We monitor carbon emissions at all affiliate plants and emissions are below the limits set by the RCER.

As emissions largely follow energy consumption trends, in 2017 our GHG intensity decreased by approximately 9% compared to 2015 and was stable compared to 2016. Although GHG intensity decreased, total GHG emissions increased by around 9% in 2017 compared to 2015, as a result of high production volume.

As part of Sipchem's integrated plant design, emissions have been kept well under RCER limits through the adoption of by-product recycling opportunities, an important aspect of the complex. For example, one of Sipchem's affiliates utilizes more than 65% of the CO_2 being generated (which is equivalent to more than 6 million tonnes of CO_2 annually) through its reformation at another plant into a synthesis gas.

FLARING

We have five flares for different plants handling various hydrocarbon streams. A certain degree of flaring is required for safety, and the venting of waste that occurs during depressurization and decontamination is sent to flare to ensure safe disposal. By minimizing flaring during both operational upset and normal plant operation we are able to ensure the efficient utilization of natural resources and reduce the environmental impact of production.

To measure flaring, Sipchem has initiated a project to install flow meters at each flare header to measure exact flaring quantities. Flaring emissions have been maintained well under RCER limits, and we will continue to focus on recycling waste streams wherever possible.

All affiliates plants are also designed with no process flaring under normal plant operation, while plant startup and shutdown, load management, and emergency outages do result in flaring. Minimizing flaring under these circumstances has remained a key objective for Sipchem as well as for its affiliates during the last few years of operation.

Emissions	2015	2016	2017
Direct GHG emission (CO_2eq MT)	2,199,185	2,458,352	2,461,566
Indirect GHG emission (CO_2eq MT)	582,114	620,155	570,836
Total GHG emission (CO_2eq MT)	2,781,299	3,078,507	3,032,402
GHG Intensity (CO_2eq MT/ MT of production	1.9	1.73	1.72

Achieving a significant reduction in flaring is not possible without close monitoring and a good understanding of operational control and process optimization. However, some of our affiliates experienced extended plant outages in 2017 that resulted in production, efficiency, and energy loss due to unforeseen flaring.

We remain committed to further reducing flaring intensity. From 2015 to 2017, flaring intensity decreased by 44%. This significant reduction was mainly a result of improved on-stream factors in the methanol and carbon monoxide plants.

Flaring	2015	2016	2017
Flaring Eq. (mm BTU)	2,144,955	1,458,989	1,353,587
Flaring Intensity (mm BTU/ MT of production)	1.46	0.82	0.77

EMISSIONS MONITORING

Sipchem carefully monitors emissions released to the atmosphere as a result of our operations including carbon monoxide (CO), sulfur oxides (SOX), particulate matter (PM), and nitrogen oxides (NOX). We measure, verify, and report air emissions as part of Sipchem's environmental management system.

Stack Emissions

Flue gases generated by our furnace/heaters are well below RCER limits. Stack emissions have increased in 2016 and 2017 due to acquiring new equipment for Sipchem's new plants.

Stack Emissions	2015	2016	2017
SOx (MT)	15.5	12	21
NOx (MT)	893	1,796	1,325

Fugitive Emissions

Emission of volatile organic compounds (VOCs) from plants can pose a long-term health risk to workers and local communities. To minimize and control leaks at process facilities, operators carry out regular leak detection and repair activities (LDAR). Routine inspections of process equipment with gas detectors is done by a third-party company.

Fugitive Emissions	2015	2016	2017
Number of leaks	38	32	54
Percentage of leak (%)	1.2	0.9	1.7

WATER MANAGEMENT

Given that we operate in a water-scarce country, water management is at the center of Sipchem's natural resource conservation strategy and led by the Manufacturing President. Sipchem has a dedicated team that reviews fresh and wastewater management performance monthly.

Freshwater

Sipchem has achieved substantial progress in reducing its consumption of fresh water, decreasing its consumption by 25% from 2015 to 2017, a drop of almost 1 million m^3. Since 2015, fresh water consumption intensity has also decreased, from 2.42 m^3/MT to 1.46 m^3/MT, a 39% reduction in total.

Sipchem has targeted to achieve a 50% reduction in water intensity from 2015 to 2022. Sipchem increased the amount of fresh water that it recycled from 2016 to 2017, and fresh water recycling has increased from 16% to 19% of total fresh water consumption.

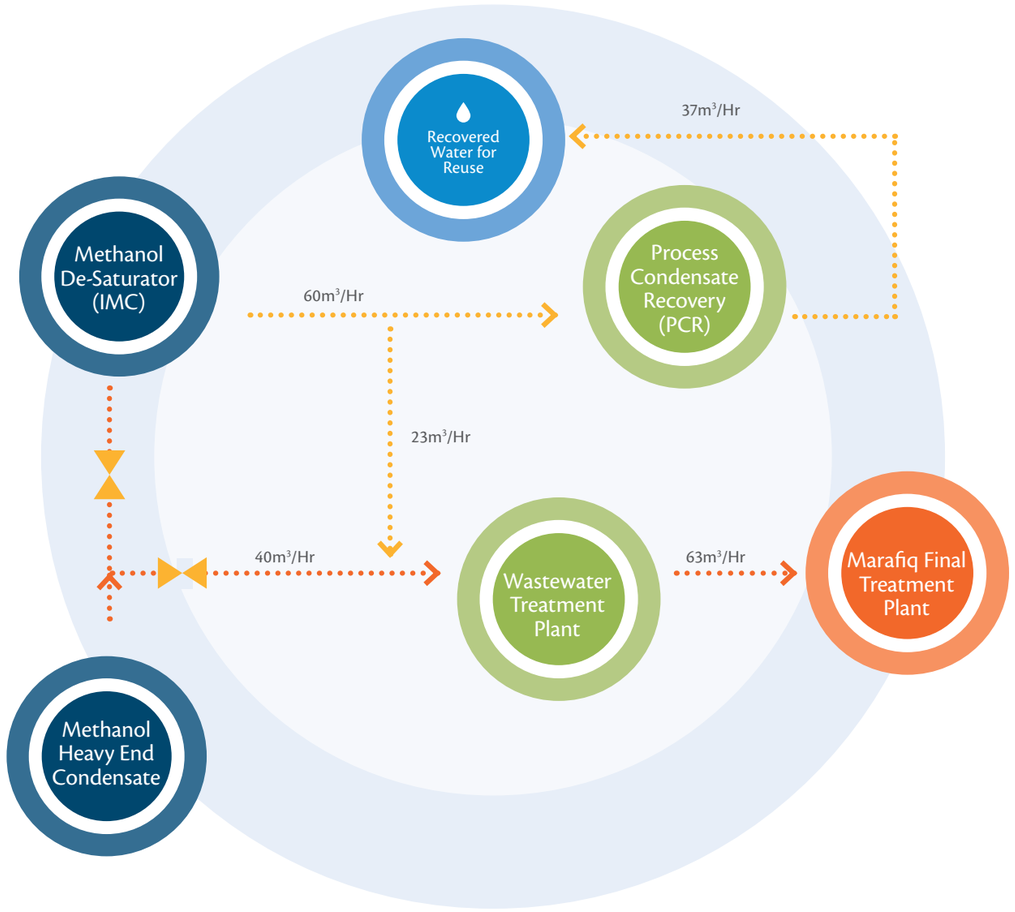
Water Management	2015	2016	2017
Fresh water consumed (m^3)	3,552,641	2,827,788	2,607,254
Recycled back quantity (m^3)	-	459,000	486,500
Percentage of recycled fresh water (%)	-	16	19
Fresh water consumption intensity (m^3/MT of production)	2.42	1.59	1.48

SIPCHEM IMPROVES WATER RECYCLING

Sipchem has now put in place a water recycling process in its methanol plant. Previously water treatment was a great challenge due to the mixture of methanol, alcohols and wax in the distillation section, and was discharged as wastewater, resulting in an increase in both wastewater and fresh water costs.

