

BAPCO OF TOMORROW

ANNUAL REPORT 2021



**His Royal Highness
Prince Salman bin Hamad Al Khalifa**

Crown Prince,
Deputy Supreme Commander
and Prime Minister

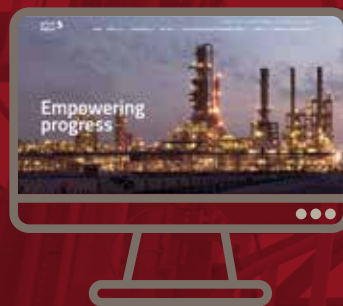
**His Majesty
King Hamad bin Isa Al Khalifa**

King of
the Kingdom of Bahrain

Contents



The Bahrain Petroleum Company B.S.C. (CLOSED)



You can find more information on our corporate website
www.bapco.net

04-05

H.H. Shaikh Nasser bin Hamad
Al Khalifa Visit

06-07

H.E. Chairman's Foreword

08-11

Chief Executive Officer's
Message

12-13

2021 Highlights

14-15

Statements

16

Board of Directors

17

Executive Management

18-19

Health, Safety, and
Environment (HSE)

20-21

Corporate Governance

22-23

Record-Breaking Year

24-25

Business Review

26-31

Transformative Projects

32-35

Operating Performance

36-39

People

40-41

Information Technology
& Digital

42-43

Corporate Social
Responsibility

H.H. SHAIKH NASSER BIN HAMAD AL KHALIFA VISIT



We are building a world-class energy company. Today, we are embarking on a transformative journey in the Kingdom's oil and gas sector and there is no place more appropriate for us to start than the headquarters of the oldest oil company in the Arabian Gulf region, Bapco. I am a true believer in building the skills and the capabilities at any age. I am delighted to see our youth (males and females) working in the industry that is driving our economic growth. Most importantly, to have a clear career progression path for the next generation of leaders in the sector.

H.H. SHAIKH NASSER BIN HAMAD AL KHALIFA

H.M. the King's Representative for Humanitarian Work and Youth Affairs
Chairman of the Board of Directors of the Oil and Gas Holding Company (nogaholding)



H.E. CHAIRMAN OF BAPCO BOARD OF DIRECTOR'S FOREWORD

I am privileged to present the Annual Report of The Bahrain Petroleum Company B.S.C. (CLOSED) (Bapco), which provides an overview of the Company's performance, milestones, and achievements for the year 2021. Under the theme of "Bapco of Tomorrow", the report reflects our unwavering commitment and ongoing dedication to fostering the sustainable growth and development of the national economy of the Kingdom of Bahrain.



The organisation is currently implementing many transformative initiatives that will support the future post-Bapco Modernization Programme operations and onward operational excellence journey.



Throughout the year, several achievements and milestones were made despite the continued spread of the COVID-19 pandemic and its adverse impact on the global economy. It is a testament to the professionalism and dedication of all the Bapco employees, contractors, and suppliers that work with the Company to ensure that Bapco consistently meets and exceeds internal and external stakeholders' expectations. Significant work has been made on the strategic investment programmes and initiatives, the cornerstone of which is the multibillion-dollar Bapco Modernization Programme.

The Bapco Modernization Programme will increase Bapco's production capacity by 42 percent, from 267,000 to 380,000 barrels per day. Parallel to this, the organisation is currently implementing many transformative initiatives that will support the future post-Bapco Modernization Programme operations and onward operational excellence journey. The Bapco Modernization Programme is not the end of the investment programme but rather a steppingstone into future opportunities under the umbrella of The Oil and Gas Holding Company B.S.C. (closed) (nogaholding) and its national energy transformational plan.

The year ended on a high note when, in December 2021, Bapco was graced with a visit from His Highness Shaikh Nasser bin Hamad Al Khalifa, His Majesty the King's Representative for Humanitarian Work & Youth Affairs and Chairman of the Board of Directors of The Oil & Gas Holding Company (nogaholding), who visited the Refinery and Bapco Modernization Programme site.

The positive results achieved by Bapco last year would not have been possible without the wise direction provided by the Leadership of the Kingdom of Bahrain. We would like to express our deepest appreciation for their ongoing patronage, guidance, and support.

On behalf of Bapco's Board of Directors, management, employees, and contractors, we extend our gratitude to His Majesty King Hamad bin Isa Al Khalifa, His Royal Highness the Crown Prince & Prime Minister Prince Salman bin Hamad Al Khalifa, and His Majesty the King's Representative for Humanitarian Work & Youth Affairs, the Chairman of the Board of Directors of Oil & Gas Holding Company (nogaholding) His Highness Shaikh Nasser bin Hamad Al Khalifa, for their continued support and guidance to the Kingdom's energy sector.

ABDULLA JEHAD AL ZAIN

Chairman of the Board of Directors

The Bahrain Petroleum Company B.S.C. (CLOSED) - Bapco

CHIEF EXECUTIVE OFFICER'S MESSAGE

In 2021, Bapco faced numerous challenges topped by the continued spread and mutation of COVID-19. However, thanks to the strong directives issued by the National Taskforce for Combatting Coronavirus (COVID-19), led by His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, which we have implemented through our Crisis Management Team, Bapco continues to pass all tests with flying colours, demonstrating robust financial performance and productivity improvement in 2021 and laying down several new markers for the future.



The Bapco of Tomorrow theme reflects a culture of developing talent from within Bapco by providing opportunities for our employees to ensure that they are ready and equipped for today's challenges as well as anticipating their readiness for the future.



This year's Annual Report carries the theme, "Bapco of Tomorrow," which is reflective of transforming our 90-year old Company into a modern, sustainable, cost-competitive, and market-leading organisation, that will successfully serve the Kingdom of Bahrain for decades to come. The theme reflects a culture of developing talent from within Bapco by providing opportunities for our employees to ensure that they are ready and equipped for today's challenges as well as anticipating their readiness for the future. At Bapco, we feel that our most valuable asset is our human capital. Working together will result in a more thorough strategy with constructive dialogue as well as business continuity and developmental possibilities to build and shape talent and strengthen future leadership sustainability by developing tomorrow's leaders today.

A significant milestone was achieved in the strategic investment plans of the Company, mainly the Bapco Modernization Programme. The site never stopped work for a single day and achieved 78% project progress by end of 2021, with 50% site construction completed. The Bapco Modernization Programme project also achieved 71 million total project hours by year end, without any significant process safety event since its inception in February 2018. During the year, it also achieved a tremendous personal safety milestone of over 49 million hours completed without a Lost Time Injury, which accounted for over three years of work.

