

Risk Management

Enterprise Risk Management

In 2025, we advanced from a traditional defensive risk mitigation to a model of Strategic Resilience, positioning Borouge to thrive amid volatility and complexity.



Strategic resilience in action

We operated against a backdrop of global macroeconomic uncertainty, geopolitical disruptions, and accelerating regulatory change. Despite these conditions, we continued to anticipate, adapt, and respond effectively, leveraging an Enterprise Risk Management (ERM) framework that is deeply embedded across the organisation.

Our ERM approach is anchored in internationally recognised standards, including ISO 31000 and COSO ERM, ensuring alignment with global best practice. This framework is not merely procedural; it is cultural. Risk-informed decision-making is integrated from strategy and capital allocation through to operational execution, reinforcing trust and resilience.

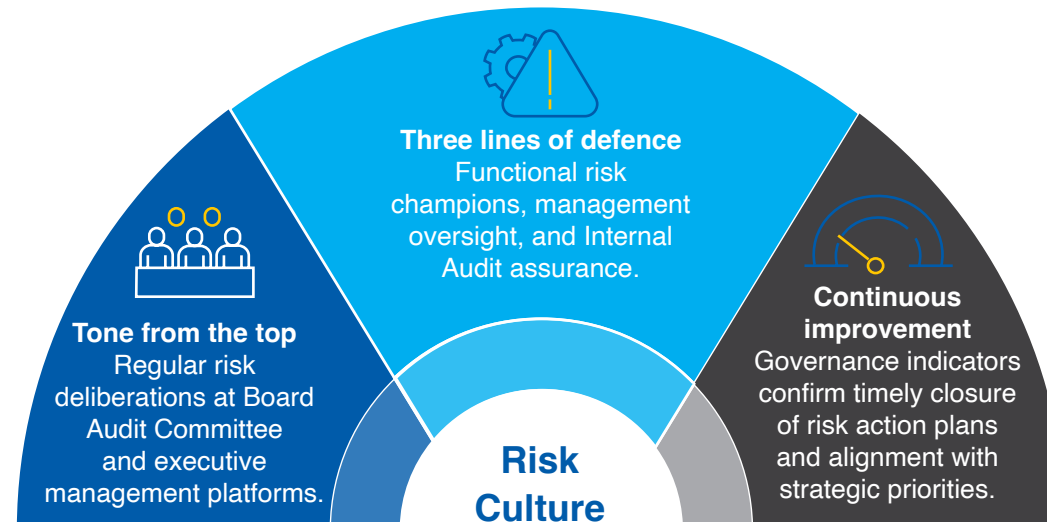
Looking ahead to 2026, our priority is to deliver on our strategic growth objectives, while remaining resilient through the cycle and positioning the business to capture long-term polyolefins demand growth. We do not merely manage risk; we manage for reality, building resilience today to convert future demand into sustained value.

Risk culture

Risk culture remains a cornerstone of Borouge’s resilience. In 2025, we strengthened this culture by fostering proactive risk conversations across leadership platforms, including the Board Audit Committee sessions and executive management reviews. These dialogues ensure that emerging risks are identified early and deliberated at the highest levels, reinforcing a strong tone from the top.

Our governance model follows a structured, multi-layered oversight approach: our CEO provides strategic approval of Borouge’s risk posture, senior management aligns mitigation strategies with business objectives, and risk champions embedded across functions identify issues at source. Independent assurance from Internal Audit validates the effectiveness of controls, supporting continuous improvement and accountability.

Our risk culture is built on:



The Borouge ERM Framework

Our risk methodology remains anchored in ISO 31000 model and COSO ERM guidance, ensuring alignment with globally recognised best-practice standards. ERM is embedded across Borouge’s culture so that every decision, from day-to-day

operations to multibillion-dollar investments, is informed by a clear understanding of risk. This integration strengthens trust, supports disciplined governance, and enables sound, forward-looking decision-making throughout the organisation.