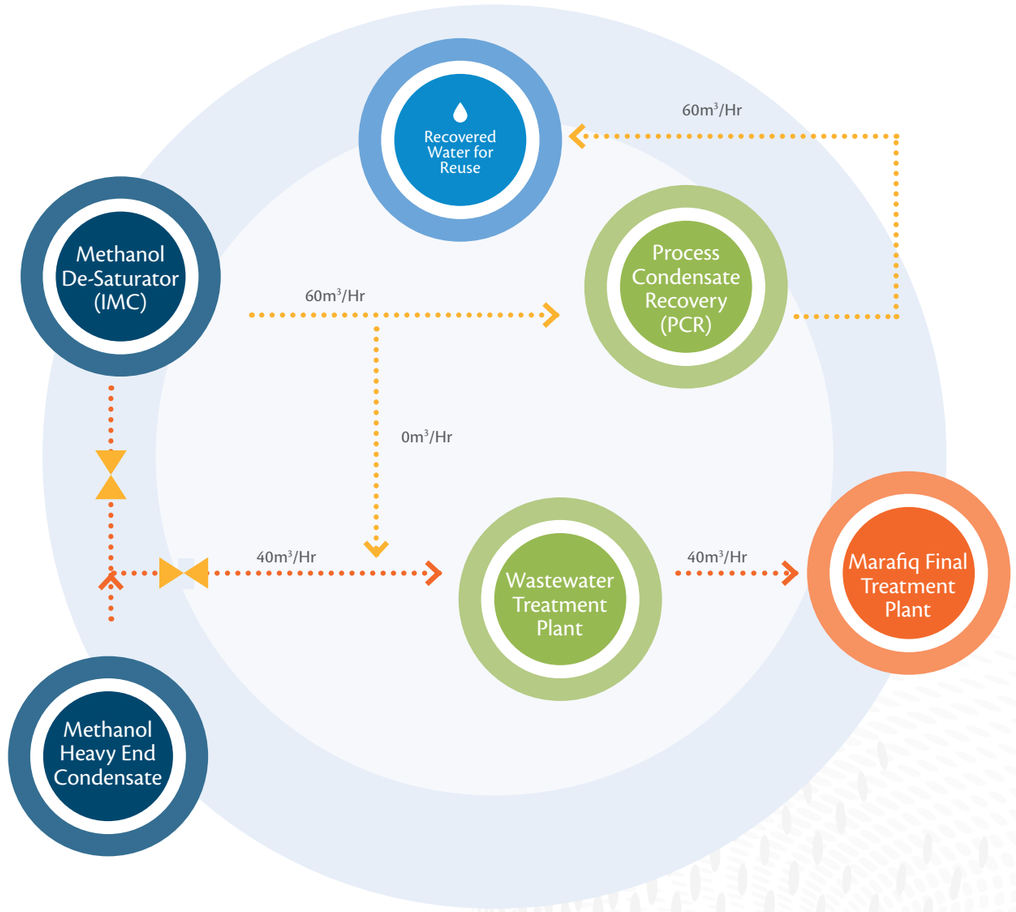
This challenge was overcome by segregation of the distillation section water from the reforming section water. The 'Segregation' project was implemented in 2015, and since then 65% of desaturator process condensate is being recovered, and only 35% of the distillation section water is being discharged as wastewater.

PREVIOUS PROCESS



This disposal had its own challenge regarding meeting regulatory specifications, so it was not possible to fully recover desaturator process condensate, as shown above.

PROCESS IMPLEMENTED



Further study is underway to implement a treatment scheme for the removal of contaminants present in the Heavy Ends Column wastewater. The objective is to make this water fit for reuse instead of discharging it as wastewater.

Wastewater

Wastewater is being generated in many processes at our facility and we have invested in responsible management of wastewater to minimize its impact on the environment. Sipchem has its own wastewater treatment unit to treat contaminated wastewater. Activated sludge-based bioreactors treat the water and the treated wastewater that is discharged from the plant complex is well below RCER limits.

Sipchem has also significantly reduced the amount of wastewater it generates. From 2015 to 2017, the wastewater generated decreased by 38%, and during the same time period wastewater intensity decreased by 48%. Sipchem has set a target to reduce wastewater intensity by 60% from 2015 to 2022.

Water Management	2015	2016	2017
Wastewater generated (m^3)	1,605,140	1,078,749	996,671
Wastewater intensity (m^3/ MT of production)	1.1	0.61	0.57

WASTE MANAGEMENT

Sipchem is committed to minimize the generation of waste to the extent possible and limit the loss of raw materials. Moreover, wherever possible Sipchem seeks to recycle the waste it does generate, and if it cannot, it ensures it is disposed of safely with RC-approved companies. From 2015-2017, Sipchem was able to reduce its amount of non-hazardous waste by an impressive 22%. However, although Sipchem was able to the reduce its hazardous waste generation slightly from 2015 to 2016, hazardous waste generation increased in 2017, as a result of frequent cleaning due to a few affiliate shutdowns in 2017.

Waste Management	2015	2016	2017
Hazardous waste (MT)	2,553	2,357	8,015
Non-hazardous waste (MT)	9,357	7,398	7,290

2017 WASTE FREE ENVIRONMENT CAMPAIGN

In 2017, Sipchem, in collaboration with the Royal Commission, sponsored Hajar Elementary School as part of the Waste Free Environment campaign to increase students' environmental awareness. The campaign was headed by Sipchem's senior environmental technician and RC representatives; the school's management, the RC operation wing, teachers and 50 students all participated.

ENVIRONMENTAL COMPLIANCE AND EXPENDITURE

As per Royal Commission (RC) requirements, Sipchem tracks all fines, penalties and sanctions that it may have incurred. We are pleased to report to our stakeholders that we have not received any violations during the reporting period. Additionally, Sipchem does not have an impact on local biodiversity and monitors noise and odor levels as per RCER.

Sipchem goes above regulatory requirements for environmental services such as water treatment, waste handling, and operating and maintenance costs of the IUC incinerator. In 2017, Sipchem's environmental expenditure reached SAR 19.7m.