In August 2021, Bapco signed a US \$240 million contract for Residue Hydrocracking Unit (RHCU) services with US-based Advanced Refining Technologies (ART). Under the five-year contract, ART will provide Full-cycle Catalyst Management (FCM) services for the new Bapco Residue Hydrocracking Unit known as 1RHCU, which is one of the key components under execution in the Bapco Modernization Programme project. This is a unique arrangement and the first of its kind or size in the industry, and is the largest catalyst-related agreement that Bapco has signed in its history. It will ensure that the catalyst for 1RHCU is managed in a timely and cost-effective manner, with a cradle to grave agreement that will ensure all environmental and sustainability aspects are addressed.

The Bapco Crisis Management Team (CMT) continued to meet on a weekly basis as part of efforts to manage the COVID-19 pandemic and keep the whole Bapco and contractor family safe. Several EHS-related initiatives and campaigns were launched with the aim of encouraging excellence in this critical area and providing a safe, virus-free workplace. Various precautionary documents were also issued throughout the year, along with several disinfection campaigns to ensure that the workplace was safe for our employees, and most importantly, that each and every employee would return home safely at the end

CHIEF EXECUTIVE OFFICER'S MESSAGE continued

Throughout 2021, Bapco continued in its role as a key contributor to community welfare and made another significant contribution to the prestigious INJAZ Bahrain.



of each and every day. In terms of safety, Bapco successfully implemented an In-Vehicle Monitoring System (IVMS), which was activated in all Bapco light and heavy vehicles, including those of the Executive Management. With this advanced system, Bapco reduced road accidents by 63 percent in 2021, compared to 2020. In addition, through use of the data and personal interventions, driving behaviours significantly improved. Bapco also achieved 11.4 million Bapco and contractor employee hours without a Lost Time Injury (LTI) or Non-Lost Time Injury (NLTI) on 4 April 2021.

Throughout 2021, Bapco continued in its role as a key contributor to community welfare and made another significant contribution to the prestigious INJAZ Bahrain. In addition, Bapco supported the community by generously sponsoring enterprises and societies, as well as scholarship programmes for the Kingdom's greatest academic prospects.

As Bapco moves on to the next chapter in its corporate and operational excellence journey, we take great pride in the contributions made by our employees at all levels, who represent our most precious asset and actively embrace our new concepts, projects and initiatives. This strong spirit of cooperation, teamwork, and dedication is the essence of "Bapco of Tomorrow".

In conclusion, on behalf of all Bapco employees and contractors, I would like to express sincere thanks and gratitude to the Wise Leadership of the Kingdom for their unwavering support, lauding the valued guidance of His Highness Shaikh Nasser bin Hamad Al Khalifa, His Majesty the King's Representative for Humanitarian Works & Youth Affairs, Chairman of the Board of Directors of the Oil and Gas Holding Company (nogaholding), and His Excellency Mr. Abdulla Jihad Al Zain, Chairman of Bapco Board of Directors.

DR. ABDULRAHMAN JAWAHERY
Chief Executive Officer
The Bahrain Petroleum Company B.S.C. (CLOSED)

2021 HIGHLIGHTS



74.0

million barrels sales of petroleum products internationally



19

scholarships awarded in 2021



81.2

million barrels of refined crude

- In December 2021, His Highness Shaikh Nasser bin Hamad Al Khalifa, His Majesty the King's Representative for Humanitarian Works and Youth Affairs, and the Chairman of the Board of Directors of the Oil and Gas Holding Company (nogaholding) graced Bapco with a visit to the Refinery and Bapco Modernization Programme Sites.
- Employees achieved 11.4 million Bapco and contractor employee hours without a Lost Time Injury (LTI) or Non-Lost Time Injury (NLTI) on 4 April 2021 which is the highest milestone achieved.
- The Refinery processed 81.2 million barrels of crude, which was in excess of its business plan by 0.6 million barrels.

- Bapco significantly reduced and maintained lower operating costs compared to previous years. This was managed without impacting the Refinery's safety, reliability, and daily operations, and 2021 was one of the most reliable Refinery performances in its history.
- More than 74.0 million barrels of finished petroleum products were sold to 37 countries, while 10.4 million barrels of petroleum products were sold domestically.
- The Bapco Modernization Programme reached 78% project progress by end of the year, with detailed engineering 99% complete, manufacturing and procurement at over 97% progress, and 50% site construction completed.
- In August 2021, Bapco awarded a multi-million-dollar contract for residue hydrocracking unit catalyst services to US-based Advanced Refining Technology (ART), which is a unique and first of its kind cradle to grave catalyst management agreement.
- In October 2021, Awali Hospital was accredited with NHRA Accreditation – Diamond Status, the highest category of accreditation by NHRA.
- Bapco awarded 19 scholarships in 2021, in addition to managing an overall of 88 scholars. In addition, over 270 employees' children received financial assistance for their university education classes.

STATEMENTS

OUR PURPOSE Bringing energy to the world for the enduring prosperity of the Kingdom of Bahrain.

OUR MISSION To sustainably manage and operate an integrated energy business, leveraging best practices and creating value for shareholders, customers, and employees.

OUR VISION To be recognised as a dynamic and empowering national energy company competing globally.

OUR VALUES

Enterprising	Trusted	Committed
We are empowered and dynamic. This attitude, along with our business mentality, enables us to innovate.	We are honest and respect others. By acting with integrity, we garner trust internally and externally.	We are determined and passionate. Personal accountability and teamwork produce the best results.

OUR TAGLINE Empowering Progress



BOARD OF DIRECTORS



H.E. ABDULLA JEHAD AL ZAIN
Chairman



MR. MARK THOMAS
Deputy Chairman



MR. YUSUF ABDULLA MOHAMED TAQI
Director



H.E. YUSUF ABDULLA ALI HUMOOD
Director



MR. AHMED YUSUF TALEB ABDULGHANI
Director



DR. ASHOK KRISHNA
Director



MR. SAEED HUSAIN ABDULRAHMAN
Director

EXECUTIVE MANAGEMENT



DR. ABDULRAHMAN JAWAHERY
Chief Executive Officer



MS. AFAF ZAINALABEDIN
Acting Deputy Chief Executive
Corporate Support & Chief Financial Officer



MR. HAFEDH AL QASSAB
Acting Deputy Chief Executive
Technical & Bapco Modernization
Programme Project Director



MS. AFSHAN AKHTAR
Chief Legal Counsel



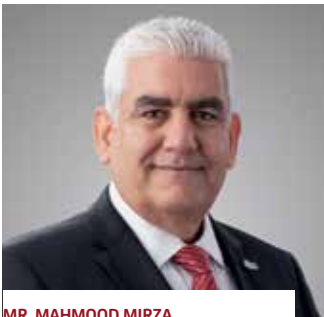
MR. KHALID EBRAHIM BUHAZZA
General Manager –
Marketing, Sales & Supply



MR. MICHAEL KEOUGH
General Manager –
Human Resources & Administration



MR. GAETANO DE SANTIS
General Manager –
Reliability & Maintenance



MR. MAHMOOD MIRZA
General Manager –
Engineering



MR. MAHMOOD A. RAHIM BUCHEERY
General Manager –
Refining

HEALTH, SAEFTY AND ENVIRONMENT (HSE)

The Bapco Health, Safety, and Environment (HSE) team had to handle both the continuing health, safety, and wellbeing issues of employees as well as the impact of the COVID-19 Pandemic on HSE objectives and leading key performance indicators. Throughout 2021, Bapco HSE displayed an extraordinarily high level of readiness, adapting to the changing business environment and corporate demands, while meeting and exceeding its HSE objectives.

