



VALUE CREATION THROUGH PEOPLE AND INNOVATION

INTRODUCTION

COMMITTED TO PROVIDING CREATIVE SOLUTIONS

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Note: Borouge PLC was formally established on 28 April 2022, and as such our statutory published financials only cover the period from 28 April 2022 to 31 December 2022. The Company has prepared unaudited pro-forma accounts, showing the combination that forms the current business of Borouge PLC as if it had been in operation for the 12 months ended 2022 and the 12 months ended 2021. These are the full year numbers being referenced across the strategic section of this annual report. Currency references throughout this report to \$ are to US dollars; references to t/y are to tonnes per year; references to PE are to polyethylene; and references to PP are to polypropylene.



Welcome to Borouge Annual Report 2022

ROBUST PRODUCTION GROWTH

With the successful PP5 expansion of Borouge 3, our world-class polyolefin production plant reached new production level while maintaining high asset reliability and utilisation.

[Read more on page 30](#)

ACHIEVING RECORD SALES

We launched new products and added recycled polyolefins to our portfolio, driving growth by creating a more diversified and sustainable offering for our clients around the world.

[Read more on page 35](#)

INNOVATION DRIVING DIFFERENTIATION

Powered by Borealis Borstar® technology, we continued to expand and differentiate our product portfolio through continuous innovation to lead our industry and maintain a price premium.

[Read more on page 44](#)

Revenue

\$6,727m

+8%

Adjusted EBITDA

\$2,646m

-3%

Net income

\$1,409m

-8%

AT A GLANCE

Borouge is a **leading petrochemical company** that provides creative polyolefin solutions for a wide range of industries.

Established in 1998, as a strategic partnership between the Abu Dhabi National Oil Company (ADNOC) and Borealis, one of the world’s leading providers of advanced and circular polyolefin solutions and a European market leader in base chemicals, fertilisers and the mechanical recycling of polyolefins.

Established in

1998

Employs over

3,100

Nationalities

49

Note: In 1998, ADNOC and Borealis agreed to form an operations joint venture to build and operate a petrochemical complex in Al Ruways, UAE (ADP) and a sales and marketing company in Singapore (PTE).

Employs more than 3,100 people with 49 nationalities, serving customers across Asia Pacific, Middle East and Africa. Borouge is made up of two operating entities:

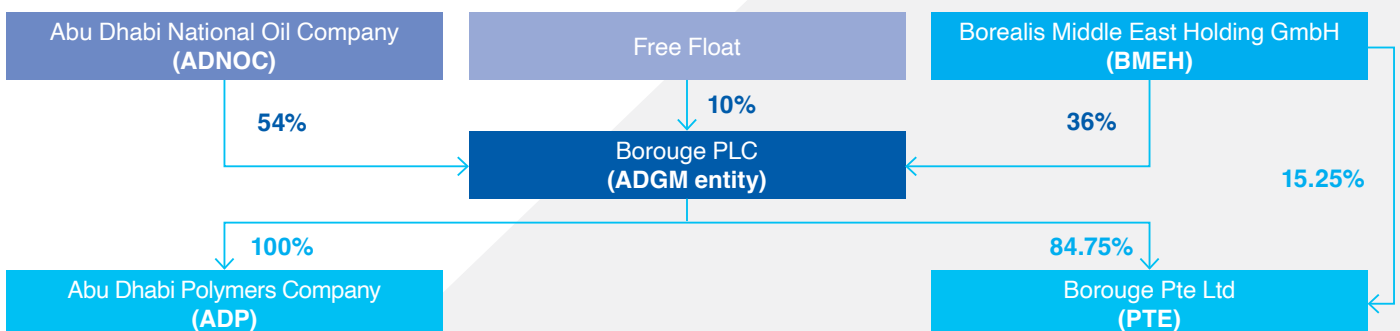
- a **production company** primarily responsible for polyolefin production, headquartered in Abu Dhabi (ADP)
- a **sales and marketing company** primarily responsible for the marketing, sales and distribution of products to customers around the globe, headquartered in Singapore (PTE)

Our portfolio of products comprises polyethylene and polypropylene (the two most common forms of polymer) which are used for a variety of consumer and infrastructure applications.

Borouge PLC (Borouge) was incorporated on 28 April 2022 in the jurisdiction of Abu Dhabi Global Market (ADGM) for the purpose of serving as the holding company for ADP and PTE.

Borouge PLC was listed on the Abu Dhabi Securities Exchange (ADX) on 3 June 2022, raising gross proceeds of over \$2.0 billion for the offering of 10% of the Company’s total issued share capital. The Borouge listing was the largest-ever listing on ADX and the Middle East’s largest-ever petrochemicals listing. After two decades of continued success and growth as a private company, Borouge’s Initial Public Offering marks the start of a new journey as a publicly listed company, with ADNOC and Borealis remaining committed, strategic, and long-term shareholders.

Legal Structure





Our Vision

The recognised leader in creative polyolefin solutions that have a positive impact on society today and tomorrow.



Our Mission

Value creation through people and innovation.



Our Values

At Borouge, we are one family working together in making Borouge a greater place for us and generations to come, through living and breathing our five values of being progressive, collaborative, responsible, respectful and efficient.

Our International Presence



OUR HISTORY AND YEAR IN REVIEW

1998

- Borouge is established in the United Arab Emirates

2001

- Polyolefin production commences in Al Ruways with a capacity of 450,000t/y

2005

- Polyolefin production in Al Ruways expands to 600,000t/y

2013

- Borouge achieves Responsible Care® RC 14001 certification

2014

- Polyolefin production in Al Ruways expands to 4.5mt/y

2015

- Borouge increases production capacity of Compounding Manufacturing Plant in Shanghai to 90,000t/y
- Innovation Centre inauguration in Abu Dhabi

2006

- Borouge signs the Responsible Care® RC Global Charter
- Borouge becomes a founding member of the Gulf Petrochemicals and Chemicals Association (GPCA)

2007

- Launch of the 'Water for the World' initiative with Borealis

2010

- Compounding Manufacturing Plant in Shanghai starts production with capacity of 50,000t/y
- Polyolefin production in Al Ruways expands to 2mt/y

2016

- Borouge achieves OHSAS 18001 certification
- Cross-Linked Polyethylene (XLPE) production commences in Al Ruways
- Borouge wins the Gold category of the Sheikh Khalifa Excellence Award (SKEA)
- Borouge inaugurates its Application Centre in Shanghai, China

2017

- Initiates Borouge 4 pre-FEED
- Launches Anteo™ globally with Borealis

2018

- Borouge celebrates the ground-breaking of PP5 unit in Al Ruways to grow polypropylene capacity to 2.2mt/y

2019

- Borouge receives ADNOC In-Country Value (ICV) certificate in recognition of its role in supporting the UAE's private sector
- Borouge becomes strategic partner of Project STOP

2020

- Establishes marketing company in Cairo, Egypt, to strengthen its leading market position in the Middle East and North Africa (MENA) region
- Borouge announces the production of a special grade to make face masks, following the outbreak of COVID-19

2021

- Borouge announces its support to the 'Make It In The Emirates' strategy
- ADNOC and Borealis announce the Final Investment Decision for the Borouge 4 facility in Al Ruways
- Borouge makes first commercial sale of recycled polyolefins

2022

February

- Borouge successfully starts up its fifth polypropylene unit (PP5) in Al Ruways increasing the polypropylene production capacity to 2.2mt/y, to reach total polyolefin production capacity of 5mt/y
- Borouge celebrates the ground-breaking of Borouge 4 project in Al Ruways

May

- ADNOC Group and Borealis announce their Intention to Float (ITF) a 10% stake of Borouge on the Abu Dhabi Securities Exchange (ADX) through an Initial Public Offering (IPO)

June

- Borouge lists on the Abu Dhabi Securities Exchange (ADX), marking the largest ever listing on ADX and the Middle East's largest-ever petrochemical listing

July

- Borouge announces strong H1 2022 financial results for the first six months of 2022 with revenue growth of 16.4% year-on-year

September

- Borouge distributes its 2022 interim dividend of USD 325 million (AED 1.2 billion)

October

- Borouge launches a number of fully recyclable polyolefin solutions at K Fair 2022, underlining its commitment to advance circular economy ambitions

November

- Borouge and ADNOC Logistics and Services (ADNOC L&S) inaugurate the Borouge Global Gateway at Khalifa Port
- Borouge and Etihad Rail sign the terms sheet for a strategic partnership for sustainable transportation to transport 1.3mt of Borouge's polyolefins annually from its petrochemical complex in Al Ruways Industrial City via rail for export to customers



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STRATEGIC REPORT



CHAIRMAN'S STATEMENT



It is my great pleasure and honour to present Borouge's Annual Report for 2022, our first since the Company was floated on the Abu Dhabi Securities Exchange (ADX) in June."



H.E. Dr Sultan Ahmed Al Jaber
Chairman

Borouge's performance in its first year as a listed company exemplified our commitment to value creation. Against challenging market conditions for the entire petrochemical industry, the strength of our operations and asset base, strategic direction, innovative mindset, dedicated employees, and rigorous marketing ensured strong results.

A HISTORIC YEAR FOR BOROUGE

It is my great pleasure to present Borouge's Annual Report for 2022, our first since the Company was floated on the Abu Dhabi Securities Exchange (ADX) in June.

In the largest-ever offering on ADX at the time of listing, Borouge attracted investor demand topping \$83.4 billion, with the shares more than 42 times over-subscribed. Shortly after listing, Borouge was included in the FTSE Global Equity Index Series.

The success of our IPO is testament to our outstanding track record since ADNOC and Borealis AG created Borouge in 1998. It also speaks to our prospects of continued excellence, delivered by the efforts of our people, our strategic vision, and the innovation we apply to differentiating our products and solutions.

EXCEPTIONAL RESPONSE TO A CHALLENGING OPERATING ENVIRONMENT

Our strengths and competitive advantages helped us stave off much of the headwinds experienced by the global industry in 2022 – a confluence of negative macroeconomic factors, geopolitical instability and new COVID-19 concerns in China.

Borouge reported annual revenue of \$6.7 billion, increasing by 8.2%, driven by increased sales volumes. Production capacity grew by 10% year-on-year and net profit of \$1.4 billion was in line with market expectations, holding up well despite the challenging market environment.

Our performance and strong trajectory support our commitment to pay \$975 million in total post-IPO dividends for 2022 and at least \$1.3 billion for 2023.

CHAMPIONING THE UAE'S INDUSTRIAL GROWTH AND SUSTAINABILITY

As a UAE industrial champion and enabler of growth, Borouge supports the local supply chain and the nation's In-Country Value programme, as well as sustainable economic diversification and development.

Our contribution to the UAE's economic agenda expanded in 2022. We signed a strategic partnership with Etihad Rail to transport our polyolefins; with ADNOC Logistics & Services we inaugurated the Borouge Global Gateway at Khalifa Port; and we signed an MoU with Abu Dhabi Medical Devices Company to develop the local medical device manufacturing industry.

In early 2022, PP5 came online, expanding our Borouge 3 plant. PP5 is a critical milestone in Borouge's 2030 growth strategy, by adding significant production capacity and making Borouge one of the top five polyolefin producers in Asia Pacific and the Middle East.

SUSTAINABILITY IS CENTRAL TO OUR BUSINESS AND SUCCESS

Borouge is committed to its comprehensive sustainability strategy for people, profit and the planet. Initiatives such as Project STOP, Water for the World and Polymers on the Move play an active role in addressing global challenges such as food waste and scarcity, clean water access, the responsible energy transition, healthcare support, and waste management. We work closely with our customers, suppliers and other value chain partners to address global challenges. Borouge's majority shareholders back the UAE's national drive to achieve net zero emissions by 2050 and, with this in mind, Borouge has a comprehensive roadmap to reduce emissions.

At Al Ruways Industrial City, our environmental focus is on flare reduction, energy management, water management and emissions reduction. Accordingly, we have set ambitious targets for 2025, having previously developed the Al Ruways Environmental Sustainability Programme in 2019, signalling our commitment to mitigating and minimising our environmental impact.

We are always developing new ways to maximise recyclates across our value chain and reduce material use, by extending product durability and promoting new designs that embrace reuse and recycling.

Central to the wellbeing of our people is consistent engagement to reinforce our 100% Health, Safety and Environment (HSE) culture. We have also devised and implemented programmes to protect and promote the wellbeing of employees and to foster the welfare of our communities.

FURTHER SUSTAINABLE GROWTH IN 2023

Looking ahead, we remain optimistic on sustainable growth. Asia Pacific continues to be our largest market, contributing 63% of total revenue in 2022. We are positioned to capture market opportunities, thanks to new capacity from PP5, our competitive cost positioning, our innovative product mix, our growing participation in the circular economy, and our ability to optimise feedstock.

In conclusion, I would like to express my gratitude to our shareholders, the Board of Directors and all of Borouge's employees for their contribution to our success. With your support, Borouge's future is very promising and we all look forward to creating exceptional shareholder value in the years to come.

CHIEF EXECUTIVE OFFICER'S STATEMENT



Borouge delivered a resilient performance amidst challenging conditions for the entire industry. Our innovative mindset, formidable competitive edge, and targeting of high-growth markets further strengthened our position as a leading petrochemical company.”

A portrait of Hazeem Sultan Al Suwaidi, the Chief Executive Officer, wearing a white thobe and a ghutra with a black agal. He is smiling and looking directly at the camera.

Hazeem Sultan Al Suwaidi
Chief Executive Officer

We grew our production capacity with the startup of our fifth polypropylene unit (PP5) and \$50-million revamp of our PE3 unit, becoming the world's largest polyethylene plant, and firmly cementing our position as a UAE industrial champion. PP5 enabled us to boost our production capacity to reach five million tonnes per year, further reinforcing our ambitions of providing differentiated polyolefin solutions and delivering exceptional value for our shareholders.

A GROUND-BREAKING YEAR IN BOROUGE'S JOURNEY

2022 was momentous for Borouge in many ways. Our track record in production capacity growth, up ten-fold since 2002, advantageous long-term feedstock supply contracts, proprietary Borealis Borstar® technology have established our business as a highly attractive global polyolefins platform.

Complementing these attributes is our strategic focus on, and access to, markets with a high and ever-increasing demand for our differentiated products. Activity in

Borouge's core Asia Pacific and Middle East markets remains stronger than in developed markets, with economic growth rates ahead of developed economies, and with more stable demand growth. Demand is being driven by rapid and substantial infrastructure investment, healthcare improvements, rising living standards, urbanisation, renewable energy adoption, and more sophisticated agricultural production. For Borouge, this has created significant opportunities for our solutions, and we have worked closely with our customers to meet their evolving needs.

In collaboration with our long-term partner, ADNOC Logistics & Services, we boosted our operational efficiencies and enhanced our global supply chains with the inauguration of the Borouge Global Gateway at Khalifa Port.

MULTIPLE CHALLENGES BUFFETED THE GLOBAL PETROCHEMICAL INDUSTRY

Notwithstanding our many operational advantages, factors beyond our control created headwinds in 2022, putting pressure on demand and pricing. Polyolefin pricing, normally correlated with oil prices, surged in the early part of the year before sinking in the second half, despite continued buoyancy for oil.

Demand in our core territories continues to outperform global markets, and we will press ahead with our strategy of innovation, bringing new products to customers while tactically placing volumes to meet shifting demand.

We continue to achieve premia above benchmark pricing, reflecting our differentiated product mix, product quality, and customer relationships.

RESILIENCE, RECORD PRODUCTION AND INNOVATION DELIVER SOLID RESULTS

Borouge collaborated with logistics partners to find solutions to transport blockages, and we leveraged our position as a leading global producer of superior, differentiated polyolefins to achieve volume growth and strong sales at the premium pricing seen in the earlier part of the year.

The outcome was revenue of \$6.7 billion, increasing by 8.2% versus the previous year, driven by a 14.9% increase in total polyolefin sales volumes. Our overall production capacity grew by 10% year-on-year, in support of increasing volumes and bringing more differentiated grades into the production mix.

Adjusted EBITDA for the full-year period stood at \$2.6 billion. Net profit for the year was \$1.4 billion, in line with market expectations, despite an overall challenging market environment.

INNOVATION DRIVES DIFFERENTIATION AND SUSTAINABILITY

Innovation plays a critical part in the quality, differentiation, and sustainability of our solutions. Our AI Ruways Environmental Sustainability Programme reinforces our commitment to both operational excellence and sustainability. The programme, launched in 2019, continues to boost energy efficiency, achieve zero continuous flaring, and offset our carbon emissions at our world-scale complex in AI Ruways Industrial City – enabling Borouge to provide innovative and sustainable solutions, while reinforcing our role as a responsible petrochemical company.

CHIEF EXECUTIVE OFFICER'S STATEMENT

CONTINUED

In 2022, Borouge launched 10 new products including a new random polypropylene packaging portfolio based on the new non-phthalate catalyst. The launch of these new PP products will facilitate phasing out of the existing phthalate catalyst while supporting our differentiation objective.

Borouge's Innovation Centre in Abu Dhabi works closely with its counterparts at Borealis. The Centre is critical to achieving our 2030 targets of 1mt/y in additional infrastructure solutions sales volumes from sustainable applications as well as 20% of consumer solutions sales that support the circular economy.

Over the year, we also added 12 new strategic partnerships with recycling companies across seven countries, and launched several fully recyclable solutions. Additionally, we are switching to more durable and environmentally friendly recycled plastic pallets in our logistic operations.

We established a partnership with Etihad Rail to transport 1.3mt/y of polymers to export customers. This arrangement will optimise our logistics platform, lowering both operating costs and carbon emissions.

Borouge teamed up with distribution and recycling company Ravago in 2022 to re-compound polyolefin by-products for value-added manufacturing applications, re-using traditionally wasted material and reducing our carbon footprint.

Our world-class polyolefin production plant grew its capacity by 10% in 2022, due to the new PP5 unit.

BOROUGE'S DIRECT MARKET ACCESS MAINTAINS STRONG CUSTOMER RELATIONSHIPS

Our operations and marketing benefitted from customer proximity and direct access to our target markets, facilitated by our 12 logistics hubs. Borouge maintained its progress towards offering a more diversified and sustainable portfolio, launching new products and adding recycled polyolefins while continuing to deliver growth. This approach resulted in our highest-ever annual sales volumes.

We sold an increasing proportion of our products into the infrastructure solutions market, with September 2022 the strongest volume ever achieved in a single month. Specifically, sales volumes of PE100, a key premium product used in infrastructure applications, contributed positively to the overall sales mix outcome.

Constantly enhancing how we serve our customers is central to our business case, and we apply innovative thinking and best-in-class technology to drive continuous improvement.

OUR PEOPLE REMAIN CORE TO OUR PROGRESS

At Borouge, we work together to make the Company an employer of choice and a great place to work. We are committed to attracting, developing and engaging the best possible talent and creating a diverse and dynamic corporate culture that creates long and rewarding careers for our people, while supporting diversity and inclusion.

In 2022, we brought world-class talent into key roles, which supported our IPO success and will continue to power growth moving forward. We also reinforced our commitments to supporting the development of our national Emirati talent and increasing our female workforce, which I am pleased to note now comprises 27% of management positions.

Employee engagement is supported by ongoing wellness programmes which aim to promote a healthy and engaging working environment. HSE is central to our corporate culture, and was bolstered through integrated programmes, including our culture of CARE, which is underscored by five values: progressive, collaborative, responsible, respectful, and efficient.

BUILDING ON OUR SUCCESSES IN THE YEAR AHEAD

We will continue positioning Borouge for growth in 2023, adding to our financial strength, advancing operational efficiencies and reinforcing the Company's product differentiation and innovation.

Borouge will continue to make substantial, meaningful strides towards greater participation in the circular economy by further embedding sustainability across the business. We operate a young and well-maintained asset base with limited maintenance and capital expenditure levels, which further enhances our production capacity. We are a global leader with an exceptionally strong track record, operating a highly attractive polyolefins production platform in a robust industry environment.

In response to the prevailing market challenges and to sustain our competitive positioning, we launched our Value Enhancement Programme, focused on high-impact cost efficiency initiatives and revenue optimisation. The programme targets a \$400 million positive impact to EBITDA in 2023, most of which is expected to be achieved during the second half of the year, offsetting anticipated market pressures. Thereafter, Borouge expects to sustain this positive EBITDA impact from 2024, versus a full-year 2022 baseline.

We are also exploring growth opportunities through international expansion. These will be focused on geographies and markets that support our existing strategic priorities and will be aligned with our disciplined approach to capital allocation.

WITH THANKS

I express my appreciation and gratitude to Borouge's Board of Directors for their invaluable guidance during this remarkable year. Additionally, to ADNOC and Borealis who continue to provide immense support across our business.

The many achievements of the year, especially in light of the macroeconomic environment in which we operated, were driven by the expertise of our Executive Committee, our highly experienced management team, and delivered by our dedicated and committed employees. I am grateful for all your contributions. You are the engine of our success.

We express our appreciation to all our new shareholders for your participation in our IPO and your continued support. We remain committed to building a business that will reward your investment with sustainable and competitive returns.

Finally, our partners and valued customers deserve enormous credit for their part in our success. I look forward to many years of collaboration as we keep true to our value creation mission, enabling a brighter and more sustainable tomorrow.

OUR COMPETITIVE ADVANTAGE

Creating Long-Term Value

As a trusted global leader in premium polyolefins solutions, Borouge is ideally placed to leverage its strengths and competitive advantages to continue to grow and create sustainable value for our shareholders and all our stakeholders.

Investment case



Global polyolefins platform with advantaged cost position building on world-class facilities

We own and operate one of the largest single-site integrated polyolefins platforms, with annual production capacity of 5mt/y. Growth in scale has been achieved while maintaining industry-leading levels of asset reliability and operational excellence. All mega project expansions have been delivered on time and on budget. The next chapter in our growth story is Borouge 4*, which will add 1.4mt/y of polyethylene capacity to the platform by 2025.

Our strong financial performance benefits from a first quartile position on the global cost curve. This is driven by: competitively priced long-term feedstock contracts with security of supply with our major shareholder; a young asset base with 90% of assets under 12 years old; and one of the largest single-site polyolefins integrated complexes, offering significant economies of scale.



Powered by Borstar® technology and enhanced by direct access to market

Leveraging the proprietary Borealis Borstar® technology is a key component in our sustainable competitive advantage, enabling the production of polyolefin grades with special properties and superior processability. We drive continuous innovation across all areas of our business, and global innovation network, headquartered in Abu Dhabi, UAE.

Technological differentiation is complemented by a strategically located marketing footprint across target geographies. This is made possible by strong direct sales channels in Asia Pacific, the Middle East and Africa, to which 90% of sales volume is delivered – a much higher portion than the industry average. Distribution capability is further strengthened by a network of logistics hubs in nine international locations, as well as an operating partnership with Abu Dhabi's Khalifa Port.

* Borouge 4 was carved out from Borouge Plc prior to the IPO and is intended to be re-contributed into Borouge by the end of 2025. The Borouge 4 project is being fully managed by Borouge on behalf of the project owners, ADNOC and Borealis.



Robust industry environment with strong long-term demand growth

We serve high growth markets in Asia, the Middle East and Africa, which account for 68% of the global polyolefins demand and are expected to account for 86% of the forecast global growth between 2022 and 2026. Demand in our focus markets is expected to outstrip supply and outpace GDP growth.

Our customer solutions address global megatrends, including expanding populations and the rapid growth of emerging economies, ecommerce, food waste and scarcity, circular economies, water access and sanitation, and energy transition. These megatrends contribute to higher demand for our products through both traditional material substitution and new applications.



Leader in premium polyolefin solutions commanding premium prices

Differentiation and value-add of our products are directly reflected in our realised prices, which command healthy premiums above benchmarks. This unique positioning is further supported by the strength of our direct sales channels, which also enable the generation of premiums, with consistently superior quality solutions based on customer engagement and feedback.



Strong financial profile and reliable through-the-cycle dividend capacity

Our industry-leading financial performance reflects our unique competitive positioning. Resilient sales volumes have resulted in healthy revenue and EBITDA generation over time. Strong top- and bottom-line performance is driven by our scale, premium products and track record of reliability. This is demonstrated by through-the-cycle profitability, high margins relative to peers, and strong cash flow generation allowing for ample dividends to shareholders.



Sustainability focus and commitment to drive industry transition

Our sustainability ethos, transparent reporting and long-term, ambitious environmental efficiency targets in our operations set us apart in our industry. Our solutions are safe, durable, lightweight and are found on applications which address global challenges, such as food security, improved healthcare, access to energy, water and sanitation.

We continuously invest in innovation to strengthen our competitive advantages and improve the quality and sustainability of our products.

MARKET REVIEW

Robust fundamentals in our core markets, combined with our sales and operational excellence, helped us produce a resilient result in 2022, despite challenging industry and market conditions experienced in the second half of the year.

Macroeconomic and political factors that shaped 2022

In early 2022, the global economy was emerging from many of the constraints imposed by the pandemic lockdowns across the world. Returning positive sentiment was short-lived, however, with the eruption of geopolitical tension between Russia and Ukraine, which pushed oil and energy prices higher from February onwards. Supply chain disruptions continued until the third quarter.

At the same time, while demand for polyolefin products returned in the first half of the year, supply also increased as new plant capacity, albeit delayed by the pandemic, came onstream. Nonetheless, Borouge leveraged its position as a quality polyolefin supplier with a robust logistics network and an extensive sales footprint to notch up strong sales at premium pricing, while also achieving volume growth with the start-up of our PP5 facility.

The second half of 2022 has seen price pressures on the polyolefin industry, as market remained subdued. Despite the challenges, Borouge managed to sell volumes produced through our well-balanced product portfolio and strong presence across wide geographies, demonstrating agility to adapt our tactics in dynamic market conditions.

Borouge will benefit from significant growth in target markets

Polyolefins are versatile, thermoplastic products suitable for a broad spectrum of applications, from domestic products and perishable food to major infrastructure projects, agriculture, vehicles, and the medical sector.

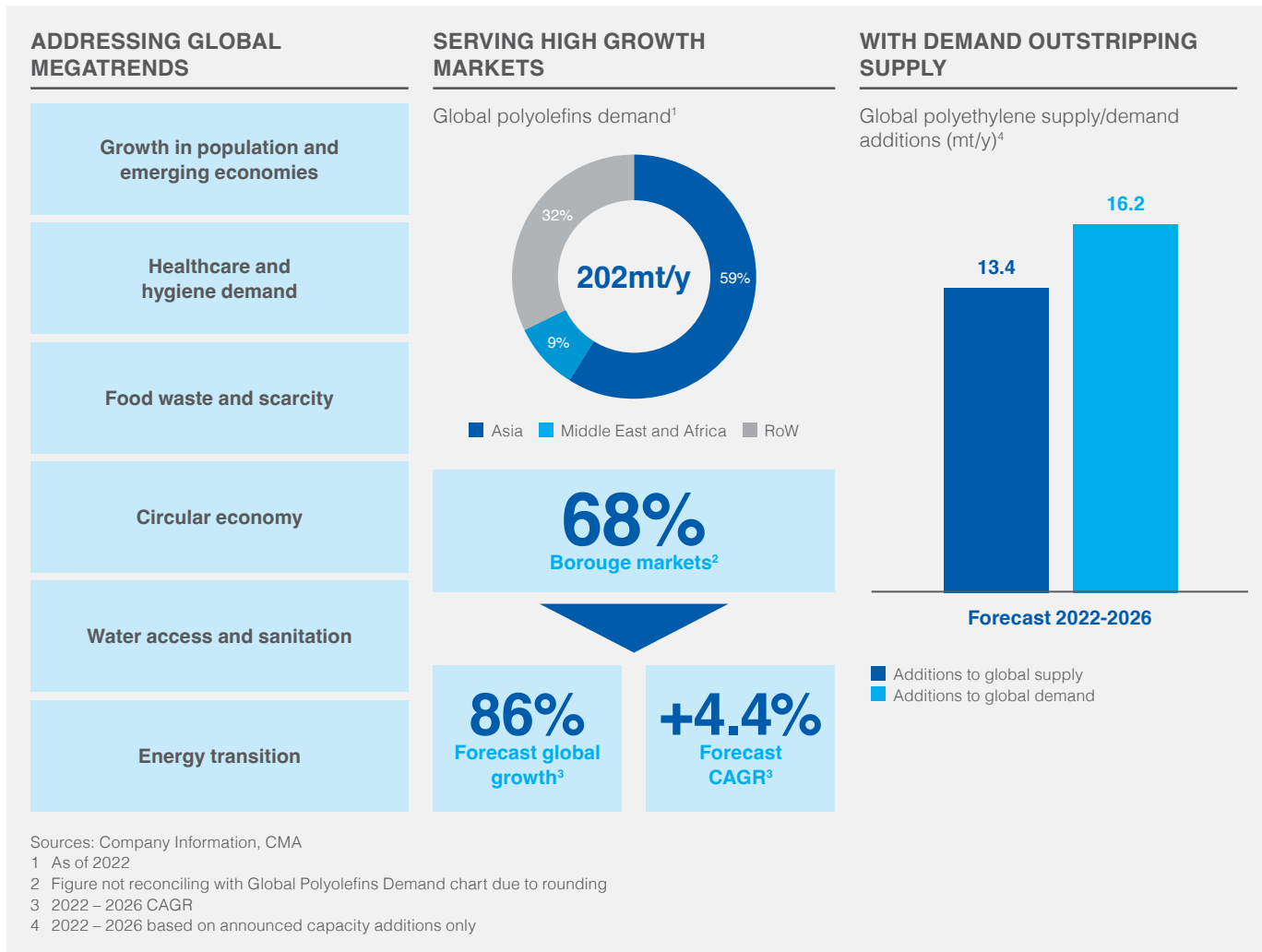
In our Asia Pacific, Middle East and Africa markets, several fundamental changes are supporting expanding demand for our polyolefin products.

Rapid urbanisation and industrialisation in China, Southeast Asia, and the Indian subcontinent are fuelling requirements for polyolefin products, while the focus of the Gulf Cooperation Council (GCC) is in new downstream and manufacturing sectors, diversifying their economies and increasing their need for polyolefin products.

Many infrastructure projects in rural and urban areas in China, India and the GCC, put on hold during the COVID-19 pandemic, have restarted, leading to growth in demand. Further, as these economies improve the living standards of their populations, a larger urban-based middle class emerges with higher spending power, and the desire for consumer goods will rise. This will shift consumption patterns towards higher value products and more durable goods, fuelling demand for polyolefin-based components and packaging.

Borouge's target markets are expected to continue to drive global demand

ASIA AND MEA EXPECTED TO ACCOUNT FOR 86% OF GLOBAL POLYOLEFINS (PO) DEMAND GROWTH



Water sanitation and access are being improved in many of our target markets, requiring the installation of large, durable, and high-performance polyolefin piping for water distribution, and reliable sewage and wastewater pipes for drainage. Similarly, infrastructure investment in the transition to renewable energy options depends on power transmission cables, sheathed in polyolefin products, for new distribution networks and undersea cabling to connect to offshore wind platforms.

The evolution of the automotive industry to hybrids and electric vehicles in these markets requires lighter materials, including polyolefins, to improve energy efficiencies.

Another growing opportunity for Borouge is the provision of better healthcare and improved hygiene in emerging economies, creating demand for advanced polyolefin grades for medical appliances, devices, and protective equipment and apparel.

The cumulative effect of these trends is a substantial economic growth forecast for these markets, which has a knock-on impact on our products. With our target markets accounting for 68% of global demand for polyolefin products in 2022 and 86% of the demand growth between 2022 and 2026, we expect this will generate 4.4% CAGR growth in sales of polyolefins in the same period.

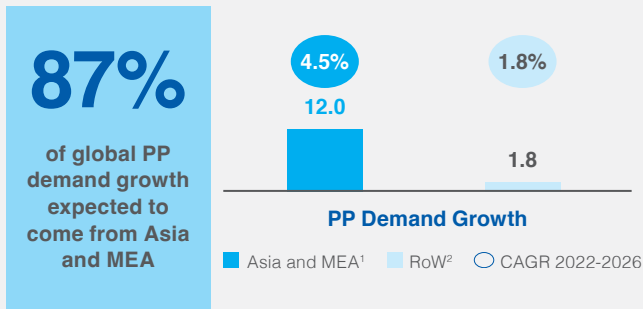
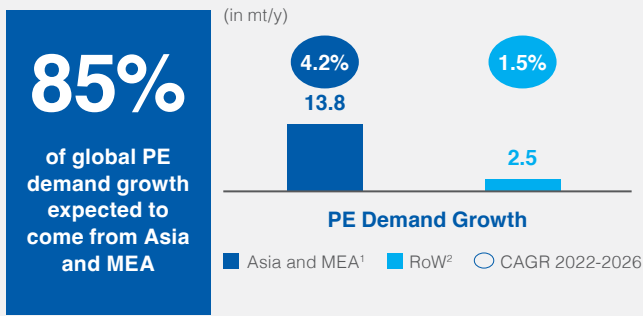
MARKET REVIEW

CONTINUED

Robust industry environment with strong demand growth

TARGETING THE LARGEST AND FASTEST GROWING MARKETS

EXPECTED PO DEMAND GROWTH OVER 2022-2026



Source: CMS
 1 Middle East and Africa
 2 Rest of the world

REGIONAL KEY GROWTH DRIVERS

Industrialisation

- Acceleration of industrialisation in China, Southeast Asia and the Indian subcontinent and subsequently rising demand for polyolefins
- Downstream and manufacturing industries development in the GCC countries to diversify the economy from hydrocarbons

Investments in infrastructure

- Resumption of investment in infrastructure in China and India and in the GCC countries, both urban and rural areas
- Development of a broadband network in India's rural areas

Urbanisation

- Increased migration to cities and subsequent urban development in China, Southeast Asia, and the Indian subcontinent
- Significant construction and renovation of urban pipeline network in China

Rising middle-class





- Higher spending power has further expanded the market for consumer goods in China, Southeast Asia, and the Indian subcontinent

In the long term, we anticipate that growing demand, strong macroeconomic fundamentals, new global trends, and the emergence of new applications will underpin solid growth in our product volumes.

Specifically, Borouge's key markets in Asia Pacific are expected to continue being a net polyolefins importer, as positive drivers such as expanding infrastructure and the shift to renewable energy absorb much of the additional product manufactured.



Polyolefins outlook supported by growing demand, strong fundamentals and high oil prices

Polyolefins growth supported by strong fundamentals		PE	PP
 <p>Positive demand growth outlook driven by global megatrends and new applications</p>	<p>+3.3% CAGR 2022-2026 forecast</p>	<p>+3.8% CAGR 2022-2026 forecast</p>	
 <p>Continued import demand growth from Asia as a key economic growth engine globally</p>	<p>76.7mt/y 2022-2026 cumulative net import forecast</p>	<p>2.2mt/y (15.1mt for ISC) 2022-2026 cumulative net import forecast</p>	
 <p>Strong market fundamentals as demand expected to absorb additional supply</p>	<p>84% Average operating rates over 2022-2026 forecast</p>	<p>82% Average operating rates over 2022-2026 forecast</p>	
 <p>High oil price environment supporting polyolefins product prices and increasing production costs for competitors</p>	<p>\$85/bbl 2021-2022 average vs. \$58/bbl average over 2018-2020</p>		

Sources: CMA, Company information

OUR BUSINESS MODEL

Sustainable Value Creation for our Stakeholders

Our business model differentiates Borouge in our sector and unlocks sustainable value for all our stakeholders through the strength of our people and commitment to continuous innovation.



Inputs

Operational scale

5.0mt/y polyolefin capacity

Young asset base

90% of capacity is less than 12 years old

Borstar® technology

powering innovation

Differentiated products

estimated 80% of total sales

Long-term feedstock agreement

in place with ADNOC until 2057

Nearly 25 years of experience

delivering exceptional shareholder returns

Trusted brand

to our customers, employees, suppliers and partners

Unlock sustainable value...

What we do

We are a leading petrochemical company that provides creative polyolefin solutions for a wide range of industries.

Sustainability sits at the heart of our business



How we make a difference



EXPERTISE

100+ scientists, researchers and technicians to drive innovation.



RESEARCH LABS

25 polymer research labs for analysis, processing and application testing.



NEW PRODUCT INNOVATION

More than 25% of Borouge's annual sales volume is derived from new product innovations.



PATENTS

Borouge has filed more than 1,000 patent applications.



ADDRESSING GLOBAL CHALLENGES

Our solutions are safe, durable, lightweight and are found on applications which address global challenges, such as food security, improved healthcare, access to energy, water and sanitation. We are also growing our circular solutions and innovation for differentiated sustainable solutions everyday.



For all our stakeholders...

Our Shareholders

39%

Adjusted EBITDA margin

\$975m

2022 Post-IPO cash dividend

Our People

312,000

Staff training hours

Our Customers

92%

Asset reliability

Our Communities and Environment

657

Volunteer hours

OUR STRATEGY

A recognised leader in creative polyolefins solutions that have a positive impact on society today and tomorrow.