Environmental Expenditure	2015	2016	2017
Total environmental expenses (million SAR)	25,1	17,5	19,7

SECTION 5

Achieving Social Excellence

Sipchem is committed to supporting social and economic development through creating employment opportunities for nationals, ensuring health and safety, and purchasing goods and services from local suppliers and manufacturers. In addition to the socio-economic value we create through our business activities, Sipchem undertakes targeted community investment initiatives that contribute to addressing broader social needs.

2017 At a Glance

1,201
Employees

42,929
Man-hours of workforce training

0.16
LTA rate

76.3%
Saudization

OUR PEOPLE

Our people drive our business, which is why we must recruit, develop, and retain top talent. Through investing in building the capabilities of our employees, we seek to raise company productivity and contribute to human capital development in the Kingdom. As a company focused on innovation, ensuring that we attract talented people from diverse backgrounds reflects our conviction that diversity brings added value to the company.

Workforce profile	2015	2016	2017
Total workforce*	1,386	1,237	1,201
WORKFORCE CLASSIFICATION BY JOB CATEGORY			
Executive/Top Managementa	1.8%	2.2%	1.6%
Middle Management	7.2%	6.4%	7.2%
Staff and Professional	91.0%	91.4%	91.2%
WORKFORCE CLASSIFICATION BY AGE			
>50	6.7%	6.0%	6.7%
30-50	57.0%	59.2%	63.0%
<30	36.3%	34.8%	30.3%
WORKFORCE CLASSIFICATION BY REGION			
Middle Eastern	1.2%	1.4%	1.9%
Eastern	27.8%	24.1%	23.1%
Saudi Arabian	65.2%	67.0%	69.2%
Western	5.8%	7.5%	5.8%

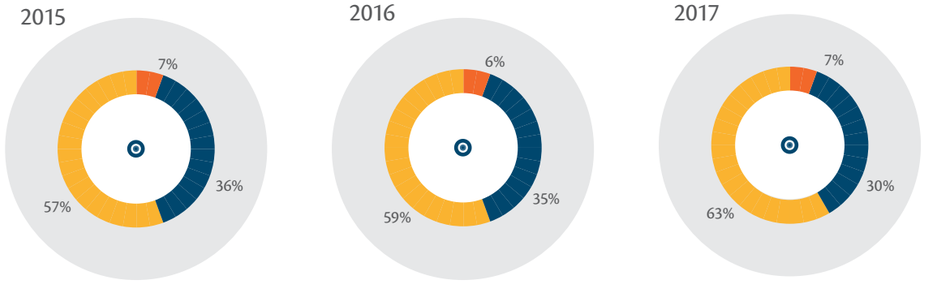
*Includes direct hires and resident contractors at Sipchem, SMC and Wahaj

YOUTH EMPLOYMENT

Sipchem seeks to be a catalyst for youth employment. In 2017, our workforce totaled 1,201, with young professionals under the age of 30 comprising 30% of the total workforce.

Employees by Age Group

- 30-50 years old
- Under 30 years old
- Over 50 years old



DIVERSITY, INCLUSION AND EQUAL OPPORTUNITY

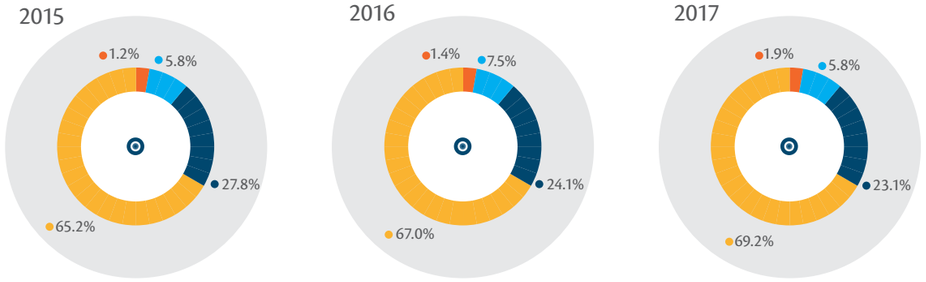
Sipchem is a truly global company and employs talented people from all walks of life. We believe that sustainable growth is possible only through building a workforce with a diversity of experience, knowledge, and skills. We actively search for a diverse pool of candidates to provide us with the depth of talent, skill and potential to meet our goals.

At Sipchem, we have built a diverse team comprised of people from many different backgrounds and skills. Currently we have talented individuals from more than 22 nationalities working at Sipchem.

Sipchem provides employees with equal opportunities, so that everyone feels comfortable to work, progress and achieve excellence in everything they do.

Employees Nationality by Region

- Saudi Arabian
- Eastern
- Western
- Middle Eastern



EMPLOYEE ENGAGEMENT: MANAGEMENT COMMUNICATION SESSIONS

Sipchem believes in the importance of two-way communication and is committed to regularly interacting with its employees through various channels. In 2017, two special events stand out where Sipchem organized two interactive management communication sessions in Jubail and Al Khobar.

During these sessions, Sipchem's CEO welcomed the employees, briefed them about the latest updates and current activities in the company as well as the global economic climate, highlighted Sipchem's major successes achieved during 2017, and provided an overview on the goals and plans for the coming year.

During the meetings, the CEO expressed appreciation for the team's efforts and encouraged employees to carry on in the same spirit of achieving excellence at all levels, stressing the role that employees play in building on our success and overcoming new challenges. Employees found the sessions highly motivating, and they were an excellent opportunity to share their thoughts and suggestions.

TRAINING AND DEVELOPMENT

Our Training and Career Development Department aligns its activities to achieve sustainable excellence. At Sipchem, we are committed to promoting a forward-thinking learning culture, and to deploying the tools needed to build human capital.

Employee training and development is an essential part of our success. Training and development have positive impacts on employee satisfaction, retention and performance, and pave the way to corporate excellence. As a part of career development and retainment initiatives, we are ensuring that we can meet the company's ongoing and future requirements by not losing critical skills and knowledge within our team due to turnover.

Training	2015	2016	2017
Total man-hours of workforce training*	85,523	55,650	42,929
HSE training man-hours*	24,507	16,169	25,682
Average hours of training per direct hire employee	71	47	45
Total cost of training (million SAR)	14.4	2.9	4.1
Average cost of training per employee (SAR)**	12,033	2,394	4,276
MAN HOURS OF TRAINING BY JOB CATEGORY			
Executive and senior management	458	280	23
Middle management	7,358	175	944
Non-managerial and professional staff	77,707	38,026	16,280

* Includes direct hires and resident contractors at Sipchem, SMC and Wahaj
**Based on direct hire

Through extensive training programs, we ensure that our employees can achieve their full potential by building the confidence and skills required to improve their performance – for the benefit of Sipchem, society, and the environment. Our people have matchless development opportunities to learn everywhere and anytime. We offer classroom training, peer-to-peer training, online training, and virtual web-based training. Our training programs cover a wide range of subjects that include personal and interpersonal skills, management and leadership skills, and computer and language skills.