In comparison to 2020, during the year 2021, the Company accomplished 11.4 million Bapco and contractor employee hours without a lost time injury (LTI) or non-lost time injury (NLTI), with significant improvements in all leading and lagging indicators. Despite this amazing achievement, which is the highest on record and is reflective of world-class performance, Bapco notes that there were 10 fires during the year, eight LTIs, and one NLTI, but none of which were significant in nature and all injured personnel fully recovered, which serves as a reminder that process and occupational risks are an unavoidable reality and need to be mitigated through stringent adherences to procedures and standards as well as through continual improvements.

ISO 45001:2018 Re-certification Audit
Bapco successfully completed the ISO 45001:2018 Occupational Health and Safety Management Systems re-certification audit, which was carried out from 20 to 23 June 2021 by Det Norske Veritas (DNV). Bapco has been re-certified for ISO 45001:2018 until 2024. However, annual periodic audits will be continued and conducted until the next re-certification period.



million Bapco and contractor employee hours without a lost time injury (LTI) or non-lost time injury (NLTI)

Crisis & Emergency Response Plan (CERP)
In 2021, three CERP training sessions and a full-scale oil spill exercise were held to test and prepare committee members for various situations and confirm the plan’s efficiency. Throughout the pandemic, the CERP committee maintained its efforts to safeguard employee wellbeing, and a monthly average of 15 COVID-19 verification assessments were performed company wide, including at contractors’ facilities.

HSE campaigns and activities
Bapco conducted seven safety awareness initiatives including “hand safety,” “slips, trips, and falls,” and ergonomics. A total of 16 process area fire drills were conducted.

The HSE implemented an improved equipment isolation procedure, which provides a better level of process safety protection. In addition, in the latter part of the year, the unique and comprehensive ninth marine assessment study was conducted by the World Maritime University (WMU). This study has been collecting data since 1981 and demonstrates the positive ecosystem improvements that have been achieved through the implementation of various environmental projects and initiatives.

Several procedure revisions took place in 2021 including to contractor HSE standards and Working at Heights (WAH) standards.

In 2021, Bapco also published its first sustainability report in accordance with Global Reporting Initiative (GRI) guidelines and authorised the deployment of a customised rescue vehicle (Rescue One) outfitted with the most up-to-date WAH and confined entry space (CSE) rescue equipment.

The Company effectively adopted many training programmes to ensure the application of health, safety, and environmental requirements. More than 160 employees were trained as Behavior Observation Obtains Safe Trends (BOOST) observers, more than 300 attended the 15 Job Safety Analysis/Risk Assessment Method Statement (JSA/RAMS) training sessions, and more than 440 attended the Permit to Work (PTW) training sessions. In addition, the HSE created five computer-based training programmes in-house for employee training.



CORPORATE GOVERNANCE

Bapco has been guided by its corporate governance principles to drive best practice and to uphold its commitments.

The key priority of Bapco's Corporate Governance direction is to ensure that sustained and growing value is generated and delivered to the Bahrain government, business partners, and employees.

In 2021, the Company reaffirmed its pledges to drive sustainable growth while delivering best-in-class service to its customers. Bapco believes that by having a high-quality corporate governance framework and complete information transparency, the Company will generate value for the shareholder and contribute to the wider community. Thus, Bapco adopted and implemented a complete corporate governance framework in line with the Corporate Governance Code of the Kingdom of Bahrain (2018).

Corporate Governance Framework

The Board of Directors is responsible for the implementation and oversight of the Company's corporate governance framework. The Board of Directors, which is appointed by nogaholding consists of at least five members, including the Chairman, who has a wealth of skill, knowledge, and experience within the industry.

To assist the Board of Directors in its duties, several committees have been established as follows: the Bapco Board Audit and Risk Committee (BBARC), the Bapco Board Executive Committee (BBEC), and the Bapco Board Nomination, Remuneration and Governance Committee (BBNRGC).

Chairman

The Chairman is responsible for leading the Board of Directors and focusing on strategic matters, overseeing the Company's business, and setting high governance standards. The responsibilities of the Chairman also include providing interface between nogaholding, the Board of Directors and the executive management, as well as supporting the executive management on issues relating to Bapco.

Chief Executive Officer

The Chief Executive Officer is appointed by the Board of Directors, in coordination with nogaholding and is responsible for the leadership of the business and managing it within the authorities delegated by the Board.



RECORD-BREAKING YEAR

UNRELENTING DEDICATION TO HEALTH, SAFETY, AND RELIABILITY WHILE PROVIDING RESILIENT AND SUSTAINABLE GROWTH

Bapco Crisis Management Team played a vital role in ensuring the safety of Company employees, contractors and their families, operations, and assets.



The year 2021 continued to be a year filled with many successes as #TeamBapco continued to rise above its business challenges, while mitigating the impact of the COVID-19 pandemic. Even though vaccinations had allowed the global population to resume travel and commuting, various lock downs and restrictions in many major cities and countries throughout the world resulted in stunted growth at times, and the business environment in 2021 had still not recovered to pre-pandemic levels.

Bapco continued to take a proactive approach by ensuring the safety of its employees, contractors, and their families, while continuing to drive forward with its smart and sustainable growth strategy, to provide added value through the optimisation of its production and effective management of its costs, without impacting safety or the reliability of the business.

COVID-19 Response

With the directives issued from the National Taskforce for Combatting Coronavirus (COVID-19) led by His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince and Prime Minister, Bapco Crisis Management Team (CMT) successfully implemented the Traffic Light Level procedures throughout the Company, which helped in ensuring that its operations were not affected.

Bapco CMT played a vital role in ensuring the safety of Company employees, contractors and their families, operations, and assets. The CMT met virtually over 50 times, spending countless hours dedicated to ensuring the directives from the National Taskforce for Combatting Coronavirus (COVID-19) were reviewed and implemented, and the best practical preventive actions adhered to, in order to protect and keep our employees and contractors safe. The operations of the Company, and progress of Bapco Modernization Programme, required innovative solutions to ensure that work was never interrupted. This included the revision of various procedures, updating and adopting new measures, and installing new policies that helped in shaping a safe and virus-free work environment.

As a precautionary measure, the Awali Hospital played a vital role in collecting the testing samples for COVID-19 and has updated its laboratory services with the procurement of two COVID-19 test machines for both antibodies and Polymerase Chain Reaction (PCR). In addition, the Company continued to carry out disinfections of its various premises and provide personal protective equipment such as face masks and hand sanitisers to employees and contractors.