Growing portfolio of differentiating solutions

Growing circular economy solutions

Value accretive capacity expansion projects

Growth



Excellence

HSE and operational excellence


Innovation excellence

Commercial excellence

THEMES	DESCRIPTION	WHAT WE DID IN 2022	PLANS FOR 2023 AND BEYOND
 EXCELLENCE			
HSE and operational excellence	<ul style="list-style-type: none"> HSE focus through site-led improvement programmes reflecting safety priorities Emphasis on maintaining high operational reliability while growing production and capacity Operational and capex costs optimisation to drive attractive margins and shareholder returns Strong ESG track record 	<ul style="list-style-type: none"> Launched our operational excellence programme focused on three key pillars: (i) process safety and asset reliability, (ii) energy efficiency, and (iii) cost optimisation Evaluated shipping costs to ensure operational excellence to reduce costs Conducted an in-depth exercise to determine the key priorities in ESG 	<ul style="list-style-type: none"> Explore opportunities under our energy efficiency pillar (as part of our operational excellence programme) to integrate renewable electricity in our operations Maintain our track record in HSE and ESG indicators
Innovation excellence	<ul style="list-style-type: none"> Proprietary Borealis Borstar® technology yields superior product properties Strong focus on innovation, further complemented through collaboration with Borealis Development of sustainable solutions 	<ul style="list-style-type: none"> Launched 10 new products through innovation pipeline 26% of sales from new products Established Packaging Centre of Excellence (PCoE) in Abu Dhabi Supported our Circular Economy Solutions (CES) growth objectives Partnered with Borealis in product development, focusing on areas such as polymerisation 	<ul style="list-style-type: none"> Establish modelling and simulation competence, to aid polymer design, application design, and testing Enhance value through our PCoE to develop and commercialise circular packaging solutions Prioritise our partnership with Borealis, and extend collaboration in other areas like digitalisation
Commercial excellence	<ul style="list-style-type: none"> Provide high-value differentiated solutions across the largest and fastest growing markets Leverage direct sales network to build intelligence and tailor products to meet customer demand Implement dynamic business management to achieve optimal margin realisation 	<ul style="list-style-type: none"> Infrastructure solutions accounted for 46% of sales revenue, with focus in durable and reliable pipe solutions, such as pressure pipes for gas and water Created polyethylene and polypropylene packaging solutions for high-performance applications Launched Borouge Commercial Academy Rolled out Revenue Optimisation Programme to support margin growth 	<ul style="list-style-type: none"> Continue agile tactical adjustment and dynamic balancing to address market situation Improve Customer Experience through digitalisation
 GROWTH			
Growing portfolio of differentiating solutions	<ul style="list-style-type: none"> Grow sales in Energy & Infrastructure segment, driven by increase in pressure pipes Grow sales in Agriculture segment Grow sales in specialised PP copolymers Ensure safe and smooth start-up of new assets 	<ul style="list-style-type: none"> Established our new fifth polypropylene unit PP5, increasing polypropylene production capacity by 480kt/y, i.e. 25% Increased infrastructure solutions sales to maintain our market leadership Increased agriculture product sales and supported farmer communities in key markets 	<ul style="list-style-type: none"> Continuously enhance product portfolio in differentiated segments
Growing circular economy solutions	<ul style="list-style-type: none"> Borouge Circular Economy Strategy and recycling roadmap development Develop partnerships and commercialisation of recyclates offerings Develop and promote recycling friendly design concepts and increase sales of Borouge virgin material participation in such applications Promote awareness through advocacy and communication 	<ul style="list-style-type: none"> Obtained the Global Recycled Standard certification for our work on recycled polyolefins Increased partnership footprint to cover all regions (APAC and MEA), and established network of 12 recycling partners across seven countries Continue our efforts to promote sustainable design solutions, particularly for mono-material polypropylene and polyethylene packaging Conducted 13 Polymers on the Move (POTM) outreach events for students, and participated in 17 external seminars and exhibitions Published 29 success stories relating to sustainable application development 	<ul style="list-style-type: none"> Support Circular Economy Strategy and increase circular product sales to 20% of consumer solutions by 2030 Through Design for Recyclability (DfR) initiative, increase innovative solutions via product design Develop partnerships in the MEA for recyclates, specifically for waste material from Borouge plants Continue to promote POTM outreach events
Value accretive capacity expansion projects	<ul style="list-style-type: none"> Borouge 4 development aligned with Borouge 2030 Strategy Increase total polymer production from 5.0 mt/y to 6.4mt/y 	<ul style="list-style-type: none"> Borouge 4 was carved-out at the time of listing to mitigate construction risk for investors Borouge 4's engineering procurement and construction phase (EPC) is ongoing, and project is on track to be completed as scheduled in 2025 	<ul style="list-style-type: none"> Ensure project is on track and meeting HSE standards

OUR STRATEGY

CONTINUED

THEMES	DESCRIPTION	WHAT WE DID IN 2022	PLANS FOR 2023 AND BEYOND
 IDENTITY			
Strong and cohesive identity and culture	<ul style="list-style-type: none"> Performance-driven culture with continuous development of workforce productivity Key contributor to national talent development initiatives 	<ul style="list-style-type: none"> Borouge Talent Acquisition team made significant efforts in the area of youth talent development and was recognised with an ADNOC internship award Borouge won Overall HR Excellence Award 2022, Best HR Team (Gold), Excellence in Leadership Development (Gold), and Excellence in Talent Management (Gold) in Asia Pacific Borouge's technical Academy conducted 17 sessions with 521 participants Established a council which identified skills gaps and created development programmes to support upskilling of employees 	<ul style="list-style-type: none"> Boost momentum of value-added initiatives by launching the Tamkeen programme in 2023 (integrating diverse internal initiatives such as Accelerate 100X, future-proofing, people-first culture and positive disruption into the ADNOC-based Youth Development Programme (YDP)) Launch new programme to strengthen leaders' engagement, and collaboration Establish female engineer talent mobility programme Establish Aspiring Ladies Programme designed to enhance behavioural skills Increase awareness about performance and rewards by engaging employees and line managers
Corporate citizenship and ESG commitment	<ul style="list-style-type: none"> Continue to collaborate with communities and employees to strengthen our relationships, accountability, and reputation Strong history of supporting our local communities and fostering long-term and mutually beneficial partnerships and social initiatives 	<ul style="list-style-type: none"> Ran several CSR programmes, impacting more than 4,800 people in the regions we operate Opened dialogue with the community about the value of plastics and the importance of circularity Borouge employees provided more than 830 hours of volunteering in a wide range of programmes Committed to the AI Ruways Environmental Sustainability Programme (RESP), a multi-year environmental programme, which aims to enhance the sustainability of operations by reducing flaring, emissions, waste generation, water and energy consumption 	<ul style="list-style-type: none"> Continue progressing the RESP Launch 2023 ESG strategy Increase our community engagement programmes focused on boosting outreach and greater positive impact Continue to explore the technology landscape and potential opportunities for further decarbonisation
Borouge branding	<ul style="list-style-type: none"> Recognised leader for innovative polyolefins solutions Drive the plastic industry transition and enhance sustainability 	<ul style="list-style-type: none"> Launch of brand profiling campaign to boost awareness about Borouge Worked closely with industry as part of expanding scope of work as a publicly listed company Participated in local and global industry events to reinforce positioning as a global petrochemical leader Established financial communications and social media strategy to strengthen involvement and improve targeting of strategic audience 	<ul style="list-style-type: none"> Continue to work on our branding strategy and strengthen the brand vis-a-vis our customers and key segments in which we operate Launch integrated campaign celebrating Borouge's silver jubilee Launch our 2022 sustainability report Re-launch English and Arabic websites

OUR STRATEGY IN ACTION

Circular economy – Recycling Partnerships

Borouge has 12 partnerships with leading recycling companies in seven countries serving its customers across the Middle East and Asia Pacific markets.

Establishing recycling partnerships underlines Borouge's ongoing commitment to the circular economy

These partnerships reflect Borouge's commitment to making a positive impact on society by being able to offer recycled products, complementing its efforts to support customers and collaborate with value chain partners to produce sustainably and efficiently.

Borouge has set ambitious targets to cater to the increasing demand from the industry for sustainable solutions. To this end, we are designing and developing consumer and infrastructure solutions in the Borouge Innovation Centre in Abu Dhabi. Borouge is also working to develop a robust eco-system to drive and advocate for sustainable recycling capabilities.

The partnerships allow Borouge to expand its offering of recycled products to meet increasing demand for sustainable polyolefin solutions

The mechanically recycled polyolefins, sourced through these partnerships, are put through Borouge's stringent trials and qualifications in the Packaging Centre of Excellence in Abu Dhabi to ensure suitability and compatibility for various applications. These recycled polyolefins can be used on their own or blended with other grades, including Borouge's prime Borstar® and Anteo™ polyolefin grades, to produce high performance solutions. Target applications include consumer bottles and caps, industrial packaging, collation shrink, transport packaging, thin wall molding, houseware, and home appliances.

Circular Economy Solutions (CES) have been a key focus at Borouge in recent years, and 2021 marked one of our most significant milestones when we made our first commercial sale of recycled polyolefins in October 2021.

Obtaining the Global Recycled Standard (GRS) certification

Borouge has also obtained the Global Recycled Standard (GRS) certification to trade recycled polyolefins. The GRS is a third-party certification of recycled content and chain of custody, providing assurance to customers on the authenticity and quality of recycled polyolefins.



Borouge is also working to develop a robust eco-system to drive and advocate for sustainable recycling capabilities.”

Borouge's first commercial sale of recyclates in China



OUR STRATEGY IN ACTION
CONTINUED

Growth – Borouge 4

Breaking ground of Borouge 4 plant, making Borouge the world's largest single-site polyolefin complex.

In February 2022, His Highness Sheikh Hamdan bin Zayed Al Nahyan, the Ruler's Representative in Al Dhafra Region, witnessed the breaking ground ceremony of the USD 6.2 billion (AED 22 billion) Borouge 4 facility at the Company's polyolefin manufacturing complex in Al Ruways Industrial City, Abu Dhabi.

Borouge 4 was carved out from Borouge PLC prior to the IPO and is intended to be re-contributed into Borouge by the end of 2025.

Managed by Borouge on behalf of the project owners, ADNOC and Borealis, the Borouge 4 project will utilise the third generation of Borealis' proprietary Borstar® technology, to produce a product portfolio focused on durable applications for energy, infrastructure, sustainable packaging, and agriculture sectors.

Borouge 4 will also include building Borouge's second cross-linked polyethylene (XLPE2) unit which will double the Company's annual production of XLPE compounds that are critical for energy and mobility sectors.

Borouge 4 to boost total production capacity to 6.4mt/y in 2025

Scheduled to be operational by the end of 2025, the plant will produce 1.4 million tonnes of polyethylene annually, boosting the Company's total annual polyolefin production to 6.4 million tonnes per year and making Borouge the world's largest single-site polyolefin complex.

The major construction works of the Borouge 4 project started in July 2022 with more than 25% of the total materials and equipment of the complex to be made in the UAE. The project underscores Borouge's commitment to operational

excellence and ambitious future growth and is a testament to Borouge's capability to successfully execute a world-scale complex and large project, together with its majority shareholders ADNOC and Borealis.

Borouge 4 to supply feedstock to TA'ZIZ Industrial Chemicals Zone supporting UAE industrial growth

Borouge 4 will play a significant role in meeting the projected growth of customers' demand for polyolefins in the Middle East, Africa and Asia Pacific. It will also provide critical feedstock that will enable the TA'ZIZ Industrial Chemicals Zone in Al Ruways, to enhance local industrial supply chains and boost In-Country Value opportunities. The project marks a major milestone in ADNOC's downstream and industry expansion and will play a significant role in boosting the UAE's economic diversification, in line with the Leadership's directives.

Borouge 4 cornerstone



Scheduled to be operational by the end of 2025, the plant will produce 1.4 million tonnes per year of polyethylene, boosting the Company's total annual polyolefin production to 6.4 million tonnes per year and making Borouge the world's largest single-site polyolefin complex.”

Growth – PP5

Borouge's fifth polypropylene unit supports its strategic growth and meets growing global demand for readily recyclable material.



Borouge's PP5 project has successfully achieved an In-Country Value score of more than 60%, indicating the level of sourcing from UAE companies and made in the UAE content. All steel structures, piping and fittings were procured in-country."

Borouge started-up its fifth polypropylene unit (PP5) in Al Ruways Industrial City in Abu Dhabi in February 2022, boosting the UAE's production of polypropylene.

A new milestone in Borouge's 2030 growth journey

PP5 is another successful milestone in the ongoing journey to achieve Borouge's 2030 growth strategy and support the downstream activities enabling the UAE's long-term industrial growth and economic diversification.

The additional 480,000 tonnes per year produced by the new unit increases Borouge's polypropylene production capacity by more than 25% to 2.24 million tonnes per year, and its total polymer capacity of polyolefins by 10% from 4.5 to 5 million tonnes per year. PP5 has enabled Borouge to meet its customers' increasing demand for polypropylene

solutions, especially in the packaging and infrastructure sectors across our key markets in the Middle East, Asia Pacific and Africa.

PP5 helps customers meet their circular economy commitments and drive total cost benefits

PP5 will strengthen Borouge's offering of sustainable, innovative, and differentiated products to meet emerging demand.

Polypropylene will be used by customers and value chain partners to manufacture recyclable packaging and to create pipes that are strong, durable and lightweight, for the infrastructure sector.

PP5 enabled Borouge to provide solutions that drive total cost benefits for customers by leveraging Borstar® technology to deliver unparalleled cycle time improvements, reduced warpage, and energy efficiency.

PP5 supports UAE In-Country Value programme and 'Make it in the Emirates' initiative

Borouge's PP5 project has successfully achieved an In-Country Value score of more than 60%, indicating the level of sourcing from UAE companies and made in the UAE content. All steel structures, piping and fittings were procured in-country. A total of 30% of all installed equipment, was made in the UAE and all subcontract services were sourced from the local market. PP5 also enables Borouge to play a role in achieving sustainable economic development in the UAE and unlocking new opportunities to 'Make it in the Emirates'.

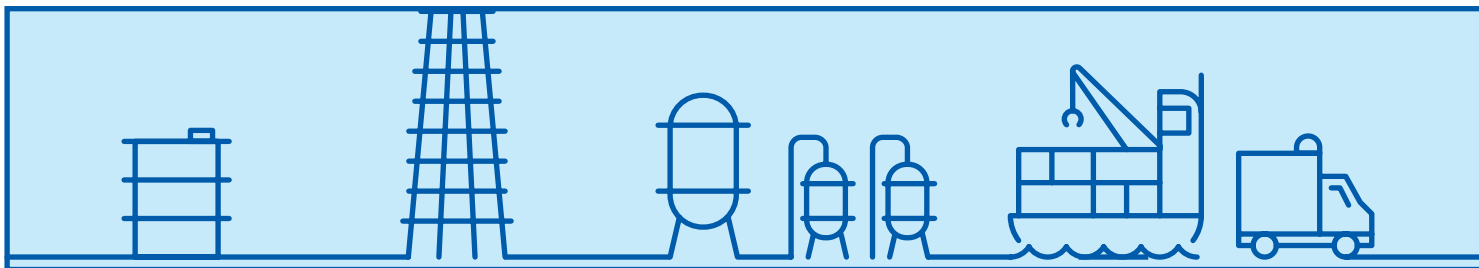


PP5 unit

OUR VALUE CHAIN

A world leading polyolefins player

– end-to-end value chain presence



FEEDSTOCK FROM ADNOC	OLEFINS PRODUCTION	POLYOLEFINS PRODUCTION	COMPOUNDING
Secure competitive feedstock from ADNOC	Optimise monomer production via safe and efficient operation of world-scale crackers	Maximise output of polymers based on business plan and prevailing market conditions	Produce value-added automotive-focused PP compounds in China
Secure supply of raw materials through competitive procurement	Manage asset integrity for long-term productivity	Differentiation at scale based on asset optimisation and technology	
Manage and store inbound raw materials dynamically	Apply digitalisation and adopt latest technologies in production and maintenance		
Supporting TA'ZIZ development through raw material supply		Explore and plan new polymerisation units for portfolio future-proofing	Design materials underpinning future of automotive applications at Shanghai Application Centre
Deploying energy efficiency initiatives and develop low carbon operations Monitor and minimise operational impact to the environment and biodiversity			

Production

Innovation

Sustainability and HSE

Borouge’s extensive footprint across the entire polyolefins value chain allows us to adopt a ‘system developer’ approach. With innovation and sustainability initiatives anchoring end-to-end production and marketing activities, Borouge is poised to remain an agile player and a responsible corporate citizen in the constantly evolving market landscape.



SALES AND MARKETING

DISTRIBUTION

RECYCLING

Maintain productive and value-laden customer experience in all Borouge regions

Engage with industry value chain partners via a coordinated approach

Improve and update commercial skillset via structured in-class and on-the-job training

Co-develop future products in regular customer workshops

Provide safe, durable, reusable, differentiated value-added products to society

Design and operate a resilient supply chain network with service partners

Manage order-to-cash process for a seamless customer experience

Champion supply chain transformation through network design and digitalisation

Ensure zero pellet loss in our distribution

Establish and coordinate a network of local recycling partners to provide recycle solutions

Evaluate various mechanical recycling and chemical recycling technologies for Borouge circular roadmap implementation

Develop Design for Recycling (DfR) solutions to enable recycling uptake

Conduct education and advocacy campaigns on plastics circularity

Foster prevention of waste leakage through CSR projects (e.g. Project STOP)

Marketing

Production



“

One of the key milestones we achieved in 2022 was the successful and safe start-up of our fifth polypropylene unit (PP5) in Al Ruways Industrial City. This unit will boost our annual polyolefins capacity to meet the growing global demand for our innovative polypropylene solutions. At Borouge, we operate a young and well-maintained asset base with limited maintenance capital expenditure levels which further enhances our production capacity. We remain committed to operational and commercial excellence, with a detailed efficiency enhancement strategy focused on safety, plant reliability and integrity, and cash flow optimisation.”

LOUIS DESAL

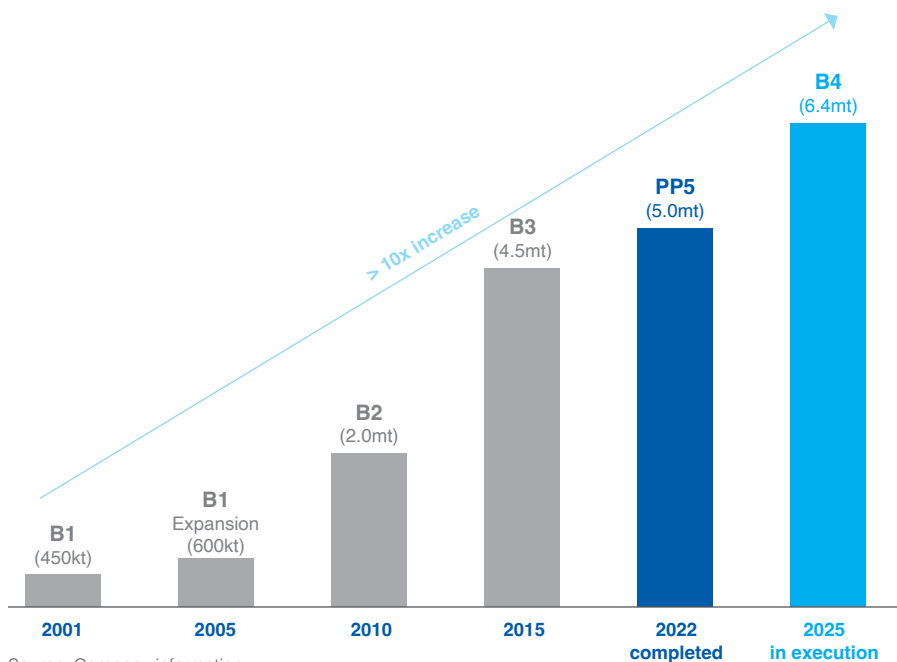
CHIEF OPERATING OFFICER

In 2022, the Borouge team continued to focus on safe and reliable operations while maximising production, from our world-class modern and young asset base. We secured the highest product quality while introducing a significant volume of new advanced and diversified grades. We delivered robust performance, with a 9% increase in production volume, high utilisation, and a new capacity benchmark with the successful PP5 start-up in quarter one.

Our petrochemical production site is a fully integrated production complex in Al Ruways, which consists of multiple integrated operating units. Launched in 2001, the Borouge complex in Al Ruways consists of our original plant (Borouge 1), followed by four expansions (Borouge 1 expansion, Borouge 2, Borouge 3 and PP5). Over the past two decades, Borouge has increased its production capacity of polyolefins tenfold.

With the start-up of PP5 in quarter one, the complex has a total polyolefins capacity of 5.0mt/y (approximately 2.8mt/y of polyethylene and approximately 2.2mt/y of polypropylene by end 2022), as illustrated in the graph below. Additionally, Borouge also owns and operates a Compounding Manufacturing Plant (CMP) in Shanghai, with a production capacity of approximately 90kt/y, focusing on advanced polypropylene-based compounds for automotive applications.

PRODUCTION CAPACITY (ANNUAL)



Source: Company information

1 Calculated as Total Available Hours (8,760 hours p.a.) reduced by the hours of non-availability divided by total available hours

Developed and funded separately by ADNOC and Borealis

ASSET RELIABILITY

92%

2022 overall run-rate¹

EXPANSION TRACK RECORD

Expansion	On time	On budget
B1	✓	✓
B2	✓	✓
B3	✓	✓
PP5	✓	✓

	Borouge 1		Borouge 2		Borouge 3		PP5	
Production capacity (annual)	PE 1	300kt	PE 3	700kt	PE 4	540kt	PP 5	480kt
	PE 2	320kt	PP 1	400kt	PE 5	540kt		
			PP 2	400kt	PP 3	480kt		
					PP 4	470kt		
					LDPE	350kt		
				XLPE 1	80kt			
Total production capacity (annual)	PE	620kt	PE	700kt	PE	1,510kt		
			PP	800kt	PP	950kt	PP	480kt

BUSINESS REVIEW – PRODUCTION

CONTINUED

In 2022, our total polyolefin production volume increased by 9% to 4.8mt/y supported by increased capacity from PP5 ramp-up and strong asset utilisation rates, particularly in the fourth quarter (close to 100% utilisation).

Our plants are young, well-maintained and highly reliable. 90% of our capacity is less than 12 years old and runs year-round with limited to no downtime. In 2022, we reached an overall asset reliability run-rate of 92% and achieved a record quality performance measured as FTR (first time right production) rate of 97%.

We make regular investments to keep our assets highly reliable and our plant turnarounds are scheduled with a five-yearly cycle. In 2022, we had a successful turnaround of Borouge 1 which was completed in the first quarter. The next turnarounds of Borouge 2 and Borouge 3 are scheduled for 2023 and 2024, respectively.

BOROUGE 1

Borouge 1 encompasses an ethylene plant with capacity of 620kt/y, a butene-1 plant with a capacity of 28kt/y and two swing bimodal high-density polyethylene and linear low density polyethylene units with a capacity of 225kt/y each using Borealis' proprietary Borstar® technology, which were later expanded to an aggregate capacity of 620kt/y in 2005.

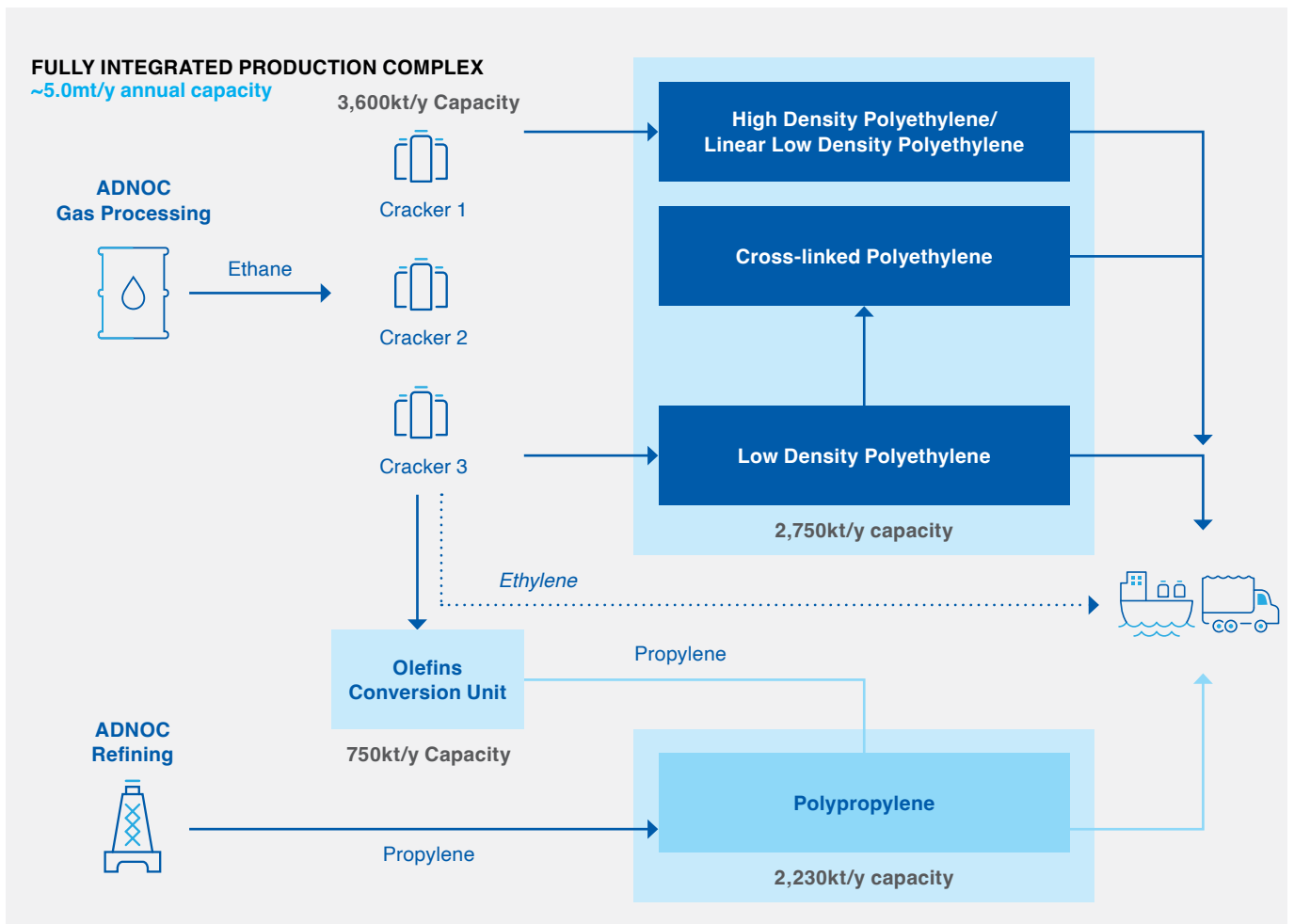
BOROUGE 2

Borouge 2 encompasses an ethylene plant with a capacity of 1,490kt/y, an olefins conversion unit producing 750kt/y of propylene and 39kt/y of butene-1, an additional swing bimodal high-density polyethylene and linear low density polyethylene unit with a capacity of 700kt/y using Borstar® technology and two polypropylene units each with a capacity of 400kt/y using Borstar® technology.

BOROUGE 3 AND PP5

Borouge 3 encompasses an ethylene plant with a capacity of 1,480kt/y, a butene-1 plant with a capacity of 28kt/y, two linear low-density polyethylene and high-density polyethylene plants with capacity of 540kt/y each, two Borstar® polypropylene plants with a capacity of 480kt/y and 470kt/y respectively, a low-density polyethylene unit with capacity of 350kt/y and a cross-linked polyethylene unit with a capacity of 80kt/y.

As of 31 December 2022, Borouge 3 now also encompasses our PP5 plant, which started-up in the first quarter of 2022, with a capacity of 480kt/y, increasing polypropylene production capacity to 2.2mt/y and total polyolefins production capacity to 5.0mt/y. The PP5 expansion enables Borouge to meet customers' demand for polypropylene solutions across key target markets in the Middle East, Asia Pacific and Africa.



By delivering the expansion project on-time and on-budget, which reinforces our reputation for operational excellence, we have further strengthened Borouge's offering of sustainable, innovative and differentiated solutions. Furthermore, PP5 achieved a 61% ICV score and a total of 30% of all installed equipment is made in the UAE.

BOROUGE 4

Borouge 4 is designed to encompass an ethylene plant with a capacity of 1,500kt/y, a hexene-1 plant with a capacity of 75kt/y, two high-density and linear low-density polyethylene plants each with a capacity of 700kt/y, and a cross-linked polyethylene unit with a capacity of 100kt/y. Borouge 4 was carved out from Borouge Plc prior to the IPO and is intended to be re-contributed into Borouge by the end of 2025 and will increase our total production capacity to 6.4 million tonnes per year. The Borouge 4 project is being fully managed by Borouge on behalf of the project owners, ADNOC and Borealis.

FEEDSTOCK FOR AL RUWAYS COMPLEX

Our feedstock contracts are priced competitively and run for a long-term, and our feedstock supplier is also our major shareholder thereby ensuring security of supply.

	Ethane	Propylene
Supplier	ADNOC Gas Processing	~50% from ADNOC Refining and ~50% from internal Borouge sources
Volume	No minimum off-take, no contractual cap	
Contract start date	Contracts entered in October 1998, with amendments to reflect the additional volume requirements	
Contract end date	Current Feedstock Supply Agreement until 2057, includes a re-pricing mechanism due to take effect in late November 2027, (pricing mechanism due to be reviewed again in June 2045)	

Source: Company information

PP5 – A KEY STRATEGIC PROJECT

Towards a brighter and more sustainable tomorrow



Excellence

24+ million safe man-hours during project execution

On-time and on-budget project delivery

Designed to deliver differentiated products at scale



Additional PP capacity of 480kt/y, increasing total polyolefins capacity to 5.0mt/y

Key products for new consumer and infrastructure applications

Solutions with improved recyclability design to enable a circular economy

Growth



BUSINESS REVIEW – PRODUCTION

CONTINUED

Record-breaking production volumes

2022 was a turnaround year for the Borouge 1 complex. Our asset base achieved the highest ever annual production volume in a turnaround year and highest ever production for our individual crackers EU2 and EU3. This was driven by our best ever overall reliability, as part of continuous improvements and pushing our production limits further.

For Polyolefins, we achieved the highest ever annual production of Borstar®, both for polypropylene, boosted by the PP5 expansion, and for polyethylene Borstar®. Several production units established new monthly records.

We also achieved the highest ever annual production volume in PE3, exceeding the new design name plate capacity by more than 10% in the first full year of production since the revamp project, which was executed in 2021.

In addition, during the Borouge 1 turnaround executed in 2022, several other projects were executed, which drove further operational performance improvements and secured safe operation over the next cycle.

Continuing to ensure operational excellence

Borouge's operational excellence programme seeks to further enhance efficiency and productivity by focusing on three key pillars:

Process safety and asset reliability	Energy efficiency	Cost optimisation
The process safety and asset reliability pillar encompasses site-led improvement programmes (reflecting site-specific process safety and reliability priorities), the reliability programme (focusing on the identification and elimination of risks proactively as well as on lessons learned) and on design for asset integrity and reliability.	The energy efficiency pillar encompasses energy efficient designs, an immediate focus on operational excellence supported by industry-leading monitoring tools, and the identification and pursuit of further efficiencies through select value accretive investments.	The cost optimisation pillar encompasses capital deployment optimisation (i.e., optimising capital expenditure and strictly reviewing controllable costs), a central procurement strategy and sharing of best practices.



Our operational excellence programme, leverages existing expertise across our platforms to share best practices, provide in-house technical support and cooperate with committees to implement preventative and predictive programmes, including assessment of end-of-life for equipment and associated systems.

It aims to achieve consistently higher utilisation rates, reduce energy consumption and in turn reduce greenhouse gas (GHG) emissions over the medium term (consistent with our emissions reduction target). It also seeks to optimise outside resourcing and maintenance costs by challenging capital expenditure plans, including turnarounds to improve efficiencies and to keep low maintenance capital expenditure levels.

Product differentiation and quality

We achieve significant economies of scale as we operate one of the largest single-site polyolefins integrated complexes globally. Further, Borealis proprietary Borstar® technology enables differentiation at scale, substantiating our competitive advantage with high asset reliability and first-time-right production while maintaining superior quality. As a result, we are both dynamic with our assets and flexible in our operations, thus fulfilling highest levels of customer expectations.

Prioritising Health, Safety and the Environment (HSE)

We foster a culture of zero harm at our production complex and across all our departments, as part of our commitment to provide a safe and healthy working environment. Our 100% HSE strategy focuses on HSE leadership from our employees as well as our contractor partners. Our safety programmes are designed to meet the highest international and industry standards to minimise potential risks to people, communities and assets.

We regularly train our employees to implement the industry's safest practices. We have one of the lowest total recordable injury rates in the industry, with a current rate of 0.24 injuries per million hours worked. We also averaged a lost time injury rate of 0.06 between 2007 and 2021, and 0.09 in 2022, which is in line with industry best-in-class. There was one incident in 2022 that resulted in three injuries. In addition, we had one case of medical treatment and another case of injury. None of these incidents resulted in any long-term consequences.

In the area of process there was one Tier 1 incident, which resulted in loss of primary containment. While the incident caused a longer unplanned stoppage of the unit, mitigating actions that functioned as per design prevented further significant impact to people and assets.

Through the adoption of international best practice frameworks and continuous learning, Borouge has developed a comprehensive health and safety management system. We are certified to ISO 45001:2018, ISO 14001:2015, and RC14001 standards, and undergo independent audits every three years. No major non-conformities were found during the last audit in 2020.

Production in 2023

In the year ahead, our production operations will develop and implement various strategic initiatives and priority projects to prepare for our future growth.

During quarter one of 2023, we have a scheduled turnaround in all assets of Borouge 2, during which all necessary inspections, preventive maintenance and reliability and energy improvement-driven projects will be implemented. During this scheduled turnaround, key tie-ins related to the Borouge 4 project will also be implemented.

Among other prioritised projects and studies planned for 2023, we are focusing on key milestones related to operational readiness for Borouge 4, enhancement of internal butene-1 availability and waste and water management improvements. We will continue to prioritise minimising our carbon footprint as part of our Energy Roadmap 2030.

Sales and Marketing



“

We market our differentiated products in over 50 countries across the Middle East, Asia Pacific and Africa. We see continued strong demand in our core markets compared to other global markets and remain optimistic of our leading position, our ability to drive value and quality for customers, and to deliver attractive returns to our shareholders.”

RAINER HOEFLING
CHIEF MARKETING OFFICER

Borouge maintained momentum towards a more diversified and sustainable offering by launching new products and adding recycled polyolefins to our portfolio, while continuing to deliver growth in our core differentiated business and achieving our highest-ever overall annual sales volumes.

In 2022, Borouge continued to deliver differentiated products to our customers, focusing on more durable applications, infrastructure and circular economy solutions.

Through our best-in-class, global Sales and Marketing operations, we achieved a significant increase in pipe sales by continuing to work closely with our customers and innovating to adapt to their requirements,

while launching new and innovative products in a range of sectors, including agriculture, energy and mobility.

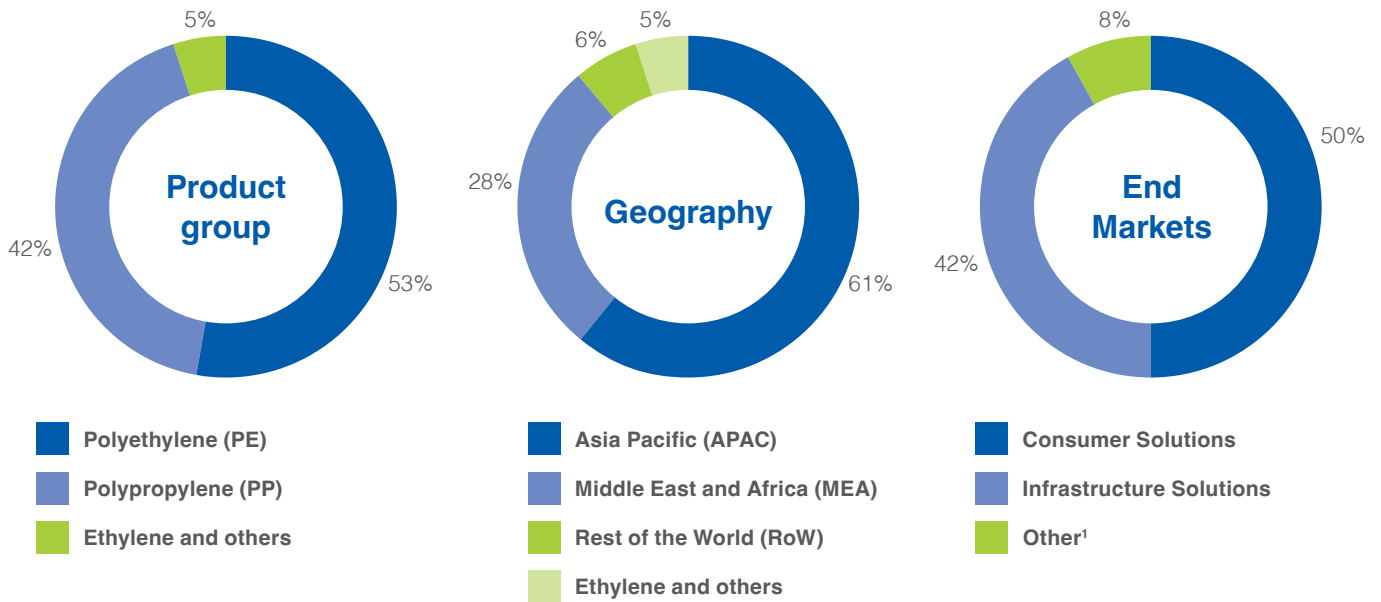
As a result, we continued to achieve attractive and consistent price premia across our portfolio, over industry benchmark prices.

Our PP5 expansion came online in early 2022 and ramped up production throughout the year. Through close and continuous

engagement with customers, the sales team was able to sell out the products from the expanded capacity with the desirable value.

We also took a major step towards the circular economy by introducing recycled polyolefins into our portfolio. We can now offer virgin polyolefins from AI Ruways and recycled products through our partners across our geographical footprint.

Segmental Volumes Split (2022, 5.1mt)



¹ Consists of mobility and ethylene and others

BUSINESS REVIEW – SALES AND MARKETING CONTINUED

Differentiated products yielding premium prices

We define differentiated products as those having high technical performance, high barriers to entry, high premium (consisting of at least \$100 per tonne above the relevant benchmark) and high growth market opportunity.

Based on the above, we estimate that approximately 80% of our polyolefin products are differentiated. This has been achieved through our integrated go-to market approach driving customer value-add, our use of the Borstar® technology (which comprises advanced processability and mechanical properties with a high degree of recyclability) and our continual striving for innovation through the development of new product grades and applications.

The tables opposite set out the polyolefin realised prices relative to polyethylene and polypropylene benchmarks for the three-year period from 2020 to 2022 and our over-the-cycle premia guidance.

Polyethylene	2020 \$/tonne	2021 \$/tonne	2022 \$/tonne
Borouge PE average realised price ¹	981	1,421	1,318
PE product benchmark ²	859	1,087	1,007
Borouge PE premium to benchmark	122	334	311

**\$200/
tonne**

Over-the-cycle premia guidance

Polypropylene	2020 \$/tonne	2021 \$/tonne	2022 \$/tonne
Borouge PP average realised price ¹	1,004	1,313	1,222
PP product benchmark ²	907	1,166	1,014
Borouge PP premium to benchmark	97	147	208

**\$140/
tonne**

Over-the-cycle premia guidance

¹ Average sales price, equal to gross revenue over sales volume i.e. including commissions

² Benchmark prices represent HDPE Blow Molding NEA CFR and PP Raffia NEA CFR prices as per IHS Markit data

A fully integrated global player

With the Sales and Marketing headquarters in Singapore, our extensive sales and marketing footprint, complemented by strong supply chain infrastructure, is championed by capable and committed professionals across key markets such as China, Egypt, India, Japan, and Southeast Asia. We have built a strong local network of marketing, sales and customer technical service points across the Borouge

markets. With over 250 customer-facing employees across 12 offices, we generate approximately 85% of our sales volumes via direct sales channels.

Our polymer products are mainly sold across Asia Pacific (representing 61% of our sale volumes) and the Middle East and Africa (representing 28% of our sales volumes),

with the remaining 11% of our sale volumes being sold across the rest of the world, largely through our distributorship agreement with Borealis, under which our products are sold in Europe, the Commonwealth, and West and North Africa.