We always look for ways to enhance our development programs and provide more relevant learning courses that meet both our employees' and the organization's needs. In 2017, we conducted several workshops with managers and supervisors to discuss their employees' training needs. The results of these workshops were used to inform the development of our most recent training calendar. In 2018, we will be redesigning our training approach to focus more systematically on the individual capabilities, skills and leadership potential of our employees. Based on employee assessments, we will work to develop individualized programs that will ensure employees meet all the required competencies for their position.

Our yearly training calendar includes courses for all staff levels. We have our management, soft skills and technical courses that have been designed and tailored specifically to meet our strategic goals. We partner with local and international training companies to deliver our programs, and we use robust selection criteria to ensure world class quality in our programs.In addition to our in-house courses conducted onsite in Saudi Arabia, we also send our employees outside the Kingdom to attend courses, seminars, and conferences. In 2017, we conducted several in-house training sessions for 70 employees in total. In 2018, our in-house trainings are planned to increase five-fold.

E-LEARNING OPPORTUNITIES

We continue to provide e-learning solutions to match different learning styles and have partnered with one of the best in-class learning providers. Content of our e-learning library covers more than 350 development topics, accredited by Body of Knowledge. In 2017, more than 200 employees considered our e-learning solution as a favorite tool for personal development and growth.

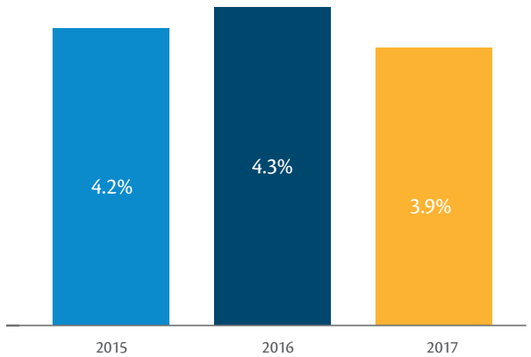
CLOUD-BASED ENGLISH LANGUAGE SOLUTION

More than 100 employees joined the program and enhanced their English language skills. We plan to increase employee enrollment to 100% in 2018, as learning English helps to maximize other training program benefits. The platform we are using adopts a blended-learning solution. Our employees not only study on their own, but they attend virtual classes with other students around the world.

EMPLOYEE ATTRACTION AND RETENTION

Not only do we seek to hire the best talent – we work hard to retain it. Sipchem's successful efforts in providing a positive working environment is best reflected in its low and stable employee turnover. In 2017, voluntary employee turnover decreased from 4.30% in 2016 to 3.95%. We seek to ensure that our employees remain motivated and satisfied during their employment at Sipchem. From our training and development to rewards and recognition programs, we strive to be an employer of choice.

Employee Turnover



SIPCHEM HOME OWNERSHIP PROGRAM – SHOP PROJECT

In an effort to build a sense of community in the realest sense, Sipchem developed and launched the "SHOP" project, which will provide more than 350 housing units to Sipchem's Saudi employees. The units are located in Jubail, near the plant complex, and form part of our vision to sustain and support the community near our main operations. The SHOP project's main objectives are to provide stability and comfort for our employees and to motivate them to continue their employment with the company. The housing project has the added benefit that it will help employees to maintain a healthier work/life balance by cutting down on commuting time.

HEALTH AND SAFETY

Sipchem employs world-class health and safety measures to ensure the safety of its employees and its operations. We rely on effective communication, comprehensive training, and strict policies and procedures to reinforce a safety culture. We not only focus on responding to health and safety risks but on developing a culture that focuses on prevention.

PERSONAL SAFETY

Sipchem adheres to global best safety practices and standards to protect people's lives across our business. Safety is not just a priority, but a core value which helps us to conduct our operations without doing harm. Sipchem's Zero Harm policy ensures that the company operates its assets in a responsible and careful manner. Sipchem is committed to providing the required resources and showing visible leadership in implementing and monitoring its safety policies across the company. In return and to help achieve its goals, Sipchem asks all its employees and contractors to take active ownership implementing health and safety measures.

Sipchem's health and safety performance is an important illustration of our safety achievements over the past three years. This is even more impressive considering that a number of plant turnarounds occurred along with the revamp of our methanol plant. From 2015 to 2017, we recorded zero fatalities and zero occupational injuries. We reduced our recordable incident rate from 0.31 in 2015 to 0.16 in 2017, and even reached 0.10 in 2016. We managed to also reduce lost time accidents (LTA) from 5 in 2015 to 3 in 2017.

Although our direct-hire LTA rate has dropped to 0.09 in 2017, our contractor LTA rate was 0.25 the same year, due to 3 LTAs recorded during the methanol plant revamp project. As we are committed to achieving excellence in all our operations, contractor health and safety management is one of Sipchem's key focus areas, and we are targeting zero incidents in 2018. This will be a challenge considering there are two plant turnarounds scheduled in 2018, yet our team has been well prepared, and we are confident that it will be a health and safety achievement year.

Health and Safety Performance	2015	2016	2017
Fatalities	0	0	0
Recordable incidents	11	4	5
Recordable incident rate	0.31	0.10	0.16
Lost time accidents (LTA)	5	4	3
Direct hire LTA rate	0.24	0.34	0.09
Contractor LTA rate	0.35	0.0	0.25
Company LTA rate (direct and contractor)	0.31	0.10	0.16
Occupational illness rate rate	0	0	0
Significant process safety incidents	3	2	3
Significant process safety incident rate	0.03	0.05	0.09
Distribution incidents	1	3	6

SIPCHEM SAFE DRIVING CAMPAIGN

Vehicle accidents continue to represent a staggering number of preventable accidents in KSA and across the globe. To address this acute problem in the Kingdom, Sipchem's HSE department conducted a safe driving campaign in December 2017. The campaign's key message, 'Drive Don't Fly,' was exemplified by a rollover simulation. The test allowed employees to experience a simulated rollover, which helped participants to realize the importance of not speeding and wearing a seat belt. Additionally, a number of safety flashes and verbal contacts were made on road safety for employees and contractors to educate about proper driving behaviors and focused particularly on speeding and using a mobile phone while driving.

PROCESS SAFETY

Sipchem has committed to dedicating substantial resources to process safety management over the coming years. Despite having similar process safety performance to our competitors, we are targeting zero process safety incidents in 2018, so as to be aligned with our commitment to excellence. To help us reach our target in 2018 and beyond, Sipchem is seeking a paradigm shift in our approach to process safety management. In 2016, Sipchem invited DuPont International to conduct a safety gap analysis of our safety systems and support the implementation of our 'Safety Excellence' project in 2018-2020.