The risk assessment architecture

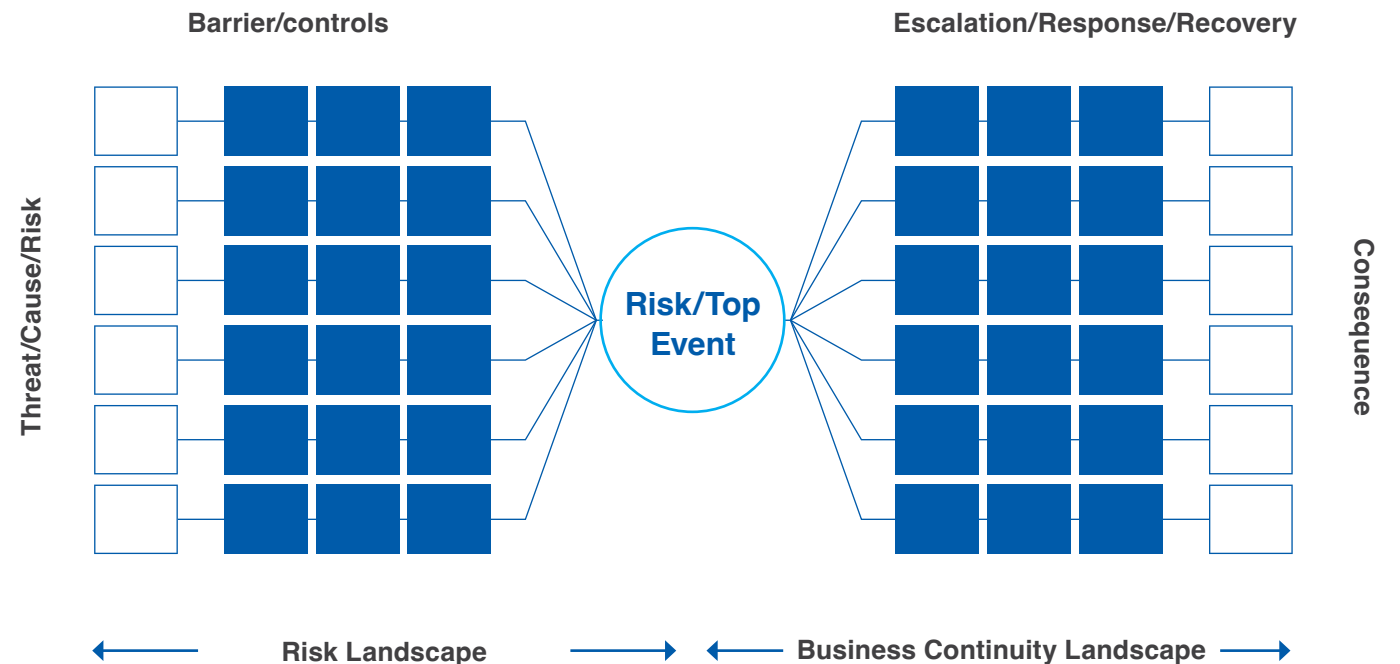
We apply a systematic process to identify, analyse and evaluate risks, ensuring a consistent approach across all operating locations.

- **Establishing the context:** We define key parameters based on the external environment, shareholder expectations and our internal value drivers.
- **Identification and analysis:** We assess where, when and how potential events could affect our business objectives, considering both threats and the opportunities that may emerge.
- **The Bowtie Method:** This visual methodology maps the progression of risk from root causes to final consequences. It clarifies the distinction between preventive controls (before an event) and reactive controls (after an event), supporting robust business continuity planning.

Risk treatment and mitigation philosophy

Based on our established risk thresholds and tolerance levels, Borouge applies four primary treatment strategies to manage risk effectively:

- **Treat:** Reduce the likelihood and/or impact of a risk by implementing mitigation action plans or Risk Action Plans (RAPs).
- **Tolerate:** Accept the risk within defined limits while continuing to monitor for changes.
- **Transfer:** Shift the financial or operational impact of a risk to a third party, such as through insurance or outsourcing. This does not eliminate the risk entirely but can mitigate its consequences.
- **Terminate:** Avoid or discontinue the activity that gives rise to the risk where feasible.



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Governance oversight and continuous improvement