EXTENSIVE DIRECT CUSTOMER COVERAGE THROUGH STRATEGICALLY LOCATED MARKETING OFFICES AND LOGISTICS HUBS

Direct access to markets	Focus on growth markets: APAC and MEA account for 61% and 28% of sales volumes in 2022, respectively
	Extensive direct sales network covering ~85% of sales volumes
	Operational partnerships with Khalifa Port in Abu Dhabi and 11 other logistic hubs in target markets



Integrated go-to-market approach

Our multi-dimensional approach drives customer loyalty and brand recognition



We serve approximately 3,000 customers in the consumer solutions segment, which include sustainable packaging, mono-material solutions and greenhouse films, as well as in the infrastructure solutions segment, which includes pipes systems and energy solutions.

In addition, we sell our products to customers in the mobility, healthcare and renewable energy industries. Our customer base is diverse in terms of end-use markets as well as geographical location. This allows us to adapt to focus on differentiated and innovative solutions for customers in applications with high growth.

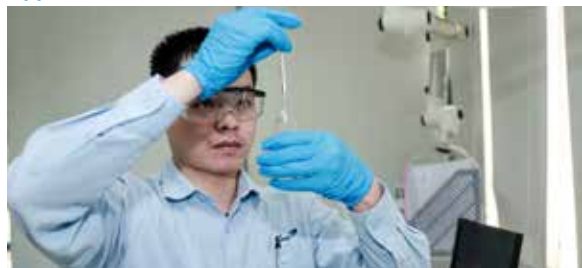
HIGH QUALITY COMPOUNDING MANUFACTURING PLANT SUPPORTED BY R&D CAPABILITIES SERVING THE AUTOMOTIVE INDUSTRY

Compounding Manufacturing Plant



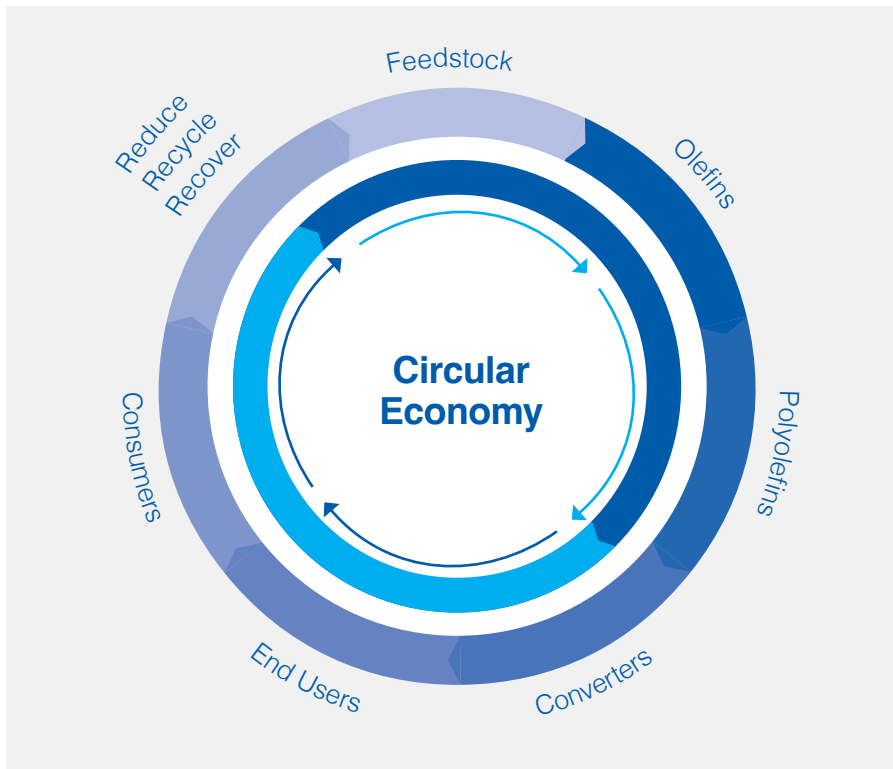
- Inaugurated in 2010 and based in Shanghai, China, with a capacity of 50kt/y of compounded polypropylene resins
- Expanded to 90kt/y in 2015 with plans for future production expansion
- Compounds resins with a focus on automotive applications and serving customers in mainly in North-East Asia with a portfolio of customised solutions

Application Centre



- Application Centre based in Shanghai, collaborating with Borouge's Abu Dhabi Innovation Centre and local chain partners
- Focused on developing high quality compounds for mobility applications
- Provides testing support for automotive customers with eight laboratories and more than 200 advanced instruments for new product development

Contributing to a Circular Economy



Borouge has committed to exploring and driving opportunities toward a circular economy. As a responsible company, we believe that achieving a zero waste plastics circular economy requires concerted action by governments, industries, consumers and society.

We strongly advocate for the reuse of plastic products and recycling of post-consumer plastic waste into second-generation products. In 2022, we continued to provide and further develop design-for-recycling (DfR) solutions that facilitate uptick in recycling activities in the packaging end market. Such DfR solutions embed a conscious view on end-of-life treatment, and have properties and intended uses that allow for closed-loop material recovery, thus reducing their propensity to become waste.

We have achieved our ambition to add recyclates as part of our product portfolio. Therefore, we are developing new ways to reduce material use, enhance the durability of products, promote new designs that enable reuse and recycling, and encourage the use of recyclates where possible across our value chain.

OUR COMMITMENT TO CIRCULARITY

- Borouge supports the recent UN Environment Assembly draft resolution to **end plastic pollution** (UNEA 5.2)
- Plastic products can contribute to achieving the UN Sustainable Development Goals when they are **sustainably produced, used and recovered in a circular economy**

BOROUGE IS FOCUSED ON ACHIEVING THE AMBITIONS OF UNEA 5.2 THROUGH THE FOLLOWING ACTIVITIES AND SPECIFIC TARGETS

	<p>Durable products</p> <ul style="list-style-type: none"> ▪ Over 40% of our overall sales serve more sustainable industrial applications ▪ An additional 1mt/y capacity for durable products by 2030 		<p>Recycled content</p> <ul style="list-style-type: none"> ▪ Target 20% consumer solution sales that support a Circular Economy by 2030
	<p>Product recyclability</p> <ul style="list-style-type: none"> ▪ Increasing innovations in product design with fully recyclable mono-material solutions enabled by our Anteo™ packaging solutions 		<p>Eliminate leakage</p> <ul style="list-style-type: none"> ▪ Borouge global zero pellet loss programme ▪ Strategic partner of Project STOP – a frontline action group to develop circular and sustainable waste management models in Southeast Asia where there is a high leakage rate

GLOBAL RECYCLE STANDARD CERTIFICATION

The Global Recycle Standard (GRS) certification for trading was issued to Borouge for its role as a distributor of mechanically recycled polyolefins for Borouge Pte and Borouge Shanghai Sales and Marketing. GRS is an international, voluntary, full-product standard that sets requirements for third-party certification of recycled content and chain of custody. It also verifies responsible social and environmental processing requirements and chemical restrictions.

GRS aims to provide consumers, both brand owners and end users, with a tool to make informed decisions about recycled products.

Other objectives of the GRS include reducing harmful impact of production on people and the environment, providing assurance that products are processed more sustainably, and driving higher percentages of recycled content in products.

The GRS certification solidifies Borouge's stance towards providing sustainable polymer solutions, providing assurance to our customers on the authenticity and quality of our recycled polyolefins through an auditable process in the recycling distribution business.

Borouge Products in Action

Our diverse portfolio of innovative products are used around the world on some of the most high-profile and technically challenging projects, including:



Dubai's Museum of the Future

The Borouge team worked with Ducab to specify and supply applications such as Visico™ LE4423 low voltage energy cables and Borlink™ LS4201R XLPE cables, among others, to meet the energy requirements of Dubai's Museum of the Future.

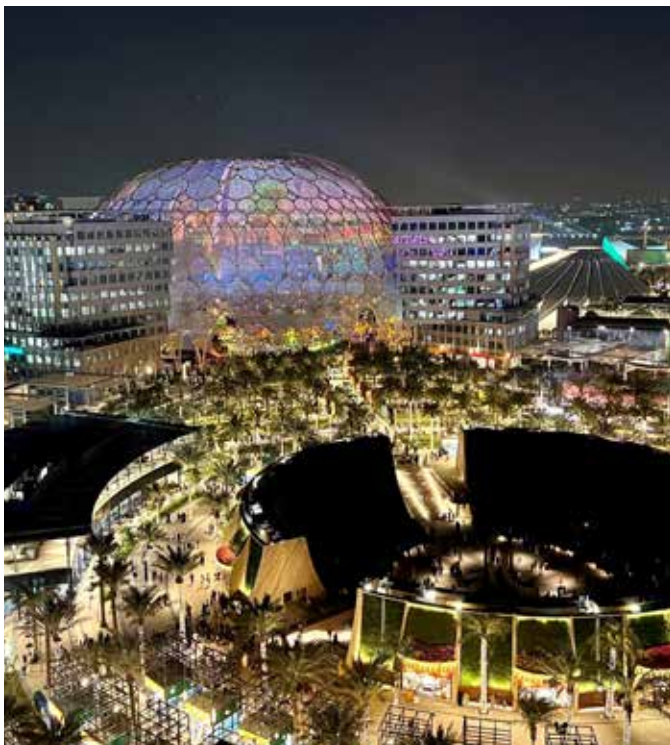
The Museum of the Future is an exhibition space for innovative and futuristic ideologies, services, and products. The museum is powered by 4,000 megawatts of solar energy produced by a station connected to the building in collaboration with the Dubai Electricity and Water Authority.

We also contributed to the infrastructure of the museum. Our product enabled supply of portable water to a smart irrigation system that uses a sub-surface mat that delivers water directly to the root system via a targeted and efficient approach.

We are proud to have contributed to the Museum of the Future, a place that symbolises tolerance, inviting various cultural, philosophical, social, and spiritual outlooks. It serves as an avenue to explore the challenges and opportunities shaping our times and finding solutions for a better future.

BUSINESS REVIEW – SALES AND MARKETING CONTINUED

Borouge Products in Action



Dubai Expo 2020

Borouge and Ducab collaborated to produce and supply Dubai Expo 2020 with 90% of its cable requirements. Borouge also supplied Union Pipes Industry (UPI) the raw materials required to produce the three parallel sea outfall pipelines of 2,000mm high-density polyethylene for the Dubai Deep Tunnel Storm Water System that supports the infrastructure of Dubai Expo 2020, one of the largest polyethylene pipelines to be produced in the Middle East.

Through ongoing collaboration and partnerships with local manufacturers, Borouge plays a significant role in supporting the UAE's vision to achieve economic sustainable development, empower the industrial sector's growth and unlock new opportunities to 'Make it in the Emirates'.



Jaipur Greenhouse Project in India

Borouge and our value chain partners collaborated on the Jaipur Greenhouse project with materials that cover 3 million square metres of greenhouses. The partners included Synthetic Packers Private Limited, which produced the films using Borouge solutions, and Sigma Group, which distributed the films to Rama Agro India to construct the greenhouses. These greenhouses occupy nearly three million square metres of the Baseri Village in Jaipur District, about 30 kilometres northwest of Jaipur's city centre.

Construction works began in 2018, with the first small batch of greenhouses commencing operations in the second quarter of 2019 for pioneer farmers to test the concept using Borouge's Borstar® FB1200, a bimodal polyethylene designed for agriculture films. Borstar® FB1200's unique properties are produced specially for agriculture films to improve crop quality and yield. Borouge provided materials for over 90% of the films used for 900 greenhouses. Construction of greenhouses is ongoing, with approximately 10 greenhouses being built each month. By sharing our technical know-how and educating locals on how technological advancements can assist them in boosting productivity, Borouge aims to improve farmers' livelihoods in rural communities with its innovative, sustainable agriculture solutions.



Sustainable Shrimp Farming in Vietnam

Borouge's customer in Vietnam, Tien Phong Plastics Joint Stock Company, was appointed to supply pipes for the two farms operated by Minh Phu Seafood, one of the world's top shrimp producers and exporters. The pipes were designed to transport over 7,000m³ of uncontaminated seawater per hour from the shore to 1,150 ponds.

To deliver this major project, Tien Phong Plastics chose BorSafe™ HE3490-LS, a high-density polyethylene (HDPE), and BorSafe™ HE3490ELSH from Borouge. BorSafe™ HE3490-LS is a pre-compounded PE100 material with a successful track record of over 20 years in water distribution systems and key desalination projects. BorSafe™ HE3490ELSH enables pipe manufacturers to achieve dimensionality and cost savings, even for larger and thick-walled pipes.

The solutions provided by Borouge will ensure the quality of the water source, directly contributing to the output and quality of the farmed products, thus encouraging more sustainable shrimp farming without affecting the coastal environment.

Sales and Marketing in 2023

In the year ahead, we aim to build on the strong sales performance of 2022 to continue to solidify relationships with our customers and grow our market presence by expanding our footprint to South Korea and Kenya. To support our Sales and Marketing ambition, we will maintain focus on innovation by building and deploying new products, which will focus on differentiated sectors such as energy and infrastructure.

We will also ramp up our circular economy offering, working in tandem with our partners in key markets to ensure that our customers have access to market-leading recycled products, as well as increasing the capacity of virgin polyolefins from AI Ruways. This will support our customers' sustainability ambitions while minimising our environmental impact, hence contributing towards our own sustainability goals.

Technology and Innovation

Innovation is at the core of Borouge’s business success. With more than 20% of annual sales volume coming from new products and 1,000+ active patents, we drive innovation and long-term differentiation.

INNOVATION PLATFORM OVERVIEW

The Borouge Innovation Centre in Abu Dhabi develops polymer solutions that enable new applications for our products while working closely with European Innovation Centres within Borealis

Includes extensive laboratories and application development resources, supporting polymer analysis, processing and application testing

The patent portfolio covers plastics solutions and grades developed by the Borouge Innovation Centre

Borouge’s innovation platform collaborates with Borealis’ global innovation centres to provide benefits to our customers

INNOVATION COLLABORATION NETWORK



- Borouge Innovation Centre
- Borouge Shanghai Application Centre
- Borealis Innovation Centre



100+

researchers, scientists and technicians



25

polymers research labs



240+

advanced testing equipment

>20%

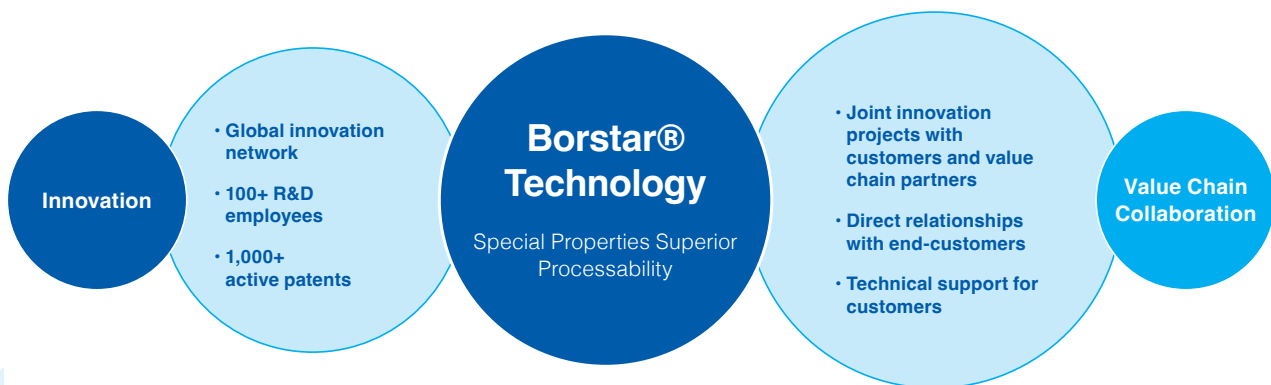
annual sales volume is derived from new products

1,000+

active patents

Innovation across our value chain

The backbone of our operations is the Borstar® technology which powers our production and innovation capabilities leading to 80% of our production volumes being differentiated. This allows us to sell at a price premium compared to market benchmark prices.



BUSINESS REVIEW – TECHNOLOGY AND INNOVATION CONTINUED

Our access to and use of technology owned by Borealis enables us to have industry-leading innovation capabilities to deliver tailored solutions for our customers and partners, in demanding end-use applications.

Over the past 20 years, we have leveraged the competitive advantages of our relationship with Borealis, including access to Borstar® technology, technical know-how, innovation capabilities, exchange of in-depth knowledge and best practices on commercial and operational excellence.

These factors have contributed to our growth and advantageous position as a leading provider of innovative and differentiated polyolefin solutions.

Borstar® technology allows for the production of tailored product grades and solutions to fulfil the specific needs of our customers, such as improved processability, mechanical properties and shorter cycle times. This supports our focus on premium priced end-markets through a differentiated product offering.

In addition, Borstar® technology provides us with a competitive edge (as its bimodality is key to product design and application performance), and can be operated at scale with low operating expenditure, which helps to strengthen our cost position in comparison to our competitors.

We engage with value chain partners and customers in our innovation process for new product development. Through this collaboration, we strive to anticipate future market trends and develop solutions that address the industry's needs and bring value to society. New concepts are continuously being identified and developed at the Innovation Centres' laboratories before being scaled-up to the pilot and commercial plants, where test runs are performed and the produced polymers trialled in collaboration with our customers. These trials ensure desired quality and suitability of our new products in the customers' production lines before commercial launch. This innovation process brings together our technological benefits, innovation capabilities and value-chain



engagement to ensure that we continuously develop differentiated value-add solutions.

An example of a solution leveraging our innovation and technology capabilities is HE3310, a new bimodal polyethylene solution made using proprietary Borealis Borstar® technology for non-pressure pipe applications. The new solution meets the industry's high requirements for premium sewage pipes that feature excellent impact and stiffness balance properties, improved durability, and low-weight pipe extrusion benefits. Its lightweight and leak-free properties provide environmental benefits, contributing to our expanding portfolio of sustainable infrastructure solutions.

Collaboration with our value chain partners is one of our key pillars to identify innovation opportunities. In 2022, multiple workshops were initiated across different business areas with global Original Equipment Manufacturers (OEMs), brand owners, recyclers and direct customers to identify opportunities and joint development projects. Special focus was given on the development of sustainable polymer solutions, that aim to optimise packaging recyclability and inclusion of recyclate materials into packaging applications.

We have a team of over 100 research and development personnel, including scientists, researchers and technicians that are based in Abu Dhabi and Shanghai. We have 25 polymers research labs and more than 240 advanced testing equipment. Over 25% of our sales volume in 2022 was generated by new products developed within the preceding five years. We have also been granted 652 patents for newly developed products, from 1,082 patent applications filed.

We currently have new research projects covering all of our market segments and we aim to be able to maintain our percentage of sales generated by new products at above 20%. We have dedicated budgets for research and development, and aim to maintain our investments in our portfolio of products to maintain our competitive edge.

OUR INNOVATION CENTRES

Borouge Innovation Centres are located at two sites, the Innovation Centre in Abu Dhabi, and the Application Centre in Shanghai.

Innovation Centre, Abu Dhabi

This state-of-the-art facility serves as a hub of innovation in the field of polymer development and application technology. It includes extensive laboratory and application development resources, supporting the unique capability of Borouge in providing expertise polymer analysis, processing, and application testing. This centre collaborates regularly with Borealis' European Innovation Centres to bring the best innovation to the region.

With a focus on Research and Development (R&D), our scientists, researchers, engineers, and lab technicians collaborate to design novel materials and use advanced technologies, equipment, and testing machines at the laboratory to ensure our products provide the best value to our customers.

In 2022, we organised more than 10 visits to the Centre. Visitors include academic institutions, universities, and other organisations to raise awareness on the importance of polyolefins and polymer science, and to empower future talent in this growing field.

Borouge Innovation in Action

Development of a new Polyethylene Pipe Material: BorSafe™ HE3490ELSH for large diameter and thick-wall pipe applications

Polyethylene has been a material of choice for many plastic pipe applications due to its optimal short and long-term mechanical properties, easy processability and weldability. The challenging requirements of current water transport pipeline projects such as intake and outfall lines for desalination, thermal and nuclear power plants, as well as high-pressure and temperature of industrial chemicals/effluents have led to a demand for thick-wall and large diameter pipes around the world.

However, the extrusion of large diameter thick wall pipes is still considered a big challenge. Achieving a uniform wall thickness distribution around the circumference of the pipe is a critical issue. Downward movement of the polymer melt due to gravitational forces at low production speeds causes significant deviations at the wall thickness distribution. The jointing of pipes with non-uniform wall thickness is also a big concern and may lead to operational challenges. Thus, there is a need for PE100 class material which can help with the production of PE pipes with wall thickness of more than 100mm. Such large diameter and thick wall PE pipes also help address sustainability challenges in the infrastructure market by replacing conventional piping materials with advanced, corrosion and maintenance free, 100% recyclable polymer materials.

Utilising our state-of-the-art polymer design, processing and testing facilities, Borouge Innovation Centre has developed a new, super low sag, bimodal polyethylene pipe material for extra large diameter, thick wall polyethylene pipe applications with advantages of Borstar® PE Technology, namely BorSafe™ HE3490ELSH. The technology allows us to tailor the polymer product design to produce high molecular weight polymer fraction, which satisfies both the industry requirement of high sagging resistance and easy processability.

BorSafe™ HE3490ELSH also meets all the standard requirements of ISO 4427-1/2 and ASTM D3350. It is a Water Regulations Approval Scheme approved product suitable for contact with water for domestic purposes, for use in contact with water intended for human consumption, while meeting the requirements of BS6920-1:2014.



Revolution in recyclable monomaterial flexible packaging

One of the key pillars of the Borouge Circularity Strategy is to develop and promote Design for Recycling (DfR) solutions. Conventional flexible packaging is commonly seen as multimaterial laminated films that are not sustainable and cannot be recycled under more widely used recycling processes. There is a clear need from major brand owners for mono-material flexible packaging solutions which are fully recyclable and sustainable. In collaboration with value chain partners, like OEMs and converters, Borouge has been focused on developing PE and PP monomaterial flexible packaging solutions to address this challenge.

One key achievement has been the development of a fully recyclable PE laminate structure with high stiffness Machine Direction Oriented (MDO) PE film as printing substrate, leveraging on the unique properties of Borstar® and Anteo™. It enables the replacement of the conventional PET substrate commonly used in the industry and eventually the production of fully recyclable flexible packaging applications.

Continued innovation to develop more sustainable packaging solutions, addressing both environmental and technological challenges, will remain a key focus area for Borouge in 2023 and beyond.



Borouge Out of the Box

Improving operational efficiency, organisational resilience, and sustainable value creation are key priority areas for us. In 2022, we launched the Borouge Out of the Box campaign to further unleash the creativity and potential of our people. The campaign aims to promote creativity through an ideation management platform integrated into ADNOC++ that will enable Borouge employees to submit unique ideas through an end-to-end interactive experience. Fostering innovation is a fundamental concept at Borouge that positively contributes to our business sustainability and viability. We see innovation as a strategic and human-centred lever for developing and maintaining an agile and accountable business.

BUSINESS REVIEW – TECHNOLOGY AND INNOVATION CONTINUED

Our market-leading portfolio of products

We are a producer of premium polyethylene and polypropylene solutions.

Polyethylene is a lightweight, durable thermoplastic with variable crystalline structure. It is currently the most common plastic in use and is used in many applications such as consumer solutions, infrastructure solutions, automotive, and electronics, among others. Polyethylene is made from the polymerisation of ethylene monomer, and its chemical formula is C_2H_4 . The principal raw materials used in the production of polyethylene is ethylene, which we produce from ethane purchased through long-term supply contracts from ADNOC. Different grades of polyethylene exist, and they can be categorised based on their density and branching, the most common grades being:

- **Low-Density Polyethylene (LDPE)**
LDPE's molecular structure is characterised by the presence of many asymmetrical branches on the chain of carbon atoms. LDPE typically has a density range of $0.910\text{--}0.935\text{g/cm}^3$ and is often referred to as the 'branched' polyethylene. LDPE is generally the softest and least crystalline of the polyethylenes, widely used in applications requiring clarity, inertness, processing ease, sealability, moisture barriers and good electrical properties.
- **Linear Low-Density Polyethylene (LLDPE)**
LLDPE has short side chain branches in its molecular structure, with densities less than 0.940g/cm^3 . With a more regular molecular structure, LLDPE is more crystalline than conventional LDPE at the same density. When compared with LDPE, LLDPE resins exhibit significantly improved stiffness, and tensile and impact properties, as well as better low- and high-temperature characteristics.

- **High-Density Polyethylene (HDPE)**
HDPE has little or no side chain branching in its linear molecular structure. Therefore, it is more crystalline, and has typical densities in the $0.940\text{--}0.965\text{g/cm}^3$ range. It is characterised by a wax-like feel, flexibility, chemical inertness, good stress crack resistance, and a relatively high softening temperature.

Our HDPE and LLDPE plants are based on Borealis' proprietary Borstar® technology while the LDPE plant is based on Lupotech T technology.

Polypropylene is a rigid and crystalline thermoplastic. It is the second most common plastic in use today and the most commonly used thermoplastic. Given its specific properties, it is primarily used for packaging solutions, piping systems, medical applications, automobiles and appliances and in everyday objects like packaging trays, household products, battery cases, and medical devices. It is made from the polymerisation of propylene, and its chemical formula is C_3H_6 .

The principal raw material used in the production of polypropylene is propylene. We purchase propylene externally through long-term supply contracts with ADNOC and can produce it internally in the olefins conversion unit, converting ethylene to propylene. Different grades of polypropylene exist, the most common grades being:

- **Polypropylene Homopolymer (PPH):** the most widely utilised general-purpose grade. It contains propylene monomer in a semi-crystalline solid form. Its main applications include packaging, textiles, healthcare and automotive.
- **Polypropylene Copolymer:**
 - **Polypropylene Random Copolymer (PPR):** produced by polymerising propylene with ethylene or butene bonds introduced in the polymer chains. These polymers are flexible and optically clear, making them suitable for applications requiring transparency and for products requiring an excellent appearance.
 - **Polypropylene Block Copolymer (PPB):** propylene copolymer with ethylene, where the ethylene content is relatively large (between 5% and 15%). Its ethylene comonomer units are arranged in a regular pattern (or blocks), which make thermoplastic tougher and less brittle. These polymers are suitable for applications requiring high strength, such as industrial usages.

Like our PE plants, our PP plants are based on Borealis' proprietary Borstar® technology.

For the year ended 31 December 2022, we sold 2,676kt/y of polyethylene and 2,126kt/y of polypropylene.



Consumer solutions

2.5mt
2022
Sales volume



Sustainable packaging



Monomaterial solutions



Greenhouse films



Pipes and fittings



Water solutions



Energy solutions

Infrastructure solutions

2.2mt
2022
Sales volume

Innovative range of polymer solutions

The solutions we provide can be categorised under two main product segments:

CONSUMER SOLUTIONS

This includes, among other things, (i) sustainable packaging, (ii) monomaterial solutions, and (iii) greenhouse films. Our products enable solutions designed for circularity and recyclability.

As part of our agriculture solutions, we solve challenges for farmers and their growing businesses and the communities they feed by helping bring fresh food to our homes. Our innovative solutions in greenhouse films, crop cover films, mulch films and drip irrigation help farmers increase crop productivity through higher yields. In addition, we deliver sustainable packaging solutions for consumers and industrial applications that are designed to be safe, light, affordable, attractive and environmentally friendly. Our flexible and quality polymer packaging solutions include

lamination, high-strength packaging, frozen and snack food packaging, and shrink films, that help keep produce fresh and last longer.

INFRASTRUCTURE SOLUTIONS

This includes, among other things, (i) piping (including water and gas systems), and (ii) energy solutions.

We provide high quality polyolefin compounds to the wire and cable industry across the world. Our innovations, including polymer wires, cable coatings and insulation materials, make power grids more reliable, help eliminate power wastage, and make it possible to transport energy from renewable sources more efficiently and over longer distances, a speciality business. Our materials for pipes are used in many different industries including water and gas supply, wastewater and sewage disposal, plumbing and heating, and oil and gas. Our corrosion-free, durable and reliable pipe solutions boost the sustainability of pipe networks by making them safer, longer-lasting and more efficient, helping eliminate wastage and loss, and offering energy savings.

OTHER SOLUTIONS

In addition, we have extensive experience in developing innovative solutions for the mobility industry. We deliver a portfolio of customised mobility solutions for durable and lightweight exterior and interior components, and under-the-bonnet applications. Because of our mobility innovations that include bumpers, body panels, exterior trims, dashboards, door claddings, front-end carriers, and others, vehicles are made lighter. Our polyolefin components are also used for medical devices, and pharmaceutical and diagnostic packaging, offering a high level of reliability, stability, traceability, and consistency.

CHIEF FINANCIAL OFFICER'S REVIEW



Following Borouge's record IPO on the Abu Dhabi Stock Exchange in June 2022, we delivered strong full-year financial results in a challenging environment that clearly demonstrated our innovation, agility, and differentiated product offering. With a healthy balance sheet and high cash generation, Borouge is very well positioned for future growth and to deliver substantial returns to our shareholders."



Jan-Martin Nufer
Chief Financial Officer

WHAT ARE THE HIGHLIGHTS OF BOROUGE'S 2022 FINANCIAL PERFORMANCE?

Borouge's financial performance for the 12 months to December 2022 resulted in a strong \$1.4 billion net profit despite an overall challenging market environment that was achieved on significant year-on-year revenue growth of 8.2% to \$6.7 billion and a 10% production capacity increase.

Total sales volumes increased by 15% primarily supported by a significantly higher polypropylene (PP) sales volume of 2,126kt/y compared to 1,772kt/y in the previous year. Due to the production ramp up of PP5. Polyethylene (PE) sales volumes increased year on year as well to 2,676kt, with growing contributions from infrastructure solutions. The new PP5 unit also supported premium production by introducing more differentiated grades into the production mix.

The decline in average selling prices and elevated variable costs affected net profit, which was 7.8% lower at \$1.4 billion versus the previous year, in line with expectations. Adjusted EBITDA followed the same trend, ending 2.9% lower at \$2.6 billion. Premia over benchmark prices both in PE and PP remained well above the over-the-cycle guidance, underpinning the differentiated value-add proposition of our products.

Net profit translated into earnings per share of \$0.05. At the half year 2022, we announced and paid an interim dividend of \$325 million and expect to pay another \$650 million following the Annual General Assembly, bringing the total post-IPO dividend for the year ended 31 December 2022 to \$975 million.

Adjusted operating free cash flow of \$2,457 million was high and at a comparable level as the previous year, representing a conversion rate of 93% assisted by low capital expenditure following the completion of PP5. We concluded the year with a very robust balance sheet. Net debt remained stable, and we maintained a low leverage of approximately 1.1x net debt/EBITDA. Borouge expects to use some of its significant cash position to retire parts of the \$4 billion total bank debt.

HOW DID BOROUGE'S OPERATING ENVIRONMENT AFFECT THE 2022 FINANCIAL RESULTS?

Like the industry overall, Borouge faced a polyolefin price drop, but remained able to deliver healthy premia above product benchmarks due to our differentiated product offering based on the proprietary Borstar® technology from Borealis.

Cost of sales for the full year increased in absolute terms and as a percentage of revenue. Feedstock expenses increased 8% compared to 2021, reflecting higher production volumes.

Logistics costs remained elevated for the majority of the year but started to decline in the last quarter of the year, following the launch of various initiatives to reduce costs.

WHAT ARE BOROUGE'S COMPETITIVE STRENGTHS IN 2022?

Due to its relationship with ADNOC, one of its founding shareholders, Borouge benefits from competitive feedstock arrangements under long-term supply contracts until 2057. Our large-scale integrated production facilities, which are situated close to our feedstock supply, operate in a highly cost-effective manner and further leverage the innovation advantages of Borstar® technology to maintain Borouge's leading position in the industry.

Our marketing and sales teams benefit – apart from the inherent product advantages – also from our strong brand, agility, proximity to our core markets and our emphasis on innovative, differentiated products compared to lower-value commoditised polymers commanding a significant price premium and higher margins.

The completion of PP5 added 500kt/y, bringing our total production capacity to 5mt/y. PP5 has contributed to our successful organic growth track-record, and our tenfold capacity increase since 2002, all delivered on time and on budget. PP5 contributes to our Infrastructure Solutions business, which enjoys growing demand in our core markets. It also delivers innovation at scale by reducing product mix complexity, resulting in better asset performance in terms of reliability and quality, and improves cost competitiveness by increasing the synergies and scale effects of the site's operations.

HOW WILL BOROUGE EXPANSION CREATE FUTURE VALUE FOR SHAREHOLDERS?

Our most substantial near-term organic expansion is represented by Borouge 4, which progressed in 2022 to early construction works. The project resides under the ownership of our key shareholders. Borouge 4 is expected to be re-contributed to Borouge in Q4 2025 after the completion of defined mechanical tests.

Borouge 4 will use third-generation Borstar® technology and will include a 1.5mt/y ethane cracker, two Borstar® PE units and an XLPE unit, producing 1.4mt/y in polyolefins and bringing Borouge's total production capacity to 6.4mt/y.

Borouge 4 is designed to deliver high-value sustainable plastics applications that will meet growing demand from our core markets, achieving higher margins from our competitive, long-term feedstock agreement with ADNOC for ethane. Once Borouge 4 is fully operational, EBITDA margins are expected to be above the current level.

With its third generation Borstar® technology, Borouge 4's portfolio of durable applications will also improve our sustainability metric. And importantly, it will directly contribute to the UAE economy by creating jobs and cementing the nation's global leadership in petrochemicals.

With its resilient and strong cash flow generation Borouge provides a strong basis underpinning its commitment to pay significant dividends in 2023 and beyond according to our dividend policy.

WHAT IS THE OUTLOOK FOR 2023?

To further enhance our competitive positioning and support future growth opportunities, Borouge has announced a \$400m Value Enhancement Programme which we initiated towards the end of the year 2022.

With the implementation of our Value Enhancement Programme, we are taking meaningful and proactive steps from a clear position of strength and will focus on high-impact cost-efficiency initiatives. These consist of conversion variable cost (CVC), logistics variable cost (LVC), fixed costs, as well as a comprehensive revenue optimisation stream. The programme is

expected to result in a positive \$400 million, or 15% impact to be realised at EBITDA level, mainly by year-end 2023. The Value Enhancement programme will be counteracting the impact of the macroeconomic challenges, cost increases, and pricing pressures referred to earlier.

We are well positioned for future growth, supported by our strong balance sheet, earnings generation, and our ability to retire debt.

In 2023, we expect continued macro economic uncertainty and challenging industry conditions nonetheless, we are supported by our exceptional fundamentals: first quartile cost position, our focus on high growth markets, an outstanding operating platform, best-in-class technology, operational excellence, high level of differentiation, and a unique 'direct to market' sales approach with significant growth potential. Our profit improvement programme has been launched and is progressing well and providing additional support to counter industry headwinds.

We will remain focused on growth, expanding our product portfolio through innovation, sustainable solutions, new product development, and strategic market and geographic expansion.

Our differentiated products and industry-leading innovation capabilities will continue to support our compelling sales proposition, premium product pricing and ability to create shareholder value moving forward.

KEY METRICS

Key metrics

Revenue

\$6,727m

+8.2%



Strategic relevance

Borouge delivers strong revenue growth on consistently robust sales volumes and premium selling prices of its differentiated products.

Performance

Borouge's revenue has grown consistently, supported by strong sales volume increases while maintaining through-the-cycle product premia.

Adj. EBITDA and margin

\$2,646m

-2.9%



■ 2022 margin 39% ■ 2021 margin 44%

Strategic relevance

Borouge's business model (premium products, leading position on feedstock cost curve) is positioned to generate high operating profitability.

Performance

Borouge reports industry leading EBITDA margins which have proven to be resilient through-the-cycle.

Net profit

\$1,409m

-7.8%



Strategic relevance

Borouge's objective is to earn a sustainable level of profit over the medium term.

Performance

Borouge has maintained strong profitability through-the-cycle.

Cash conversion

93%

+2.5%



Strategic relevance

Borouge's strong cash conversion has historically enabled it to provide high dividends to shareholders.

Performance

Borouge's strong cash conversion profile continues to support ample dividend capacity for its shareholders.

Key metrics

Sales volume

5,083kt

+14.9%



Strategic relevance

One pillar of Borouge 2030 strategy is Growth, and we operate in high growth markets of Asia Pacific and Middle East.

Performance

Borouge's sales volumes have remained consistently high, demonstrating its flexibility in managing its product mix and ability to place volumes tactically where they are needed.

Average selling price

\$1,276/tonne

-7.5%



Strategic relevance

Borouge produces differentiated polyolefin solutions allowing it to bring new products to customers and command premium pricing on its products.

Performance

Borouge maintains a strong level of product premia above the market benchmarks through-the-cycle.

Asset reliability

92%

-2.1%



Strategic relevance

Operational excellence is core to Borouge's operations ethos. Asset reliability measures reflects the Company's world-class asset base which is well-maintained and supports industry-leading asset reliability and efficient and safe operations.

Performance

Borouge's high asset reliability rates reflect its well-maintained asset base with a reliability rate of 94% (average 2020-2022) further highlighting our operational excellence.

Safety excellence (TRIR)¹

0.24

-8.4%



Strategic relevance

Borouge's approach to operations is centred around our people and safety as measured by TRIR.

Performance

The high focus and commitment on health and safety requirements is evident in our low TRIR which has remained at c. 0.21 on average across 2020-2022.

¹ Total Recordable Injury Rate (TRIR) per million hours worked

RISK MANAGEMENT

Enterprise Risk Management

Enterprise Risk Management (ERM) is embedded throughout the organisation to ensure that Borouge effectively manages all risks in order to meet its short- and long-term business and growth objectives. ERM adopts an integrated and proactive approach towards addressing various risks and unforeseen business interruptions.

RISK CULTURE

Borouge manages a strong risk culture mindset that addresses and assesses risk with a direct impact on its market share, reputation, people safety, and strategic ambitions.

RISK ASSESSMENT METHODOLOGY

A holistic risk assessment and risk profiling process ensures a consistent identification and analysis across the Company, with guidance from best practices and standards, the Company's objectives, and business plans. Risks are reviewed periodically with the involvement of Management and relevant subject matter experts.



ESTABLISHING THE CONTEXT

Establishing the context defines the basic parameters for managing risk and sets the scope for the risk management process. The context includes the external environment in which Borouge operates and the internal environment where the respective functions and departments operate within the organisation. The context may also be derived from the value drivers, shareholders' expectations and the organisational structure of Borouge.

RISK IDENTIFICATION

Risk identification is the process of determining where, when, why and how risk events can arise that may prevent, delay or enhance Borouge's achievement or the function's objectives as well as implementation of strategies.