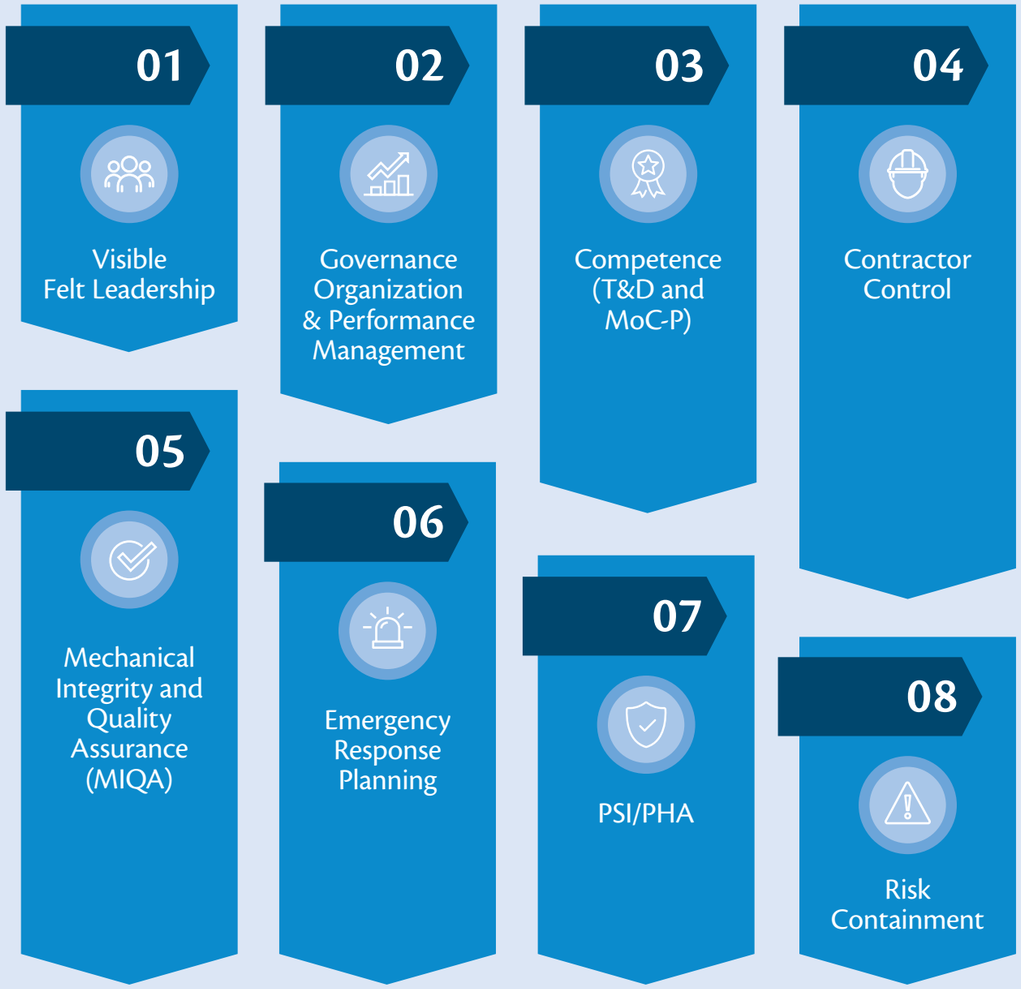
CEO, Mr. Al Ohali, officially kicked off the project in October 2017 as part of Sipchem deep commitment to excellence everywhere.

SIPCHEM'S SAFETY EXCELLENCE PROJECT

In 2017, Sipchem and DuPont Sustainable Solutions signed a historical agreement to implement a three-year process safety management program to address all the gaps identified during a 2016 safety gap analysis. This project is a strong demonstration of Sipchem's commitment to achieve our objective of building a safety culture across the company and towards our ultimate objective of achieving excellence everywhere.

Named the Sipchem Safety Transformation for Excellence Project, or 'S-STEP,' the program aims to transform our corporate safety culture into a world-class process safety culture. S-STEP first engaged Sipchem stakeholders site-wide through several workshops and identified 14 areas for improvement. These areas were then prioritized and laid out in a roadmap to be executed over three years. Sipchem has committed a team full-time to ensuring the S-STEP roadmap is executed and will be working with DuPont to achieve this transformative and sustainable solution. Implementation of Wave 1 will begin in 2018, and process safety management workstreams will be launched to achieve the desired outcomes

S-STEP RESTS ON 8 PILLARS



TRANSITIONING TO THE NEW VERSION OF ISO STANDARDS

Sipchem is certify ied by DNV GL for the Responsible Care© Quality Management System (RCQMS), which includes the ISO-9001 Quality Management System, OHSAS-18001 Occupational Health and Safety Management System, and ISO-14001 Responsible Care© Management System. The recertification audit for Sipchem's entire complex was conducted by DNV GL auditors in November 2017. Sipchem successfully transformed from the old 2008 version of the ISO standards to the new 2015 version. This project was led by the Responsible Care© team under top management's guidance and each member of the company played a vital role in achieving this milestone. This was a significant achievement for Sipchem and was the result of strong data management and applying a risk-based approach to compliance with the new requirements.

EMERGENCY RESPONSE

A well-trained Emergency Response Team (ERT) can make a significant difference in reducing the severity of a health and safety incident, which is why we treat ERT training as an investment strategy to effectively mitigate against the potentially serious, and even catastrophic, effects of emergency situations on our employees, our assets, and the environment.

In 2017, Sipchem successfully conducted ERT training for 112 ERT members on firefighting, hazardous material response, and rescue through a third-party service provided at Sipchem's site in order for those members to experience the actual difficulties and challenges that an ERT member might face during an emergency. Without proper ERT training, most responders would not be able to handle safety equipment effectively, which could have serious consequences, and that is why we utilize hands-on training.

These trainings provide responders with the crucial guidance they will need to successfully handle emergencies, and therefore, the training is essential to preparing the ERT to properly follow the required procedures for a given situation.

HOME SAFETY CAMPAIGN FOR FAMILIES

Sipchem launched the 'Home Safety' campaign in late 2017 for families living in its nearby employee housing. This campaign spread awareness about the potential hazards commonly overlooked at home.

Campaign events included:

- General tips on child safety, electrical safety and household safety
- Practical training on how to use fire extinguishers
- Practical training on how to use fire blankets to suppress kitchen fires

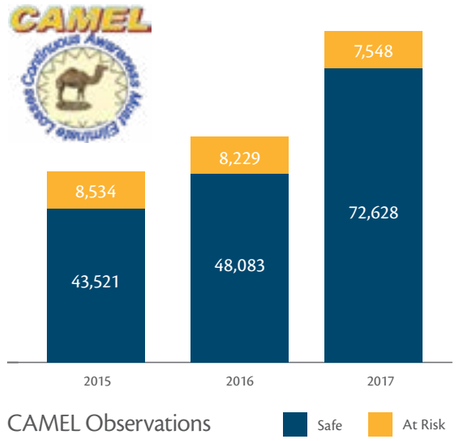
For this campaign, Sipchem cooperated with FIRETECH System Establishment to provide fire extinguisher simulation, with female volunteers from 'Watab Mutahed' delivering the training.

BEHAVIORAL SAFETY PROGRAM

Sipchem encourages its employees to report observations and behaviors to reduce risks and improve safety. Capturing and analyzing at-risk behaviors enable Sipchem to identify patterns, trends, and root causes. Observing and recording safety behaviors in the workplace raises employee awareness and helps workers identify risks before an injury occurs.

Sipchem's behavioral safety observation program 'CAMEL' stands for Continuous Awareness Must Eliminate Losses. The program adopts a holistic approach to understanding worker behaviors to improve safety practices.