Over
\$20m

Cost optimisation efforts realised in many areas within the organisation, including catalysts, insurance, vehicle rationalisation, and other expenditures.

Cost Optimisation

Through the continuation of the cost optimisation effort over the last few years, the Company continued to realise additional gains as it responded to the effects of this turbulent year. Nonetheless, Bapco optimised its operations and identified improvements in its processes and procedures, and as of December 2021, over \$20 million cost optimisation efforts had been realised in many areas within the organisation, including catalysts, insurance, vehicle rationalisation, and other expenditures. All these cost benefits had no effect on the safety and reliability of the Company's operations. As part of the cost optimisation efforts, Bapco also continued its transformation in areas such as finance and Enterprise Resource Planning (ERP), marketing, and human resources.



BUSINESS REVIEW

Bapco rose to refining market challenges and adapted to new business norms, registering higher-than-business-plan revenues, while maintaining refining expenses within budget.

EXPORT TO INTERNATIONAL MARKETS

Refined Petroleum Product Sales

More than 74 million barrels of finished petroleum products were sold to 37 countries. The Middle East (at 53.1%) accounted for the biggest share of sales, followed by the Far East (at 17.5%), Africa (at 10.6%), Southeast Asia (at 5.9%), the Indian Subcontinent (at 4.9%), Europe (at 4.5%), South America (at 2.7%), and other countries (at 0.8%).

Though the middle distillate demand was severely affected by the on-again-off-again pandemic-related restrictions, leading to a substantial drop in refining margins, Bapco managed to achieve higher total petroleum product sales value during 2021 compared to 2020, through careful optimisation efforts and a dynamic response to market needs.

The kerosene/jet fuel market continued to endure the pressures of the pandemic. Gasoil, on the other hand, observed an increase in sales as easing domestic restrictions allowed for an uptick in economic activity, through which Bapco successfully optimised its operations and maximised the blending of kerosene to the gasoil pool. The fuel oil market also witnessed an increase in sales as trade increased with the gradual economic recovery in 2021, and hence a positive impact on heavy transport and marine industries. Another success was that Bapco secured an outlet for its whole production volume of fuel oil at an attractive price.

Middle distillates (kerosene/jet fuel and diesel) accounted for approximately 56.9% of sales volume, with naphtha accounting for 19.1%, black products (fuel oil and asphalt) accounting for 20.9%, and base oil accounting for 2.1%. International gasoil exports were all with an ultra-low sulphur content of 10 parts per million (ppm), with additional premiums gained for gasoil exports with more stringent distillation requirements.

Abu Safah Crude Oil Sales

Bapco markets the government of Bahrain's equity share of about 150,000 barrels per day (bpd) from the Abu Safah offshore oilfield, which is jointly owned by the Kingdom of Bahrain and Saudi Arabia. The year's sales of Abu Safah crude oil totaled 54.5 million

More than 74 million
barrels of finished
petroleum products were
sold to 37 countries.



barrels, all exported to East of Suez markets, notably to the Far East (with China having a 34.0% share of exports to this region) and Southeast Asia. As market conditions remain volatile due to the pandemic, the exported barrels during 2021 witnessed a slight increase of 0.14% only in comparison to 2020 sales.

Supply of Aviation Jet A-1 Fuel

Due to growing vaccination rates and fewer stringent air travel restrictions across the world, the aviation sector started to return to pre-pandemic levels, although the level of 2019 sales are not expected to be achieved until end of 2022 at the earliest. Therefore, pressure on the jet fuel market continued and although Bapco's Aviation Jet A-1 fuel sales in 2021 increased by 32% over the previous year, with total sales of roughly 68 million US gallons, this was still significantly less than pre-pandemic levels.

SALES TO LOCAL MARKET

The total volume of refined products sold locally was 10.4 million barrels, up 5.1% from the previous year. The spread of COVID-19 in the Kingdom of Bahrain was greatly reduced by 2021, which impacted positively on overall economic growth, leading to an increase in local demand for refined products.

The local market continued to prefer the "more convenient" Jayyid gasoline (91 RON) over the more expensive, higher-octane Mumtaz gasoline (95 RON). As a result, Jayyid gasoline continues to account for more than half of all refined products sold locally, with 51% in 2021 versus 49% in 2020. Mumtaz gasoline accounted for 15% of total domestic sales in 2021 versus 14% in 2020, while Super Gasoline (98 RON), the premium gasoline grade, accounted for less than 1%.

Ultra-low sulphur diesel accounted for 20.5% of domestic sales at the end of the year (down from 22.5% in 2020), liquid petroleum gas (LPG) remained at 7.6%, and kerosene/jet fuel accounted for 2.8% (down from 3.3% in 2020). The remaining 2.1% of sales to the local market were accounted for by asphalt.