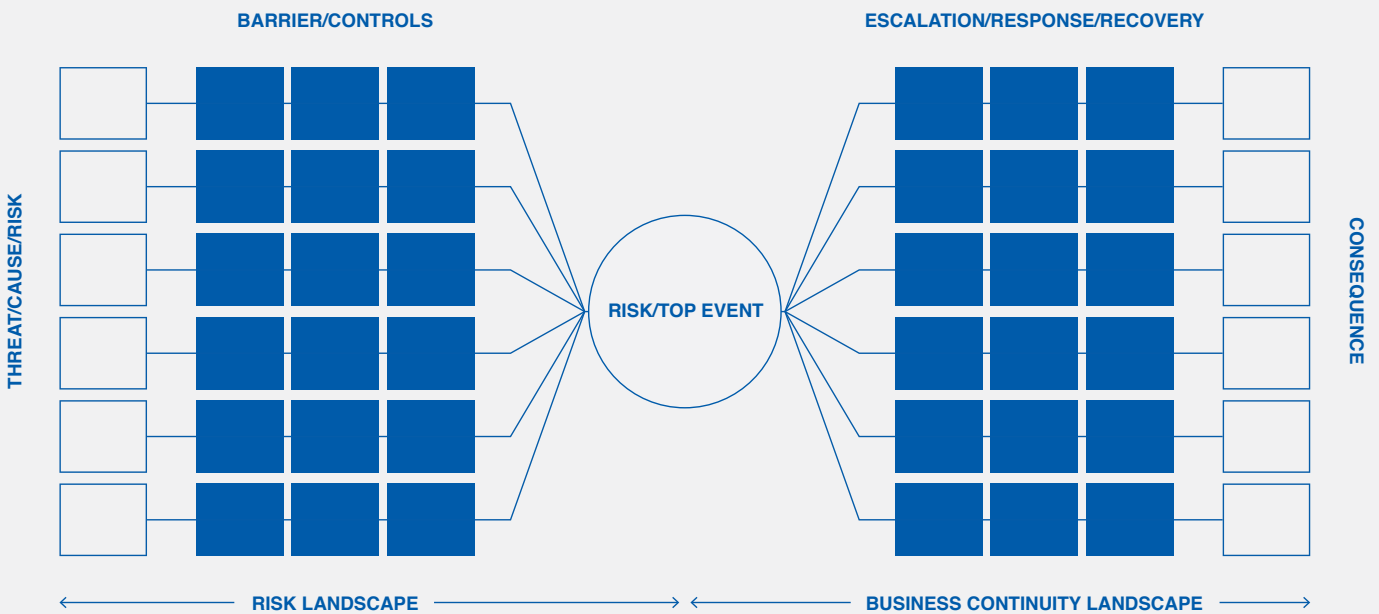
RISK ANALYSIS

Risk analysis refers to the understanding of the risk. It involves a series of activities looking into the causes of the risk, its positive and negative consequences, and the likelihood that those consequences may occur. Risk analysis assesses these potential threats (causes) and aligns them to a top event to which the threats could lead. The analysis also involves the identification of existing controls in place and gauging their adequacy and effectiveness using 'Risk Control Effectiveness (RCE)' definitions to manage the risk.

This includes quantitative (guided by the approved risk matrix and financial thresholds) and qualitative (subjective) risk analysis in determining the appropriate risk strategies to mitigate the threats to the organisation.

RISK BOWTIE

The bowtie method is a diagrammatic way of describing and analysing the pathways/ progression of risk from its causes (threats) to its consequences. Bowtie diagrams provide a systematic approach towards understanding a risk, facilitate the identification of controls (barriers) and assess their effectiveness in mitigating the effects of the risk. The bowtie diagram displays the range of causes (threats) and potential consequences by listing the risk in the causation path of threat-event-consequence. It also differentiates between preventive (pre-event) controls and reactive (post-event) controls. The bowtie method is used at Borouge to integrate risk management into business continuity, where escalation, response and initial recovery strategies can prevent further escalation.



RISK EVALUATION

The goal of risk evaluation is to decide which risks require future controls and to assign priorities to these action plans. This is based on the outcome of the risk analysis, as well as the established risk appetite and tolerance set by the Management. The adequacy, criticality, and effectiveness of

existing controls will affect the residual (current) risk rating and determine if additional actions are required. Risks that are considered unacceptable/intolerable will require action plans to reduce them to an acceptable level.

RISK MANAGEMENT

CONTINUED

RISK TREATMENT

Appropriate risk treatment may be required based on the results of the risk analysis, evaluation of current controls, and the risk appetite and tolerance set by Management.



COMMUNICATION AND CONSULTATION

In addition to periodic risk reporting and deliberations on Management Committee and Board platforms, risk information is communicated via various channels to support active and effective risk management across Borouge. This includes risk assessment in the Business Continuity management system, Borouge capital projects and i5 Project Management Approach (i5 is problem-solving and project management excellence).

Borouge has an integrated business planning process where risks are part of the overall business plan; the risk of the business plan is identified, ensuring the critical business activities are robust to meet the Company's objective. Risk information is also communicated to the Borouge audit team annually. In return, the Audit and Assurance function may identify new risks or assessments of current risks discovered during their audit.

MONITORING AND REVIEW

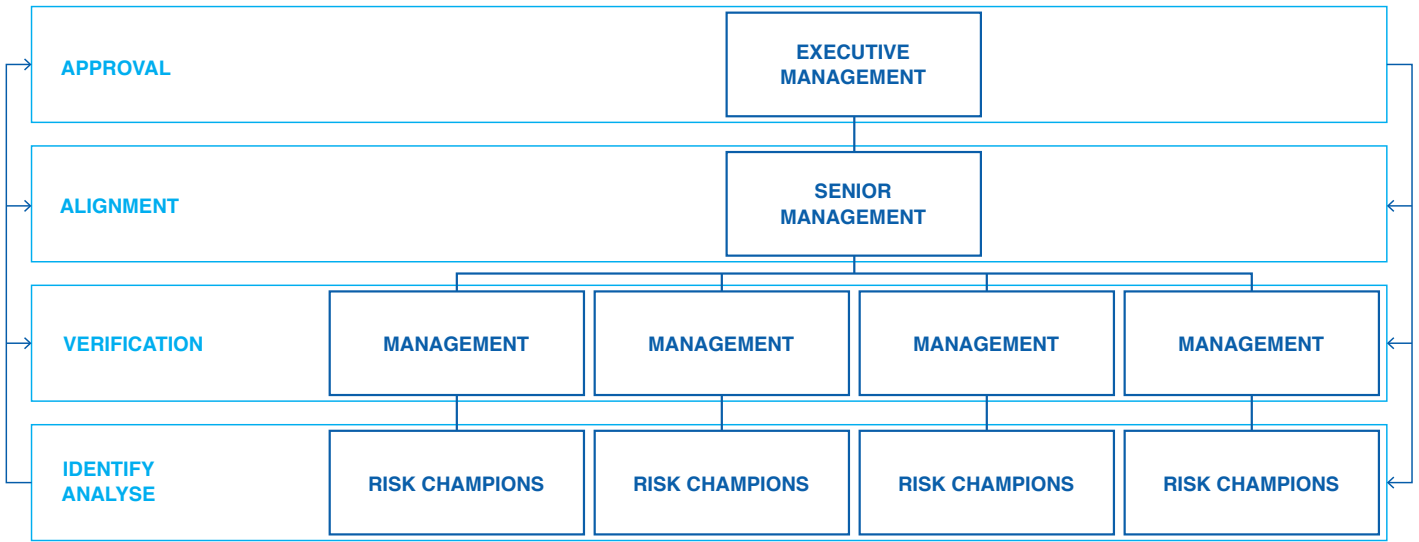
Risk and its mitigations are constantly monitored to ensure risk levels are managed in accordance with the Company's appetite and tolerance. This involves regularly discussing and reviewing risks with risk owners, as well as tracking the progress of risk mitigation efforts. This provides stakeholders with reasonable assurance that risks are being effectively managed across the organisation.

The Internal Audit Department is responsible for assessing the risk management processes at Borouge and identifying areas for improvement. They will also conduct audits on Borouge's functions to ensure internal controls are efficient and effective in managing risks. The department considers feedback from management and risk champions when developing the annual ERM plan as part of continuous improvement efforts.

RISK MANAGEMENT FRAMEWORK

We have established our ERM framework based on the industry's best practices, specifically the ISO:31000 and COSO ERM Guidance. This helps us integrate ERM into key business activities, such as business planning and performance, to maximise stakeholder value.

Risk Oversight Structure



Borouge's risk oversight structure allows top-down and bottom-up approaches for effective information flow on risk management implementation at all levels. Risks are reviewed and reported to the Borouge senior management, executive management, and respective board committees.

Risk management in Borouge is overseen by the Finance function, led by the Chief Finance Officer through its Enterprise Risk Management Department. The ultimate accountability of effective Risk Management practices rests on the Chief Executive Officer.

RISK MANAGEMENT HIGHLIGHTS/ ACHIEVEMENTS

- Periodical risk assessment for major growth projects
- COVID-19 impact scenario-based risk assessment
- Assist the turnaround team with risk identification and mitigation
- Support and assist the organisation in various initiatives

Borouge Principal Risks

During the year, principal risks are identified, aligned, and integrated with our business strategies and objectives, ensuring risks (internal and external) are managed in a sustainable manner through our strong ERM governance practices across the Company.

HEALTH, SAFETY AND ENVIRONMENT (HSE) RISK

As a petrochemical company, Borouge is committed to operate in a safe environment. Safeguarding our people and assets is our top priority.

The chemical manufacturing industry carries inherent risks of HSE incidents, which could harm both our people and business, such as major breaches in plants resulting from incidents like loss of primary containment (LOPC), fire/explosions, and the release of toxic gases and hazardous chemicals.

Damage to our people and assets could impact Company financials, as well as lead to regulatory queries/investigations which would affect our brand value globally. Borouge is inculcating the best HSE culture via its transformation programmes, while focusing on process safety compliance activities and building competencies within the Company.

STRATEGIC RISK

The increase in global sustainability legislation and regulations could significantly impact our business. Failure to comply with these laws and standards may result in a loss of market share and the inability to compete. It might be challenging to predict the pace of legislation integration, as more customers are assessing the environmental impact of our products throughout their life cycle. To prepare for potential changes in legislation and market requirements, we should take proactive initiatives and focus on our circular economy strategies. This will align our business objectives and improve our readiness towards the dynamic market and industry changes.

MACROECONOMIC RISK

In recent years, the petrochemical industry has been experiencing market volatility due to various factors including the prolonged pandemic, geopolitical tensions, and disruptions in the supply and demand of energy. Although the industry experienced a surge in demand and high oil and gas prices in certain post-pandemic phases, there are still uncertainties in the market. There is a possibility of a global recession, which could result in lower GDP growth, increased interest rates, and decreased currency values in the markets where Borouge operates.

This will further distress and limit customers' ability to maintain operations which may result in declining sales and compressed margins for our products. Borouge's products are sold in a competitive market where quality, price and technology are the determining factors for customers and clients.

To enhance our resilience and promote growth, we are implementing various business strategies, such as establishing market positioning initiatives for new innovations in specific regions, building long-term partnerships with strategic partners, and adopting robust and agile pricing strategies.

OPERATIONAL RISK

Our operations are highly integrated from feedstock supply, manufacturing facilities to product distribution. Any business disruption to this value chain could affect the Company's performance and ability to meet our stakeholder obligations. One of our key risks is our dependence on feedstock and raw material suppliers and their ability to reliably meet our manufacturing requirements. Uncertainties related to supplies could impact product quality, prices, and margins of our products.

LOGISTIC AND DISTRIBUTION RISK

Our operations rely on logistic services to transport our product to customers in different regions. Transportation costs have reached unprecedented levels post-pandemic due to high premiums imposed by shipping service providers. Borouge has implemented various actions to manage the impact.

CYBER SECURITY RISK

Borouge is using digitalisation to improve productivity and has launched projects to enhance its capabilities. As technology platforms and interfaces converge with business tools, the cyberthreat landscape is becoming more complex for both Information Technology (IT) and Operational Technology (OT).

Borouge's operations rely on a variety of operating systems to function, and any disruption to the system may result in unexpected incidents that could jeopardise the safety of our people and assets.

Cyberattacks are also becoming aggressive and widespread with cyberthreat actors using pressure tactics such as ransomware on vulnerable targets. Borouge continues to enhance its cybersecurity controls as well as implementing vulnerability management solutions to strengthen its security defence against these threats.

COVID-19 RISK

The global economy has been impacted by the COVID-19 pandemic, and the petrochemical industry is no exception. Although the economy is gradually recovering, the uncertainties surrounding the outbreak and imposition of health-related measures still loom and cannot be predicted.

Global vaccination efforts have reduced the impact of previously imposed restrictions and improved global mobility, boosting some of the economy's most important sectors.

Borouge remains cautious and maintains appropriate monitoring measures to ensure business continuity and more importantly to safeguard our people. Business continuity scenarios and contingency plans are reviewed to ensure that we are prepared for changes and able to maintain our operations.

PEOPLE RISK

People are the most important asset of the Company. Borouge's future and success depends on its ability to attract and retain talent with the right skill set.

With the rise in production capacity through growth projects by competitors regionally and globally, competition for talent has also increased. Borouge has implemented a holistic talent strategy that will attract best-in-class employees and drive a high-performance culture in the organisation to remain competitive.



Sustainability at Borouge

We are committed to the wellbeing of society and preservation of the environment, while addressing the economic expectations of our shareholders.

We are a leading provider of sustainable, innovative and value creating polyolefin solutions and we conduct our business within the framework of our values, vision and mission, and in accordance with applicable laws, regulations and industry standards. We focus on the performance, profitability and efficiency of our operations and enhance the contribution and development of our people, while actively contributing to meeting the United Nations Sustainable Development Goals (SDGs).

We are committed to exploring and driving opportunities towards a circular economy.

As a signatory of the Chemical Industry's Responsible Care® Global Charter, we apply best practices and pursue continual improvement.

IN LINE WITH THE THREE PILLARS OF SUSTAINABILITY, WE COMMIT TO:

PEOPLE: SOCIAL RESPONSIBILITY

- Pursuing a goal of no harm to people and society
- Contributing to solutions that deliver a positive and sustainable impact on people's lives
- Promoting the health and welfare of our people and the communities where we operate
- Building diverse and multi-cultural human capabilities and creating opportunities for individual growth
- Fostering mutually beneficial partnerships and social initiatives within the industry and society
- Respecting and conforming to relevant social, cultural, legal and ethical aspects of society

PLANET: ENVIRONMENTAL STEWARDSHIP

- Addressing global challenges, such as climate change, water, food, energy, healthcare and waste, with innovative solutions
- Minimising discharges, waste and emissions, safeguarding biodiversity, enhancing energy performance and optimising the use of natural resources
- Ensuring that energy performance improvements are considered throughout the duration of the intended lifecycle of our assets
- Optimising the positive health, safety, environmental, energy and societal impacts of our polymers throughout their lifecycle

Our three pillars of sustainability



People

Social responsibility



Planet

Environmental stewardship



Profit

Economic growth

Note: This is a summarised sustainability report. To view the full Sustainability Report please visit: borouge.com/en/sustainability/pages/home.aspx

PROFIT: ECONOMIC GROWTH

- Maximising shareholder return throughout the value chain
- Enhancing the reputation of Borouge and the image of the polymers industry
- Ensuring that the design, operational and technical integrity of our assets are sustained throughout their lifecycle
- Strengthening organisational resilience through the application of effective risk management, security and emergency preparedness, and business continuity practices
- Advancing the development of local downstream industries, and science and engineering capabilities
- Optimising responsible global procurement and supply chain opportunities

Our commitment is demonstrated through visible leadership and effective communication, a proactive sustainability performance culture supported by transparent monitoring and reporting systems, and continuous investment in our people, innovation, and assets. We engage with all of our stakeholders and encourage them to commit with us.

Sustainability reporting framework

This is a summary of the Sustainability Report, which has been prepared in accordance with the GRI Standards 2021, one of the most widely adopted sustainability reporting standards. We have also aligned our report with the disclosure requirements outlined by the UAE Securities and Commodities Authority (SCA) incorporating the Abu Dhabi Securities Exchange (ADX) ESG guidelines, covering all ESG Key Performance Indicators (KPIs). To view our full Sustainability Report, please visit [borouge.com](https://www.borouge.com).

Our sustainability framework

At Borouge, our Sustainability Strategy focuses on four key priorities:

Ensuring the sustainability of our operations and supply chain

- To signal our commitment to mitigate our environmental impact, Al Ruways Environmental Sustainability Programme (RESP) has been launched in 2019 with 2025 targets to improve all aspects of the environment in operations
- As of 2022, we have successfully achieved reduction in continuous flaring and in scope 1 and 2 emissions. We also increased water and energy efficiency in our operations



Advancing the development of sustainable polyolefin solutions and promoting a circular economy

- Obtained Global Recycle Standard certification for recycled polyolefins
- Provided circular economy solutions for waste collection bags during COVID-19 in China

Increasing the positive social impact in the communities where we operate

- Project STOP in Indonesia keeps delivering in its key objectives: to achieve zero leakage of waste into the environment, increase resource efficiency and recycle more polymers, as well as create benefits for local communities
- In this year, over 4,800 people were positively impacted through our CSR activities under different programmes with themes such as science education and volunteerism

Cultivating a sustainability performance culture across the organisation

- The Sustainability Policy is championed by our leadership. Our proactive sustainability performance culture is supported by transparent monitoring and reporting systems, and our continuous investment in our people, innovation, and assets
- Continuously recruit talent from diverse cultural backgrounds with a special focus on training and developing our people

We have concluded the first phase of our long-term Sustainability Goals in 2021 with a baseline year of 2015 following pillars of People, Planet and Profit. Details can be found in our Sustainability Report 2021. Moving forward, in 2022, we conducted an in-depth collaborative and extensive exercise within the organisation to determine the key priorities on which our 2030 ESG strategy will be based. Our new Borouge ESG strategy is expected to be launched in early 2023.

SUSTAINABILITY REPORT

CONTINUED

Sustainable Solutions Which Address Global Challenges

Our solutions	Addressing global challenges through our product portfolio
<p>Energy</p> <p>There is tremendous potential in the energy sector. We think beyond cables and voltage, to the lives and economies that thrive on this precious energy. Our innovative materials for solar energy panels provide reliability and affordability while delivering superior performance, making solar energy a more effective and viable alternative than ever. Our energy solutions ensure that energy is transported safely and efficiently from renewable sources and over longer distances.</p>	<p>Access to reliable energy</p> <p>Reliable energy by securing, interconnecting, and extending energy networks to meet the world's increasing demands.</p> <p>CO₂ emissions</p> <p>Climate protection with lighter, more energy-efficient materials that reduce greenhouse gas emissions of products across their lifecycles.</p>
<p>Infrastructure</p> <p>Our infrastructure solutions are used in many different industries, including water/gas distribution and transmission, sanitation, plumbing and heating, industrial, and energy, ensuring the health and safety of communities worldwide. Reliable and durable pipe solutions are vital in helping to eliminate losses, save energy and better serve communities and industries in the future, thus enhancing sustainability. Furthermore, they are used to transport and distribute clean water and gas through safer, longer-lasting and more efficient pipe networks.</p>	<p>Clean water distribution and sanitation</p> <p>Access to clean drinking water and sanitation with sustainable pipe materials, ensuring safe, durable and efficient access to our most vital resource.</p>
<p>Mobility</p> <p>Our mobility innovations make vehicles lighter and more efficient. Beyond materials, our true focus is moving people, and the industry, forward. With the commitment to sustainability under the requirement of automotive industry, we are implementing carbon footprint investigation and certification under ISO14064 and key compounds virgin grades and recycled grades.</p>	<p>Green transportation</p> <p>High performance PP compounds have been developed for automotive interior, exterior and under-the-bonnet applications to help OEMs reduce vehicle energy consumption and carbon footprint to achieve sustainable goals.</p>
<p>Sustainable packaging</p> <p>Consistency and material advantages are proven benefits of our packaging solution portfolio. We also work to ensure that products arrive fresh and tasty, contributing to reduce the food waste and improving overall food availability. The fully recyclable mono-material solutions provided by Borouge significantly contribute to reducing our negative climate impacts and attaining our sustainability goals.</p>	<p>Waste management</p> <p>Reducing polymer waste by following global best practices in encouraging REDUCE, REUSE, RECYCLE and RECOVERY of plastics to energy after their original intended application.</p>
<p>Agriculture</p> <p>When we deliver an agriculture solution, we think about more than a greenhouse. We solve challenges for farmers and their growing businesses and the communities they feed. We are working with many value chain stakeholders including universities, R&D companies, government agencies and progressive commercial farmers to promote our innovative solutions that contribute towards food sustainability. Our agriculture solutions are used to protect and grow crops under suitable conditions all year round, contributing to healthier and increased crop yields.</p>	<p>Food protection and safety</p> <p>Ensuring food security and safety with advanced packaging that provides enhanced protection across the value chain.</p>
<p>Healthcare</p> <p>Our healthcare solutions meet the strictest global regulations, and continually earn the trust of the healthcare professionals who use our solutions daily to save, enhance and protect lives.</p>	<p>Safe medical devices</p> <p>Improved healthcare with a new generation of materials for safer, more convenient and affordable medical equipment.</p>

Social



SUSTAINABLE DEVELOPMENT GOALS (SDGs)



ABU DHABI 2030 VISION

Priority: Social & Human Resources Development



MATERIAL TOPICS

- Diversity and Inclusion
- Employee Health, Safety and Hygiene
- Process Safety
- Human Rights and Worker Protection

2022 SOCIAL PERFORMANCE HIGHLIGHTS

Total number of employees	3,122
Gender balance (female %)	15.7%
Number of UAE Nationals	1,393
Training hours	98,335
Occupational Safety (TRI) frequency	0.237
Process Safety Incidents (Rate Tier 1 & Tier 2)	0.08

Environment

We consider environmental stewardship as one of the key pillars of our operations. As a leading petrochemical company, we realise that we have an important role to play in managing and mitigating our environmental impact across all the areas that we operate. Sustainability is an integral part of our operations and culture that enables us to reduce risks and drive positive growth. Therefore, we continue to invest in operational improvements and environmental initiatives.



SUSTAINABLE DEVELOPMENT GOALS (SDGs)



ABU DHABI 2030 VISION

Priority: Infrastructure Development and Environment Sustainability



MATERIAL TOPICS

- GHG Emissions
- Water Consumption
- Recycling and Circular Economy
- Environmental Compliance
- Energy Optimisation and Management
- Waste Management

Environmental operations

We comply with all relevant environmental laws, regulations, standards, and other legal requirements of the countries we operate in. We empower our employees through education, training and awareness efforts to ensure that sustainability is considered in every department at Borouge. Furthermore, we possess several relevant certifications to foster sustainability throughout our business.

Certification	Standards and Details
ISO 14001:2015	The Environment Management System helps manage potential environmental impacts, fulfill compliance obligations, and identify opportunities for improvement.
RC 14001® – Responsible Care Technical Specifications	The latest RC 14001®:2015 broadens the scope of the Environmental Management System standard (ISO 14001:2015), the Occupational Health and Safety Management System standard (ISO 45001:2018), and the Energy Management System standard (ISO 50001:2018) to cover the following key codes: Community awareness and emergency response – Distribution – Product stewardship – Security – Health and safety – Environmental protection.
ISO 50001: 2018 – Energy Management System	ISO 50001:2018 allows us to manage our energy performance more effectively and achieve a higher level of continual improvement. By implementing ISO 50001 certification in energy management, we have ensured that energy efficiency is built into the fabric of our business and operations.
Environmental Impact Assessment (EIA)	The impact of our activities is evaluated through the Environmental Impact Assessment (EIA) process for new projects, modifications, and retrofitting.

AL RUWAYS ENVIRONMENTAL SUSTAINABILITY PROGRAMME

Through the implementation of RESP, we achieved significant optimisation, particularly through our water, energy and waste efficiency projects, while improving the livelihood of the Al Dhannah region's community. Compared to the 2018 baseline, we managed to:

Energy saving initiatives and associated savings

Initiative	Energy saved (GJ)	Tonnes CO ₂ equivalent saved
EU-1 CGC extraction maximisation	119,720	7,093
Extruder optimisation for PO plants	596,598	33,141
Optimisation of Ethylene Vaporiser	160,479	9,508
U&O-1 boiler optimisation	226,884	13,443
Steam system APC implementation	766,462	109,775
Flaring roadmap (Zero continuous flaring)	243,052	14,400

Beyond our operations, Borouge is working to reduce our operational CO₂ footprint and collaborating with our value chain partners to deliver more sustainable solutions.

Corporate Social Responsibility

At Borouge, our CSR activities reflect our mission, vision, values, and strategy. We continue to collaborate with communities and employees to strengthen our relationships, accountability, and reputation. We have a strong history of supporting our local communities and fostering long-term and mutually beneficial partnerships and social initiatives, such as:

- Water for the World
- Sustainable Campus Initiative
- Polymers on the Move
- Borouge without Borders
- Borouge Scholarship Programme
- Al Dhannah Trivia Night
- Zero Waste Campaign

Our environmental awareness initiatives span across a wide area, initiating and delivering campaigns in multiple countries to:

- Encourage the responsible disposal of waste
- Educate the public to reduce, reuse and recycle waste
- Promote the benefits and value of polymers

Measuring our Social Impact and Social Value

Measuring social impact and social value¹ delivered through our initiatives is part of our commitment to continuously improving our social engagement, and investment in the communities we operate in.

Environment	Science Education	Borouge without Borders	Total
Social Value: 227 volunteering man-hours	Social Value: 411 volunteering man-hours	Social Value: 197.5 volunteering man-hours	Social Value: 835.5 volunteering man-hours
Social Impact: 1,750 people impacted	Social Impact: 2,268 people impacted	Social Impact: 788 people impacted	Social Impact: 4,806 people impacted

¹ Social impact is measured by the number of people who have directly benefitted whereas the social value is measured by the total number of man-hours volunteered by our employees

OUR PEOPLE

Our Borouge family

A talented, diverse, and dedicated team of more than 3,100 employees in nine countries. In 2022, we implemented plans to attract, engage, develop, and empower our employees as part of our ongoing journey towards a performance-driven culture in which every employee is aligned with our values and shared purpose.

Key Achievements

In 2022, our people played an important role in delivering Borouge's achievements and reaching key milestones, with the Company's goals and targets met thanks to our employees' commitment and hard work.

Establishing and maintaining a performance-driven, engaged workforce requires ongoing investment in training, providing opportunities for growth and advancement, and rewarding performance excellence.

This investment is essential, requires constant innovation, and must reflect the changing environment in which we operate and the shifting dynamics of talent acquisition and retention. In 2022, our Human Capital and Administration Group delivered a wide variety of programmes, while also coordinating Borouge's many training options, overseeing technology enhancements to manage our people better, and helping the Company meet its people-related KPIs for the year.

The Leave Cash-Out campaign was rolled out to ADP and PTE employees, allowing them to monetise leave not taken. Additionally, the unused CDOs of AI Ruways-based employees were extended to 31 December 2022 as part of this initiative.

Borouge's internship programme was recognised by universities and ADNOC has adopted it a benchmark for all its companies. The programme won an ADNOC Excellence Award, as did our Talent Acquisition Team.

In Asia Pacific, Borouge solidified its standing as a strong employer of choice in 2022. Being the enabler and trusted advisor to the business, our Human Capital and Administration Group cultivated a performance culture and a talented, diverse workforce, which led Borouge to be crowned the 2022 HR Excellence Awards Overall Winner amongst distinguished organisations across Asia, the Middle East and Oceania.







The TA'ALAM app was launched as part of the Marefa Hub, as a dynamic learning destination for all Learning & Development (L&D) services integrated with a digital library. We also rolled out our new remote Check-In power for Borouge HQ employees to remotely check in for work.

The Borouge Talent ECO System was established, offering eight leadership learning programmes to 759 participants.

We achieved 82% participation in our 2022 Employee Engagement Survey, validating the investment and effort made in building a strong culture of engaged employees. Two initiatives stemming from the survey were introduced at the TAWASUL and HC Service Point sites to cater to the needs of site-based employees and increase service excellence at AI Ruways Industrial City.



RECRUITMENT IN 2022

		UAE NATIONALS		NON-UAE NATIONALS
		Graduates	Experienced	Experienced
Total experienced	145			
Total graduates	30			
Emiratisation on recruitment plan (Graduates included)	52%	 0	 11	 10
Female diversity	14.5%	 30	 49	 75
		30	60	85

Diversity and Inclusion

Borouge attracts, engages, develops, and retains a diverse and inclusive workforce. Employees from different backgrounds, experiences, and viewpoints are critical to advancing innovation in our business.

In line with the UAE's goal of promoting gender balance, we strive to develop high-potential female employees. We are also guided by ADNOC's 2030 strategy focusing on People, Profitability, and Sustainability, which includes empowering women, driving gender diversity, and promoting inclusivity.

At the end of 2022, our workforce comprised 15.7% female employees, with women in 26.9% of management roles. As part of our Diversity and Inclusion commitments, we will continue to attract and consider more internal female candidates.

The Banat Zayed Initiative, the Borouge Female Talent Platform, was created for our talented female colleagues to share aspirational messages with the whole Company, reinforcing our focus on advancing unity, and promoting wellbeing and happiness.

Many of our female employees participated in the UAE-JAPAN Women Friendship Committee at Al Ruways. The event was attended by H.E. Dr. Maitha Al Shamsi, Minister of State; Mrs Fatema Al Nuaimi, ADNOC LNG CEO and AGBC Chairperson; and Dr. Ghuwaya Al Neyadi, AGBC Deputy Chairperson.

The event's brainstorming sessions and roundtable discussions focused on gender balance, women's empowerment, community development, sustainability, climate change, COP 28, and the UAE's investments in clean energy.

We celebrated International Women's Day to acknowledge the resilience, commitment, and dedication of the women in our Borouge family. This year's theme was #BreakTheBias, highlighting the need for collaboration between genders to create a healthy working environment.

Developing Local Talent

Borouge continuously upskills UAE Nationals in line with Government targets. Our success in this area has created an Emiratisation benchmark for ADNOC's group businesses, as well as for other oil and gas companies across the Middle East.

At the end of 2022, we were on track with our Emiratisation targets, with our total Emirati workforce reaching 1,243 employees.

OUR PEOPLE CONTINUED



Borouge has established a dedicated function to train secondary and tertiary Emirati graduates, as well as to create and deliver development programmes to support them in their career progression at Borouge.

Borouge provides local recruits with international exposure, challenging and rewarding career opportunities, and access to best-in-class global standards.

Meanwhile in Asia Pacific, Borouge's human capital strategy and best-in-class HR practices led us to win the prestigious 51job Top HR Management Award 2022 in China, and the Best Succession Planning Strategy and Best Executive Coaching Programme in HR Employee Experience Awards 2022 in Singapore. These awards recognised Borouge's exemplary efforts in leader enablement and succession planning to build our total talent pipeline.

Employee Engagement

The Human Capital and Administration Group was very active in 2022 with employee engagement initiatives. Borouge aims to create an environment where all employees feel valued and supported. We engage our employees frequently, through volunteering, annual sporting events, internal competitions, employee awards, and other activities.

Channels for communicating with our employees include face-to-face and town hall meetings, e-learning modules, a dedicated intranet, articles, posters, targeted emails, and short videos.

Feedback from our employees helps us identify areas for improvement. As such, we carry out employee surveys to monitor individual engagement, goal alignment, and our organisational agility.

Our 2022 Employee Engagement Survey had an 82% response rate, demonstrating our people's enthusiasm for contributing to Borouge's future, while our low attrition rate of 2.69% for the year, below the global average, reflects our strong employer brand. We hosted numerous events and sessions to engage employees and raise awareness of various operational issues.

The Talent Acquisition Awareness Sessions were held for more than 300 employees, including line managers and nominated women.

The THRIVE culture transformation programme, which was established in October 2020, is aimed at enabling a thriving Borouge, today and tomorrow, and building employee engagement to achieve a high-performing culture and sustainable performance excellence. Since inception, the programme has rolled out more than 30 initiatives to 1,500-plus employees.

Borouge's commitment towards securing strong employee engagement and workplace excellence led us to clinch the coveted HR Asia Best Companies to Work for in Asia Award 2022 in both China and Singapore, receiving the gold Harmonia statuette for our continued successes and achievements

Performance Management

Our integrated Talent and Competency Framework recognises talent and develops individuals to their fullest potential in their specialisation. The framework uses best practices and globally benchmarked competencies and proficiency levels to set targets.

We engage and support all our employees with evaluations, discussions, planning, and development activities appropriate to their aspirations, competencies, performance, and potential. These include on-the-job coaching and mentoring, world-class training courses, foreign assignments, and secondments to Borouge businesses and projects abroad.

The Employee Performance Management system develops employees to improve their performance and increase engagement using meaningful dialogue, feedback, and coaching that promotes business excellence. This effective tool delivers a balance between Borouge's business needs and our employees' desire for job satisfaction, rewards, personal and career development, and progression.

The outcome of all our activities supporting employees, building engagement, and lifting operational performance, is a high-performing, innovative, and motivated workforce.

Learning and Development

Borouge provides internal and external training opportunities such as eLearning, on-the-job training, classroom training, learning from others (coaching and mentoring), and specialised bespoke development initiatives. In 2022, we provided 23,735 hours of training to 20,738 participants.

This included the shift manager development programme, which was designed for highly competent and engaged shift supervisors to learn about operational requirements on site while also developing leadership attributes. This is the first technical competency-based programme built to develop shift managers, and includes networking with other downstream companies, leading shift teams, and coordinating priorities.

More than 100 Behaviour-based safety Level 3 training sessions were held at all locations, with 3,884 employees attending.

We continued to harness technology to enhance the learning and development of employees, where we provided employees with access to digital learning platforms, which promoted self-directed learning. With an extensive library of courses made available to employees, tailored to both their professional and functional development, we achieved outstanding learning outcomes in 2022, with 60% repeat learners, who viewed 40,000 learning videos and successfully completed 2,000 courses, surpassing the industry benchmark.

Using ADNOC's Learning Management System (LMS), we have provided our people with select eLearning opportunities based on their individual needs and interests. Some of the eLearning offered included management; Health, Safety and Environment; leadership; technical; role-related; and interpersonal skills.

In 2022, we launched TA'ALAM – EDAPP, a digital micro-learning platform offering interactive ways of learning using gamification. It was designed to make learning experiences simpler, smarter, and more engaging.

We introduced our certified and professional coaches at Borouge to help employees tap into their potential, unlock creativity and productivity, and create positive change geared towards extraordinary results.

In addition, employees received many commercial training opportunities that cultivated a high level of commercial acumen among our workforce. Our training programme covers essential topics such as sustainability, circular economies, petrochemicals, and net zero, which empowered our employees with the knowledge and tools to stay ahead of the curve in these critical areas.

We are committed to supporting our organisation's change management efforts, specifically through the implementation of Customer Relationship Management (CRM) in 2022. This state-of-the-art platform significantly improves our data management on customers, opportunities and transactions, resulting in a superior customer experience and streamlined commercial processes. To ensure a seamless transition to the new system, we have trained a total of 262 sales, marketing, and customer service employees, and developed a team of expert internal trainers who facilitated the roll-out with great success.

Youth Empowerment

In 2022, we continued to develop the potential of our young talent to become scientists and engineers as part of our responsible corporate citizen strategy.

Borouge's Youth Development Department successfully launched TAQIEM, a four-day Building Line Assessor programme for our colleagues at Al Ruways. Attendees took part in training workshops, lectures, group discussions, quizzes, videos, and role play sessions.

The programme was designed to:

- Promote a fair, objective, consistent, standard, and efficient assessment approach across all disciplines to ensure the seamless integration of Entry Point Employees with the desired competency
- Build a mindset to align our current assessments with the Scottish Qualification Authority (SQA) standards in order to prepare young UAE Nationals for SQA qualifications in the future
- Enrol trained assessors on the SQA certification, 'Assessing workplace competence using direct and indirect methods' to transform Borouge's assessment competencies

International Youth Day on 12 August 2022 was themed 'Intergenerational Solidarity: Creating a World for All Ages'. In celebration, we hosted a Youth Got Talent competition to offer employees an opportunity to share their talent in the form of a photo or video.

Our People in 2023

In the coming year, one of our major initiatives will be completing our E-Filing project to digitise employee records for efficient and secure access.

Our employer branding strategy will be made more visible externally to increase the number of candidates responding to advertised roles. Our wider presence on social media will include video job descriptions and employee testimonials. Internally, we will raise awareness and visibility of performance and reward by engaging employees and line managers through various channels.

Furthermore, we plan to launch a Female Engineer Talent Mobility Programme which will focus on Borouge's value chain.

Our Aspiring Ladies Programme, specifically designed by Borouge to empower technical entry-level and newly integrated employees, will be held. The women will take part in workshops on behavioural skills, understanding learning styles, communicating with influence, self-branding, active listening, amongst others.

We will also introduce a full leadership calendar for 2023, with the theme of 'Think Before You Act'. The programme, designed for VPs, DMs team leaders and engineers in both Abu Dhabi and Al Ruways, will offer group coaching, experiential learning, and business model training. Most importantly, we will arrange Value Enhancement Programme workshops and change management activities to support workshop activities to support strategic decision making, as well as innovative team building to increase value delivery.

STAKEHOLDER ENGAGEMENT

As a leading global petrochemical company, Borouge sits at the heart of a dynamic and integrated ecosystem of customers, employees, partners, shareholders, and the broader community. We are committed to continually engaging and supporting all our valued stakeholders to ensure transparency, drive collaboration, and deliver sustainable value creation.