In 2017, Sipchem's safe observations increased by 67% whereas risk observations dropped by 12%.



CREATING VALUE

Sipchem is committed to making measurable contributions to the Kingdom of Saudi Arabia that improve people's quality of life through creating shared value. In alignment with Vision 2030 and Sipchem's values, we make sure we are doing our part to support economic growth through our purchasing and hiring strategies, and socio-economic development more broadly through our CSR programmes.

LOCAL PROCUREMENT

Sipchem endeavors to support local suppliers of goods and services, while always ensuring suppliers meet our Code of Conduct and technical and quality requirements. In 2017, our spending on local suppliers reached 2.38bn SAR, an increase of 9% compared to 2015, and made up 79% of all supplier expenditure.

Although Sipchem has finalized a long-term strategy to promote local procurement, we face considerable challenges in our capacity to significantly increase the proportion of locally purchased content. For the foreseeable future, many large expenditure goods and services must continue to be purchased from abroad. Nevertheless, we are actively seeking to increase the amount of locally supplied goods, and especially locally manufactured goods.

We are engaging Namaa, the government's Local Content and Private Sector Development Unit, for Vision 2030. Namaa is a platform we seek to use to identify local manufacturers. We are also relying on other channels to identify local manufacturers, and we intend to engage and support them in meeting our requirements. Through this process, Sipchem's aim is not only to increase the level of local content we use, but to enhance local manufacturers' ability to compete on an international scale. Our strategy also relies on internal change management, building awareness among our operators, and getting their feedback to help local manufacturers meet their requirements.

Sipchem believes that our suppliers are our partners, and therefore, play an important part in driving us towards achieving our sustainability goals. At Sipchem, we hold our suppliers accountable to not only high-quality standards, but also to high environmental, human rights and ethical standards as well. Compliance requirements have been developed to provide simple and clear guidance as outlined in our Supplier Code of Conduct (See Section 2 for more details).

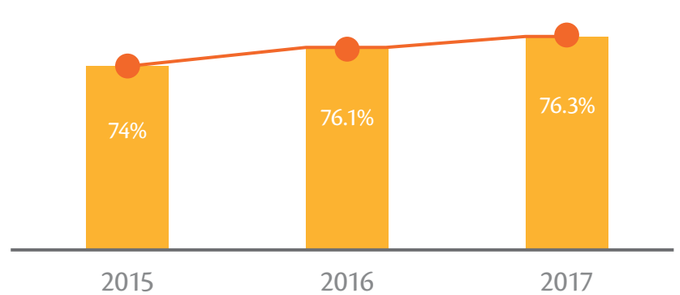
Procurement	2015	2016	2017
Amount spent on local suppliers (SAR 000s)	2,177	2,122	2,378
Amount spent on foreign suppliers (SAR 000s)	591	435	620
Percentage of amount spent on local suppliers	79%	83%	79%
Percentage of amount spent on foreign suppliers	21%	17%	21%

LOCAL EMPLOYMENT

Sipchem actively encourages Saudization as part of its corporate citizenship and in line with Vision 2030. Since 2015, Saudization increased by 2.3% to reach 76.3% in 2017.

At Sipchem, we align our career development programs to support Saudization. The Professional Development Program (PDP) is one of our collective efforts to cultivate young talented Saudi gradates. It is a special two-year development program. The main purpose of PDP is to develop and prepare Saudi employees to pursue vacant leadership positions in the long run. In 2017, 40 Saudi employees graduated from the program and they are now utilizing their program experience to excel in their respective roles

Saudization (Direct Hire)



5 The Local Content and Private Sector Development Unit was established by the Council of Economic and Development Affairs (CEDA) to lead the Kingdom's economic transformation by growing the non-oil hydrocarbon private sector, promoting local content and improving the balance of payments.

LOCAL COMMUNITY INVESTMENT

2017 HIGHLIGHTS

30 Programs

97 Volunteers

1,020 Volunteer Hours

SR 5M Total Investment

170,000 Beneficiaries Reached

Sipchem is committed to being a socially responsible company, through building positive relationships with communities, engaging in mutually beneficial partnerships for the good of society though our CSR programs, and through building within the company a culture of giving back.

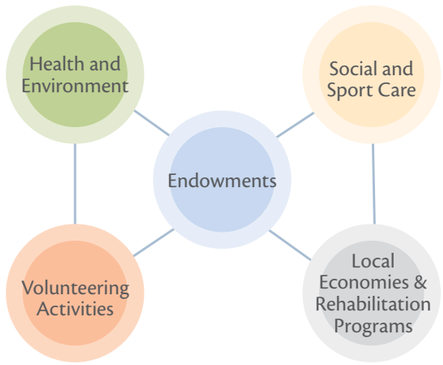
We believe that community service is both an individual and a collective responsibility that should be promoted from within the company. We also believe that the continued spread of our operations and our community investment contributions throughout the Kingdom plays a significant role in socio-economic development. Sipchem continues to dedicate 1% of its net profits to CSR initiatives, and our programs have covered more than 75% of KSA and reached more than 500,000 beneficiaries. Since 2015, Sipchem invested nearly 22m SAR in local Saudi communities through the programs it supports.

Moreover, Sipchem employees contributed 1,020 hours of volunteer service in 2017 and volunteerism has doubled since 2015. In the coming years, we will continue to promote and build a spirit of volunteerism throughout the company.

Community Investment	2015	2016	2017
Community investment (million SAR)	8.6	8	5
Volunteer man-hours	662	1,711	1,020

REACHING ALL OVER THE KINGDOM

SOCIAL RESPONSIBILITY FOCUS AREAS:



PROGRAMS FOR ORPHANS, WIDOWS AND PERSONS OF SIMILAR STATUS

Since 2015, Sipchem has supported 15 families and 78 orphans and widows or persons of similar status in many regions and cities across KSA such as Jubail, Dammam, Al Khobar, and Hail.

As part of its partnership strategy with charitable and civic organizations, Sipchem oversees and follows up on those families and submits an evaluative report periodically. This program covers beneficiaries' housing, monthly costs of | living, school fees, and also covers job training and recreational activities to maintain a suitable standard of living.

More than 2.6m SAR was spent on this program during the reporting period.

SPECIAL PROGRAMS

In addition to supporting the endowment, Sipchem donates to a number of humanitarian programs, especially those that seek to help the poor and those with disabilities. More than 2.5m SAR was spent on this program during 2016.