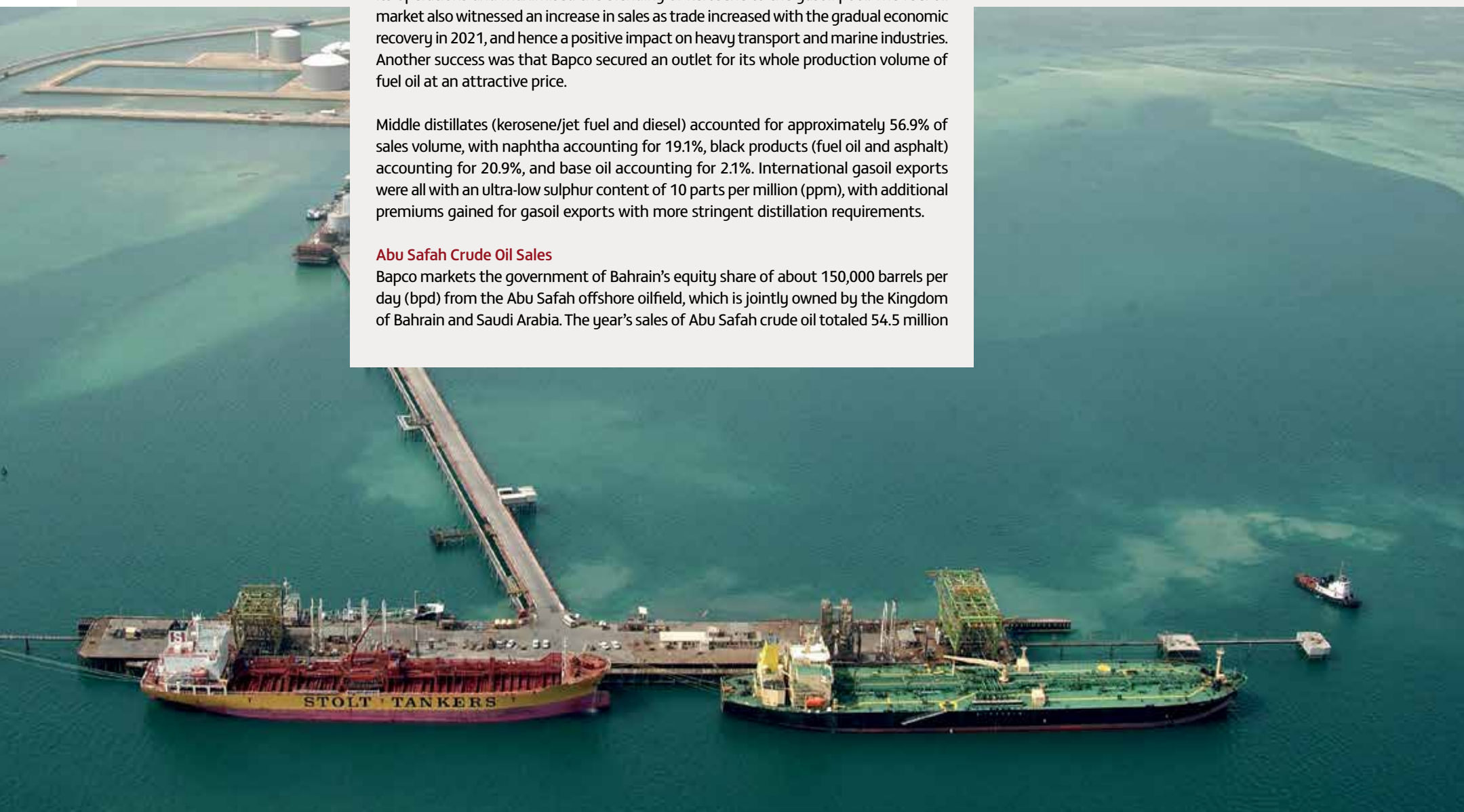
Supply of Super 98

Known locally as "Super 98," gasoline 98 RON was imported into the Kingdom of Bahrain in ISO containers—a process that requires a 37-day lead time due to its congested supply chain. In addition to demurrage, crane, and labour expenditures, the usage of a single supplier resulted in significant related costs. During the year, Bapco effectively eliminated the use of ISO containers and implemented a more efficient and cost-effective process to cut lead times and operating costs.

During the pilot operation, the overall lead time was reduced by 80%, from 37 to 7 days, while the operating cost was reduced by 19%.

CUSTOMER EXPERIENCE WITH SADEEM CARD

Bapco's Sadeem card, which is accepted at all 60+ service stations in the Kingdom of Bahrain, continues to streamline corporate transactions while also providing customers with a more safe, secure, and convenient cashless payment experience. Local consumers can pay for fuel at any service station easily with the introduction of Sadeem's virtual card on the BenefitPay mobile application. This has resulted in considerable growth in the Sadeem card customer base and, as a result, a spike in card payments from 10% to 35%.



TRANSFORMATIVE PROJECTS

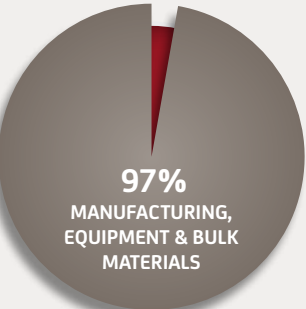
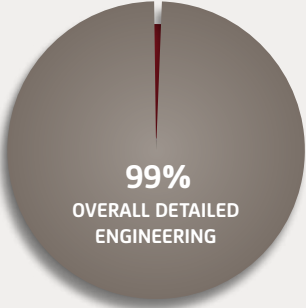
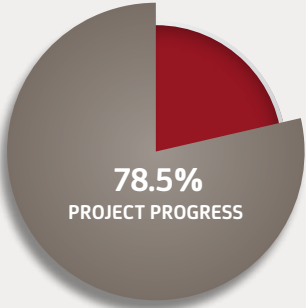
Bapco is at a crossroads, ready to embark on an exciting new phase of further development in support of the Kingdom's economic strategy and strategic project plan, unlocking new potential, generating new growth, and attaining new efficiency. The Company is building its new future based on developed strategies that serve as a framework for its wide-ranging transformational projects within the Company that are practical, actionable, and, most importantly, result-oriented, with the introduction of its "Dream Team," which consists of talented and committed leaders.

Following the ambitious Economic Recovery Plan announced by the Government of the Kingdom of Bahrain, the industrial sector plan is built on five major pillars: encouraging local industries, investing in infrastructure, enhancing investor experience, offering career advice for Bahrainis, and amending laws. The Bapco Modernization Programme was listed among the projects in the industrial sector as the greatest industrial project in Bahrain's history, and it will boost the Refinery's production, competitiveness, and efficiency.

The Company is also working energetically on several transformational projects that will ensure it is fully and effectively aligned with its future objectives. There will be many challenges to overcome, and the Bapco of Tomorrow will successfully achieve the strategic goals set for the Company's continual development and transformation. A new organisational structure, together with the required relevant job descriptions, shall be implemented in 2022 to provide a robust yet smooth transition into the future.



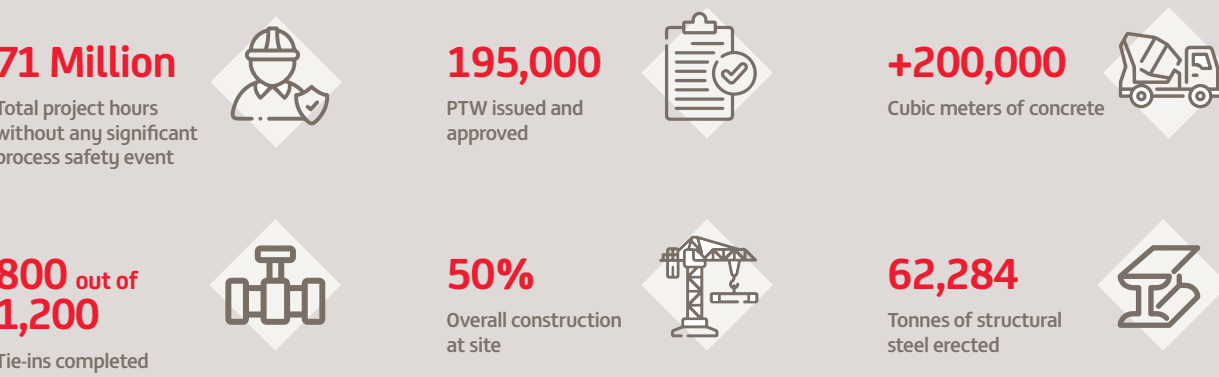
TRANSFORMATIVE PROJECTS continued



BAPCO MODERNIZATION PROGRAMME
Bapco is transforming into a more competitive, profitable, environmentally friendly, and complex state-of-the-art facility through the biggest capital project executed in its 90+ year history, ready to service the industry’s demands and Bahrain’s Vision 2030. The multibillion-dollar Bapco Modernization Programme investment at the Refinery will support the Kingdom’s long-term socioeconomic sustainability by converting Bapco into one of the region’s most competitive and environmentally compliant refineries.