Stakeholder Group	Our Shareholders	Our Customers
How do you engage?	<ul style="list-style-type: none"> Earnings presentations and press releases Ad-hoc press releases on key achievements and announcements Meetings and conferences with IR and senior management Annual General Meetings Capital Markets Day Non-deal roadshows Corporate website 	<ul style="list-style-type: none"> Regular customer visits or contacts by Sales and Marketing employees, either in person or virtually Employees also record customer data via Salesforce (customised Customer Relationship Management) platform
How often do you engage?	<ul style="list-style-type: none"> Quarterly investor earnings calls Ad-hoc press releases on key achievements and announcements as and when required Meetings and conferences take place on an ongoing basis throughout the year Annual or bi-annual Capital Markets Day Non-deal roadshows take place after each quarterly reporting cycle and are also organised on an ad-hoc basis as required Corporate website updates as and when required 	<ul style="list-style-type: none"> Ongoing two-way communication maintained (feedback provided to and from customers) Customers continually updated on new product innovations
Key issues/items discussed	<ul style="list-style-type: none"> Financial performance, strategy and operations update Management guidances (e.g. dividends) 	<ul style="list-style-type: none"> Customer feedback and resolution of services requested/required Relationship building Business opportunities Customer plans New innovations
Any actions from these discussions that have been or will be implemented	<ul style="list-style-type: none"> Actions will/have been taken at the strategic or operational level, depending on the discussion content 	<ul style="list-style-type: none"> Actions will/have been taken at the strategic or operational level, depending on the discussion content
How do you create value for the stakeholders?	<ul style="list-style-type: none"> Ensure shareholders are updated on latest business performance, plans and outlook Enable open communication and transparency with shareholders Return on investment 	<ul style="list-style-type: none"> Enhance knowledge of customers' requirements by placing their needs at the centre of all activities Provide a seamless customer experience journey by improving processes, efficiency and response time to customers

Our Employees	Our Suppliers and Contractors	Communities
<ul style="list-style-type: none"> ▪ Internal communications (intranet, newsletter, emails, MS Teams and Yammer) ▪ Townhalls ▪ Employee Engagement Survey ▪ Corporate and department events and activities ▪ Meetings with Line Managers for performance appraisals 	<ul style="list-style-type: none"> ▪ Site visits ▪ Industry events and talks ▪ Screening and assessments ▪ Joint projects ▪ All communications being shared with suppliers through a system called 'Borouge Ariba' in terms of technical and commercial clarifications and contract awarding ▪ Physical meetings or virtual meetings 	<ul style="list-style-type: none"> ▪ Public events, roadshows and activities in the local communities and schools ▪ Corporate website
<ul style="list-style-type: none"> ▪ Internal communications (intranet, newsletter, emails, MS Teams and Yammer) as and when required ▪ Townhalls every quarter ▪ Employee Engagement Survey every year ▪ Corporate and department events and activities as and when required ▪ Meetings with Line Managers for performance appraisals twice a year 	<ul style="list-style-type: none"> ▪ Ongoing two-way communication maintained ▪ Through the whole period of the tendering process until the award stage 	<ul style="list-style-type: none"> ▪ Ongoing initiatives
<ul style="list-style-type: none"> ▪ Company and regional business updates and achievements ▪ Individual career and skills development plans and compensation 	<ul style="list-style-type: none"> ▪ Matters related to sourcing, procurement and compliance of applicable regulatory requirements ▪ HSE standards ▪ Sustainable supply chain practices ▪ Claims ▪ Pending payments ▪ Delays in delivering project milestones ▪ Project timeline execution 	<ul style="list-style-type: none"> ▪ Community collaboration and partnership opportunities ▪ Education on topics of interest
<ul style="list-style-type: none"> ▪ Actions will/have been taken at the strategic or operational level, depending on the discussion content 	<ul style="list-style-type: none"> ▪ Actions will/have been taken at the strategic or operational level, depending on the discussion content 	<ul style="list-style-type: none"> ▪ Actions will/have been taken at the strategic or operational level, depending on the discussion content
<ul style="list-style-type: none"> ▪ Access to senior management through in-person and virtual events ▪ Personal and professional development through on-the-job and instructor-led trainings ▪ Provide sense of belonging and inclusivity 	<ul style="list-style-type: none"> ▪ Sustainable long-term relationships and partnerships 	<ul style="list-style-type: none"> ▪ Provide employment opportunities (e.g. Project STOP) ▪ Provide access to basic sanitation (e.g. Water for the World project) ▪ Education and knowledge transfer for local communities



GOVERNANCE REPORT

Inside this Section 72-105

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Note: To view the full 2022 Corporate Governance Report please visit: <https://www.borouge.com/en/investor-relations/Pages/reports-results.aspx>

CORPORATE GOVERNANCE

GOVERNANCE RULES

The Board of Directors is committed to standards of corporate governance that are in line with international best practice.

In this respect, the Abu Dhabi Securities Exchange ("ADX") listing rules provide that the ADX may, as it deems appropriate, decide to apply the Corporate Governance Guide for Joint Stock Companies issued by the SCA pursuant to Decision No. 3/RM of 2020 (as amended) (the "SCA Governance Code") to financial free zone companies (such as Borouge) which list on the ADX. In this regard, the ADX has confirmed that the SCA Governance Guide will generally be applicable to Borouge, but it has also approved a request from Borouge that, taking into account matters such as the governance regime contained in Borouge's articles of association and the fact that a number of topics are already regulated under the Abu Dhabi Global Market Companies Regulations 2020 (as amended) ("Companies Regulations"), certain provisions of the SCA Governance Guide should be disappplied. In particular, the ADX approved the disapplication of a number of provisions of the SCA Governance Guide including Articles 6(3), 6(4), 8(1), 8(2), 8(3)(A), 8(3)(F), 10(1), 12(2), 15, 16, 20-23 (inclusive), 24(5)(C), 24(9), 24(10), 25, 26(1),

27, 29, 32 (other than section 32(4) and, as it relates to the recording of conflicts in board of director meeting minutes, section 32(5)), 34, 35, 36(2), 38, 39, 40-48 (inclusive), 50, 52(2), 59(5), 59(6), 59(7), 59(10), 59(11), 59(12), 60(1), 61(20), 62(1), 65, 67(3)(B), 68(7) 71(2), 71(4), 80 and 82(1) (B) and 82(C). The ADX also approved the interpretation of a number of other provisions of the SCA Governance Guide in a manner consistent with the Companies Regulations and our Articles of Association.

In addition, the Board of Directors has adopted a group management and governance policy (the "Group Management and Governance Policy") which includes various principles applicable to the management of the group and the make-up of the Board, including that there must be at least one woman director, the manner of exercise of Borouge's rights as a shareholder in PTE and the exercise of Borouge's rights to appoint, remove and replace seven of the directors of PTE. The policy also governs the appointment, removal and replacement of certain other Group personnel (including the chief financial officer and chief operating officer). In this Annual Report, the corporate governance rules applicable to Borouge (taking into account the application of the SCA Governance Code (and disapplication

of certain provisions) referred to above and the Group Management and Governance Policy) are collectively referred to as the "Governance Rules".

The Governance Rules require that at least one-third of the Board must comprise non-executive independent directors in accordance with the criteria set out in the Governance Rules. The Governance Rules define an independent member as a member who has no relationship with the Company, any member of its senior executive management, its auditor, its parent company, its subsidiaries, any sister company, or any affiliate company in a manner that could lead to financial or moral benefit which may affect their decisions, subject to certain exceptions for directors with certain government links. The Board consists entirely of non-executive directors (the "Non-Executive Directors"). The Company regards H.E. Dr. Sultan Ahmed Al Jaber, Khaled Salmeen, Abdulaziz Alhajri, Khaled Al Zaabi, Omar Al Farsi and Tasnim Ahnaish as "independent members of the Board" within the meaning of the Governance Rules.

Borouge's articles of association further require that the Board meet at least four times each year.



BOARD OF DIRECTORS OF THE COMPANY

The Board of Directors consists of ten members, all of whom are Non-Executive Directors and six of whom are independent Directors



H.E. Dr. Sultan Ahmed Al Jaber

Chairperson

Thomas Gangl

Vice Chairperson

Khaled Salmeen

Director

Khaled Al Zaabi

Director

Date of Appointment

27 April 2022

27 April 2022

27 April 2022

27 April 2022

Independent

Yes*

No

Yes*

Yes*

External Appointments

- Group Chief Executive Officer and Managing Director of ADNOC since February 2016
- Member of the UAE Federal Cabinet, Minister of Industry and Advanced Technology, and the UAE's special envoy for climate change
- Chairman of Emirates Development Bank
- Board member to the Abu Dhabi Supreme Council for Financial and Economic Affairs
- Chairman of the Board of Directors of ADNOC Sour Gas, ADNOC Offshore, ADNOC Onshore, ADNOC Refining, ADNOC Gas, Fertigllobe, ADNOC Distribution, ADNOC Global Trading, ADNOC Logistics and Services, ADNOC Drilling Company and Masdar
- Chief Executive Officer of Borealis AG
- World Energy Council Austria (WEC); Vice President of the Board of Non-Executive Directors
- Austro-Arab Chamber of Commerce; Member of the Board of Non-Executive Directors
- World Business Council for Sustainable Development (WBCSD); Member of the Board of Non-Executive Directors
- Federation of Austrian Industries, Vienna; Member of the Board of Non-Executive Directors
- Österreichischer Verband CREDITREFORM (ÖVC); Member of Advisory Council
- Executive Director of Downstream Industry, Marketing and Trading at ADNOC
- Member of the Board of Directors of ADNOC Logistics and Services, ADNOC Refining, ADNOC Gas, ADNOC Global Trading, ADNOC Distribution PJSC and Fertigllobe
- Chairman of ADNOC Trading, TA'ZIZ and ADNOC City Gas
- Acting Group Chief Financial Officer of ADNOC
- Member of the Board of Directors of ADNOC Refining

Committee Memberships



Mr. Roger Brown was appointed as a member of the Board of Directors as of the establishment of the Company and ceased to hold office on 19 August 2022.
* Independent within the meaning of the Governance Rules.

**Abdulaziz Alhajri**

Director

**Omar Al Farsi**

Director

**Tasnim Ahnaish**

Director

Date of Appointment

27 April 2022

27 April 2022

27 April 2022

Independent

Yes*

Yes*

Yes*




External Appointments

Member of the Board of Directors of ADNOC Refining, ADNOC Distribution and Arkan Building Materials PJSC

Senior Vice President Accounting, Strategy Reporting and Tax at ADNOC

Vice President of ADNOC's Value Chain Optimisation and Analytics function

COMMITTEES:

-  Audit Committee
-  Nomination and Remuneration Committee
-  Executive Committee
-  Chair of Committee

Committee Memberships

-	-	
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The business address of each of Directors is Part of Level 28, Level 28, Al Sarab Tower, Abu Dhabi Global Market Square, Al Maryah Island, Abu Dhabi, United Arab Emirates.

BOARD OF DIRECTORS CONTINUED



Mark J. S. Tonkens

Director



Philippe René M. Roodhooft

Director



Thomas Michael Boesen

Director

Date of Appointment

27 April 2022

27 April 2022

27 April 2022

Independent

No

No

No

External Appointments

- Chief Financial Officer of Borealis AG
- Member of the Board of Directors of Bayport Polymers LLC

- Executive Vice President Joint Ventures and Growth Projects of Borealis AG,
- Chairman of the Board of Directors of Bayport Polymers LLC

- Vice President Middle East of Borealis AG
- Member of the Board of Directors of Borouge 4 LLC

Committee Memberships



COMMITTEES:

- Audit Committee
- Nomination and Remuneration Committee
- Executive Committee
- Chair of Committee

SENIOR MANAGEMENT

In addition to the members of the Board of Directors, the day-to-day management of the Company's operations is conducted by its senior management team.



Hazeem Sultan Al Suwaidi

Chief Executive Officer



Rainer Hoefling

Chief Marketing Officer



Jan-Martin Nufer

Chief Financial Officer



Louis Roland R. Desal

Chief Operating Officer

Date of Appointment

10 May 2022

10 May 2022

1 November 2022

10 May 2022

Bio

- Joined Borouge in 2002 and has over two decades of experience in the petrochemical industry
 - Chief Executive Officer of ADP since January 2020
 - Formerly Chief Executive Officer of Al Ruways Fertilizer Industries LLC (Fertil)
 - Previously Senior Vice President Regional MEAE and a member of the Borouge Executive Team. He shaped Borouge's strategy, international expansion activities, and achieved record-breaking sales
 - Currently a board member of the Gulf Petrochemicals and Chemicals Association (GPCA)
- Chief Executive Officer of PTE since November 2021
 - Joined Borealis in 2007 as Director of the Melamine Business Unit and later served as Chief Executive Officer of Borealis' fertilisers, melamine and technical nitrogen business from October 2018 to November 2021
 - Appointed as interim Executive Vice President Polyolefins and Innovation and Technology in April 2018
 - Board member of Singapore Chemical Industry Council Limited
- Chief Financial Officer since November 2022
 - Broad international experience in various finance roles, senior leadership and board positions for more than 25 years, having managed projects globally and has led finance organisations in a wide variety of set-ups
 - Formerly held various senior positions with Borealis for 16 years
 - Closely involved with Borouge from the shareholder side since 2007 for Borouge 2, 3 and 4
 - Founding board member of ACTA, the Austrian Corporate Treasury Association and Deputy Chair of EACT, the European Corporate Treasury Association
- Chief Operating Officer of ADP since November 2017
 - Previously spent over 27 years in operations with Borealis where he held various leadership positions including Senior Vice President of Operations Base Chemicals where he was responsible for the Hydrocarbon and Fertiliser production units at different locations in Europe
 - Appointed as the Head of the Process Safety Leadership team for the European locations of the Borealis Group

BOARD COMMITTEES

The Board has established three permanent committees – an Audit Committee, a Nomination and Remuneration Committee (each subject to the composition requirements of the Governance Rules) and an Executive Committee. If the need should arise, and subject to the Articles of Association, the Board may set up additional committees as appropriate. In accordance with the Governance Rules, the Chairperson of the Board of Directors is not permitted to be a member of either the Audit Committee or the Nomination and Remuneration Committee.

Our Articles of Association state that the composition of the Audit Committee and the Nomination and Remuneration Committee will be as specified in the relevant terms of reference adopted by the Board of Directors from time to time, and that the membership of the Executive Committee will reflect, as closely as possible and also on a proportional basis, representation of the larger director groups on our Board. The director groups are determined in accordance with Borouge's Articles of Association and, broadly, the allocation of each director to a group depending upon the identity of the shareholder who cast the most votes for that director when he or she was elected. Further details are set out in the Articles of Association.

AUDIT COMMITTEE

The Audit Committee assists the Board in discharging its responsibilities relating to financial reporting, external and internal audits and controls, including reviewing and monitoring the integrity of our financial statements, reviewing and monitoring the extent of the non audit work undertaken by external auditors, advising on the appointment of external auditors, overseeing the relationship with our external auditors, reviewing the effectiveness of the external audit process, and reviewing the effectiveness of our internal control review function. The ultimate responsibility for reviewing and approving the annual report and accounts

remain with the Board. The Audit Committee gives due consideration to the applicable laws and regulations of the UAE, the ADGM, the SCA and the ADX.

The Audit Committee Terms of Reference requires that the Audit Committee must comprise six members. At least three members of the Audit Committee must be Non-Executive Directors (of whom at least two must be independent). In addition, at least one member is required to have practical audit, finance or accounting experience. The Audit Committee is chaired by one of the independent members and includes other members elected by the Board from time to time. The members of the Audit Committee are appointed in accordance with the relevant terms of reference. The Audit Committee meets not less than four times per year. All members of the Audit Committee are required to comply with the Group's information sharing protocol which sets out guidelines on matters relating to the sharing of material non-public information and insider trading.

The Audit Committee takes appropriate steps to ensure that the Company's external auditors are independent of the Company as required by applicable law.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee assists the Board in setting and overseeing the nomination and remuneration policies in respect of the Board¹, any committees of the Board and senior management. In such capacity, it is responsible for evaluating certain matters relating to Borouge's executive management, evaluating the balance of skills, knowledge and experience of the Board and committees of the Board and, in particular, monitoring the independent status of the independent Directors. In addition, and subject to the Articles of Association, the Nomination and Remuneration Committee assists the

Board in determining its responsibilities in relation to remuneration, including making recommendations to the Board on the Company's policy on executive remuneration and decisions on certain of the Group's human capital policies, setting the overarching principles, parameters and governance framework of our remuneration policy and overseeing remuneration and benefits packages.

The Board has delegated to the Nomination and Remuneration Committee decisions in relation to the appointment, removal and replacement of personnel reporting directly to the Company's chief executive officer, senior vice-presidents of the Group and management personnel reporting directly to the Group's senior vice-presidents.

The Nomination and Remuneration Committee Terms of Reference require that the Nomination and Remuneration Committee must comprise four members. At least three of the Nomination and Remuneration Committee members will need to be Non-Executive Directors (of whom at least two will need to be independent), in each case within the meaning of those terms in the Governance Rules. The Chairperson of the Nomination and Remuneration Committee is chosen from among the independent committee members. The members of the Nomination and Remuneration Committee are appointed in accordance with the Articles of Association. The Nomination and Remuneration Committee meets at least four times per year, and otherwise from time to time based on the Company's requirements. All members of the Nomination and Remuneration Committee are required to comply with the Group's information sharing protocol which sets out guidelines on matters relating to the sharing of material non-public information and insider trading.

¹ The remuneration of the members of the Board of Directors is also approved by the shareholders at the Annual General Meeting.

EXECUTIVE COMMITTEE

The Executive Committee assists the Board in discharging its responsibilities, including the Company's commercial performance. The Board has delegated to the Executive Committee approval of related party transactions. However, certain related party transactions will not require such approval (including transactions entered into pursuant to related party agreements, which already exist on and prior to the date of listing of the company on the ADX). Decisions regarding related party transactions are generally taken by way of a vote of non-conflicted committee members. However, in certain circumstances, all members of the Executive Committee will be entitled to vote on these matters including (without limitation) related party transactions entered into in relation any proposed acquisition of the business or assets, or any proposed acquisition of any shares in the capital of Borouge 4 LLC, the purchase of polyolefin technology licenses, certain research and development matters and certain other ordinary course transactions. Along with related party

transactions, various other decisions are reserved for the Executive Committee, including the approval, amendment or termination of Group policies pertaining to finance, budget and business planning, procurement, investment and business continuity. The Executive Committee also receives information and reporting relating to the business and operations of the Group. All members of the Executive Committee are required to comply with the Group's information sharing protocol which sets out guidelines on matters relating to the sharing of non-public confidential information and insider trading.

The Executive Committee Terms of Reference requires that the Executive Committee must comprise five members. The Executive Committee meets once a month.

Becoming the world's **most trusted and respected** petrochemical company

World-class businesses are founded on the highest ethical standards of conduct. We have created a culture that promotes trust and nurtures relationships and ethical conduct by focusing on transparency and respect, which is at the core of our values. Our journey to become the world's most trusted and respected petrochemical company guides everything we do.

Our trust agenda is essential to how we deliver on our purpose and create long-term value for both shareholders and society, and is a priority for maintaining a responsible and sustainable business for Borouge. Central to this mission is responsible leadership, and for Borouge, responsible leadership is focused on driving value for the organisation while honouring the Borouge values.

Driven by the highest levels of the Company, our Board of Directors, CEO, executive management and senior leadership set the tone from the top and provide their strong commitment to ensuring Borouge maintains and promotes ethically responsible leadership and Borouge operates with the highest level of ethical standards in our daily operations. The Borouge Ethics and Compliance team is entrusted to drive the Ethics and Compliance programme in furtherance of our trust agenda.

BOROUGE'S CODE OF CONDUCT

Borouge is committed to operating its business with the highest ethical standards and practices. Ethics and our values are tightly kneaded into the principles by which we operate. Our Code of Conduct guides our business, requiring ethical behaviour and integrity in everything we do. It is the foundation of all compliance policies and, fundamentally, it helps us maintain the trust we have built with our employees, customers and suppliers. The Code outlines the ethical standards expected of everyone wherever we do business.

The Code of Conduct:

- requires our people to act ethically and responsibly with integrity;
- establishes a culture of openness, trust, and integrity in our business practices;
- defines roles, responsibilities, and accountabilities; and
- maintains the expectations of adherence to business ethics in all Company practices.

Our Code of Conduct is updated regularly to reflect the changing risk environment in which we operate. Annually, every employee must confirm to Borouge that they will comply with all aspects of the Code and pass a knowledge test at the end of the Code of Conduct training.



CODE OF CONDUCT
OUR EVERYDAY GUIDE TO OUR SUCCESS

INSPIRING TOMORROW

The Code of Conduct also applies to every individual and contractor who works for, or represents us, worldwide. For third parties, we have similar ethical expectations to our employees which are provided in our Third Party Code of Conduct.

The Borouge Code of Conduct, last refreshed in 2021, can be downloaded on our corporate website as below:

https://www.borouge.com/en/investor-relations/Documents/Corporate%20governance%20Documents/Code%20of%20Conduct_EN_v11.pdf



THIRD PARTY CODE OF CONDUCT

INSPIRING TOMORROW

The Borouge Third Party Code of Conduct can be downloaded on our corporate website as below:

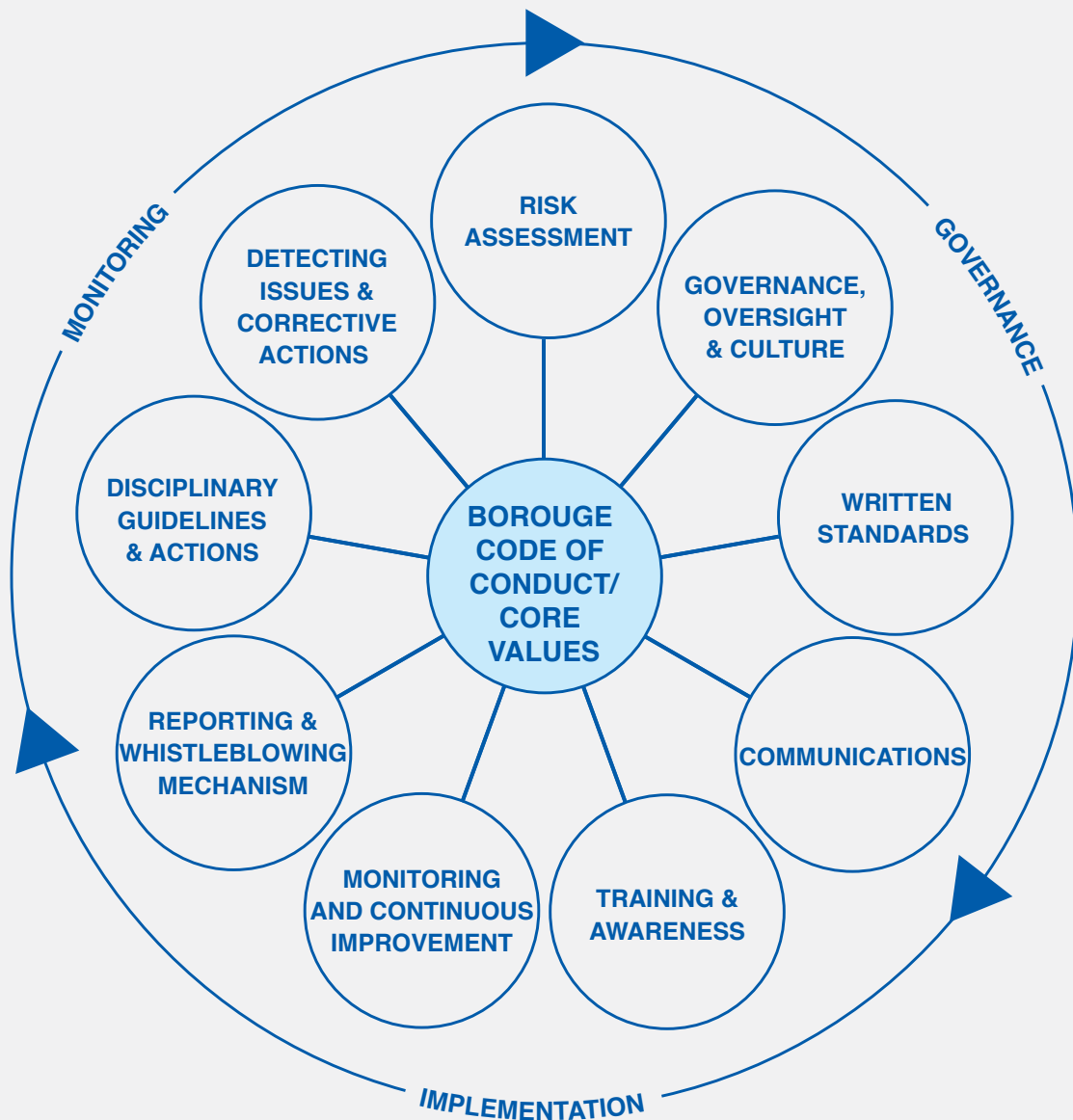
https://www.borouge.com/en/investor-relations/Documents/Corporate%20governance%20Documents/Code%20of%20Conduct_EN%20Final.pdf

2022 BOROUGE ETHICS AND COMPLIANCE REPORT

CONTINUED

THE BOROUGE ETHICS AND COMPLIANCE FRAMEWORK AND PROGRAMME

The Borouge Ethics and Compliance Framework is centered around the Borouge Code of Conduct and our Core Values. This framework provides a comprehensive and robust approach to ensure that our Ethics and Compliance Programme, based on The Committee of Sponsoring Organisations of the Treadway Commission (COSO) internal control integrated framework, is aligned with the highest level of international standards and best practices (e.g. the United States Sentencing Commission's Guidelines on the Seven Elements of an Effective Compliance Programme), and in compliance with the latest regulatory requirements.



Risk Assessment

Risk assessment is the identification and analysis of the relevant Borouge Ethics and Compliance risks in relation to Company goals and objectives, forming a basis for determining how the risks should be managed. As business dynamics change, these risks are periodically updated to reflect the latest risk exposure to Borouge.

Governance, Oversight and Culture

The Borouge Ethics and Compliance programme is overseen by a strong governance framework that include the Borouge Board of Directors, Audit Committee, executive management and the CEO. The Board has designated the responsibility of day to day oversight to the company's CEO, who in turn has designated this responsibility to the Senior Vice President, Corporate Governance. The Head, Ethics, Compliance & Risk reports to the SVP, Corporate Governance and manages the Borouge Ethics and Compliance programme on an operational level, supported by a team of Ethics & Compliance and Governance, Risk, & Compliance (GRC) professionals. The Borouge Ethics and Compliance team is responsible for deploying and updating policies and procedures, promoting and ensuring compliance with the Company's Code of Conduct and all legal and regulatory requirements across all jurisdictions where Borouge operates. Borouge also has two Ethics & Compliance Committees (ECCs), one in the Middle East and another in Asia, which together with the Borouge Ethics and Compliance team, both aim to promote standards of conduct, and prevent, detect and correct non-compliance within the organisation.

The Borouge organisational environment reflects the culture and values of the Company that are brought to life by the strong tone at the top with the Borouge Board of Directors, executive management, and senior leaders all the way down to employees that commit to uphold the corporate values through compliance to our policies and demonstrate high levels of ethics, integrity, and behaviours in everything that we do.

Written Standards

Our written standards are (e.g. policies, procedures, guidelines, standard operating procedures) documents that set forth how the processes should be carried out in a compliant manner consistent with the Borouge's Code of Conduct, our core values and management directives.

Communications

Effective communication and information sharing related to company expectations on values driven leadership and behaviour is critical as it enables Borouge employees to carry out their responsibilities aligned with the Borouge Ethics and Compliance standards. Effective communication and information sharing in Borouge occurs when all Borouge personnel receive clear messages from executive and senior management that ethics and compliance responsibilities must be taken seriously and ingrained in everything that we do on a daily basis.

Training & Awareness

Borouge Ethics and Compliance lead year round training and awareness sessions via multiple modes of communication (e.g. e-Learning module, emails communications and targeted workshops) to ensure that our employees and third parties understand clearly the company's expectations. We strongly believe that the more educated and aware our employees are of the risks we face in our daily business, the easier it will be to detect and deter unethical practices and protect our business from unnecessary exposure. Therefore, our commitment to continuous and ongoing Ethics and Compliance training is a commitment that we take seriously.

2022 Ethics and Compliance Training and Awareness Sessions

In 2022, our employees have been trained on a wide spectrum of Ethics and Compliance topics and risk areas, to ensure they are well armed to continue to defend and safeguard our business to the farthest extent.

- Borouge Code of Conduct
- Anti-Bribery & Corruption
- Anti-Money Laundering
- Conflict of Interest
- Data Privacy & Personal Data Protection
- Ethics & Compliance Induction
- Fraud Risks
- Gifts & Entertainment
- Insider Information
- Sanctions & Export Control
- Sanctions Recusal

Monitoring and Continuous Improvement

Periodic, risk based independent monitoring and testing is conducted by the Borouge Ethics and Compliance team to ensure that areas of high risk are proactively monitored on a regular basis. Continuous improvement initiatives are conducted if control gaps are detected from monitoring results or there are repeated incidences of control weaknesses.

Reporting & Whistleblowing Mechanism

Borouge encourages and promotes an open, honest and transparent culture as part of our commitment to our core values. Anyone who works with or for Borouge and has concerns about unethical behaviours in connection with the business of Borouge can report it in confidence and without risk of retaliation. Takallam (which means "to speak" in Arabic) is an anonymous Reporting and Whistleblowing Helpline run by an independent third party, on behalf of Borouge. It allows anyone inside or outside Borouge to raise business ethics and integrity concerns involving Borouge employees or third parties working with or for Borouge. All reports made are subject to strict confidentiality rules regarding the identity of the whistleblower. The Borouge Ethics and Compliance Committee ensures that the identity of the whistleblower will remain as confidential as possible while allowing for investigation and appropriate remedial action to proceed.

Disciplinary Guidelines & Actions

When there are substantiated violations of corporate policies or ethical misconduct, the Investigation Committee, with oversight from the Ethics & Compliance Committee will make a recommendation to the CEO on the relevant disciplinary procedures. If endorsed by the CEO, HR will implement the disciplinary actions according to the local disciplinary process.

Detecting Issues & Corrective Actions

When violations of corporate policies or ethical misconduct occur, to ensure that the misconduct will not be repeated, corrective actions are put in place to avoid potential repeated issues in the future. To the extent the weakness can be eliminated, Borouge Ethics and Compliance team will assist the relevant functions to ensure robust corrective actions are implemented.

2022 BOROUGE ETHICS AND COMPLIANCE REPORT

CONTINUED

In this report, we will focus on describing Borouge's 2022 key risk areas in relation to Business Ethics. The Borouge Ethics and Compliance (E&C) function monitors key risks associated with our dynamic business environment and global trends to adapt and stay relevant with evolving and emerging risk areas. Below are the key risk areas managed under Borouge E&C, with details in the following respective sections.

2022 BOROUGE COMPLIANCE KEY RISK AREAS

<p>Anti-Bribery & Corruption (ABAC)</p> <p>Ensuring we comply with all applicable ABAC laws and regulations in each jurisdiction we operate in is of utmost importance to Borouge.</p>	<p>Conflicts of Interest</p> <p>Ensuring we conduct business in a conflict free manner is of utmost importance to Borouge.</p>	<p>Gifts & Entertainment</p> <p>Ensuring conflict free practices related to gifting and entertainment practices is essential to ethical business conduct for Borouge.</p>	<p>Anti-Money Laundering & Counter Terrorist Financing</p> <p>Ensuring we go to the farthest extent to combat money laundering and terrorist financing schemes.</p>
<p>Third-Party Risk Management</p> <p>Ensuring we have a robust and effective way to manage who we do business with and which third parties represent us is of utmost importance to Borouge.</p>	<p>Borouge Data Analytics Programme</p> <p>Ensuring we use an advanced data driven compliance programme which ensures we can detect unethical behaviour in our transactions.</p>	<p>Fraud Risk Management</p> <p>Periodically evaluating our existing and emerging fraud risk exposure and preventing fraud of any kind across the organisation is of utmost importance to Borouge.</p>	<p>Sanctions & Export Controls</p> <p>Ensuring we comply with all applicable and evolving sanctions and export controls regulations in all jurisdictions where we operate is of utmost importance to Borouge.</p>
<p>Internal Controls over Financial Reporting and Internal Controls Framework</p> <p>Periodically assessing, mitigating and reporting on the design and effectiveness of internal controls in the Borouge environment.</p>	<p>Data Privacy & Protection</p> <p>Maintaining employee and third parties' trust in how we manage and process data as well as ensuring compliance with data protection laws in each of the countries where we operate in is of utmost importance to Borouge.</p>	<p>Whistleblowing, Investigation and Ethics & Compliance Committee</p> <p>Maintaining confidentiality, discretion and professionalism in managing whistleblowing matters is paramount to maintaining trust of our employees and third parties.</p>	<p>Inside Information Management and Insider Dealing</p> <p>Ensuring we comply with capital markets and securities regulations related to Inside Information and Insider Dealing is of utmost importance to Borouge.</p>
<p>Governance Risk & Compliance (GRC) function</p> <p>Ensuring we maintain high levels of governance and security to the Borouge Crown Jewels is of utmost importance to Borouge.</p>			

ANTI-BRIBERY & CORRUPTION (ABAC)

At Borouge, we are committed to doing business lawfully, ethically and with integrity, and we expect all our employees and representatives to act accordingly. Consistent with this commitment, we take a zero-tolerance approach to fraud, bribery and all other forms of corruption. Borouge fully complies with the applicable bribery and corruption laws and regulations in each jurisdiction in which we operate, as part of our efforts to maintain strong and effective compliance controls.

Our Anti-Corruption compliance programme is based on our values, the Borouge Code of Conduct, Anti-Bribery and Corruption ("ABAC") Policy, risk management, internal and external communications, internal and external training, monitoring and oversight and reporting to safeguard our business and to prevent and prohibit improper practices, as well as educate our employees and third parties on these legal requirements.

The Borouge Anti-Bribery and Corruption Policy applies both to public and private sectors and sets out our requirements to ensure that none of our employees or third party representatives engage in any of these activities. It also highlights the key guidelines relating to any interactions with government officials and prohibits facilitation payments, both of which are considered high risk from a corruption perspective. Facilitation payments are a type of bribe generally used to facilitate or expedite the performance of routine, non-discretionary government action. These payments are not permissible and are strictly prohibited.

Specific guidelines are also highlighted for Borouge employees who engage in political or charitable activities or make political or charitable donations. Any potential activities/donations undertaken by Borouge employees must be in their personal capacity, should not be carried out during company time, should not involve Borouge resources, premises or funds and must comply with the applicable laws.

It is also every employee's responsibility to ensure accurate books and records are maintained, which helps to detect and prevent bribery and corruption. All transactions should be recorded promptly and in compliance with our internal controls.

Borouge has implemented robust controls and processes to mitigate risk related to third parties we work with. As part of our Anti-Bribery and Corruption monitoring activities, Borouge utilises data analytics tools to test corruption exposure using historical transactions on a rolling three-year basis covering the entire organisation including Asia South, Asia North and MEAE. Red flags are raised on any unusual or suspicious activity to the Ethics and Compliance team who conduct detailed analysis and investigate any unusual ABAC transactions. Over the last four years, including in 2022, Borouge did not identify any bribery and corruption related transactions based on the testing performed.

Borouge continues to promote a high level of ABAC awareness through a robust training and communication programme. In 2022, Borouge Ethics and Compliance team rolled out a mandatory ABAC e-Learning module to all employees. The goals and objectives of the Borouge ABAC e-Learning module include the following:

- Identifying common ABAC risks and create awareness of bribery and corruption risk
- Recognising the critical role that Borouge employees play in preventing bribery and corruption
- Understanding key elements and negative implications of Bribery and Corruption
- Identifying the reporting channel for escalation and reporting of bribery and corruption instances.

We have achieved 100% completion for this ABAC module, where 100% of employees passed the integrated knowledge quiz at the end of the module.

Borouge takes a Zero-Tolerance approach towards fraud, bribery, money laundering and all other forms of corruption.

100%

Borouge employees have undertaken the 2022 Anti-Bribery & Corruption training and passed the knowledge test

2022 BOROUGE ETHICS AND COMPLIANCE REPORT CONTINUED

CONFLICTS OF INTEREST (COI)

Borouge's best interests are the paramount consideration in all business transactions. A conflict of interest can occur where our employee, a member of our employee's family or a close friend or connection are involved in activities that could hinder or impair the employee from making objective decisions in the best interest of Borouge and when performing their duties. Every situation must be considered and navigated with an unyielding, Borouge-centric focus. Any activity, transaction, or relationship that raises a potential conflict of interest should be avoided.

Other forms of conflicts of interest are also managed including potential conflicts of interest in the case of supervisory relationships. In particular, we must avoid all direct or indirect supervision (up to two levels below) of family members or friends, employees must be appraised solely on their talent and merit and we should go to the farthest extent to prevent any favouritism. Conflicts of interest must also be avoided to prevent inappropriate influence on decisions regarding career changes (transfers, assignments, promotions), assessments (performance evaluations, talent reviews), or compensation and benefits related to any family member or friend.

We understand that our employees, officers and directors will engage in legitimate social, financial and business activities outside the scope of their work for us. For example, we recognise that our employees may be engaged in community service in their local communities or in various charitable activities. Our employees may also serve on various external Boards and governance committees or serve on external research committees. If any Borouge employee is a member of an external Board or Committee

or external governance role, our External Board Declaration process, requires the employee to provide detailed information regarding the appointed position (e.g. remuneration, terms of reference, capacity in which they are serving – personal or as a representative of Borouge – and term of the role). This External Board Declaration assessment will determine if such a position represents a real or potential conflict, and whether it detracts or competes in any material way from the employee's ability to fulfil their commitments to Borouge, any time commitment required, and potential liabilities and responsibilities associated with the outside directorship. The boards or governance committees they serve must not compete with Borouge's business in any way, and the employee must attest and sign a declaration form which states that the employee is prevented from sharing any confidential or inside information about Borouge as a part of their external appointment. It is every employee's duty to ensure that their outside activities, even charitable or pro bono activities, paid or unpaid, do not constitute a conflict of interest or are otherwise inconsistent with employment obligations in Borouge.

Our Conflicts of Interest Policy sets out our requirements regarding the avoidance and management of conflicts of interest that may arise as a result of activities outside of employment with Borouge, including the avoidance of situations that appear to be a conflict of interest. Under this policy, conflicts of interest must be promptly disclosed so that the necessary steps are taken to address, mitigate or remove the Conflict of Interest. We encourage employees to be as transparent as possible and disclose any actual or perceived Conflict of Interest so that the appropriate course of action can be taken to protect Borouge's interests.

As part of the declaration process, the Borouge Ethics and Compliance team has implemented a mandatory online Conflict of Interest declaration process, where every employee is required to declare the existence of any conflict of interest on an annual basis.

The Borouge Ethics and Compliance team reviews and clears each conflict of interest submitted and the employee's line management is informed.

The review process includes a detailed analysis of the potential conflict, and detailed documentation on the rationale for clearing, mitigating or other actions required as part of the conclusion. Employees are required to acknowledge their understanding of the detailed analysis, key considerations and sign off on the COI analysis acknowledging their agreement with the outcome and recommended actions if any. Their line managers are briefed on the conflict and asked to monitor their duties and activities to ensure that their direct report maintains a conflict-free status.

In 2022, 100% of employees completed such an attestation. For those reporting a potential conflict, 100% were cleared from their respective conflicts whether stemming from External Board appointments or other potential conflicts of interest and the necessary actions were taken to mitigate any potential conflict of interest.

Borouge provides continuous communication to all employees yearlong regarding the importance of avoiding potential conflicts of interest. In 2022, the Borouge Ethics and Compliance team sent quarterly communications with scenarios and common pitfalls watch-outs to avoid any potential conflict situation.

Borouge also conducts ongoing awareness sessions on Conflict of Interest as part of E&C training programmes. In 2022, targeted Conflict of Interest training workshops were conducted with the employees in the select business regions. This provided participants a better understanding of potential and perceived localised Conflict of Interest scenarios and how to manage if such situations arise.

GIFTS & ENTERTAINMENT

A common form of bribery and corruption or conflicts of interest is the inappropriate giving or receiving of gifts and entertainment. In Borouge, the general principle is that one may not solicit, give or receive, either directly or indirectly, any gifts or entertainment if it is perceived and/or can influence the judgment of the recipient or create an obligation to return the favour. As a matter of practice, Borouge employees should politely decline or refuse offers of gifts or entertainment where possible. Gifts and entertainment should be defined in the broadest sense to include monetary and non-monetary items, and under no circumstances should cash or cash equivalents ever be offered to or accepted from another individual.