Repaying Gharmeen debts for those in need

Supporting societies dedicated to the disabled

Providing winter clothes to those in need in the north

Supporting the rehabilitation and training of 10 kids with Down syndrome

STRATEGIC PARTNERSHIPS

Highlighted below are some of our strategic community partnerships:

- Sipchem provides fully-equipped kitchens for families. The program is managed by the WUD Charitable Society and is run by widows, orphans, and disabled females. They prepare, produce and market meals and desserts, and then sell them for their own benefit.
- Sipchem signed an agreement with the Eastern Province Municipality (Al Khobar Municipality) to gift an aesthetic landmark on King Salman Street. To date it is considered one of the most desirable athletic fields in the Eastern Province.
- Sipchem provides 600 health insurance policies for 300 orphans in the Eastern Province through an agreement with Orphan Care Society (KANAF).
- Sipchem signed a strategic partnership agreement with ITAAM Food Catering Association and donated 3 vehicles to transport food to the poor and needy. As part of this partnership, Sipchem also provided a smart application to help reduce food waste.
- Sipchem signed an agreement with Jana Centers (Bena'a Productive Families Center) to open a credit portfolio to allow Jana to provide funding for small and micro projects for the benefit of more than 80 families during a year.
- Sipchem entered into an agreement with the Al-Ihsan Charitable Medical Society in Jazan to establish a mobile eye clinic to serve more than 10 thousand patients annually in its first phase.
- Sipchem has signed an agreement to sponsor the Darraj Group cycling team in the Eastern Province due to its volunteer activities and for motivating the public to engage in cycling to maintain their health and fight obesity.
- **In total, Sipchem spent about 5.3m SAR on strategic partnerships and sustainability programs.**

ENVIRONMENTAL AWARENESS CAMPAIGN

Sipchem ran a campaign entitled 'Our Environment … Our Life' to spread awareness about behavior and recycling among local youth. The campaign reached more than 25,000 students from Dammam, Jubail, and Al Khobar.

Sipchem has spent more than 650k SAR on this program to date.

Sipchem Square, along King Salman Street, Khobar

SOCIAL, CULTURAL AND SCIENTIFIC INITIATIVES

From 2016 to 2017, Sipchem hosted 5 public events at Sipchem's Innovation and Technology Center (MANAR).

- The first Saudi Innovators Forum featuring the Saudi innovator of artificial limbs, student Moaz Abu Aisha, and attended by more than 125 people.
- A workshop on volunteerism and community responsibility to raise awareness and understanding within the company. In total, 25 employees attended.
- The Saudi-American Diwaniya in cooperation with the US Consulate, where entrepreneurship was discussed. The event was attended by more than 300 people from different regions throughout the Kingdom.
- A workshop on crisis communication management that was attended by more than 100 people.
- A forum entitled 'Let's Innovate Together' that focused on innovation and its benefits. The event was attended by more than 120 people.



VOLUNTEER PROGRAMS

Sipchem's volunteer team is considered a "secrets of success" in the sustainability of CSR activities at Sipchem.

Sipchem's volunteer team executed more than 191 volunteer-based projects from 2010 to 2017, which required over 7,000 hours of service by almost 100 employees and members of their families. It is the first employee volunteer team of any major industrial company in the Kingdom.

From 2016 to 2017 the contribution by the volunteering team was around 500k SAR.





Sipchem Sustainability Report 2018

Appendix A. Acronyms

AA	Acetic Acid
Aan	Acetic Anhydride
BA	Butyl Acetate
BCM	Business Continuity Management
BDO	1,4-Butanediol
CAMEL	Continuous Awareness Must Eliminate Losses
CEO	Chief Executive Officer
CO	Carbon Monoxide
CO_2	Carbon Dioxide
CSR	Corporate Social Responsibility
EA	Ethyl Acetate
EHS	Environment, Health and Safety
EPCA	European Petrochemical Association
ERM	Enterprise Risk Management
ERT	Emergency Response Team
EVA	Ethylene Vinyl Acetate
GACI	Gulf Advanced Cables Insulation Company
GBL	gamma-Butyrolactone
GCC	Gulf Cooperation Council
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
IAC	International Acetyl Company
IGC	International Gases Company
IMC	International Methanol Company
IPC	International Polymers Company
IPO	Initial Public Offering
IVC	International Vinyl Acetate Company
KPI	Key Performance Indicator
KSA	Kingdom of Saudi Arabia
KTA	Kilotonnes per Annum
LDPE	Low-Density Polyethylene
LTA	Lost Time Accident
MAN	Maleic Anhydride
MANAR	Sipchem Technology and Innovation Center
MeOH	Methanol
MT	Metric Tonne
PBT	Polybutylene Terephthalate
PDP	Professional Development Program
PSM	Process Safety Management
RC	Royal Commission
RCQMS	Responsible Care Quality Management System
R&D	Research and Development
RCER	Royal Commission Environmental Regulations
RSAF	Royal Saudi Air Force
SABIC	Saudi Basic Industries Corporation
SAMAC	Saudi Methylacrylates Company
SASREF	Saudi Aramco Shell Refinery Company
SCC	Sipchem Chemical Company
SEEC	Saudi Energy Efficiency Center
Sipchem	Saudi International Petrochemical Company
SMC	Sipchem Marketing Company
SQAS	Safety and Quality Assessment System
S-STEP	Safety Transformation for Excellence Program
SSPC	Saudi Specialized Products Company
THF	Tetrahydrofuran
TMF	Tools Manufacturing Facility
Wahaj	Saudi Specialized Products Company
VAM	Vinyl Acetate Monomer

Appendix B. Stakeholder Mapping

Stakeholder Group	Engagement Method	Issues Identified	Our Response
Employees			
	• Immediate "face-to-face" dialogue with the employee or workgroup • An "Open Door" Policy, where employees are free to meet with all levels of management to express concerns and raise issues • Web-based training • Professional Development Plans • Monthly EHS awareness sessions	• Running the business in a responsible manner • Engagement and open communication • Employee satisfaction • Safe and healthy work environment • Clear career development plans • Flexible learning opportunities	• Open dialogue with employees over many channels • Roadblock removal analysis and actions • Recognition and awards • Periodic baseline medical examinations • Training, provided both in-house and externally
Insurers			
	• Face-to-face meetings, email, and written reports	• Face-to-face, email, and written reports	• Action survey report items as appropriate • Alignment of Sipchem's risk rating and premiums/rates • Formulation of teams to close gaps and concerns
Higher Commissions of Industrial Security (HCIS)			
	• Discussions with onsite HCIS inspectors • HCIS formal inspection reports and directives	• Statistical reports on security manpower • Readiness report in emergency cases	• Review and acceptance of agreed issues raised in formal inspection reports and directives, and compliance with actions identified in the HCIS inspection Reports • Official reports from Sipchem that address HCIS directives
Royal Commission (RC)			
	• Discussions with onsite RC auditors • RC formal audit reports • Official monthly reports from Sipchem that address RC reporting requirements • Formal exception reports from Sipchem that cover shutdowns, emergency outages, and releases within 24 hours	• Implement RC regulation onsite and open communication • Compliance and on-time report submission • Reporting environmental expenditure	• Exception reports are completed and communicated within 24 hours • Review, acceptance and compliance on agreed issues raised by RC • Seek to remedy notice of violation for non-compliance with RC reporting requirements