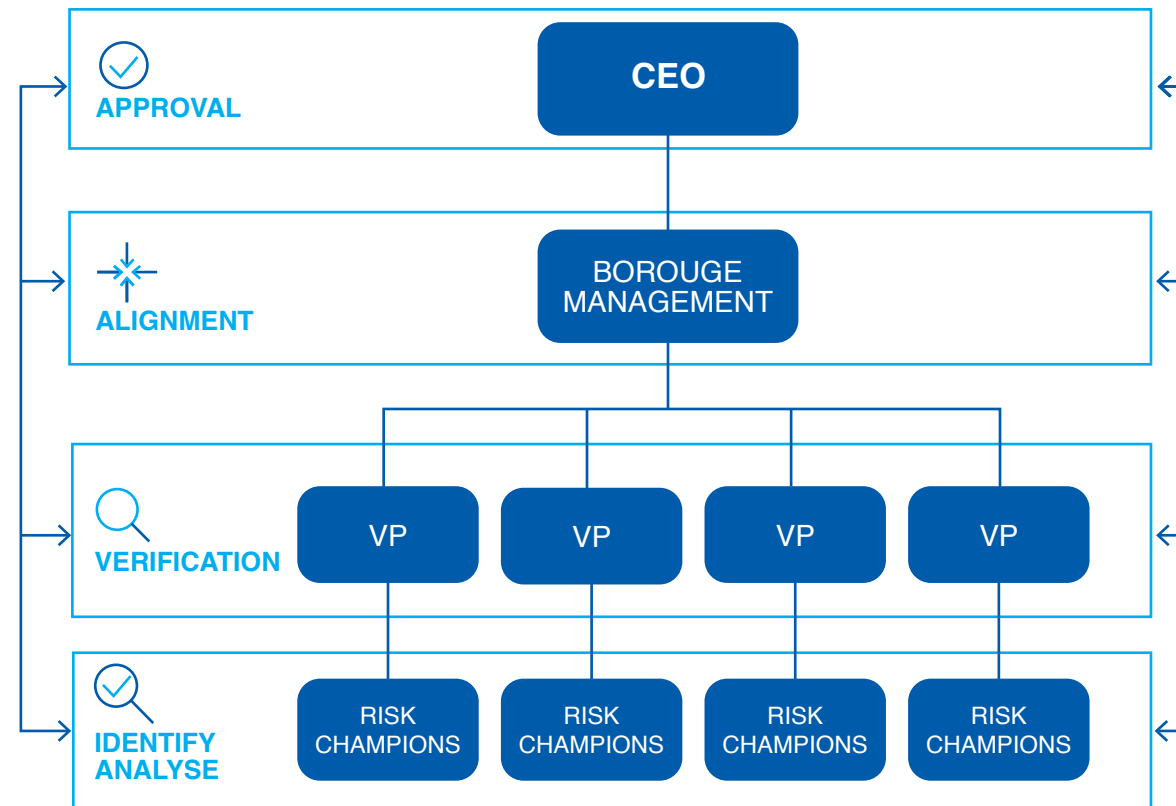
ERM is embedded across the organisation to ensure Borouge effectively manages risks and supports both short-term performance and long-term growth aspirations.

Our approach is integrated and proactive, enabling the business to anticipate and respond to a wide range of risks and potential disruptions.

Our multi-layered oversight structure ensures clear accountability throughout the enterprise:

- **Approval**
 Our CEO provides final strategic approval of Borouge’s overall risk posture.
- **Alignment**
 Our senior management ensures risk-mitigation actions are aligned with business objectives and operational priorities.
- **Verification**
 Our functional management verifies that mitigation measures are effective and operating as intended within their departments.
- **Identification and Analysis**
 Our risk champions embedded across all departments identify emerging risks at the source and escalate them appropriately.

Our Internal Audit Department provides independent assurance by assessing the effectiveness of these processes and incorporating feedback from management, risk champions and ERM team. This ensures our control environment remains strong, adaptive and aligned with evolving business and risk landscapes.



Emerging risks

In a dynamic market environment, we continuously assess emerging risks to remain proactive and resilient. This process involves ongoing monitoring and analysis of external factors that could influence our objectives and performance. Identified emerging risks are reviewed through our Management Committees, ensuring leadership has clear visibility and is prepared to respond.

Where possible, new and evolving risks are linked to existing risk categories, allowing for a cohesive and integrated risk management strategy. Mitigation action plans are then defined, monitored, and tracked to ensure effective timely and effective response. This proactive process strengthens Borouge’s ability to adapt to volatility and maintain resilience in pursuing our strategic goals. During 2025, this included:

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Continuously reporting and assessing emerging risks through Leadership Committees and Board Audit Committee meetings, ensuring timely visibility and oversight.
- 
Supporting our management and project teams by providing risk insights for strategic growth projects and major initiatives.
- 
Conducting scenario-based risk assessments to support the business during disruptive market conditions and global events impacting our operations.

Risk Management

Navigating principal risks in 2025



Geopolitical & geo-economic

The year was marked by persistent geopolitical and geoeconomic disruptions. The Red Sea and Suez Canal corridor, which typically handles 12-15% of global trade and nearly 20% of container traffic, experienced severe interruptions, forcing carriers to reroute via the Cape of Good Hope. This extended transit times by up to two weeks and drove shipping costs to levels more than 140% above pre-crisis benchmarks. Borouge mitigated these exposures through friend-shoring strategies and diversified logistics routes, preserving supply chain integrity.