The Borouge Gift and Entertainment Policy details the acceptable practices, monetary limits with corresponding approvals/declaration requirements and reporting violations related to Gifts & Entertainment activities. In the event where gifts or entertainment are required to make valuable contributions towards good business relationships, they should not be given or received on such a scale or occasion that it could be construed as an inducement to do business or can bias the decision making especially during sensitive events such as open tender, contract awards, contact renewals or audits.

As Borouge operates in many regions, the policy also highlights the need for awareness of cross cultural differences in what may be considered appropriate in giving or accepting gifts. Giving and receiving gifts during festive seasons or giving donations during special events (for example: a funeral wake) is culturally acceptable and common practice in some parts of the world. In such situations, failure to give or accept a gift could be viewed as negative and could damage Borouge's relationship with the party. Under such conditions, with our limits in mind, these cultural gifts could be allowable with strong rationale and appropriate levels of approval.

It is also important to note that gifts & entertainment with Public/Government Officials is strictly prohibited. However, in an exceptional case, a prior approval from Borouge Ethics and Compliance team is required.

As part of our Borouge Gift and Entertainment monitoring and control reviews, Borouge maintains a Gift and Entertainment register where all employees are required to declare any gift and/or entertainment given or accepted. Borouge Ethics and Compliance team performs periodic reviews on the register with the expense reports independently obtained from Finance to ensure that the nature and amount of these gift and entertainment expenses are aligned with our Borouge policy and the declared value on the Gift and Entertainment register.

Conflict of Interest E&C Review and Clearance

100%

Borouge employees have completed 2022 annual Conflict of Interest disclosures.

100%

Conflict of Interest disclosures have been resolved and mitigated.

100%

External Board Declarations are reviewed and cleared.

2022 BOROUGE ETHICS AND COMPLIANCE REPORT CONTINUED

In 2022, we noted that while the number of G&E registrations remained the same in the previous year, there was a 20% decrease in the monetary value of each gift. This reduction indicates a trend towards the declining monetary amount of each gift and entertainment resulting in reduced risk exposure and stronger understanding of our G&E policy by our employees. It should be noted that the monetary value of these G&E transactions were all within acceptable limits.

In addition, in 2022 our controls were further enhanced by integrating the Gift and Entertainment declaration with the Borouge Finance claims approval process. The Borouge Ethics and Compliance team, working closely with the Finance department, have established a process where all Gift and Entertainment expenses submitted by Borouge employees requires the evidence of the Borouge Gift and Entertainment declaration documentation; creating a closed-loop control. As a result of this enhancement, there is a heightened awareness of the importance of adherence and compliance with the Borouge Gift and Entertainment requirements, and limits opportunities to circumvent controls to submit an expense claim for gifting, without a corresponding gift declaration.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING

Consistent with the Borouge values and the Borouge Code of Conduct, Borouge takes a zero-tolerance approach to all forms of money laundering.

We are committed to the international fight against money laundering and terrorism financing and we comply with the applicable Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Laws and regulations to deter criminal enterprise and go to the farthest extent to protect the company in the countries where we do business.

We have implemented a robust AML Compliance programme with robust controls to combat money laundering and terrorist financing schemes including:

- The Head of Ethics, Compliance & Risk is the Money Laundering Reporting Officer (MRLO) for Borouge.
- The Borouge Ethics and Compliance team have extensive knowledge of anti-money laundering laws, standards and practices, controls and monitoring, and have the skills and ability to identify AML risks and implement appropriate mitigation plans.
- Implementation of the Anti-Money Laundering Policy which sets out our approach to ensure that we comply with all applicable laws and regulations to prevent money laundering and terrorist financing.
- Implementation of appropriate processes to conduct due diligence on all third parties.
- Implementation of strong controls in the accounts receivable process and procedures.
- Conducted extensive training of our sales teams to ensure they work with our customers to avoid cash payments of any kind (see related details on cash transactions).
- Eliminated all cash transactions with third parties (see related details on cash transactions).
- Conducted data analytics testing on all transactions over the last three years on a rolling basis to analyse and monitor against AML related activities (see data analytics section for further details).
- Conducted monitoring and reporting suspicious activities whenever deemed appropriate.
- Implemented effective communication and training (see details in training section).
- Retained detailed transactional records as required.

Cash intensive businesses are of particular risk due to the difficulties of identifying the originating source of funds and potential financial layering. It is common for perpetrators to integrate cash proceeds of crime into legitimate income streams or payments. As such, we have taken steps to eliminate all cash payments from our customers over the last few years. Over the last four years, we have monitored cash payments on a quarterly basis. In 2022, we have not received any cash payments from our customers.

Due to the high risk nature and importance of ensuring all our employees understand and comply with the Anti-Money Laundering Policy and relevant laws and regulations, in 2022, we have trained 100% of our employees whom had passed the AML certification test. In doing so, our employees have been made aware that they should not knowingly facilitate either money laundering or terrorist financing activities directly or when dealing with customers or business partners and they should remain vigilant and go the farthest extent possible to prevent and they must take steps to prevent the inadvertent use of Borouge's business activities for money laundering and terrorist financing activities.

Borouge Anti-Money Laundering training

100%

Borouge employees have undertaken the 2022 Anti-Money Laundering training and passed the knowledge test.

They are also aware that if they should observe any suspicious activity, they should report this immediately to the Ethics and Compliance team for further investigation.

Over the last four years, including in 2022, Borouge has not identified any instances of money laundering or counter-terrorism financing.

THIRD-PARTY RISK MANAGEMENT

Borouge is committed to conducting business ethically, lawfully, and with the highest levels of integrity when engaging with various third parties, including, but not limited to, customers, suppliers, contractors, logistics vendors, legal and advisory firms as a part of Borouge's global value chain.

THIRD PARTY RISK PROGRAMMES

As such, at Borouge, the Ethics and Compliance Team has implemented the following key initiatives and controls to manage our Third Party Risks:

Integrity Due-Diligence

Borouge has established an Integrity Due Diligence (IDD) policy which sets out the risk based criteria used to review each third party. This IDD process forms the backbone of the Borouge Third Party risk review process and is a pre-requisite to our onboarding and registration process.

In 2021, 9,547 third parties were screened and cleared, and in 2022, 1,113 additional new third parties were screened and cleared under the IDD review process as part of the Borouge Third Party onboarding process. Once screened, these third parties are continuously monitored on a daily basis, which includes any potential adverse changes to the status of these third parties and any red flag raised is routed to the Borouge Ethics and Compliance team for further reviews.

This continuous monitoring and systematic screening process provides the assurance to Borouge senior management and stakeholders engaging with these third parties that their business partners are being screened from an Ethics and Compliance risk perspective, both at on boarding and on a continual basis.

Third-party Risk Programme

Integrity Due Diligence

Enhanced Due Diligence

Key Business Partners (Distributor/Agent) Compliance Review

Borouge Third-Party Ethics and Compliance Self-Certification Programme

Borouge Third-Party Code of Conduct, Awareness & Monitoring

Data Analytics on Third-Party Risks

Enhanced Due-Diligence

In addition, the Borouge Ethics and Compliance Team conducts Enhanced Due Diligence (EDD) reviews on entities where IDD results represent high business risk, for example, the appointment of key business partners for approval by the Board. By conducting the enhanced due diligence, this provides Borouge Management assurance through such comprehensive reviews that our key business partners are aligned with the same Ethics and Compliance standards as Borouge and there are no identified potential adverse Ethics and Compliance consequences when engaging these key business partners.

Borouge Ethics and Compliance (E&C) team as a valued partner to our Circular Economy business

"Circular economy is a key focus area in Borouge's Sustainability Strategy, and Borouge is transforming our business to drive a future positive revolution to benefit society and create a positive impact on the planet through circularity.

The Borouge Circular Economy Solutions (CES) team was set-up to develop a new business offering a differentiated product portfolio which focuses on Sustainable Packaging Solutions and recycled PO as part of Borouge's overall drive in our circular transformation.

As part of this strategic transformation, the Borouge Ethics and Compliance (E&C) team played an integral and crucial role in this landmark journey alongside the Borouge CES team as we explore new business models and develop business relationships across our value chain (converters, recyclers and brand owners) in the regions in building our portfolio in the circular economy space.

During the initial phase of the CES setup, we were fortunate to have Borouge E&C team as a trusted partner in the rollout of the differentiated CES business model, as the business model varied from the standard Borouge model. The Borouge E&C Team demonstrated their in-depth knowledge and expertise to ensure that key ethics and compliance requirements and considerations were incorporated in the CES business model from the outset. This helped the CES team identify and address any potential Ethics & Compliance risks in the business model initiation phase, highlighting the importance of Ethics and Compliance in the Borouge circular economy transformation journey.

The Borouge Ethics and Compliance team has also proven to be an invaluable partner to the Borouge CES team as we began to develop new business relationships across our value chain. In reviewing potential recycle partners, the E&C team conducted in-depth reviews and analyses to ensure that the control environments were equivalent to our own. Any potential adverse observations noted in these reviews were highlighted to the CES team and the Borouge E&C team worked closely with our potential recycle partners to ensure the gap and deficiencies were being resolved satisfactorily before Borouge continued to engage further.

The outstanding and proactive steps taken by the E&C enabled the CES team to build a firm and solid foundation as we actively grow our CES partnership portfolio. We were deeply impressed with the E&C team's knowledge and how to translate that understanding to tangible actions that support the implementation of our circular economy strategy which is a vital part of our successful Circular Economy transformation. We look forward to the continuous and invaluable support and partnering from the Borouge E&C team as Borouge's drive to provide a long-term future positive environmental impact in line with our position as a responsible petrochemicals producer."

Pratyush Bandyopadhyay
Head, Global Marketing, Packaging & Circular Economy



Borouge Ethics and Compliance (E&C) team as a valued partner to MEAE Sales region

“Developing winning sales strategies and partnering closely with customers and business partners is crucial in evolving our business to the next level. Doing so with the highest level of business integrity and ethics is essential, to ensure that our growth and success is done in the most sustainable and ethical fashion aligned with the Borouge values.

The Borouge Ethics and Compliance (E&C) team plays an integral and crucial role in ensuring that the customers and business partners for our MEAE sales region are held to the highest standards of business integrity and ethics.

In addition, for our strategic distributors, the Borouge E&C teams perform in-depth reviews of their Compliance programmes ensuring their controls environments are equivalent to our own. Any control gaps and deficiencies are presented to their senior management and they are required to develop the necessary controls in order to continue business with Borouge. By doing so, the Borouge E&C team are not only setting the standards in the MEAE region, but also assisting the distributors to develop their programmes to those high standards which are highly admirable. Borouge is not only able to add value from a commercial sense, but also to help these companies evolve in their ethical business practices.

From a Sanctions and Export control compliance perspective, we also had tremendous support from our Borouge E&C team in ensuring that the Borouge MEAE region is operating in accordance with the applicable sanctions and export controls regulations. With the E&C due-diligence review and clearance process, our team was able to proceed to conduct business with these parties in an assured manner.

The amazing effort from the E&C team makes them an invaluable partner to the Borouge MEAE teams to ensure that we always operate in compliance with the applicable laws and regulations.”

Khalfan Al Muhairi

Senior Vice President, Region MEAE



Key Business Partners (Distributor/Agent) Compliance Review

As part of the Borouge Third Party Ethics and Compliance programme, Borouge also performs reviews on selected key Borouge business partners (such as distributors) to assess their overall compliance with international regulatory and legal requirements as well as Borouge’s policies and procedures. Any control gaps, deficiencies and recommended enhancements are discussed and agreed with their senior management and all mitigation actions are tracked to completion.

Borouge Third Party Ethics and Compliance (E&C) Self-Certification Programme

In 2022, Borouge also rolled out a third party E&C self-certification programme where key indirect channel sales customers were required to perform a self-assessment on their Ethics and Compliance programme based on a minimum set of standards developed by our Borouge Ethics and Compliance team. The goal and objective of the third party self certification programme is for Borouge’s third parties to be able to self-identify potential areas of improvement and develop processes to enhance their E&C controls, with the support and guidance of the Borouge Ethics and Compliance team clarifying Borouge’s ethics and compliance standards.

2022 BOROUGE ETHICS AND COMPLIANCE REPORT CONTINUED

Borouge Ethics and Compliance (E&C) team as a valued partner to Asia South Sales region

"The Borouge Asia South team firmly believe that the long-term success and dynamic growth of our business in the region is strongly dependent on our active engagement with our key business partners, not only from a commercial viewpoint, but as importantly, from an Ethics and Compliance outlook.

In 2022, we collaborated with the Borouge Ethics and Compliance (E&C) team to develop an innovative programme, the Asia South Business Partner Ethics & Compliance Self-Certification Programme. This requires all Asia South Business Partners to self-assess and certify their Ethics and Compliance programme based on a minimum set of standards developed by our Borouge Ethics and Compliance team.

This programme was a success and added tremendous value to our Asia South Business Partners in many ways. Through this programme, Borouge was able to underline our commitment of conducting business with ethics and integrity and ensure our business partners understand Borouge's expectations and values. Throughout the programme, Borouge Ethics and Compliance team actively interacted with our Asia South Business Partners by sharing their Ethics and Compliance expertise and accelerating their learning of Borouge's standards and expectations. It had the added side benefit that once met, the Business Partners can use this as a differentiator to set themselves apart and enhance the ongoing sustainability

of their business. Our Business Partners were very appreciative of the close partnering and support they received in enhancing their E&C controls and standards and viewed this as enhancing their value.

We were able to achieve a wide range of compliance goals and objectives with a high number of Asia South Business Partners within a short period of time; highlighting the value of this innovative, proactive and high touch approach by the Borouge E&C team.

I would like to thank the Borouge E&C team for their constant effort in developing innovative E&C initiatives with Asia South team to ensure that we and our Business Partners uphold the highest ethical standards and continue to evolve and exceed the expectations of operating with high ethical standards in a dynamic and challenging business landscape.

The programme will continue to be enhanced in 2023, and I believe it will become the foundation and model for further invaluable E&C engagements to raise awareness and continuously develop the education and compliance standards for business partners in Asia South region and across Borouge as an organisation."

Eddie Wang
Senior Vice President, Region Asia South



Borouge Third Party Code of Conduct, Awareness & Monitoring

Borouge has also implemented the Borouge Third Party Code of Conduct, which sets out the minimum standards for ethical business practice that we expect from any third party working with Borouge. These basic rules and standards are necessary to conduct Borouge business in an ethical and compliant manner and in accordance with Borouge's values. 100% of the third parties that Borouge engages are provided with a copy of the Borouge Third Party Code of Conduct and asked to confirm their commitment to adhering to the principles.

In addition, annually, the Borouge Ethics and Compliance team carries out a dedicated training and certification programme for all key business partners to enhance awareness of the Borouge Code of Conduct, Third Party Code of Conduct and compliance expectations aligned to the Borouge Ethics and Compliance standards. The training and certification programme comprised of online videos and training material on the Borouge Code of Conduct for third party business partners. Upon completion, the business partners need to attest and commit to conducting their business activities in compliance with the Borouge Third Party Code of Conduct. In 2022, 100% of the key business partners have completed the training and provided attestation certificates.

Data Analytics on Third Party Risks

Each year, a risk-based forensic data analytics review is deployed as part of the fraud risk detection and mitigation process. Transactional testing is performed on third party transactions via a data analytics platform to identify potential concerns. The tests on high risk areas were conducted across more than 1.5 million historical sales and vendor transactions. The use of data analytics algorithms assists in identifying potential concerns with fraudulent transactions such as duplicate vendor payments, high-risk customers/vendors, suspicious sales invoices with delivery dates before sales order dates, and outstanding sales invoices with past credit terms.

Data Analytics on Third Party Risks

1.5 million+

Historical sales and vendor transactions analysed

The application of data analytics, coupled with management monitoring reviews and a focus on training and awareness, provides assurance on the overall effectiveness of third party risk at Borouge. In addition, the Borouge Ethics and Compliance Team also proactively utilises the insights from such reviews and monitoring activities to identify potential emerging risks when engaging with third parties to continuously enhance business controls on an ongoing basis.

2022 BOROUGE ETHICS AND COMPLIANCE REPORT

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Borouge Data Analytics Programme

Data Analytics Reports			
<p>2018</p> <p>INTEGRATED WITH FRAUD RISK ASSESSMENT</p> <p>Scope – Production Organisation (Tests covering the areas of Purchasing, Human Resources, end to end Finance and Anti-Bribery and Corruption)</p>	<p>2019</p> <p>INTEGRATED WITH FRAUD RISK ASSESSMENT</p> <p>Scope – Sales and Marketing organisation (Tests covering Sales, Finance and Human Resources (employee payroll, expense and travel) transactions, Anti-Bribery and Corruption, Anti-Money Laundering)</p>	<p>2020</p> <p>INTEGRATED WITH FRAUD RISK ASSESSMENT</p> <p>Scope – Sales and Marketing organisation (A deep dive into prioritised business areas. These areas include Sales, Pricing, Credit Memos, Accounts Receivables and Employee Expenses)</p>	<p>2021</p> <p>INTEGRATED WITH FRAUD RISK ASSESSMENT</p> <p>Scope – Sales and Marketing Organisation (Incremental tests and relationship analysis were conducted using historical data to discover unusual patterns and trends between like and related entities in the areas of Purchase, Human Resources (Payroll), Finance, and Sales, Anti-Bribery and Corruption, AML Fraud)</p>

Way forward

Borouge Data Analytics Report + Data Analytics In House Pilot

BOROUGE DATA ANALYTICS PROGRAMME

The Borouge Ethics and Compliance team has employed the use of technology to create a data driven Compliance programme and drive further assurance over the internal controls environment.

Our Data Analytics (“DA”) programme is based on a standard methodology using the company’s master and transactional data with an objective to discover unusual patterns and trend indicators using relationship analysis based on recommendations from senior leaders, and using results from prior years to refine the tests and approach on an ongoing basis.

Since the commencement of the programme in 2018, there has been continuous enhancement in scope and coverage year on year. The data analytics programme

commenced with fundamental fraud risk tests to ensure coverage of key business process areas such as Procure to Pay, Sales to Collections, Human Resources and subsequently progressed to specialised tailored analytics tests for deep dive into focus areas such as sales, pricing. In the latest data analytics programme a complete refresh has been performed to cover overall areas for end of end financials, procurement and the sales & marketing organisation.

During the initial phases of the usage of data analytics, issues pertaining to master data incompleteness, segregation of duties, and manual processes were identified, which have been strengthened via the automation of controls under the OneERP system upgrade, introduction of the Borouge Integrity Due Diligence Platform, process enhancements in the Gift & Entertainment and ongoing training & awareness on fraud.

In FY2021-2022, most of these issues were addressed via significant enhancements and rollouts such as the OneERP system upgrade, introduction of the Borouge Integrity Due Diligence Platform, process enhancements in the Gift & Entertainment processes which has resulted in the embedding of controls into the Borouge systems and lowering the fraud risk exposure overall for Borouge. The programme has substantiated the effectiveness of controls operating in the Borouge environment.

Going forward, a continuous monitoring analytics programme will be rolled out on Borouge PLC and its respective entities coupled with a Data Analytics In House Pilot.

Fraud Risk Management

Fraud Risk Management is a key control activity to ensure that we are maintaining a vigilant stance on fraud prevention. We have established a Fraud Risk Management Framework Policy incorporating strong fraud governance processes and controls that demonstrates Management's expectations and commitment to an anti-fraud culture within the organisation and is also compliant with Abu Dhabi Accountability Authority's (ADAA) – Regulation 1 (2017) which holds Management accountable for assessing and reporting the effectiveness of Borouge's internal controls environment, including fraud.

As part of the Fraud Risk Framework, Borouge has:

- Conducted Fraud risk surveys/workshops to identify key fraud risks in our business processes in Borouge. During the fraud risk workshops, fraud scenarios and risks were uncovered during process walkthroughs, evaluation of the effectiveness of existing fraud control activities
- Implemented Fraud prevention and detection control activities to mitigate the occurrence of fraud activities
- Deployed data analytics transactional testing over a rolling three year period to look for unusual patterns and suspicious transactions with continuously evolving algorithms and tailored tests
- Mitigated control gaps and internal control weaknesses to reduce residual fraud risks
- Evaluated Fraud risks in the Fraud risk register which ranks fraud risk on a heat map against likelihood and significance
- Implemented the Fraud investigation and reporting process within Borouge

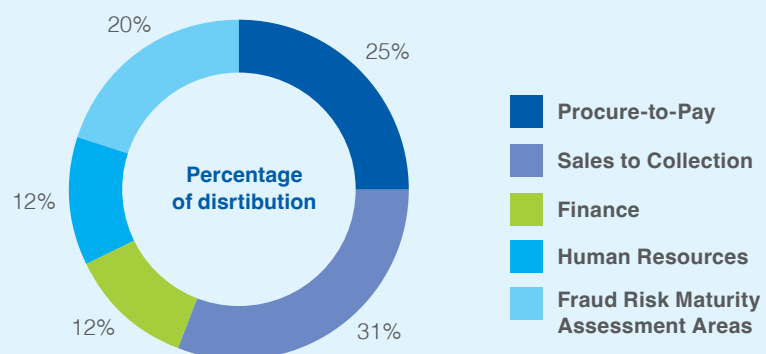
Borouge employs data analytics and data visualisation as part of Fraud Risk Assessment which powerfully enhances the ability to detect fraudulent activity. Examples of fraud tests conducted using data analytics include identifying potential fictitious vendors, collusion with customers and facilitators, and fraudulent adjustments on pricing controls.

The latest Borouge Fraud Risk Assessments did not yield any major risks or concerns with fraud and the assessment confirmed there was a high level of maturity and adequate automated and manual fraud controls are in place to mitigate any potential fraud risk.

Moving forward, the Ethics and Compliance team will be gradually conducting the ongoing transactional monitoring of fraud internally with the extensive use of data and technology.

The key areas where fraud scenarios exist within Borouge are as summarised below:

Fraud scenarios and controls



2022 BOROUGE ETHICS AND COMPLIANCE REPORT

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Sanctions and Export Controls

Borouge is committed to adhering to all applicable international government economic and trade sanctions laws including the local laws of countries where we operate. Sanctions are imposed by various governments or international bodies in an attempt to isolate or impede specific individuals, entities or jurisdictions for specific purposes or specific activities. The scope of these trade sanctions and trade embargos vary widely from country to country and evolve and change constantly. It is essential for Borouge to stay up to date with all sanctions and export controls changes and understanding their impact on Borouge.

Our Sanctions & Export Controls Policy and Sanctions Recusal Policy set out this commitment to complying with all applicable sanctions, appropriately managing sanctions risk and prohibiting transactions designed or intended to evade applicable sanctions. To manage our sanctions risk exposure and ensure compliance, we have implemented a robust Compliance programme which includes controls and processes to mitigate the risk of dealing with sanctioned parties. Our programme combines a powerful third-party screening technology used to screen all counterparties, which continuously monitors any potential sanctions red flags changes on our counterparties on a daily basis. With the skills of our dedicated analysts, 100% potential matches arising from the screening results are adjudicated, based on document reviews and research and are resolved by either clearing the red flag or the third party is blacklisted which prevents Borouge from continuing business with the sanctioned individual or entity.

In 2022, the world faced unprecedented changes in sanctions developments particularly in light of the Russian Ukraine crisis. The Borouge Ethics and Compliance team was monitoring these wide ranging and ever changing sanctions daily, leveraging our screening technology, and reporting these changes and potential impact to Borouge to the CEO, Executive Teams and Crisis Teams on a daily basis. These timely and detailed updates provided assurance to Borouge Management and our key stakeholders that Borouge's risk exposure arising from the Russian Ukraine crisis is immaterial in relation to Borouge's operations and any unexpected developments which could occur during this dynamic and evolving situation is properly managed.

In 2022, we also conducted an export controls review on our Top 50 products to determine if those products had a US nexus and required special handling per export controls regulations. Borouge E&C also conducted a risk review of our equipment sourced and located in UAE, China and Singapore to check for potential dual use status. Approximately 144,535 pieces of equipment were checked, representing Borouge's most critical equipment in our three key sites

In 2022, due to the critical need to ensure our employees are fully aware of Sanctions and Export control risks:

- Conducted training for 100% of our employees on Sanctions & Export Controls, and 100% of our employees have passed the certification tests.
- Conducted Sanctions Recusal training of 100% of our foreign nationals from countries with high sanctions regulations on Sanctions Recusal procedures.
- In addition, we engaged and trained our senior management (all SVPs and VPs) and our operational staff on Export controls risks and how to identify, classify and mitigate such risks in daily operational work.

Through these training and awareness sessions, our Borouge employees gained an appreciation of why complying with international sanctions and export regulations is vital, understanding of Sanctions and Export risks, key sanctions recusal obligations, and how to safeguard Borouge's interests.

Lastly, in 2022, we also performed an independent assessment and review of Borouge's current Sanctions and Export Controls Programme to gain an understanding of the current-state of Borouge's sanctions and export controls programme and any key improvement areas. The review confirmed that Borouge has a robust Sanctions & Export Controls Policy in place, strong sanctions and export controls, robust monitoring in place, and strong training and awareness programmes for the organisation.

Sanctions and export controls training

100%

Borouge employees have undertaken the 2022 Sanctions & Export Controls training and passed the knowledge test.

100%

Borouge foreign nationals from countries with high sanctions regulations have been trained on Sanctions Recusal procedures.

Borouge Ethics and Compliance team as a valued partner to Global Logistics team

"Borouge Global Logistics operates in a broad network of partners across international boundaries involving connecting facilities and transportation hubs. This requires compliance with international Sanctions and Export controls regulations as part of our day-to-day operational activities, where we rely extensively on the expertise of the Borouge Ethics and Compliance (E&C) team.

Especially in 2022, with the ever-evolving Sanctions requirements and measures imposed by most global Sanctions regulatory bodies due to the Russia/Ukraine conflict, the E&C team was an invaluable resource to the Global Logistics team by helping us navigate through the dynamic ever changing and evolving Sanctions environment in a compliant manner.

With the daily proactive updates and timely consultations with the E&C team, we were able to reallocate and divert our goods via compliant alternative options in an assured manner. This has avoided potential disruptions in supply chain deliveries which could have impacted our business significantly.

The Borouge E&C team was also instrumental in many of our discussions with our global shipping and banking partners on addressing key Sanctions risks and controls. I believe it requires extensive knowledge and expertise, and insight to lead such

discussions with our key value chain partners to explain our governance processes and foster trusted relationships with our stakeholders. In addition, Borouge E&C were able to review the strength of the Compliance programme of our global shipping partners to determine areas to strengthen further.

The E&C team has a strong focus on employee training and awareness; this included a dedicated compliance training and awareness programme for our team on Sanctions and Export controls regulations to ensure there is no transit shipping through Sanctioned countries. The training has enabled our team members to confidently conduct operational activities while adhering to applicable Sanctions requirements and avoid potential Sanctions violations.

We view the E&C team as an essential partner to the Global Logistics team, as their invaluable contributions have allowed us to grow our business effectively with the assurance that we are compliant at all times while simultaneously providing full assurance to our global business partners."

Abdulla Jumaan
Vice President, Global Logistics Borouge



2022 BOROUGE ETHICS AND COMPLIANCE REPORT

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INTERNAL CONTROLS OVER FINANCIAL REPORTING (ICOFR) AND INTERNAL CONTROLS FRAMEWORK (ICF)

The Abu Dhabi Accountability Authority (ADAA) Regulation #1 in 2017 requires the executive management of all entities based in the UAE and its auditors to collaborate and establish a process for assessing the Internal Controls over Financial Reporting (ICOFR) and report the effectiveness of the controls on an annual basis. Borouge is required to demonstrate having an effective system for internal controls over financial reporting.

The Board of Directors is responsible for the internal control system within Borouge and has established a number of processes and procedures which are designed to ensure the effectiveness of Borouge's internal control system.

Borouge has an Internal Controls Financial Reporting Framework Procedure that sets out the principles, approach, defined process roles and responsibilities under the supervision of executive management to provide assurance on the reliability of financial reporting. This includes the identification of key processes and controls in the key areas to ensure the effectiveness of these areas:

- Entity Level Controls,
- Process Level Controls, and
- IT General Controls

The Borouge Ethics and Compliance Team oversees the monitoring of internal controls evaluations for the Entity Level Controls process. Entity Level Controls is an important area that is critical to Borouge, as these controls are reflective of the organisation's overall control environment. Having effective Entity Level Controls demonstrates executive management's commitment towards conducting business ethically, and these controls would be cascaded to the respective process level controls downstream.

In 2022, Borouge Ethics and Compliance team tested 133 Entity Level Controls with cross functional support, and there were no concerns reported. There was a minimal increase in the controls due to new compliance requirements arising from obligations from the Abu Dhabi Exchange ("ADX") and UAE Securities and Commodities Authority ("SCA") with the public listing of Borouge on the ADX in June 2022.

Below is the breakdown of the 133 Entity Level controls from a COSO* classification.

In Borouge, the internal control system is based on the COSO framework and our three lines of defence:

1. The first line of defence lies with the business and process owners whose activities create and/or manage the compliance risks.

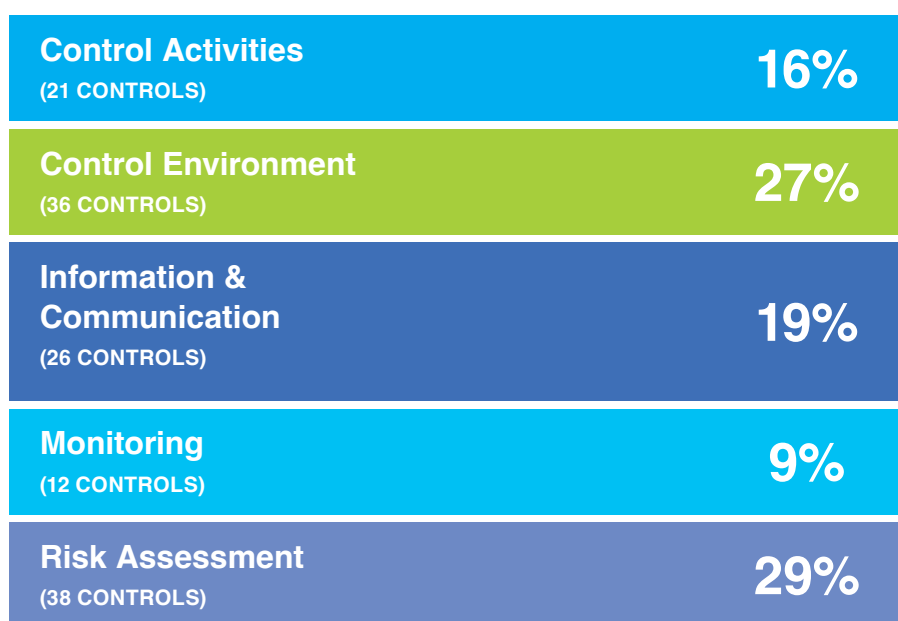
2. The second line of defence lies mainly with the Ethics and Compliance team and is in place to support management by bringing compliance expertise, process knowledge, and management monitoring alongside the first line to help ensure that compliance risk and control are effectively managed. The second line of defence functions are separate from the first line of defence.
3. The third line of defence lies mainly with the internal audit function and provides assurance to the Board of Directors over both the first and second lines' efforts consistent with the expectations of the Board of Directors. In principle, the third line of defence does not perform compliance management functions to protect its objectivity and organisational independence.

Internal audit validates the design and effectiveness of the internal controls applicable to the areas included in the scope of the risk based Internal Audit plan.

In 2022, no significant issues were identified with respect to our internal control systems including areas such as anti-corruption, anti-trust, fraud, financial misappropriation, competition law, human rights or data privacy breaches. Consequently, no penalties, fines or other sanctions were imposed on Borouge.

There are no material risks or uncertainty that can reasonably be expected to have a material adverse effect on the continuity of the Borouge business in the coming 12 months.¹

ICOFR Entity Level Controls (ELC)



* Committee of Sponsoring Organisations of the Treadway Commission (COSO) Integrated Internal Control Framework, a systematic process to identify, evaluate and manage risks, in line with the principles of the COSO Integrated Internal Control Framework.

¹ The above statements do not imply that our systems and procedures provide absolute assurance as to the realisation of our business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and any non-compliance.

DATA PRIVACY AND PROTECTION

Borouge is subject to the ADGM Data Protection Regulation 2021. Its subsidiaries based in the UAE are subject to the UAE Personal Data Protection Law (Federal Law 45 of 2021). Borouge is also committed to complying with data protection laws in each of the countries where we operate, such as the Singapore Personal Data Protection Act in Singapore, and the Personal Information Protection Law in China. Borouge takes its obligations under the applicable data protection laws seriously and is committed to the responsible and transparent use and protection of personal data entrusted to us by employees, shareholders, business partners, customers, third parties, associated family or next of kin, and others when needed for legitimate business purposes and in line with legal requirements

Borouge has implemented a robust enterprise-wide core Global Data Privacy and Protection Compliance Programme throughout the company, which assigns management and individual accountability for upholding key principles contained in privacy laws, but also fully adheres to the ADGM Data Protection Framework and also addresses the requirements of the applicable jurisdictions where Borouge is required to comply. Borouge has established a Personal Data Protection Policy which clearly defines the practices for implementation of privacy obligations such as:

- lawful processing;
- responsibilities for management of personal data;
- data minimisation and due diligence requirements;
- rights of individuals; and
- security obligations.

In accordance with ADGM, Singapore, and China data protection laws, Borouge is required to appoint a Data Protection Officer (DPO). The Chief Executive Officer has appointed a DPO globally who reports to the Head, Ethics, Compliance & Risk. The Asia North Region Data Protection Officer in China, reports to the DPO for all data protection related matters. The Borouge DPOs are being supported by the respective Data Protection Champions in the relevant functions within Borouge. The DPOs foster a data protection culture with internal and external stakeholders and some of the key responsibilities include but are not limited to:

- training employees on data protection compliance requirements;

- keeping up to date with changes to data protection laws;
- understanding how, for example, European data privacy laws interface with data privacy laws by which are bound (e.g., ADGM and UAE, Singapore, China, Japan) for externally hosted data and applications;
- serving as the key point of contact between the company and the relevant data protection supervisory authority;
- training staff on how to process personal data, maintain compliance, and other data privacy activities;
- conducting regular assessments to ensure data protection compliance; and
- responding to data subjects to inform them about how their personal data is being used and what measures the company has put in place to protect their data.

Some of the key features and controls from our Borouge Data Privacy Programme include the following:

- Privacy Assessments are conducted in concert with Information Technology to mitigate exposure arising from data privacy risks before the solutions from vendors are deployed within Borouge, as Borouge also requires its vendors to comply with requirements for personal data protection
- Privacy clauses embedded by revised clauses in employment contracts, contract templates with business partners/vendors setting out the legal obligations required of our business partners to comply with data protection laws
- Three Data Transfer Agreements have been implemented to govern cross border data transfers between Borouge offices worldwide, and between Borouge and its two significant shareholders, which contain privacy obligations such as the standard of protection on data transfers
- Data Protection Notices and consents were developed to meet the transparency requirement to disclose to employees how individuals' data is processed within Borouge.
- Appropriate technical and organisational measures are implemented in collaboration with the Information Security Department to meet security obligations to protect personal data against loss, destruction or damage
- Data Breach Management Process has also been developed to address data breach violations
- Individuals who have concerns about Borouge's use of their personal data, can contact the Borouge Data Protection Officer or the local offices, whose contact

Data Privacy and Protection

Consent

Purpose

Lawful Processing

Security And Access

Accountability

details are listed in our privacy notice, which is available on the Borouge website. There is also a reporting platform where any potential concerns can also be raised confidentially via an anonymous whistleblowing platform (Takallam).

From an educational and awareness perspective, a Data Privacy and Protection e-Learning/web based training module on privacy principles and privacy obligations, employee notification and consents, and privacy obligations for insider management is rolled out to all Borouge employees every other year, to enhance their understanding of the laws, as well as, awareness of their individual responsibilities to protect personal data and their rights as individuals.

In 2022, the Borouge DPOs held frequent training and awareness sessions on Data Privacy and Awareness, and developed Data Protection Notices and consents to meet the transparency requirements on how individuals' data is processed within Borouge. These Data Protection Notices and consents were rolled out in Asia North, with the Middle East implementation following subsequently.

The Borouge Ethics and Compliance Team continues to actively monitor the evolving data privacy legislative developments worldwide and proactively collaborates with Information Security to ensure system infrastructure and data governance processes are continually enhanced to address the new data privacy requirements.

Borouge Ethics and Compliance (E&C) team as a valued partner to our Information Technology function

"In 2022, as part of a strategic organisational IT initiative, Borouge Information Technology implemented many Group IT Initiatives for Borouge in a highly accelerated timescale. In order to ensure that these initiatives were implemented in full compliance with international regulations and safeguards, we partnered closely with the Borouge Ethics and Compliance team to review the end-to-end systems, data flows and nature of data, to ensure the corresponding controls and safeguards were in place regarding data processing and data transfers obligations. Ensuring that we are mindful of key data privacy and protection and cybersecurity regulations worldwide help us avoid the risk of non-compliance as we implement the respective Group IT Initiatives.

The Borouge Ethics and Compliance (E&C) Team played a vital role in these Group IT initiatives as they were proactively able to provide their expertise and in-depth knowledge in ensuring that the obligations and requirements arising from global data privacy and protection regulations/cybersecurity regulations are being considered and incorporated as part of the review process. The E&C team raised awareness internally and with our shareholders on various data protection regulations and the risk of breaching such laws. Their ongoing advocacy resulted in strong support from all key stakeholders who agreed that staying compliant with all international laws is our top priority.

In addition, the Borouge E&C team have reviewed a number of digitisation initiatives which employ the use of Artificial Intelligence and use advanced technologies to ensure safety and protect our employees.

While these advances are exciting and well intentioned, understanding the interplay between AI and privacy is critical to ensure that we implement these projects in full adherence to laws, regulations and respect for our employees the protection of their rights.

We can always count on the commitment and expertise of the Ethics and Compliance team as an important partner to Borouge IT and look forward to our continued collaboration in all future IT initiatives.

Another area where the contributions from the Borouge E&C team have been invaluable is in the area of developing an information technology data landscape for Borouge as an organisation. In order to continue to meet regulations as a publically listed company, Borouge must identify Inside Information where it resides including systems and where it is in transit. This goes beyond where other publicly listed companies have gone, but it ensures we are 100% compliant with the regulations. In pursuit of this endeavour, the Ethics and Compliance team have taken the lead on the development of the data landscape in order to classify and categorise and protect Inside Information. This data landscape is particularly useful to IT and ensures we have a strong understanding of the data transit flows and how to manage our obligations to protect our data regardless of where it resides; on premise, in a private cloud, in a shared cloud, or hosted externally.

Arising out of this initiative, our shareholders have tasked Borouge E&C to develop a data governance framework and requested E&C to implement a data governance model to ensure that all systems and data, not only those included in the strategic IT initiatives, undergo the same data governance review.