102-43, 102-44

Stakeholder Group	Engagement Method	Issues Identified	Our Response
Customers			
	• Participation in exhibitions and conferences • Customer visits • Customer Feedback System	• Consistency in production, supply, and business • Product accountability • Improve supply chain management • Effective communications	• Business Coordination Committee meetings • Use of incident reporting system and subsequent root-cause analysis and/or y-tree analysis to handle complaints
Suppliers			
	• Company profile requests • Vendor / supplier registration • Solicitation of Interest (SOI) • Request for Quotation (RFQ) and Proposal (RFP) • Invitation to Bid (ITB) and Purchase Order (PO) • Long term agreement / contract • Vendor assessment / evaluation	• Clear description/ scope of work • Proper amount of time to respond • Provide necessary clarifications • Competitive bidding • Timely award of contract	• Share full description and scope of work • Approach once requirement is identified • Timely responses to inquiries and contract awards • Two-way communication
Non-Governmental Agencies (NGAs)			
	• Face-to-face meetings • Attending their events • Emails • Official letters • Social media	• Donations • Events and exhibitions • Sponsorships • Sharing experiences	• Appreciating our NGAs by conducting campaigns, setting up exhibitions, and providing Sipchem volunteers to NGAs • Providing information flyers and brochures
Shareholders			
	• "Face-to-face" dialogue through general assembly meeting • Receiving them in our branches • Through various communication channels, including email • Through newspaper and social media	• Increasing share value and yearly dividend • Running company plants with full capacity • Shareholder services • Updated company information on Sipchem IR webpage	• Providing share statistics • Publish Board of Directors annual report • Publish dividend distributions and other related press releases through Tadawul website • Communication by email

Appendix C. GRI Content Index

GRI Standard	Disclosure	Page number/URL	Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	**Organizational profile**		
	102-1 Name of the organization	6	
	102-2 Activities, brands, products, and services	7, 10	
	102-3 Location of headquarters	7	
	102-4 Location of operations	8	
	102-5 Ownership and legal form	6, 10	
	102-6 Markets served	8-9	
	102-7 Scale of the organization	6, 8, 10, 23, 39	
	102-8 Information on employees and other workers	39-40	
	102-9 Supply chain	8, 10-11	
	102-10 Significant changes to the organization and its supply chain	No	
	102-11 Precautionary Principle or approach	Sipchem endeavors to use the precautionary principles in all its operations and activities (as applicable)	
	102-12 External initiatives	19	
	102-13 Membership of associations	19	
	Strategy		
	102-14 Statement from senior decision-maker	5	
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behavior	9, 20-21	
	Governance		
	102-18 Governance structure	20	
	Stakeholder engagement		
	102-40 List of stakeholder groups	16	
	102-41 Collective bargaining agreements	Trade unions are not allowed in Saudi Arabia	
	102-42 Identifying and selecting stakeholders	16	
	102-43 Approach to stakeholder engagement	15, 56 – 57	
	102-44 Key topics and concerns raised	56 - 57	
	Reporting practice		
	102-45 Entities included in the consolidated financial statements	Financial statements include the activities of SIPCHEM and no other entity	
	102-46 Defining report content and topic Boundaries	2	
	102-47 List of material topics	15	
	102-48 Restatements of information	30	
	102-49 Changes in reporting	15	
	102-50 Reporting period	2	
	102-51 Date of most recent report	2015	
	102-52 Reporting cycle	Bi-annual	
	102-53 Contact point for questions regarding the report	2	
	102-54 Claims of reporting in accordance with the GRI Standards	2	
	102-55 GRI content index	58-65	
	102-56 External assurance	Not assured	

GRI Standard	Disclosure	Page number/URL	Omission
Material Topics			
GRI 200 Economic Standard Series			
Economic Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	23	
	103-2 The management approach and its components	23	
	103-3 Evaluation of the management approach	23	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	23	
	201-2 Financial implications and other risks and opportunities due to climate change	26	
Procurement Practices			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	48-49	
	103-2 The management approach and its components	48-49	
	103-3 Evaluation of the management approach	48-49	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	49	
Anti-corruption			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	21	
	103-2 The management approach and its components	21	
	103-3 Evaluation of the management approach	21	
	205-2 Communication and training about anti-corruption policies and procedures	21	
	205-3 Confirmed incidents of corruption and actions taken	21	

GRI Standard	Disclosure	Page number/URL	Omission
GRI 300 Environmental Standards Series			
Energy			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	29	
	103-2 The management approach and its components	29	
	103-3 Evaluation of the management approach	29	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	30	
	302-2 Energy consumption outside of the organization	30	
	302-3 Energy intensity	30	
	302-4 Reduction of energy consumption	30	
Water			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	33	
	103-2 The management approach and its components	33-36	
	103-3 Evaluation of the management approach	33	
GRI 303: Water 2016	303-1 Water withdrawal by source	33	
	303-2 Water sources significantly affected by withdrawal of water	33	
	303-3 Water recycled and reused	33	
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	31	
	103-2 The management approach and its components	31	
	103-3 Evaluation of the management approach	31	

GRI Standard	Disclosure	Page number/URL	Omission
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	31	
	305-2 Energy indirect (Scope 2) GHG emissions	31	
	305-4 GHG emissions intensity	31	
	305-5 Reduction of GHG emissions	31	
	305-6 Emissions of ozone-depleting substances (ODS)	32	
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	32	
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	33-37	
	103-2 The management approach and its components	33-37	
	103-3 Evaluation of the management approach	33-37	
GRI 306: Effluents and Waste 2016	306-1 Water discharge by quality and destination	36	
	306-2 Waste by type and disposal method	36	
	306-3 Significant spills	Zero	
	306-4 Transport of hazardous waste	37	
Environmental Compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	37	
	103-2 The management approach and its components	37	
	103-3 Evaluation of the management approach	37	
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	37	

GRI Standard	Disclosure	Page number/URL	Omission
Supplier Environmental Assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	21	
	103-2 The management approach and its components	21	
	103-3 Evaluation of the management approach	21	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	21	
GRI 400 Social Standards Series			
Employment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	39	
	103-2 The management approach and its components	39-42	
	103-3 Evaluation of the management approach	39	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	42	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	42-43	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	43	
	103-2 The management approach and its components	43-46	
	103-3 Evaluation of the management approach	44	

GRI Standard	Disclosure	Page number/URL	Omission
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	44	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	44	
	403-3 Workers with high incidence or high risk of diseases related to their occupation	48	
Training and Education			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	41	
	103-2 The management approach and its components	41-42	
	103-3 Evaluation of the management approach	41	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	41-42	
	404-2 Programs for upgrading employee skills and transition assistance programs	41-42	
	404-3 Percentage of employees receiving regular performance and career development reviews	41-42	
Diversity and Equal Opportunity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	40	
	103-2 The management approach and its components	40	
	103-3 Evaluation of the management approach	40	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	40	

GRI Standard	Disclosure	Page number/URL	Omission
Local Communities			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	50	
	103-2 The management approach and its components	50-54	
	103-3 Evaluation of the management approach	50	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	50-54	
	413-2 Operations with significant actual and potential negative impacts on local communities	50	
Supplier Social Assessment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	21	
	103-2 The management approach and its components	21	
	103-3 Evaluation of the management approach	21	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	21	
Socioeconomic Compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	21	
	103-2 The management approach and its components	21	
	103-3 Evaluation of the management approach	21	
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Zero	

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