Macroeconomic & market

Macroeconomic conditions added further complexity. Global GDP growth moderated to 3.2%, while polyolefin markets faced a pronounced down-cycle driven by oversupply and weak demand. Borouge responded with disciplined capital management, value-based pricing, and a focus on specialty grades to protect margins. At the same time, regulatory developments accelerated. The European Union's Carbon Border Adjustment Mechanism (CBAM) moved toward its definitive phase, and sustainability reporting obligations under CSRD and ESPR began to reshape compliance landscapes. Borouge proactively advanced low-carbon intensity initiatives and traceable product data capabilities to maintain market access and meet evolving stakeholder expectations.

In 2025, the United States implemented broad tariff measures under its "reciprocal trade" policy, imposing a baseline 10% duty on most imports and significantly higher rates on targeted sectors, including chemicals and plastics. Polyolefin imports, such as polyethylene and polypropylene, faced combined tariffs exceeding 25%, while downstream plastic products were subject to duties of up to 45%. These actions disrupted global trade flows, raised input costs, and reduced U.S. resin imports by nearly 7% year-on-year. For Borouge, the tariff environment compressed competitiveness for commodity-grade resins but reinforced the strategic importance of specialty products and regional diversification, enabling us to mitigate exposure and sustain market access despite shifting trade dynamics.



AI & cybersecurity

Cybersecurity risks intensified across industrial sectors, with ransomware campaigns and OT/ICS-targeted attacks escalating. In response, Borouge transitioned from static controls to dynamic, agentic governance, implementing zero-trust principles for operational technology and deploying digital-twin-enabled resilience strategies. These measures strengthen our ability to safeguard critical infrastructure and maintain operational continuity.



Sustainability & ESG

CBAM’s definitive regime begins on 1 January 2026: EU importers must purchase and surrender CBAM certificates against embedded emissions in covered sectors, with scope expansions under consideration. On reporting, the EU’s Omnibus I has narrowed Corporate Sustainability Reporting Directive (CSRD) scope, targeting companies with over EUR 450 million turnover and over 1,000 employees, with first-wave companies having reported for 2024 and certain later waves deferred. Digital Product Passports under the Ecodesign for Sustainable Products Regulation (ESPR) are phasing in from 2026, with batteries and other high-impact categories prioritised; harmonised standards are being advanced to enable interoperability. Implication: low-carbon intensity and traceable product data become prerequisites for EU market access.



HSE & operational

Borouge’s integrated Al Ruwais site is recognised as the world’s largest single-site polyolefins complex, which forms a cornerstone of our HSE risk management strategy. By consolidating production units, utilities, and safety systems under a unified governance framework, we ensure consistent standards and operational resilience. Leveraging ISO 50001-certified energy management and the Ruwais Environmental Sustainability Programme, the site has delivered significant reductions in flaring, water consumption, and greenhouse gas emissions since 2018. Large-scale maintenance turnarounds, such as Borouge 2, were executed with strong adherence to HSE protocols and millions of safe man-hours, underscoring our commitment to minimising operational risk. This integrated approach enhances our ability to prevent, detect, and respond to HSE challenges across the entire complex.



Strategic growth

Borouge 4 remains a flagship execution priority. Execution focus areas include commissioning readiness, workforce availability, and rapid market integration, with prudent capital cycle management given the broader oversupply signals in basic chemicals.



People & talent

The World Economic Forum’s 2025 Future of Jobs survey underscores the pivot in skills: 39% of core skills are expected to change by 2030, with AI/big data, cybersecurity, and technological literacy among the fastest-growing capabilities. Employers anticipate substantial reskilling, with demand strongest at the intersection of petrochemicals domain expertise and data/automation proficiency. Our succession planning and knowledge management programmes are prioritising these hybrid skill sets.



Looking ahead: 2026 and beyond

In 2026, Borouge’s strategic posture shifts from realignment to high-stakes execution. The commissioning of Borouge 4 remains a flagship priority, requiring meticulous readiness planning, workforce optimisation, and rapid market integration. At the same time, we continue to navigate a challenging capital cycle characterised by petrochemical oversupply and margin compression. Our focus on disciplined investment, operational excellence, and sustainability compliance positions Borouge to convert potential risks into structural advantages. **By embedding resilience into every facet of our operations, from governance and culture to technology and sustainability, Borouge stands prepared to deliver sustainable value to stakeholders in an increasingly complex global environment.**