While this initiative has only recently commenced, the value delivered is already apparent. Our shareholders and our management have the assurance that critical systems and data sharing arrangements meet the latest requirements from confidentiality, data protection, cybersecurity and insider regulations.

The E&C Team has actively demonstrated strong commitment towards collaborating internally with IT and business and system owners, as well as with our vendors to proactively identify and mitigate all risk exposure and robustly address all compliance requirements."

Peter Vander Kerckhove
Borouge IT Regional Manager, Asia Pacific

"We are fortunate to have the Borouge Ethics and Compliance (E&C) team as an indispensable partner in the rolling out of these major Group IT Initiatives across the organisation. The expertise and support of the Borouge E&C team is unparalleled. They provide us with the assurance that all major IT Initiatives are being implemented in compliance with key data confidentiality, protection, cybersecurity and capital markets regulations in all applicable jurisdictions where we operate. In addition, in recognition of the added value they bring to the table in their unique roles being able to bridge the gap between IT and Governance in the area of Data Governance, this further demonstrates the value they are able to add beyond a traditional E&C organisation, which is typically not equipped to develop data landscapes and data governance frameworks. Given Borouge's ambitious plans for the future, with a keen focus on the significant value and importance of data, the protection of our data, emerging developments in data, cyber, and emerging technologies like AI, we need strong partners in E&C to not only provide the evolving legal and regulatory developments in these areas but beyond. Our E&C partners are a vital part of our success now and in the future."

Khaled Al Mazrouei
Borouge VP Information Technology



WHISTLEBLOWING, INVESTIGATIONS AND ETHICS & COMPLIANCE COMMITTEE (ECC)

Borouge is committed to upholding an open, honest and transparent culture, and it supports our commitment to integrity and aligned with our Code of Conduct, where anyone who works with or for Borouge internally or externally can report any concerns in confidence without risk of retaliation. Our Whistleblowing Policy encourages our employees to report concerns about unethical behaviour in connection with our business by assuring confidentiality and protecting good faith whistleblowers from retaliation.

There are a number of channels in Borouge to report potential unethical behaviours or concerns, which include reporting to the Borouge Ethics and Compliance Team. However, if anyone is uncomfortable reporting a concern directly or wishes to remain anonymous, there is a confidential whistleblowing hotline in Borouge (Takallam Ethics Helpline) to report all concerns. Takallam (which means "to speak" in Arabic) is an anonymous Reporting and Whistleblowing Helpline available on the Borouge website, run by an independent third party, on behalf of Borouge.

Borouge has established a Compliance Investigation Policy. Our Compliance Investigation Policy and supporting procedures set out our approach to investigations relating to alleged ethical misconduct: of (a) ethical business practices; (b) integrity in our interactions and arrangements with third parties; and (c) applicable laws, regulations, policies and procedures relating to ethical business practices and integrity.

This policy requires all of our personnel to cooperate fully and truthfully with all investigations and to avoid engaging in certain activities that may hinder or interfere with an investigation.

Upon receiving a whistleblowing concern or report, the Borouge Ethics and Compliance Committee (ECC) will assess each report in accordance with the investigations process to determine whether an investigation may be required. This may involve further inquiries with the whistleblower and/or other individuals. The CEO is the Chairman of the ECC, and ECC members are appointed by the CEO. The ECC operates in accordance with the Borouge Code of Conduct, Values,



Your voice matters



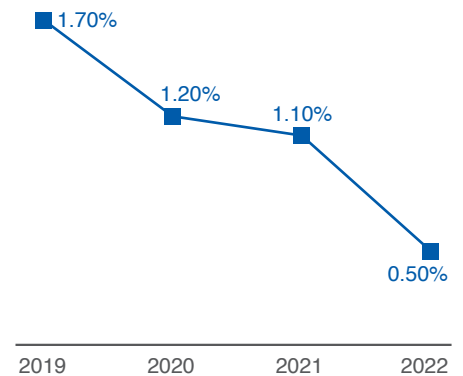
Whistleblowing and Investigation policies and procedures, Terms of Reference and local laws and regulations.

If the matter is a purely HR matter, the report is then forwarded to Human Capital & Administration team for their evaluation, review and further processing. When an investigation is required, an Investigation Committee is nominated by the Ethics & Compliance Committee and approved by the CEO. The investigation is carried out under the guidance and direction of the ECC, and the final report and recommendations are submitted to the CEO for approval and endorsement for implementation of disciplinary action, if applicable.

All significant matters are presented to the Audit Committee(s) and reported to ADAA as appropriate, depending on factors such as the involvement of senior management and the nature and materiality of the allegations.

Over the last few years, there has been a decreasing trend in the number of whistleblowing cases reported per number of employees across the years; indicative of the reduction of potential incidences of unethical behaviours, stronger internal controls, stronger understanding of ethical behaviour and decreasing risk exposure to Borouge over time.

Whistleblowing cases per number of employees



The average time taken to complete an investigation in Borouge is approximately less than two months commencing from the formation of the Investigation Committee to the conclusion of the investigation.

Borouge continues to maintain its robust whistleblowing channel and a formalised investigation process so as to provide assurance that every potential unethical concern is being taken seriously and actioned on a timely basis with the appropriate measures taken.

2022 BOROUGE ETHICS AND COMPLIANCE REPORT

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INSIDE INFORMATION MANAGEMENT AND INSIDER DEALINGS

As part of our commitment to acting with the highest levels of integrity, and complying with capital market and securities regulations, we take the utmost care to prevent insider dealings and insider trading. Accordingly, we have implemented an Inside Information and Insider Dealing Policy in accordance with regulatory requirements, which specifies that all employees who are in possession of Borouge inside information (and are known as "Insiders") and their connected parties need to fully comply with insider trading rules. Communicating any material non-public information to anyone not deemed to be an Insider is strictly prohibited until such information is publicly disclosed by Borouge through appropriate channels.

Material non-public information is information that has not yet become public and could impact the price of Borouge's securities if shared in an unauthorised manner. The Insider Dealing Policy also specifies that Insiders must not manipulate the market by providing false or misleading information about Borouge in order to drive its share price down or spread false information to influence a company's share price prior to the Insider or their connected parties trading in the company's securities. This prohibition also includes passing on material non-public information to another person or suggesting that they buy or sell Borouge's securities while being aware of material non-public information. This practice, known as "tipping", also violates the securities laws and can result in the same penalties as engaging in insider trading directly, even if the Insider does not receive any money or derive any benefit from the trade. All instances of Market abuse are strictly prohibited.

In addition to the Inside Information and Insider Dealing Policy, Borouge also requires all Insiders to be registered and sign as Insiders in the ADX as a Borouge Insider, sign an Insider undertaking form, which sets forth the obligations and responsibilities required to comply with the Insider Dealing Policy to ensure that all Insiders go to the farthest extent to protect Borouge's inside information. The Insider register is maintained by the Borouge Head, Ethics, Compliance & Risk and the Borouge Ethics and Compliance team and is updated on a weekly basis.

Aligned with the ADX regulations on prohibition periods, and any ad hoc prohibition periods that may be declared based on our dynamic business environment, Borouge prohibits any Insiders and their

Borouge Inside Information and Insider Dealing Policy specifies that Borouge's Insiders and their connected parties need to fully comply with insider trading rules.

connected parties from trading Borouge's securities during these periods.

Trading requests of Borouge Insiders and their connected parties are monitored and managed by the Head, Ethics, Compliance & Risk and the Borouge Ethics and Compliance team. All Insiders and their connected parties are required to obtain clearance from the Borouge Ethics and Compliance team to deal in Borouge's securities before proceeding to transact, and must provide verification post transaction. Insiders must attest and certify that they are not acting on inside information prior to dealing in the shares of Borouge and commit to all requirements of the Borouge Inside Information and Insider Dealing Policy. The Borouge Head, Ethics, Compliance & Risk acknowledges her responsibility for managing and monitoring Insider trading activity and the Borouge Insider register.

In 2022, the Borouge Ethics and Compliance Team continuously train Borouge's Insiders on their and their connected party's obligations and commitments, hosting over 70+ training and awareness sessions to ensure full compliance with our Inside Information and Insider Dealing Policy and our zero tolerance stance on Insider trading and market manipulation.

GOVERNANCE, RISK AND COMPLIANCE (GRC) FUNCTION

Governance, Risk and Compliance (GRC) is a function that currently controls our SAP access management and security for Borouge. The SAP GRC access management framework provides a formal methodology and governance model for managing controlled access distribution to users on Borouge's SAP systems, aligned with the company's enterprise-wide business objectives and strategy.

At Borouge, the GRC function is a sub-function of the Ethics and Compliance team, within the second line of defence, working closely and across multiple functions including the business functions (first line of defence), Legal, Risk Management, Ethics & Compliance and International Tax (second line of defence), as well as internal and external

audit (third line of defence), ensuring the access controls are defined as per business requirements and local operating models. GRC also supports the identification and monitoring of business access risks, not only segregation of duties risks but also critical risks for Borouge related to access to inside information, intellectual property, and sensitive or personal data, and most often referred to as Borouge's Crown Jewels. The Crown Jewels is typically defined as data which if lost, stolen, or compromised would expose the Company to significant business and reputational risk. In this light, we view the GRC function as critical to protecting the company's most vital data assets.

During the recent Borouge Initial Public Offering (IPO), the GRC team was instrumental in ensuring that exposure of critical insider data was adequately protected by ensuring that only registered insiders were permitted to access and view the relevant insider data for their role. Post IPO, the GRC team continues to protect the company by ensuring that only registered insiders are provided with access to key inside information.

Key activities for the GRC team include conducting quarterly, periodic user access and risk reviews, SAP access role design and certification, SAP access risks and controls design and certification, continuous access risk monitoring and remediation and ongoing GRC training clinics and workshops to raise the awareness level of the criticality of accurate access and security controls. The risk mitigations in place include:

- Reducing financial and non-financial risks that might impact the company objectives by closely monitoring access risks and ensuring adequate remediation actions are undertaken
- Ensuring all key controls are monitored and tested as part of the Internal Controls over Financial Reporting process (ICOFR)
- Mandatory risk reviews are undertaken during any access change
- Ensuring high levels of governance are maintained by ensuring the approvals and controls are aligned to any organisational changes

2022 BOROUGE ETHICS AND COMPLIANCE REPORT

CONTINUED

2022 achievements

4500+

users access reviewed every quarter, resulting in more than 3500+ corrective actions

66%

Access related risks reduced as a result of the periodic risk review and continuous monitoring and remediation

1400+

roles reviewed and certified

2800+

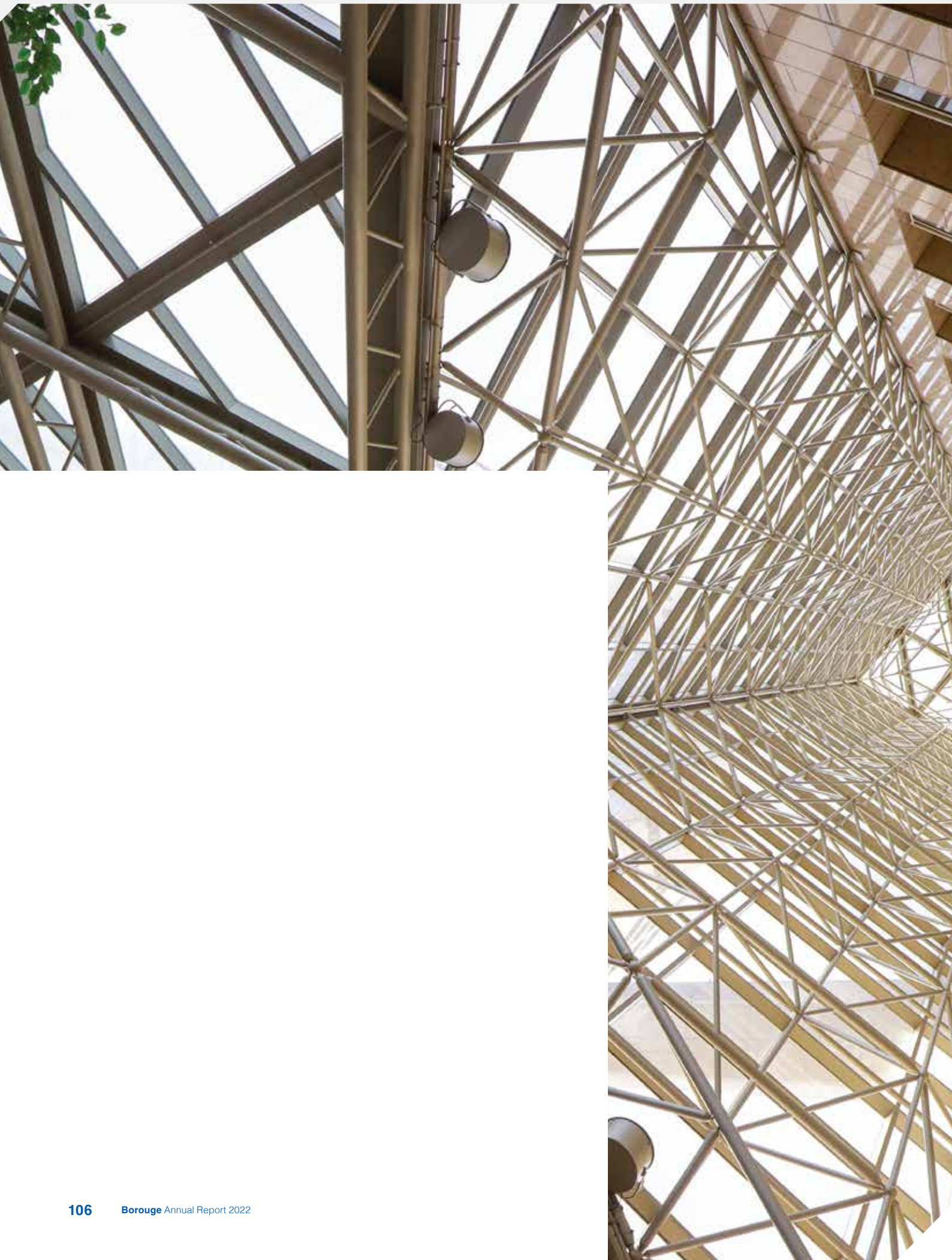
access change requests processed and approved on GRC system, with only 18% of these requests containing risks

500+

SAP Role Design changes reviewed and approved by GRC team

25+

training clinics delivered and 44 periodic review workshops



FINANCIAL STATEMENTS

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Borouge PLC was formally established on 28 April 2022, and as such our statutory published financials only cover the period from 28 April 2022 to 31 December 2022. The Company has prepared unaudited pro-forma accounts, showing the combination that forms the current business of Borouge PLC as if it had been in operation for the twelve months ended 2022 and the twelve months ended 2021. These are the full year numbers being referenced across the strategic and governance sections of this annual report.

DIRECTORS' REPORT

FOR THE PERIOD FROM 28 APRIL TO 31 DECEMBER 2022

The Directors present their report together with the audited consolidated financial statements of Borouge PLC ("the Company") and its subsidiaries (together, "the Group") for the period from 28 April (date of incorporation) to 31 December 2022.

PRINCIPAL ACTIVITIES

The purpose of the Company is to serve as a holding company for Abu Dhabi Polymers Co. Ltd (Borouge) L.L.C. ("ADP") and Borouge Pte Ltd. which are engaged in the principal activities of production of ethylene, propylene, polyethylene, polypropylene and trading of polyolefins, respectively.

FINANCIAL RESULTS

The financial results of the Group represent a profit for the period of USD 733.82 million as presented in these audited consolidated financial statements.

For the Board of Directors

Dr. Sultan Ahmed Al Jaber

Chairman

1 February 2023
Abu Dhabi, UAE

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOROUGE PLC

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Borouge PLC ("Borouge" or the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 28 April 2022 (date of incorporation) to 31 December 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Business combination of entities under common control

Abu Dhabi National Oil Company ("ADNOC") and Borealis AG ("Borealis") jointly owned Abu Dhabi Polymers Company Limited (Borouge) ("ADP") and Borouge PTE Limited ("PTE") through a joint venture capital agreement dated 26 April 1998. As disclosed in note 1 to the consolidated financial statements, during the period, ADNOC and Borealis entered into a Subscription and Transfer Agreement to rearrange the ownership in ADP and PTE and to combine the business of ADP and PTE after such rearrangement. On 1 June 2022, the combined business was transferred to Borouge PLC which was then listed on the Abu Dhabi Stock Exchange on 3 June 2022.

The business combination has been excluded from the scope of IFRS 3 as it represents a business combination of entities under common control. Given the complex nature of the transaction and its significance to the consolidated financial statements of the Group, the issue had warranted significant attention during our audit and has been identified as a key audit matter to be reported in our audit report.

Management has accounted for the business combination in the consolidated financial statements using the pooling of interest method resulting in a merger reserve of USD 4.4 billion.

The audit procedures performed to address this key audit matter include the following:

1. We held discussions with the Group's management and those charged with governance to obtain an understanding of the transaction details and objectives;
2. We reviewed the Subscription and Transfer agreement to understand the terms and conditions of the transaction and assess the appropriateness of the accounting treatment under the IFRS;
3. We reviewed the ownership structures of the entities involved before and after the business combination and inspected relevant supporting documents;
4. We traced the value of net assets contributed by ADP and PTE to the combined business, to the respective financial information of ADP and PTE as of 31 May 2022;
5. We traced the equity reserves presented in the consolidated financial statements to the respective financial information of ADP and PTE as of 31 May 2022.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOROUGE PLC CONTINUED

Property, plant and equipment

As of 31 December 2022, the Group's property, plant and equipment amounted to USD 7 billion representing 70% of the Group's total assets as of that date. This balance includes Capital Work-in-Progress ("CWIP") amounting to USD 317 million representing 337 capital projects in progress. During the year, capital work in progress amounting to USD 81 million was completed and transferred to the respective categories of property, plant and equipment and depreciated in accordance with the Group's depreciation policy.

Considering the magnitude of the amount and the risk surrounding the capitalisation, depreciation and impairment of property, plant and equipment in terms of assessing the eligibility of costs capitalised during the period, the timing of capitalisation and the related depreciation/impairment charge in line with IFRS requirements; this has been identified as a key audit matter to be reported in our audit report.

Procedures: The audit procedures performed to address this key audit matter include the following:

1. We reviewed the Group's policies and procedures for capitalisation of project costs and assessed their compliance with the requirements of IFRS;
2. We tested the relevant controls over capitalisation of project costs;
3. We performed substantive audit procedures over a sample of project costs capitalised to check adherence to the Group's policies and procedures, and compliance with the requirements of IFRS. This included management's processes and controls around identification of project costs eligible for capitalisation, staff cost capitalisation etc.;
4. We reviewed management's assessment for the existence of impairment indicators in respect of property, plant and equipment including capital work in progress;
5. We held discussions with project managers for significant projects and inquired about their status to determine whether indicators of impairment existed as of 31 December 2022; and
6. For a sample of projects, we checked the date of project capitalisation against supporting documents such as completion certificates received from contractors to verify that depreciation has been charged from the capitalisation date.

Other information

Other information consists of the information included in the Board of Directors' report and annual report other than the consolidated financial statements and our auditor's report thereon. We obtained the Board of Directors' report prior to the date of our audit report and we expect to obtain the annual report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged with Governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the Companies Regulations 2020 of Abu Dhabi Global Market, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the Companies Regulations 2020 of ADGM, we report that, in our opinion:

- i) The consolidated financial statements include, in all material respects, the applicable requirements of the Companies Regulations 2020 of ADGM; and
- ii) the financial information included in the report of the Board of Directors is consistent with the books of account and records of the Group.

Further, as required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with the law of establishment of the Company and relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations, which would materially affect its activities or the consolidated financial statements of the Company as at 31 December 2022.



Signed by
Ahmad Al Dali
 Partner
 Ernst & Young

1 February 2023
 Abu Dhabi

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	USD'000
Assets		
Non-current assets		
Property, plant and equipment	5	7,053,196
Intangible assets	6	55,616
Right-of-use assets	7(a)	25,208
Investment in sublease	7(b) & 11(d)	135,052
Amounts due from related parties	11(d)	2,606
Loans to employees		22,665
Total non-current assets		7,294,343
Current assets		
Inventories	8	654,639
Amounts due from related parties	11(d)	193,762
Trade receivables	9(a)	890,339
Loans to employees		11,276
Prepayments and other receivables	9(b)	47,059
Cash and cash equivalents	10	1,143,840
Total current assets		2,940,915
Total Assets		10,235,258
Equity and liabilities		
Equity		
Share capital	13	4,809,231
Merger reserve	14	(4,446,467)
Restricted reserve	14	186,322
Capital reserve	14	12,490
Actuarial reserve	14	10,846
Translation reserve	14	(3,982)
Retained earnings		4,279,574
Equity attributable to the owners of the Company		4,848,014
Non-controlling interests		21,586
Total equity		4,869,600
Non-current liabilities		
Provision for employees' end of service benefits	15	93,926
Lease liabilities	7(c)	158,884
Deferred tax liability	12(c)	33,265
Bank loans	16	3,983,999
Amounts due to related parties	11(c)	67,441
Total non-current liabilities		4,337,515
Current liabilities		
Trade and other payables	17	369,761
Amounts due to related parties	11(c)	613,621
Lease liabilities	7(c)	4,494
Income tax payable		40,267
Total current liabilities		1,028,143
Total liabilities		5,365,658
TOTAL EQUITY AND LIABILITIES		10,235,258

H.E. Dr. Sultan Ahmed Al Jaber
Chairman

Hazeem Sultan Al Suwaidi
Chief Executive Officer

Jan-Martin Nufer
Chief Financial Officer

The attached notes 1 to 31 form part of the consolidated financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD 28 APRIL 2022 TO 31 DECEMBER 2022

	Notes	For the period 28 April 2022 (inception) to 31 December 2022 USD'000
Revenue	18	3,997,151
Cost of sales	19	(2,386,263)
Gross profit		1,610,888
Other income	21	26,707
General and administrative expenses	22	(112,583)
Selling and distribution expenses	23	(414,152)
Impairment loss on property, plant and equipment	5	(13,483)
Operating profit		1,097,377
Finance income		19,744
Finance costs		(95,841)
Foreign exchange loss		(2,622)
Net finance loss		(78,719)
Profit for the period before tax		1,018,658
Income tax expense	12(a)	(284,835)
Profit for the period		733,823
Profit for the period attributable to:		
Owners of the Company		724,345
Non-controlling interests		9,478
		733,823
Other comprehensive income for the period		
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>		
Defined benefit plan remeasurements		19,586
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operation		(4,422)
Other comprehensive income for the period		15,164
Total comprehensive income for the period		748,987
Total comprehensive income for the period attributable to:		
Owners of the Company		739,865
Non-controlling interests		9,122
Profit for the period		748,987
Earnings per share:		
Basic and Diluted (USD)	28	0.02

The attached notes 1 to 31 form part of the consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 28 APRIL 2022 TO 31 DECEMBER 2022

	Share capital USD'000	Merger reserve USD'000	Restricted reserve USD'000	Capital reserve USD'000	Actuarial reserve USD'000
Balance at incorporation on 28 April 2022	-	-	-	-	-
Share capital introduced	50	-	-	-	-
Issuance of additional share capital on transfer of ADP and PTE (note 1)	4,809,181	-	-	-	-
Equity contributed upon transfer of subsidiaries (note 3)	-	(4,446,467)	185,730	12,490	(8,294)
Profit for the period	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	19,268
Total comprehensive income for the period	-	-	-	-	19,268
Movement during the period	-	-	592	-	(128)
Dividend declared (note 14)	-	-	-	-	-
Balance at 31 December 2022	4,809,231	(4,446,467)	186,322	12,490	10,846

The attached notes 1 to 31 form part of the consolidated financial statements.

Translation reserve USD'000	Retained earnings USD'000	Equity attributable to Owners of the Company USD'000	Non-controlling interests USD'000	Total equity USD'000
-	-	-	-	-
-	-	50	-	50
-	-	4,809,181	-	4,809,181
(234)	3,880,620	(376,155)	12,464	(363,691)
-	724,345	724,345	9,478	733,823
(3,748)	-	15,520	(356)	15,164
(3,748)	724,345	739,865	9,122	748,987
-	(464)	-	-	-
-	(324,927)	(324,927)	-	(324,927)
(3,982)	4,279,574	4,848,014	21,586	4,869,600

STATEMENT OF CASH FLOWS

FOR THE PERIOD 28 APRIL 2022 TO 31 DECEMBER 2022

	Notes	For the period 28 April 2022 (inception) to 31 December 2022 USD'000
OPERATING ACTIVITIES		
Profit for the period before tax		1,018,658
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	5	297,117
Impairment of property, plant and equipment	5	13,483
Depreciation on right-of-use assets	7(a)	2,865
Amortisation of intangible assets	6	10,608
Reversal of provision for slow moving and obsolete inventory	8	(1,103)
Provision for expected credit losses on trade receivable	9	2,246
Reversal of provision for expected credit losses on prepayments and other receivable		(668)
Loss on modification of lease liability		28
End of service benefits charge	15	5,707
Finance costs		95,841
Finance income		(19,744)
Net cash flow from operating activities before changes in working capital		1,425,038
Changes in working capital:		
Increase in trade receivables		(55,783)
Increase in due from related party		(18,009)
Decrease in inventories		160,689
Decrease in prepayments and other receivables		31,036
Increase in due to related party		144,613
Decrease in trade and other payables		(89,644)
Increase in other payables		55,857
Decrease in contract liabilities		(3,698)
Cash generated from operating activities		1,650,099
End of service benefits paid	21	(3,218)
Tax paid		(332,746)
Net cash generated from operating activities		1,314,135
INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	5	(112,976)
Proceeds from disposal of property, plant and equipment		19
Payments for purchase of intangible assets	6	(882)
Cash and cash equivalents acquired as part of business combination		347,564
Interest income received		13,071
Net cash generated from investing activities		246,796
FINANCING ACTIVITIES		
Repayment of lease liability	7(c)	(2,857)
Issuance of share capital		50
Payment of dividends	14	(324,927)
Payment of interest on bank loan		(87,014)
Net cash used in financing activities		(414,748)
Changes in translation reserve		(2,343)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,143,840
Cash and cash equivalents at beginning of the period		–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	10	1,143,840
<i>Significant non-cash transactions which have been excluded from the statement of cash flows are as follows:</i>		
Transfer of right-of-use asset to sublease	7(a)	(3,295)

The attached notes 1 to 31 form part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Borouge PLC (the "Company") was incorporated on 28 April 2022 as a public company limited by shares, with registration number 000007602, pursuant to the Abu Dhabi Global Market Companies (Amendment No. 1) Regulations 2020. The Company has been established for the purpose of serving as a holding company for Abu Dhabi Polymers Co. Ltd and Borouge Pte. Ltd.

The Company is jointly controlled by Abu Dhabi National Oil Company ("ADNOC") and Borealis Middle East Holding GmbH ("BMEH", together with ADNOC, the "Shareholders").

Pursuant to a resolution of the Shareholders dated 10 May 2022, the shareholders approved listing the Company's shares on Abu Dhabi Securities Exchange whereby 10% of its shares were offered in an Initial Public Offering ("IPO"). As of the reporting date, ADNOC held 54% and BMEH held 36% of issued share capital of the Group while the remaining 10% is held by the general public.

These consolidated financial statements of the Company are for the period from the date of incorporation 28 April 2022 to 31 December 2022 and accordingly, no comparative information is presented.

Details of the Company's subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Ownership interest	Country of incorporation	Principal activities
Abu Dhabi Polymers Co. Ltd (Borouge) L.L.C ("ADP")	100%	U.A.E.	Production of ethylene, propylene, polyethylene and polypropylene
Borouge Pte Ltd and its subsidiaries ("PTE")	84.746%	Singapore	Trading of polyolefins

The Company together with its subsidiaries is referred to as the "Group".

In accordance with the subscription and transfer agreement dated 17 May 2022 (the "Subscription and Transfer Agreement") entered into between the Company and the Shareholders, ADNOC and BMEH agreed to transfer their respective interests in ADP and approximately 84.746% interest in PTE to the Company in exchange of an issuance of shares by the Company. This transfer was in contemplation of an IPO of the Company. Upon the successful listing of the shares of the Company on 3 June 2022, the Company became the holder of the entire issued share capital of ADP and 84.746% of the issued share capital of PTE (the "Reorganisation"). Accordingly, immediately upon the transfer and prior to the listing:

- a) ADNOC transferred to the Company:
 - i. its full legal and beneficial interests in ADP, being 60% of ADP's total issued and outstanding share capital; and
 - ii. its full legal and beneficial interests in PTE, being 50% of PTE's total issued and outstanding share capital.
- b) BMEH transferred to the Company:
 - i. its full legal and beneficial interests in ADP, being 40% of ADP's total issued and outstanding share capital; and
 - ii. 34.746% of PTE's total issued and outstanding share capital.

In consideration of the transfer by ADNOC of its entire shares in ADP and PTE and the transfer by BMEH of its entire shares in ADP and 34.746% interest in PTE, in each case to the Company, the Company:

- a) issued and allotted 18,034,427,450 new shares to ADNOC, that resulted in ADNOC holding, immediately prior to listing, 60% of the Company's total issued and outstanding share capital; and
- b) issued and allotted 12,022,951,633 new shares to BMEH, that resulted in BMEH holding, immediately prior to listing, 40% of the Company's total issued and outstanding share capital.

Based on the satisfaction of the condition precedent by the parties pursuant to the Subscription and Transfer Agreement, the effective date of completion of the above transaction was 31 May 2022. Post completion of the Reorganisation, the Company has acquired control over ADP and PTE (together referred to as "Borouge Business").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

2 BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (IASB) and the applicable provisions of the Companies Regulations 2020 of Abu Dhabi Global Market.

2.2 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

In estimating the fair value of a financial asset or liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

2.3 Functional and presentation currency

For financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability that are derived from valuation techniques.

The principal accounting policies adopted are set out below.

These consolidated financial statements are presented in US Dollar ("USD"), which is the Group' functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Use of judgements and estimates

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The judgments, estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. The Group based its judgements, assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, the resulting accounting estimates may differ from actual results. The estimates and assumptions pose a risk of causing adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in these consolidated financial statements, is included in note 4.

2.5 STANDARDS ISSUED BUT NOT EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1: Classification of liabilities as Current or Non-Current
- Amendments to IAS 8: Definition of Accounting Estimates;
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies;
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current; and
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group does not expect that the adoption of these new and amended standards and interpretations will have a material impact on its consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting or similar rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in consolidated financial statements from the date when the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

A change in the ownership interest of a subsidiary without a loss of control, is accounted for as equity transaction. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basis of consolidation *continued*

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or joint venture.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that, together, significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquired entity are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interests (including joint operations) in the acquired entity is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period ends as soon as the Group receives the necessary information about the facts and circumstances that existed as of the acquisition date or learns that the information is not obtainable. However, the measurement period cannot exceed one year from the acquisition date.

Transactions under common control

A business combination involving entities or business under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination and that control is not transitory.

Transactions giving rise to transfer of interests in entities, which are under the common control of the Shareholders, are accounted for using the pooling of interest method without restatement of comparative information. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the books of the transferor entity. The components of equity of the acquired entities are added to the same components within Group equity. Any difference between the consideration paid and capital of the acquiree is recognised directly in equity.

Transfer of Borouge Business

The transfer of the interest in the Borouge Business (refer note 1) is assessed to be a common control transaction as the Borouge Business continued to be jointly controlled by the Shareholders before and after the Reorganisation. Therefore, the Reorganisation was considered to be outside the scope of IFRS 3 Business Combinations. Upon Completion of the Reorganisation, the Group has applied the pooling of interest method of accounting in line with its accounting policies. Accordingly, for the purpose of these consolidated financial statements:

- The assets and liabilities of the Borouge Business were reflected at their carrying amounts. No adjustments were made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be recognised under the acquisition method.
- No goodwill was recognised as a result of the combination. Any difference between the consideration transferred and the acquired net assets is reflected within equity.

The consolidated statement of profit or loss reflects the results of the combining entities from the date of combination.

The following table summarises the book value of the assets and liabilities of ADP and PTE as at the date of the combination:

	PTE USD'000	ADP USD'000	Total USD'000
Assets			
Property, plant and equipment	37,832	7,216,453	7,254,285
Intangible assets	586	63,375	63,961
Right-of-use assets	24,795	5,678	30,473
Investment in sublease	–	128,379	128,379
Amounts due from related parties	–	908,155	908,155
Inventories	12,677	802,608	815,285
Trade receivables	1,061,309	–	1,061,309
Cash and cash equivalents	93,628	253,936	347,564
Other assets	21,193	93,506	114,699
Total assets	1,252,020	9,472,090	10,724,110
Liabilities			
Bank loans	–	3,981,666	3,981,666
Trade and other payables	1,007,988	323,535	1,331,523
Income tax payable	7,621	101,262	108,883
Other liabilities	154,696	701,852	856,548
Total liabilities	1,170,305	5,108,315	6,278,620
Net assets as at acquisition date attributable to common equity holders	81,715	4,363,775	4,445,490

Upon the transfer of the subsidiaries, the following components of equity were brought forward from ADP & PTE:

	USD'000
Restricted reserve	185,730
Capital reserve	12,490
Actuarial reserve	(8,294)
Translation reserve	(234)
Retained earnings	3,880,620

A merger reserve of USD 4,446,467 thousand arises as the difference between the book value of the shares issued in the Company in exchange for the share capital of ADP & PTE.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Going concern

The directors have, at the time of approving the consolidated financial statements, reasonable expectation that the Group will continue in operational existence for the foreseeable future as its subsidiaries have a history of profitable operations and the Group has ready access to financial resources. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Amortised cost

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables, investment in sublease, other receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group recognises lifetime ECL for trade receivables, investment in sublease, other receivables and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- a) the financial instrument has a low risk of default;
- b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group employs models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the borrower;
- b) a breach of contract, such as a default or past due event (see (ii) above);
- c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(iv) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The Group has elected the IFRS 9 simplified approach to measure loss allowance for cash and bank balances, trade receivables, and due from related parties at an amount equal to lifetime ECLs. Accordingly, financial assets which are not credit impaired and which do not have significant financing component are categorised under stage 2 and lifetime ECL is recognised.

Expected credit losses related to cash and bank balances, trade and other receivables and due from related parties are presented in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income (FVTOCI), the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments' revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, lease liabilities, bank loans, contract liabilities, amount due to related parties and other payables.

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss (FVTPL).

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch with profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, short-term deposits held with banks, other short-term highly liquid investments with original maturities of three months or less.

Revenue recognition

Application of IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group is in the business of sale of high-density Polyethylene, linear low-density Polyethylene, Polypropylene, Ethylene, polyolefin and other compounded products.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations if:

- a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
- b) the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Revenue consideration is allocated to the respective performance obligations, i.e. sales of goods and the insurance and freight service, based on their stand-alone selling price. For sales transactions with delivery terms CIF and CFR (i.e. Cost, Insurance & Freight and Cost & Freight), the Group has an additional obligation to arrange for the insurance and freight services subsequent to the transfer of the goods to the customer.

Management assessed the Group's performance obligations are as follows:

- (i) Sale of goods – revenue is recognised at a point of time when control of goods are transferred to the customers based on trade terms and all criteria for acceptance have been satisfied.
- (ii) Freight and insurance – revenue is recognised over the course of service which coincides with the shipment delivery period.

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the PO if it relates specifically to those POs.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

Revenue represents the invoiced value of goods delivered to the customer and is recognised when all criteria for acceptance have been satisfied.

The following table provides information about the nature and timing of the satisfaction of performance obligations in revenue contracts with customers, including significant payment terms, and the related revenue recognition policies:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Revenue recognition *continued*

Application of IFRS 15 Revenue from Contracts with Customers *continued*

Nature of goods or services	The Company generates revenue from sales of polyolefin and compounded products.
When revenue is recognised	<p>Revenue consideration is allocated to the respective performance obligations, i.e. sales of goods and the insurance and freight service, based on their stand-alone selling price. For sales transactions with delivery terms CIF and CFR (i.e. Cost, Insurance & Freight and Cost & Freight), the Group has additional obligation to arrange for the insurance and freight services subsequent to the transfer of the goods to the customer.</p> <p>Management assessed the Group's performance obligations are as follows:</p> <ul style="list-style-type: none"> (i) Sale of goods – revenue is recognised at a point of time when control of goods are transferred to the customers based on trade terms and all criteria for acceptance have been satisfied. (ii) Freight and insurance – revenue is recognised over the course of service which coincides with the shipment delivery period.
Significant payment terms	Invoices are issued upon goods delivery. The Group provides credit terms of between 30 to 90 days to their customers which are common market credit terms. In cases where, the Group received cash paid in advance of goods delivered and to the extent that they remain undelivered as at reporting date, the Group defers recognition of revenue and recognise such amounts in the consolidated statement of financial position as "Contract liabilities".
Obligations for returns and refunds, if any	<p>Sales returns</p> <p>Customers have the right to return the goods to the Group within 14 days if the products are found defective or do not conform with requirements. For contracts that permit the customer to return an item, revenue is recognised to the extent that revenue recognised will not be reversed. The amount of revenue recognised is adjusted for expected returns, which are estimated based on past sales returns data. The Group will also recognise the related assets for the rights to recover the returned goods as inventories based on the previous carrying amounts of the goods plus expected recovery costs.</p> <p>Volume rebate</p> <p>Volume rebates are given to certain customers based on fulfilment of contractually agreed sales targets over a period of time. Such rebates are accounted for as a variable consideration and is adjusted against revenue.</p> <p>The rebate amount is estimated based on the most likely outcome method and is recognised when the probability of paying the sales rebates to the customers is high. The Group reviews its estimate of expected rebate at each reporting date based on the sales to customers, contingent on a future event occurring or not occurring, and recognise the rebate as a reduction of the revenue.</p>

Other income

Other income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Capital work in progress is carried at cost less any recognised impairment loss. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and is depreciated in accordance with the Group's policies.

Depreciation is charged so as to write off the cost less estimated residual values of property, plant and equipment, other than capital work in progress, over their estimated useful lives, using the straight-line method, on the following basis, as follows:

Buildings	15 – 40 years
Plant and machinery	8 – 30 years
Motor vehicles	4 – 10 years
Furniture, fixtures and equipment	3 – 4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The plant performs regular major inspections and overhauls, i.e. turnarounds.