When operational, the Company’s profit potential will essentially be doubled due to a 42% increase in capacity to about 380,000 barrels per day. Its product slate will better meet worldwide market demand and the new world-class assets will boost energy efficiency by 28% while reducing the Refinery’s environmental footprint. At the core of the project are bottom-of-the-barrel improvements into more profitable middle distillate products, as well as the integration and upgrading of existing and new utilities to meet the most stringent international safety and environmental standards. Furthermore, the large energy savings provided by more modern processes and equipment will provide long-term cost-competitive advantages to the Company.

The global pandemic has hampered project construction development, owing mostly to external concerns, as the Kingdom of Bahrain always maintained supply networks via seaports and airports. #TeamBapco and #TeamBahrain have worked tirelessly to ensure that site progress was never halted for a single day, and project teams are now working with dedication to complete the project as quickly as practically possible, while maintaining high quality and ensuring the new assets’ long-term reliability. By end of 2021, 78 percent of the project progress was completed, and the Bapco Modernization Programme had achieved over 50% of the site construction.



TRANSFORMATIVE PROJECTS continued

MARKETING TRANSFORMATION PROGRAMME (OMEGA)

Through its strategic programme, named “Omega”, Bapco continues to become a more commercially oriented organisation supported by a highly competent workforce as well as best practices, systems, and procedures, while maximising financial gain for its shareholders. Following the design and development of a Commodity Trading and Risk Management (CTRM) system that meets its business requirements, Bapco successfully rolled out the CTRM system for the sales of Aviation Jet A-1 Fuel and Asphalt, and plans to roll it out for the sales of all other petroleum products, as well as Abu Safah crude oil, in 2022.

More than 140 business processes were re-engineered effectively, including 70 processes that were only created in 2021. Detailed procedure manuals for each process, as well as governance policies and standards, are currently being developed.

AUTOMATION

As part of its commitment to continual development, the Company continued the Finance Transformation Project, which aims to improve automation and reengineer business processes. The transformation project has completed stage 5 and is now in its final stage of implementation and quality assurance.

Finance undertook a rigorous transformation to update its procedures by using available technology, focusing on system functionality and empowering human resources. The ERP Finance system was upgraded with increased controls to cover the Order to Cash, Procure to Pay, Plan to Control, Acquire to Retire, and Record to Report processes.

The embedded Finance Business Partners provided more thorough support to Divisions, which contributed to the effective implementation of the process and the improvement of adequate controls. This role has contributed to the promotion of enhanced quality, productivity, and cost optimisation, resulting in higher compliance and process adherence.

PROCUREMENT

2021 was a year of high activity for the Procurement Transformation Programme, supported by management and the hard work of the procurement team, with the aim of synergising and coordinating with the Tender Board at all levels.

The Procurement Department has helped Bapco deliver \$37 million of value, and Long-Term Agreements (LTA's) have been identified to handle repetitive purchases more efficiently. A pilot project is underway in the Maintenance, Repair, and Operations (MRO) category. A study to inform the optimal method to refresh the Approved Vendor List (AVL) has been completed, and the recommendations are under implementation. Enhancements to the Enterprise Asset Management (EAM) system have been identified and are planned to be implemented in 2022.

2022 promises to be a year of increased transformation within Procurement as progress is made towards the end-state vision of the Department. Planning is underway to handle the high volume of Bapco Modernization Programme capital and operational spares that will start to be received in the Company's stores around the middle of 2022.

Providing employees and managers direct access to their data, which is critical for their personal and managerial roles.



HUMAN CAPITAL MANAGEMENT SYSTEM (HCM)

A transformation effort has been underway in the Human Resources Department. Part of the transformation has been the development and implementation of the Oracle Human Capital Management system (HCM). Together with external consultants, the drive to implement HCM has required a review and overhaul of every process within Human Resources. Initiated in the second quarter of 2020, the final modules of the first three stages will be implemented in the first quarter of 2022, enabling the Department to develop data analytics for the first time and provide employees and managers direct access to their data, which is critical for their personal and managerial roles. Automated workflows, improved applicant flow for open positions, and salary planning are among some of the services provided through the system to the employees.



OPERATING PERFORMANCE

REFINERY OPERATIONS

In keeping with recent years, the Bapco Refinery achieved some remarkable operational performance milestones and records in 2021. A total of 81.2 million barrels of crude oil were processed, which is higher than the plan by 0.6 million barrels. The Refinery Reliability Clock (RRC) was reset only twice in 2021, which is the best ever achieved within a calendar year.

The Refinery saw several record-breaking performances, thanks to an Operational Availability of 96.7%, which is reflective of high reliability and onstream factor of core process units. This achievement, the second highest record in the last ten years, is a reflection of the whole Company's team effort, covering oil processing, technical services, information technology, engineering, reliability and maintenance, power and utilities, risk management, oil movement and export, and many other supporting groups.

Refinery Yields

During the year, the middle distillate yield of 57.7% and the liquid recovery of 102.0% exceeded business plan targets by 0.7% and 0.1%, respectively. This is a significant improvement and provides increased revenue, a direct outcome of the Bapco teams' collaboration on new initiatives, such as the importation of unconventional feedstocks.

The Black Oil yield of 16.7% compared to the business plan objective of 17.7% is the greatest performance ever recorded, demonstrating our optimisation efforts to minimise black oil yield and upgrade low-value goods to higher-value products. The lower the value the better, and furthermore, the Refinery was able to maximise our value-generating units, as evidenced by the primary Base Oil product lifting of 388,716 tonnes in 2021, the highest since the Lube Base Oil Unit (LBOU) was commissioned in 2011.

Refinery Performance in Perspective

Financial losses due to incidents that affect production are referred to as "Lost Profit Opportunities" (LPO). Bapco incurred an LPO of \$0.061 per barrel of crude in 2021—much lower than the benchmark target of \$0.150 per barrel and the second-best performance in the last 16 years since 2006. Low LPOs are a direct reflection of the dedication of employees and their understanding of reliability factors affecting the financial performance of the Company.

The Refinery saw several record-breaking performances, thanks to an Operational Availability of 96.7%, which is reflective of high reliability and onstream factor of core process units.



Margin Improvement Initiative

Company Divisions collaborated to identify and implement opportunities that boosted the refining margin above ordinary business optimisation without jeopardising operational safety or supply reliability.

The collaboration between the various divisions enabled the identification of over \$20 million in 2021, which improved the bottom line of the Company in very challenging market conditions. The following initiatives made the greatest contributions:

- Using intermediate feedstock as feed to the Fluid Catalyst Cracking Unit (FCCU) and as fuel oil blend stock.
- Routing additional kerosene to the diesel pool in the Crude Distillation Units (CDUs) and Hydrocracker Unit (1HCU), which offset the loss of aviation fuel sales due to the impact of the COVID-19 pandemic on the airline and travel industry.
- Optimising Naphtha exports and Platformate production.