When each major turnaround is performed, its cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Other plant turnaround costs are expensed as incurred. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Intangible assets

Intangible assets acquired are recorded at cost and are amortised on a straight-line basis over their estimated useful lives as follows:

Computer software	3 – 5 years
Cracker rights	10 years
License costs	10 years
Others	4 years

License costs represent irrevocable exclusive and non-exclusive rights and licenses granted by Borealis to the Group for use of Borealis's proprietary catalyst, process design, patent rights and technical information in order to design, construct, maintain and operate the Ruwais plant, as well as use and sell Polyethylene ("PE") resins manufactured in the plant.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, consumables, spare parts, direct labour and materials and related overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. Provision is made for obsolete and slow-moving items.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Impairment of tangible assets *continued*

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Leases

The Group as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the earlier of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of the assets is as follows:

Land lease	35 years
Transportation, storage, and terminals	4 years
Buildings and infrastructure	3 to 9 years
Fixture, fittings, and office equipment	3 years

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

Investment in sub-lease is recognised in the consolidated financial statements to reflect the sub-lease of a plot of land to a related party Borouge 4.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Taxation

Value added tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Current income tax

The Group is subject to income taxes in several jurisdictions. Estimates are required in determining the group-wide provision for income taxes. There are some transactions and calculations for which the ultimate tax position is uncertain during the ordinary course of business. The Group recognises provisions for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the consolidated statement of profit or loss and other comprehensive income.

Deferred tax assets and liabilities are offset for financial reporting purposes when they relate to income taxes levied by the taxation authorities.

Employees' benefit

(i) Short term obligation

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period. The accrual relating to annual leave and leave passage is disclosed as a current liability in the consolidated statement of financial position.

(ii) Employees' end of service benefits ("EOSB")

The liability recognised in the consolidated statement of financial position in respect of the defined end of service benefit plan is the present value of the projected defined benefit obligation ("DBO") at the end of the reporting period. The provision for EOSB is calculated by a qualified actuary using the projected unit credit method whilst considering the Group's policy with respect to end of service benefits where it requires the provision to be at least equal to the benefits payable in accordance with the UAE Labour law for their period of service up to the end of the reporting period.

The provision relating to EOSB is disclosed as a non-current liability.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised immediately in other comprehensive income. Re-measurements are not reclassified to the consolidated statement of profit or loss in subsequent periods. The liability is calculated as the current value of the vested benefits to which the employee is entitled, should the employee leave at the consolidated statement of financial position date. Payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the UAE Labour law.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Employees' benefit continued

(ii) Employees' end of service benefits ("EOSB") continued

Net interest expense and other expenses related to defined benefit plans are recognised in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined EOSB obligation. The Group recognises the following changes in the net defined benefit obligation in the consolidated statement of profit or loss within personnel costs:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income

(iii) Pension contributions

With respect to its UAE national employees, the Group makes pension contributions to the Abu Dhabi Retirement Pensions and Benefits Funds in accordance with the Abu Dhabi Retirement Pensions and Benefits Fund's regulations. With respect to its GCC national employees, the Group makes pension contributions to the pension funds or agencies of their respective countries. Such contributions are charged to operating costs during the employees' period of service.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Foreign currencies transactions

Foreign currency transactions are translated at the rates prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the foreign currency translation reserve. Such exchange differences are recognised in the profit or loss in the period in which the foreign operation is disposed of.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

Corporate taxes

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Group has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Group shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Group is currently in the process of assessing the possible impact on the consolidated financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.

4 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgements Segment information

For management purpose, the Group is organised as one business unit based on the products and services and management has concluded that it has only one reportable segment. The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker ("CODM"). The Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CODM that makes strategic decisions. The financial information reviewed by the CODM is based on the IFRS compliant financial information for the Group. The CODM monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment.

Determination of principal status

The Group measures its revenue at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty, as the Group has determined that it is acting as principal in the transactions. The determination of whether the Group is principal or agent requires judgement. In making this judgement, the Group evaluates whether it controls each specified good or service before that good or service is transferred to the customer.

Asset retirement obligation

The Group exercises judgement in evaluating whether an arrangement contains a legal or constructive obligation to remove the plant and equipment and restore the land at the end of the contractual arrangement or end of useful life of the Group's plant and equipment constructed and installed on land leased from government related entities. The management has concluded it does not have any legal or constructive obligation relating to decommissioning activity.

Functional currency

Management considers USD to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. USD is the currency in which the Group measures its performance and reports its results.

Key sources of estimation uncertainty

Useful lives and residual values of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives and residual values of the property, plant and equipment and the intangible assets based on the historical pattern of useful lives and general standards in the industry. The useful lives and residual values are reviewed for reasonableness by management on an annual basis.

Useful lives of right-of-use assets

The Group's management determines the estimated useful lives of its right-of-use assets for calculating depreciation. The cost of right-of-use assets are depreciated over the estimated useful lives of the assets, which is based on shorter of the lease term and the estimated useful lives of the assets. The Group reviews the estimated useful lives of right-of-use assets at the end of each annual reporting period. Any change in the lease term or pattern of consumption of these assets are adjusted prospectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

4 CRITICAL JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Critical judgements *continued*

Assessment of indicators of impairment of non-financial assets

The Group assesses at each reporting date whether there is objective evidence that its non-financial assets are impaired. The Group's non-financial assets primarily comprise property, plant and equipment, right-of-use assets and intangible assets. To determine whether there is objective evidence of impairment, the Group considers factors such as operating economic conditions, industry developments and other factors which could affect the carrying value of these assets. An impairment exists when carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. During the current period, impairment expense amounting to USD 13,483 thousand was recorded in relation to property, plant and equipment.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and estimate of the outcome of future events. The Group receives claims from its customers and suppliers as part of its ongoing business and records a provision based on assessment of reliability and probability of the outflow of economic resources (note 24).

Income tax and deferred tax assets

The amount of income tax payable is subject to adjustment pending final agreement on all items of revenue, costs and expenses for the period ended 31 December 2022 between the Group and the representatives of Supreme Council for Financial and Economic Affairs ("SCFAEA"). Management believes that the finalisation of the discussion will not have a material impact on the consolidated financial statements.

Deferred tax assets are recognised against differences between tax basis and accounting basis of recording for depreciation on property, plant and equipment, amortisation of intangible assets, amortisation of right-of-use asset and end of service benefits to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits (note 12).

Provision for expected credit losses on amounts due from related parties and trade and other receivables

The Group recognises an allowance for expected credit losses (ECLs) for amounts due from related parties and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

An estimate of the collectible amount of due from related parties and trade and other receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. As at 31 December 2022, gross trade receivable, other receivables and amounts due from related parties were USD 892,585 thousand, USD 41,247 thousand and USD 196,368 thousand with provision for expected credit losses of USD 2,246 thousand, USD 2,604 thousand and USD nil respectively. Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. As at 31 December 2022, gross inventory was USD 698,989 thousand. As at 31 December 2022, a provision of USD 44,350 thousand on inventories has been recorded. Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the profit or loss (note 8).

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested.

5 PROPERTY, PLANT AND EQUIPMENT

	Buildings USD'000	Plant and machinery USD'000	Motor vehicles USD'000	Furniture, fixtures and equipment USD'000	Capital work-in-progress USD'000	Total USD'000
Cost						
Balance at incorporation	–	–	–	–	–	–
Balance arising on business combination (note 3)	703,515	12,376,019	13,912	173,598	293,592	13,560,636
Additions	54	559	–	1,179	111,184	112,976
Disposals	–	(65)	–	(2,586)	–	(2,651)
Transfers from capital work in progress	5,966	72,587	181	2,180	(80,914)	–
Transfers to intangibles (note 6)	–	–	–	–	(1,338)	(1,338)
Exchange differences	(1,150)	(2,192)	–	(723)	(327)	(4,392)
At 31 December 2022	708,385	12,446,908	14,093	173,648	322,197	13,665,231
Accumulated depreciation and impairment						
Balance at incorporation	–	–	–	–	–	–
Balance arising on business combination (note 3)	304,537	5,821,889	13,056	166,869	–	6,306,351
Impairment	–	8,037	–	–	5,446	13,483
Depreciation	14,920	279,751	123	2,323	–	297,117
Disposals	–	(58)	–	(2,574)	–	(2,632)
Exchange differences	(429)	(1,200)	–	(655)	–	(2,284)
At 31 December 2022	319,028	6,108,419	13,179	165,963	5,446	6,612,035
Net book value						
At 31 December 2022	389,357	6,338,489	914	7,685	316,751	7,053,196

The right and license to use the land in Ruwais, on which the buildings, plant and machinery are constructed, was granted by the Supreme Petroleum Council, free of all fees, in accordance with the letter dated 28 October 1998. The land in Ruwais continues to be free of all fees, except for the Borouge 4-Plant Site in accordance with the agreement signed between the Group and ADNOC on 16 November 2021. On the same day, the Group signed an agreement with ADNOC for the lease of Sas Al Nakhil Area where rent will be payable on land for the Innovation Centre Site.

The depreciation charge for the period is allocated to statement of profit or loss and inventory as follows:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of sales (note 19)	240,605
Depreciation included in unsold inventory	55,033
General and administrative expenses (note 22)	1,476
Selling and distribution expenses (note 23)	3
	297,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

6 INTANGIBLE ASSETS

	Computer software USD'000	Cracker rights USD'000	License costs USD'000	Capital work in progress USD'000	Others USD'000	Total USD'000
Cost						
Balance at incorporation	–	–	–	–	–	–
Balance arising on business combination (note 3)	113,299	11,305	29,596	309	155,190	309,699
Additions	853	–	–	29	–	882
Disposals	(281)	–	–	–	–	(281)
Transfers from (to) property, plant, and equipment (note 5)	328	–	–	(238)	1,248	1,338
Exchange differences	(89)	–	–	71	–	(18)
At 31 December 2022	114,110	11,305	29,596	171	156,438	311,620
Accumulated amortisation						
Balance at incorporation	–	–	–	–	–	–
Balance arising on business combination (note 3)	72,097	11,305	25,343	–	136,993	245,738
Charge for the period	6,669	–	58	–	3,881	10,608
Disposals	(281)	–	–	–	–	(281)
Exchange differences	(61)	–	–	–	–	(61)
At 31 December 2022	78,424	11,305	25,401	–	140,874	256,004
Net book value						
At 31 December 2022	35,686	–	4,195	171	15,564	55,616

The amortisation charge for the period is allocated to consolidated statement of profit or loss and inventory as follows:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of sales (note 19)	8,461
Amortisation included in unsold inventory	1,946
General and administrative expenses (note 22)	158
Selling and distribution (note 23)	43
	10,608

7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The right and license to use the land in Ruwais, on which the buildings, plant and machinery are constructed, was granted by the Supreme Petroleum Council, free of all fees, in accordance with the letter dated 28 October 1998. The land in Ruwais continues to be free of all fees, except for the Borouge 4-Plant Site in accordance with the agreement signed between the Group and ADNOC on 16 November 2021. On the same day, the Group signed an agreement with ADNOC for the lease of Sas Al Nakhl Area where rent will be payable on land for the Innovation Centre Site.

(a) Right-of-use assets

	2022 USD'000
Cost:	
Balance at incorporation	–
Balance arising on business combination (note 3)	47,802
Additions	99
Disposals	(634)
Transfer to sublease, net	(1,692)
Exchange differences	(1,212)
At 31 December 2022	44,363
Accumulated depreciation:	
Balance at incorporation	–
Balance arising on business combination (note 3)	17,329
Charge for the period	2,865
Disposal	(634)
Exchange differences	(405)
At 31 December 2022	19,155
Carrying amount:	
At 31 December 2022	25,208

The depreciation for the period is allocated to consolidated statement of profit or loss and inventory as follows:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of sales (note 19)	181
Amortisation included in unsold inventory	2
General and administrative expenses (note 22)	2,578
Selling and distribution expenses (note 23)	104
	2,865

(b) Investment in sublease

Investment in sub-lease is recognised in the consolidated financial statements to reflect the sub-lease of a plot of land to a related party Borouge 4 (note 11(d)).

	2022 USD'000
Balance at incorporation	–
Balance arising on business combination (note 3)	128,379
Accretion of interest	6,673
At 31 December 2022	135,052

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7 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES CONTINUED

(c) Lease liabilities

	2022 USD'000
Balance at incorporation	–
Balance arising on business combination	162,870
Payments	(2,857)
Interest expense	4,161
Exchange differences	(796)
At 31 December 2022	163,378
Non-current	158,884
Current	4,494
Total	163,378

Set out below, is the amount recognised in the consolidated statement of profit or loss and other comprehensive income related to lease liabilities:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Depreciation charge	2,865
Interest expense	4,161
	7,026

8 INVENTORIES

	2022 USD'000
Finished goods	360,752
Spare parts	159,209
Raw materials	173,290
Goods in transit	310
Work in progress	5,428
	698,989
<i>Less: allowance for slow moving and obsolete inventories</i>	<i>(44,350)</i>
	654,639

Finished goods include an allocation of depreciation and amortisation charges amounting to USD 56,981 thousand. The movement in the allowance for slow moving and obsolete inventories during the period was as follows:

	2022 USD'000
Balance at incorporation	–
Balance arising on business combination	45,453
Reversal of provision during the period	(1,103)
At 31 December 2022	44,350

9 RECEIVABLES

(a) Trade receivables

	2022 USD'000
Trade receivables	892,585
Less: provision for expected credit losses	(2,246)
	890,339

Movement in the provision for expected credit losses of trade receivables were as follows :

	2022 USD'000
Balance at incorporation	–
Charge for expected credit losses	2,246
At 31 December 2022	2,246

As at 31 December 2022, the analysis of trade receivables and provision for expected credit losses is as follows:

	Total USD'000	Neither past due nor due USD'000	Past due				
			1-30 days USD'000	31-60 days USD'000	61 – 90 days USD'000	91 – 180 days USD'000	Over 180 days USD'000
31 December 2022							
Expected credit loss rate		0.00%	0.00%	0.00%	0.00%	28%	0.00%
Estimated total gross carrying amount at default	892,585	829,131	39,950	6,098	9,344	8,062	–
Expected credit losses	2,246	2	–	1	6	2,237	–

(b) Prepayments and other receivables

	2022 USD'000
Other receivables	31,824
Tax recoverable	7,546
Deposit	1,877
Less: provision for expected credit losses	(2,604)
	38,643
Prepayments	8,416
	47,059

No interest is charged on the other receivable balances. Past due receivables are provided for based on estimated irrecoverable amounts determined by reference to management expectations and past default history. In determining the recoverability of a receivable balance, the Group considers any change in the credit quality of the receivable balances from the date credit was initially granted up to the reporting date. The movement in the provision for expected credit losses during the period was as follows:

	2022 USD'000
Balance at incorporation	–
Balance arising on business combination	3,272
Reversal of provision for the period, net	(668)
At 31 December 2022	2,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

10 CASH AND CASH EQUIVALENTS

	2022 USD'000
Cash at bank – <i>current accounts</i>	633,949
Short-term deposits	509,886
Cash in hand	5
Cash and cash equivalents	1,143,840

Included in the Group's cash and cash equivalents are cash and bank balances amounting to USD 4,267 thousand that are denominated in Chinese Renminbi ("RMB"). RMB is not a freely convertible currency and remittance of funds inward and outward of the People's Republic of China ("PRC") is subject to exchange control regulations by the PRC government.

Short-term deposits are mainly denominated in US Dollar and earn interest at floating rate of 1.63% per annum with an original maturity period of less than three months.

11 RELATED PARTIES TRANSACTIONS AND BALANCES

(a) Related parties

Related parties comprise the Government of Abu Dhabi and related departments and institutions (owner of the majority shareholder), associated companies, joint ventures, shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. During the period, the Group entered into the following significant transactions with related parties at prices and on terms agreed between the related parties:

(b) Related party transactions

	Nature	2022 USD'000
Sale of goods		
ADNOC	Shareholder	135,607
Borealis AG	Shareholder	219,987
ADNOC Refining	Affiliate	12,525
		368,119

	Nature	2022 USD'000
Cost of sales		
Purchase of feedstock (ADNOC)	Shareholder	840,523
Purchase of catalyst (Borealis AG)	Shareholder	384,008
Re-charge electricity and water (ADNOC)	Shareholder	138,450
Fuel, gas and oil (ADNOC Distribution)	Affiliate	3,472
Royalties (Borealis) (note 19)	Shareholder	25,105
Purchase of feedstock – ADNOC Gas processing	Affiliate	12,096
Purchase of feedstock – ADNOC Industrial Gas-(Elixir)	Affiliate	3,656
		1,407,310

	Nature	2022 USD'000
Selling and distribution costs		
(ADNOC Logistics and Services)	Affiliate	106,793
Administrative costs including secondees costs (ADNOC, Borealis and Borouge Pte)	Shareholder/Affiliate	9,648

Compensation of key management personnel

	2022 USD'000
Short-term benefits	2,966
Long-term benefits	234

Other transactions

Tax

An amount of USD 324,946 thousand was paid to the Government of Abu Dhabi Department of Finance by the Group as per the fiscal agreement. At 31 December 2022, an amount of USD 34,763 thousand was payable to the tax authorities.

Land – right of use

The right and license to use the land in Ruwais, on which the buildings and plant and machinery are constructed, were granted by the Supreme Petroleum Council, free of all fees, in accordance with the letter dated 28 October 1998. The land in Ruwais continues to be free of all fees, except for the Borouge 4 Plant Site in accordance with the agreement signed between the Group and ADNOC on 16 November 2021. On the same day, the Group signed an agreement with ADNOC for the lease of Sas Al Nakhli area where rent will be payable on land for Innovation Centre Site (note 7).

Dividends

During the period ended 31 December 2022, dividends of USD 325 million were declared and paid in accordance with a resolution of the Board of Directors (note 14).

(c) Amounts due to related parties

	Nature	2022 USD'000
ADNOC	Shareholder	500,609
Borealis AG	Shareholder	129,369
ADNOC Distribution	Affiliate	548
ADNOC Logistics	Affiliate	26,466
ADNOC Gas Processing	Affiliate	3,422
ADNOC Global Trading co	Affiliate	5
ADNOC Onshore	Affiliate	19
ADNOC Refining	Affiliate	14,578
ADNOC Industrial Gas	Affiliate	569
Borouge 4	Affiliate	5,477
		681,062

Amounts due to related parties are disclosed in the consolidated statement of financial position as:

	2022 USD'000
Non-current	67,441
Current	613,621
Total	681,062

(d) Amounts due from related parties

	Nature	2022 USD'000
ADNOC	Shareholder	74,613
Borealis AG	Shareholder	100,073
Borouge 4	Affiliate	14,206
ADNOC Refining	Affiliate	3,808
ADNOC Global	Affiliate	3,668
		196,368
Borouge 4 – Investment in sublease (note7(b))	Affiliate	135,052
		331,420

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

11 RELATED PARTIES TRANSACTIONS AND BALANCES CONTINUED

(d) Amounts due from related parties continued

The Group provides credit terms of between 30 to 90 days to their customers which are common market credit terms. No interest is charged on amounts due from related parties. Past due receivables are provided for based on estimated irrecoverable amounts determined by reference to management expectations and past default history. In determining the recoverability of a receivable balance, the Group considers any change in the credit quality of the receivable balances from the date credit was initially granted up to the reporting date. Management believes that no provision for expected credit losses is required. The ageing analysis of amounts due from related parties is as follows:

	Weighted average loss rate	Gross receivables USD'000	Provision for expected credit losses USD'000
31 December 2022			
< 70 days	0%	177,003	–
Past due 71 – 180 days	0%	22,112	–
Past due 181 – 365 days	0%	129,699	–
Past due > 365 days	0%	2,606	–
		331,420	–

Amounts due from related parties are disclosed in the consolidated statement of financial position as:

	2022 USD'000
Investment in sublease – non-current	135,052
Amounts due from related parties – non-current	2,606
Amounts due from related parties – current	193,762
Total	331,420

12 INCOME TAX EXPENSE

a) Amounts recognised in profit or loss

	2022 USD'000
Current tax expense	264,130
<i>Deferred tax expense</i>	
Origination and reversal of temporary differences	20,705
	284,835

b) Reconciliation of effective tax rate

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Profit for the period before tax	1,018,658
Effective tax rate	29.03%
Tax on accounting profit at applicable rate	295,716
Tax effect of non-deductible expenses	–
Tax effect of exempt income/tax holidays	–
Opening deferred tax assets remeasured	(6,046)
Deferred tax assets reversed on disposed assets during current period	–
Others	(4,835)
	284,835

c) Movement in deferred tax balances

Deferred tax represents temporary differences arising due to the difference in useful lives used for accounting purposes and that used for fiscal purposes for all assets. It also arises due to the timing difference created in respect of the provision and payment relating to end of service benefits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences. Deferred tax relates to the following:

	At inception USD'000	Recognised in profit or loss USD'000	At 31 December 2022 USD'000
Property, plant and equipment	(74,858)	13,788	(61,070)
Other provision	62,298	(34,493)	27,805
Deferred tax liability	(12,560)	(20,705)	(33,265)

13 SHARE CAPITAL

In accordance with the Articles of Association of the Company which became effective on 28 April 2022, the Company issued 50,000 ordinary shares of USD 1 each on its incorporation to the Shareholders. By virtue of the Subscription and Transfer agreement dated 17 May 2022, the Company issued further shares effective 31 May 2022 (note 1) increasing its share capital to USD 4.8 billion divided into 30,057,691,583 shares, each valued at USD 0.16.

	USD'000
Authorised, issued and fully paid 30,057,691,583 ordinary shares of USD 0.16 each	4,809,231

14 RESERVES

Merger reserve

The merger reserve was recognised on combination of the Borouge Business under the pooling of interest method (note 3).

Restricted reserve

For the Company, in accordance with ADGM laws the provisions of the Decree Law No.32 of 2021 shall not apply to companies established in free zones of the Emirate of Abu Dhabi.

For the subsidiary ADP, in accordance with the UAE Federal Law No. 32 of 2021 and the Articles of Association of the subsidiary ADP, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% of the paid-up share capital of ADP.

For the subsidiary PTE, pursuant to the relevant laws and regulations of PRC, a portion of the profit of a subsidiary established in PRC is required to transfer to a statutory reserve which is restricted in use.

Capital reserve

The capital reserve attributable to the owners of the Company relates to a waiver of a related party payable balance amounting to USD 14.8 million in prior years of PTE, the subsidiary.

Actuarial reserve

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions on post-employment benefits are recognised in the period in which they occur, directly in other comprehensive income. They are included in the actuarial reserve in the consolidated statement of changes in equity and in the consolidated statement of financial position.

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the consolidated financial statements of foreign operations into the Group's presentation currency.

Dividends

On 27 July 2022, the Board of Directors approved an interim dividend amounting to USD 325 million (amounting to AED 1.2 billion or 3.97 fils per share) which was distributed during the fourth quarter of the year 2022 (note 11(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 DECEMBER 2022

15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The Group has a post-employment benefit plan that is awarded to employees in the United Arab Emirates. Under the plan, qualifying employees will receive gratuity benefits when they leave service. The employees are entitled to receive a lumpsum benefit based on their last drawn salaries taking into account the number of years of their service to the Group.

The defined benefit plan is unfunded. In the estimation of the defined benefit liability, the Group engaged an independent actuary to assess the defined benefit plan obligation. The defined benefit plan exposes the Group to actuarial risks such as mortality rates, interest rates, and expected retirement and termination rates.

The provision for employees' end of service benefit as of 31 December 2022 is as follows:

	2022 USD'000
Defined benefit obligation – non-current	93,926

Movement in defined benefit obligation

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability and its components.

	2022 USD'000
Balance at incorporation	–
Balance arising on business combination	110,234
Included in the consolidated statement of profit or loss	
Current service cost	5,337
Interest cost	370
	5,707
Other	
Benefits paid	(3,218)
Remeasurement of provision	
Actuarial gains – arising from experience	(15)
Actuarial gains – arising from financial assumptions	(18,782)
	(18,797)
Balance at 31 December	93,926

Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2022
Discount rate	5.00%
Salary escalation rate per annum	4.00%

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2022 USD'000	
	Increase	Decrease
Discount rate (1% movement)	(6,415)	5,506
Salary escalation rate per annum (1% movement)	5,776	(6,742)

16 BANK LOANS

	31 December 2022 USD'000
Commercial term facility	3,650,000
Islamic facility	350,000
	4,000,000
Unamortised transaction costs	(16,001)
	3,983,999

This represents external facilities from a consortium of banks amounting to USD 4,000 million with a maturity of 5 years, comprising a commercial term facility of USD 3,650 million and an Islamic facility of USD 350 million. The commercial term facility carries an interest rate of LIBOR + 0.90% margin per annum and the Islamic facility carries a profit margin amount. The repayment of the commercial term and Islamic finance facilities will be in full after 5 years. During the period, interest on this loan amounted to USD 91,741 thousand and transaction costs amortised amounted to USD 2,333 thousand. There was no repayment of the principle loan balance during the period, except for the settlement of the interest balances. There are no bank covenants or collateral maintained for the loans.

As at 31 December 2022, the Group has an undrawn revolving loan facility with First Abu Dhabi Bank amounting to USD 500 million, valid up to 5 years. The loan bears an interest rate at LIBOR plus margin per annum of 0.8%. Total commitment fee recognised during the period amounted to USD 594 thousand. There are no bank covenants or collateral maintained for this facility.

	31 December 2022 USD'000
Current liabilities	–
Non-current liabilities	3,983,999
	3,983,999

17 TRADE AND OTHER PAYABLES

	2022 USD'000
Trade accounts payable	87,666
Accrued expenses	238,597
Contract liabilities (note 18)	33,044
Other payables	10,454
	369,761

Trade and other payables are non-interest bearing and have an average credit period of 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

18 REVENUE

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Sale of goods (net of commissions and rebates)	
Polyethylene	2,245,241
Polypropylene	1,603,369
Ethylene and others	148,541
	3,997,151
Timing of revenue recognition	
At a point in time	3,997,151
Revenue from contracts with customers	3,997,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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18 REVENUE CONTINUED

In terms of the timing of revenue recognition, revenue is recognised at a point in time, when the control of goods is transferred to the Customer. The Group does not render any installation or other services. There are no financing components on these contracts with customers. The performance obligation is satisfied upon delivery of the goods and payment is generally due within 90 days from delivery. Certain contracts for the sale of goods provide customers with a right of return. However, the sales returns are negligible as compared to the gross revenue for the sale of goods. Based on estimated expected returns, goods that are likely to be returned are expected to be very minimal. Considering that the sales returns of the Group are not significant, the Group has not recorded a refund liability and a right of return asset for anticipated sales returns as of 31 December 2022.

Geographical information

Revenue based on the geographical location of customers as follow:

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Austria	223,472
Bangladesh	92,566
Egypt	316,457
India	564,385
Israel	65,893
Pakistan	168,272
People's Republic of China	1,272,880
Saudi Arabia	74,948
United Arab Emirates	464,899
Vietnam	85,902
Others	667,477
	3,997,151

Contract balances

Contract liabilities relate to advance consideration received from customers for sale of polyolefin products. The Group did not account for any significant financing component arising from these advances as the related performance obligations are completed within less than 12 months.

19 COST OF SALES

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of production and other related costs	1,921,335
Staff cost (note 20)	190,576
Depreciation on goods sold (note 5)	240,605
Amortisation on goods sold (note 6)	8,461
Depreciation on right-of-use assets (note 7(a))	181
Royalty expense (note 11(b))	25,105
	2,386,263

19.1 Royalty expense relates to fees charged by Borealis for the manufacturing of polyolefin products under the Borstar® process license and process design agreement.

20 STAFF COST

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Cost of sales (note 19)	190,576
General and administrative expenses (note 22)	51,594
Selling and distribution expenses (note 23)	58,368
	300,538

21 OTHER INCOME

Other income relates mainly to sale of scrap materials that took place during the period.

22 GENERAL AND ADMINISTRATIVE EXPENSES

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Salaries and wages (note 20)	51,594
Maintenance cost	14,064
General service cost	11,369
Corporate service cost	5,509
Human capability cost	4,581
Depreciation of right-of-use assets (note 7(a))	2,578
Depreciation of property, plant and equipment (note 5)	1,476
Insurance and taxation	1,450
Travel cost	506
Amortisation of intangible assets (note 6)	158
Others	19,298
	112,583

23 SELLING AND DISTRIBUTION EXPENSES

	Period from 28 April 2022 (inception) to 31 December 2022 USD'000
Shipping cost	214,912
Storage cost	126,670
Salaries and wages (note 2)	58,368
General service cost	2,548
Travel cost	1,884
Depreciation of property, plant and equipment (note 5)	3
Amortisation of intangible assets (note 6)	43
Depreciation of right-of-use assets (note 7(a))	104
Others	9,620
	414,152

24 CONTINGENCY

As at 31 December 2022, the Group had contingent liabilities amounting to USD 153 thousand in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's unaudited condensed consolidated financial statements if concluded unfavorably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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25 SEGMENTAL ANALYSIS

The business activities of the Group are performed on an integrated basis. Therefore, any segmentation of operating income, expenses, assets and liabilities is not relevant and is not performed for internal management reporting purposes.

For internal management purpose, the Group is organised as one business unit based on the products and services and has only one reportable segment. The Group is managed as a single business unit and the financial performance is reported in the internal reporting provided to the Chief Operating Decision-maker ("CODM"). The Executive Committee, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CODM that makes strategic decisions. The financial information reviewed by the CODM is based on the IFRS compliant financial information for the Group. The CODM monitors the operating results of its business unit separately for the purpose of making decisions about resource allocation and performance assessment.

The CODM regularly reviews the consolidated statement of profit or loss and other comprehensive income. The CODM function is to allocate resources to and assess the performance of the operating segments of the Group. Based on the review and assessment of the CODM, the Group has a single operating segment, which is 'Polyolefin Business'.

There are no other economic characteristics within the Group that will lead to determination of other operating segments. This analysis requires significant judgement as to the circumstances of the Group.

The Group does not have any operating segments that are aggregated. The CODM has considered the following criteria in determining the operating segments of the Group:

- the nature of products and services;
- the nature of the production processes;
- the type or class of customer for their products and services; and
- the methods used to distribute their products or provide their services.

Based on the criteria and evaluation above, the CODM has determined that the Group has only one operating segment, which is consistent with the internal reporting and performance measurement.

26 FINANCIAL RISK MANAGEMENT

Overview

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. Credit risk is limited to the carrying values of financial assets in the consolidated statement of financial position.

i Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for other receivables and amounts due from related parties and from its financing activities, including deposits with banks and financial institutions and other financial instruments.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Notes	2022 USD'000
Amounts due from related parties	11(d)	196,368
Loans to employees		33,941
Cash and cash equivalents	10	1,143,840
Trade receivables	9(a)	890,339
Prepayments and other receivables	9(b)	38,643

The Group's credit risk primarily relates to concentration of credit attributable to the amounts due from third parties. Management estimates that this concentration of credit risk is not significant, as exposure is ultimately spread over a large number of third party customers. All balances with banks represent commercial banks in the Middle East region. For banks, only reputable and independently rated parties with a sound rating are accepted.

The amount that best represents its maximum credit risk exposure at the reporting date, in the event counter parties fail to perform their obligations under financial instruments generally approximates their carrying value. Amounts due from related parties and certain other receivables and balances with banks are not secured by any collateral.

ii Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and funds from shareholders. The Group's principal financial liabilities comprise amounts due to related parties, trade and other payables, lease liabilities and bank loans. The main purpose of these financial liabilities is to raise finance for the Group's operations and construction activity.

The shareholders of the Group and the facilities obtained from banks are the main source of funding for the Group and the liquidity risk for the Group is assessed to be low. The Group limits its liquidity risk by ensuring adequate cash from operations, bank facilities and funds from Shareholders are available.

At 31 December 2022, 18.8% of the Group's financial liabilities will mature in less than one year based on the carrying value of borrowings reflected in the consolidated financial statements. The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 based on undiscounted payments and current market interest rates:

	Notes	Carrying value USD'000	Contractual cash flows USD'000	One year or less USD'000	More than one year USD'000
31 December 2022					
Amounts due to related parties	11(c)	681,062	(681,062)	(613,621)	(67,441)
Lease liability	7(c)	163,378	(297,086)	(5,568)	(291,518)
Bank loan including interest	16	3,983,999	(4,831,345)	(214,912)	(4,616,433)
Trade and other payables	17	87,666	(87,666)	(87,666)	–
		4,916,105	(5,897,159)	(921,767)	(4,975,392)

iii Market risk

Market price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market prices comprise the following types of risk:

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to risk of changes in foreign exchange rates relates primarily to the operating activities and assets and liabilities denominated in a different currency from the functional currencies.

The Group undertakes certain transactions denominated in foreign currencies. Thus, exposures to exchange rate fluctuations arise.

The following table demonstrates the sensitivity to a reasonably possible change of 5% increase in exchange rates for the Japanese Yen, Chinese Yuan Renminbi, Euro, Singaporean Dollar and Swiss Frank over the United States Dollar, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities). A 5% decrease in exchange rates will have the same opposite effect. The Group's exposure to foreign currency changes for all other currencies is not material.

	2022 USD'000
5% increase in exchange rates – impact on profit or loss	
Japanese Yen	(19)
Chinese Yuan Renminbi	149
Euro	120
Singaporean Dollar	(900)
Swiss Frank	(52)
	(702)

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31 DECEMBER 2022

26 FINANCIAL RISK MANAGEMENT CONTINUED

iii Market risk continued

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loan drawdown.

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2022.

The interest rate profile of the Group's interest bearing financial instruments is as follows:

	2022 USD'000
Increase of 0.5%	(19,920)
Decrease of 0.5%	19,920

iv Capital risk management

The primary objective of the Group's capital management is to achieve strong credit metrics and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. There are no regulatory imposed requirements on the level of share capital which the Group has not met.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, amounts due to related parties, lease liabilities and income tax payable less cash and cash equivalents. Capital includes total equity.

	Notes	2022 USD'000
Trade and other payables	17	369,761
Amounts due to related parties	11(c)	681,062
Bank loans	16	3,983,999
Lease liabilities	7(c)	163,378
Income tax payable		40,267
Less: cash and cash equivalents		(1,143,840)
Total debt net of cash and cash equivalents		4,094,627
Total equity		4,869,600
Equity and total debt net of cash and cash equivalents		8,964,227
Gearing ratio		0.46

Changes in liabilities arising from financing activities

	At inception USD'000	Balance arising on business combination USD'000	Cash outflows USD'000	Proceeds USD'000	31 December 2022 USD'000
Bank loan	–	3,983,999	–	–	3,983,999
Total liabilities from financing activities	–	3,983,999	–	–	3,983,999

27 CAPITAL COMMITMENTS

The Group has authorised and committed estimated future expenditure amounting to USD 75,581 thousand.

28 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Group by the weighted average number of share outstanding during the period as follows:

	Period from 28 April 2022 (inception) to 31 December 2022
Profit attributable to owners of the Company (USD '000)	724,345
Weighted average number of shares in issue	30,057,691,583
Earnings per share (USD)	0.02

There are no dilutive securities therefore diluted EPS is the same as basic EPS.

29 COVID-19 IMPACT

Given the strong pro-active Health and Safety Environment ("HSE") approach at production sites and plants combined with a diversified product portfolio that the Group produces, the management is not aware of any material uncertainties related to events or conditions that may cast significant risk on the Group or its operations and does not anticipate a future material impact of the Covid-19 outbreak on the Group's consolidated financial statements at this stage.

30 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Management considers that the carrying amounts of financial assets and liabilities approximate their fair values.

31 APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 1 February 2023.



UNAUDITED FINANCIAL STATEMENTS

Unaudited Pro-Forma Consolidated Financial Statements 152-154

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Borouge PLC was formally established on 28 April 2022, and as such our statutory published financials only cover the period from 28 April 2022 to 31 December 2022. The Company has prepared unaudited pro-forma accounts, showing the combination that forms the current business of Borouge PLC as if it had been in operation for the twelve months ended 2022 and the twelve months ended 2021. These are the full year numbers being referenced across the strategic and governance sections of this annual report.

UNAUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2022

USD millions	2022	2021
	For the 12 months ended 31 December USD millions	For the 12 months ended 31 December USD millions
Revenue	6,727	6,216
Cost of sales	(3,792)	(3,233)
Gross profit	2,935	2,983
Other income	35	27
General and administrative expenses	(176)	(147)
Selling and distribution expenses	(703)	(483)
Impairment loss on property, plant and equipment	(16)	(2)
Pension cost recharge	–	(170)
Operating profit	2,075	2,208
Finance income	21	2
Foreign exchange loss	(4)	(2)
Finance cost	(119)	(6)
Net finance loss	(102)	(6)
Profit for the period before tax	1,973	2,202
Income tax expense	(564)	(674)
Profit for the period	1,409	1,528
Profit for the period attributable to:		
Owners of the Company	1,393	1,518
Non-controlling interests	16	10
	1,409	1,528
Other comprehensive income for the period		
<i>Items that may not be reclassified to profit or loss in subsequent periods</i>		
Defined benefit plan remeasurements	19	2
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operation	(9)	2
Total other comprehensive income for the period	10	4
Total comprehensive income for the period	1,419	1,532
Total comprehensive income for the period attributable to:		
Owners of the Company	1,404	1,521
Non-controlling interests	15	11
	1,419	1,532
Earnings per share:		
Basic and diluted (USD)	0.05	0.05

Jan-Martin Nufer
Chief Financial Officer

UNAUDITED STATEMENT OF OPERATING PROFIT

FOR THE 12 MONTH PERIOD ENDED 31 DECEMBER 2022

USD millions	2022	2021
	For the 12 months ended 31 December 2022	For the 12 months ended 31 December 2021
Revenue	6,727	6,216
Cost of sales (excluding depreciation and amortisation)	(3,237)	(2,719)
<i>Feedstock costs</i>	(1,266)	(1,170)
<i>Other variable and fixed production costs</i>	(1,971)	(1,549)
as % of revenue	48%	44%
Selling and distribution expenses	(703)	(483)
as % of revenue	10%	8%
General and administrative expenses	(176)	(147)
as % of revenue	3%	2%
Other income and expenses	19	(145)
as % of revenue	0%	2%
Depreciation and amortisation	(555)	(514)
Operating profit	2,075	2,208
as % of revenue	31%	36%
Total operating cost /tonne of production	972	906

UNAUDITED EARNINGS PER SHARE

	2022	2021
	For the 12 months ended 31 December 2022	For the 12 months ended 31 December 2021
Earnings per share (EPS) in USD	0.05	0.05
Diluted earnings per share in USD	0.05	0.05

UNAUDITED ADJUSTED EBITDA

	2022	2021
	For the 12 months ended 31 December 2022	For the 12 months ended 31 December 2021
USD millions		
Profit for the period	1,409	1,528
Income tax expense	564	674
Net finance loss, including foreign exchange loss	102	7
Depreciation of property, plant and equipment	530	486
Depreciation of right-of-use assets	4	5
Amortisation of intangible assets	21	23
Impairment loss on property, plant and equipment	16	2
Adjusted EBITDA⁽¹⁾	2,646	2,725
Capital expenditure ⁽²⁾	189	254
Adjusted Operating Free Cash Flow ⁽³⁾	2,457	2,469
Cash conversion (%)	93%	91%

(1) Adjusted EBITDA is calculated as EBITDA plus adjustments on foreign exchange gain or loss and impairment loss on property, plant and equipment.

(2) Capital expenditure is calculated as additions to property, plant and equipment and intangible assets for the period.

(3) Adjusted Operating Free Cash Flow is calculated as Adjusted EBITDA less capital expenditure.



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