Refinery Mass Loss

In 2021, significant efforts were undertaken to minimise overall flaring. The 2021 average flared gas was 124 vs a target of 170 thousand standard cubic feet per hour (MSCFH), translating to savings of about 0.8 tonnes of hydrocarbon per hour. This is a huge reduction from past years and the best ever recorded by Bapco, resulting in multi-million dollar year-end savings.

The guidelines to minimise or eliminate intentional flaring in process units were successfully implemented by the Oil Processing Departments (OPD North and OPD South), and these guidelines are currently available to control operators and incorporated into the DCS graphics. This was successfully tested during the 4ACDU stabiliser shutdown, and there was no flaring. Following the successful installation, the same is being applied to the other process units.

Several mass loss reduction awareness sessions were held to emphasise the need to limit refinery losses. Special attention is being focused on training newly hired personnel in activities related to mass loss, such as sampling, draining, flare monitoring, and sloping, in order to educate them on the economic implications.

The new Sigmafine mass balance and reconciliation model was verified and implemented in September 2021. Major updates to the model were carried out, including the revamp of fuel gas network, thereby improving the accuracy of the mass balance reconciliation.

A Project for Burners and Pilots

As part of its commitment to continual improvement, the Company is spearheading a project to considerably improve the process safety of fired heaters across the existing Refinery. This project is based on the October 2018 publication of the Standard for Safe Fired Equipment Start-up.

A process has been initiated to retrofit all eligible fired heaters with manual double block and bleed valve systems. This serves to reduce process safety occurrences and raise the process safety level of current equipment to the same standards being applied as part of the Bapco Modernization Programme project.



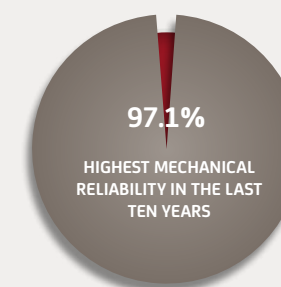
OPERATING PERFORMANCE continued

ENGINEERING

Unwilling to let the pandemic stymie its development, the Company completed a huge number of projects and launched various initiatives that aided the Engineering Division and the Company's overall success.

Several projects to address safety and reliability concerns were successfully completed during the year, including the installation of Bapco Modernization Programme tie-in points during shutdown activities. A total of 69 existing projects were handled within Bapco's facilities.

Continuous improvement and professional development are at the heart of the Engineering Division. Engineers had attended a total of 1,037 hours of training sessions and 20 knowledge-sharing sessions with 60 presentations held.



RELIABILITY & MAINTENANCE

Based on the previous Strategic Reliability Programme and in line with the new organisation centralising all the reliability areas under the Division, the new Reliability and Integrity Management System (RIMS) was introduced in the Reliability and Maintenance Division. The system aims at achieving the highest standard of reliability and creating an embedded culture regarding reliability and integrity across the Company, in line with similar models and systems in the fields of Environment, Health, and Safety.

New advanced metrics were introduced to closely monitor reliability and availability, with a detailed breakdown based on which a number of improvements were identified and implemented, with a positive impact on cost optimisation.

Feedback from the most recent Solomon Associates benchmark for 2020 showed that Bapco achieved one of its best results in terms of reliability, scoring the highest mechanical reliability in the last ten years at 97.1%, positioning the Refinery in 1st Quartile. The Reliability and Integrity Management System will allow the stabilisation of the Mechanical Availability in the first Quartile, after Bapco Modernization Programme start-up.

Knowledge Management and mentoring young engineers have been important activities during 2021, engaging young engineers in many situations together with the leadership of the Division.

The Reliability and Maintenance Division also participated actively in the construction of the Bapco Modernization Programme, with site visits, and dedicated resources.

During 2021, the Tank Repair Programme (TRP) work progressed on 37 tanks, 19 of which were for T&I work, and 24 tanks were returned to service after maintenance work.

Planned Shutdown of the FCCU Complex

The scheduled turnaround and inspection (T&I) for the Fluid Catalytic Cracking (FCC) Complex was successfully executed with zero LTI and NLT, ahead of schedule and within the budget. A total of 25 unit shutdowns/T&I were executed during the year, involving 1.39 million manhours, and all units were commissioned successfully and smoothly.



PEOPLE

2,806
Total Bapco employees



500
Bahrainis will be hired
within the coming 2-3 years



274
New employees
joined the Company



68%
BAHRAINI
EMPLOYEES

NEW EMPLOYEES
RECRUITED IN 2021
ARE FEMALES

12%

The Bapco of Tomorrow envisions all employees being able to maximise their contributions to the Company for the mutual benefit of themselves and the Kingdom of Bahrain. The Company provides world-class service to its varied workforce, which includes Bahrainis as well as a multinational workforce from over 39 countries from across the world.

For many years, broad training programmes in craft and technical skills have been at the heart of Bapco's training and development operations which has now been expanded to include a full-featured industrial training hub which will ensure that the correct person is in the correct position with the relevant competencies at the right time for all employees. Developing tomorrow's leaders today is integral to the Bapco of Tomorrow vision, and the Company takes the responsibility of creating the next generation of Bahraini leaders in all disciplines, from plant operations to marketing, extremely seriously. Extensive efforts have been made by Bapco, and will continue to be made, to ensure that Company employees and contractors have the skills required to fulfill the Kingdom's Economic Vision 2030.

STAFFING

Despite the pandemic's impact on labour markets throughout the world, Bapco has been successful in hiring and training employees for its current and future needs. Growth plans, retirement, and normal attrition all contribute to the organisation's need to attract employees who will help achieve its objective.

Bapco has set a goal to recruit 500 Bahrainis at all levels over the next few years as part of its pledge to increase the Bahrainisation in the Company. The first tranche of Operations Diploma Trainees was recruited to join the Company.

TRAINING

In preparation for the Bapco Modernization Programme, training new and experienced operators on the complicated technology of the new units, as well as an awareness of the intricate interconnections between all operations in the Refinery has progressed steadily and is gaining momentum in line with the progress of the project. The LC Finer Center of Excellence, located within the Learning & Development Department (L&DD) in Bapco, is the world's first specialised operator simulation training centre for this technology, and is at the centre of the Bapco Modernization Programme training initiatives.

The training centre includes four simulation rooms and more than 107,000 hours of training were delivered through various courses in 2021 specifically for Bapco Modernization Programme. Training in 2022 will be even more rigorous as we approach the commissioning phases. A decision was made to start the training of the Bapco Modernization Programme employees early to mitigate the effects of the "forgetting curve" with a lot of "spaced repetition" training to ensure knowledge is embedded in the employees for these new processes. As the new plants are not yet functional, a variety of technological tools including 3D models, 3D simulation tools, 3D virtualisation video models, and Virtual Reality experiences, have been exploited to provide the required hands-on experience specific to the plants. This provides the practical exposure required to embed the skill sets required for operations. Furthermore, Learning and Development Department (L&DD) developed 25 visualisation videos using the latest technologies, 29 in-house e-learning modules, and 22 enhanced Video/PDF files which address the learning styles of all 4 generations that are currently working in the Refinery.



PEOPLE continued

+15,000

Hours of training in HSE

+20,000

Hours of training in English

+300,000

Hours of training for contractors

+159,000

Hours of employee training

+1,300

Hours of management training

+2,500

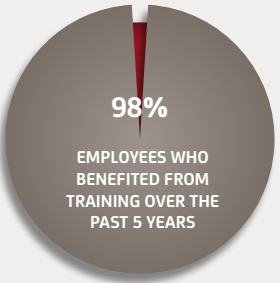
Assessment for development and recruitment purposes

+900

Number of Bahraini youth included in Bapco related training programmes or scholarships

+56

Average training hours per employee during 2021



BAPCO TOASTMASTERS CLUB (BTMC)

The Bapco Toastmasters Club (BTMC) has provided a set of learning opportunities for Company employees in a positive and supportive environment. The BTMC has conducted a Youth Leadership Programme (YLP) for 90 young Bapco employees' children.

In collaboration with the Bapco INJAZ Bahrain Committee, a newly chartered Toastmasters Club was formed to support INJAZ Bahrain Alumni in developing their communications and leadership skills, and has assisted in chartering the Zain Bahrain Toastmasters Club.

TRADE UNIONS

Bapco has two trade unions, and the Company's relationship with its unions is characterized by common principles, respect, and professionalism. The Company and the unions collaborated well to express Bapco's sentiments of unity and support, and that relationship will continue into 2022 and beyond.

In addition to the technical training for existing and future plants, the L&DD Department has a focus on the holistic development of all employees through in-house leadership, management, and functional programmes to address the competencies of all employees. Succession planning has been established for General Manager and Manager level positions with the associated assessments and development programmes to ensure readiness of successors which will be rolled down to the next level during 2022. Talents (high potential employees) have been identified and three distinct talent pools have been created to address the development of these talents which will form the feed stock for future successors.

Mentoring and coaching, which is one of the most valued process of developing employees, has been brought back as a mainstream method of transferring knowledge and skills and guiding our youth, talent, and successors towards success.

DIVERSITY

Bapco believes that equal opportunities mean embracing differences and promoting an inclusive organisation that values the diversity of its employees, customers, suppliers, and community partners. Bapco has intensified its efforts to ensure that women receive an equal opportunity in the organisation, and more than 12% of the new employees recruited in 2021 were females, an equivalent of over 70 women recruited to various areas of the Company. Bapco is a firm believer in the promotion and development of women in the workplace and its approach to diversity and equal opportunity is formalised and defined within the Company's Code of Conduct.



INFORMATION TECHNOLOGY & DIGITAL

LEVERAGING
PEOPLE, DATA, AND
TECHNOLOGY TO DRIVE
BAPCO’S DIGITAL
TRANSFORMATION IN
COLLABORATION WITH
ALL BUSINESS LINES.

Bapco uses technology and innovation to strengthen its competitiveness and overcome market volatility and rapidly changing energy sector needs by focusing on operational excellence and digitisation, as well as portfolio optimisation. Real-time data and analytics, as well as agile ways of working, were used to increase efficiency, dependability, and safety, as well as decision-making.

In 2021, Bapco introduced digitalisation as a key element of its corporate business strategy. The digital transformation programmes were built on three pillars: digital governance, digital leadership, and digital execution. The programme is focused on value creation and delivered by cross-functional teams from all business units through a collaborative and empowered internal culture.



In 2021, Bapco introduced digitalisation as a key element of its corporate business strategy.



Bapco’s Information Technology Department (ITD) was changed into a Bapco “IT & Digital” entity to realise the full potential of digital technology. This houses a dedicated, purpose-built Digital Factory, a digital execution group tasked with delivering digital products through data analytics, user-centric software engineering, and agile delivery, as well as promoting collaboration and innovation among IT & Digital, business subject matter experts, industry, and academic partners.

IT & Digital supported business transformation efforts in a variety of areas, including Finance, by reviewing core business process flows and delivering improved Enterprise Resource Planning (ERP) automation and reporting; Marketing, by implementing Cloud solutions for commodity trading and chartering; and Human Resources (HR), by implementing a full Human Capital Management (HCM) Cloud solution that included core HR, performance management, help desk, and recruiting.

IT & Digital deployed the Integrated Information Management System (IIMS) to enable transparent performance monitoring across the organisation. IIMS is a business intelligence solution that aggregates data from multiple systems, automates the calculation of business metrics and Key Performance Indicators (KPIs), and generates graphical dashboards and reports.

In today’s interconnected world, information is vulnerable to a wide range of risks, threats, and vulnerabilities. Bapco invests in information security on a constant basis to secure technology, assets, and important information, as well as to safeguard its reputation and avoid any harm or loss caused by illegal access to its systems and data. To guarantee that Bapco’s cybersecurity standards maintain pace with the ever-growing threats, the security programme incorporates cutting-edge initiatives such as the Zero Trust and Unified Cybersecurity models.

Furthermore, the Company offered both mandatory and optional cybersecurity training to promote awareness of cybersecurity and provide its employees with the skills they need to deal with challenges like phishing or ransomware efforts.

CORPORATE SOCIAL RESPONSIBILITY (CSR)



We are committed to use our influence in the Kingdom to serve our people and society as a whole. We accomplish this through creating job opportunities for Bahraini nationals, supporting local procurement, increasing customer satisfaction, and advancing community and environmental goals through social initiatives and collaborations.

Besides contributing more than 70% of the national economy and being one of the largest industry employers in Bahrain, Bapco also leads the way in contributing to the social and cultural life of Bahrain, spending US\$ 2.5 million in 2021 in sponsorships to support and promote a wide variety of causes and events.

In 2021, Bapco's Corporate Social Responsibility (CSR) outreach activities, like many others, were focused on assisting a nation in its fight against COVID-19. Throughout the year, Bapco organised a variety of projects to promote awareness, combat disease spread, and assist the surrounding community.

The Company supported over 43 different organisations and societies, and is one of the main sponsors of the Bahrain International Circuit (BIC), which hosts the annual Formula One Grand Prix. Bapco also contributed to educational organisations, sports clubs and events, social and cultural clubs, and a host of professional and specialised exhibitions and conferences.

Bapco was one of the first companies to support INJAZ Bahrain when it was launched in 2005 and continues to be a strong supporter, and provides employees as volunteers.

In 2021, Bapco formed the Bapco INJAZ Bahrain Committee to support INJAZ Bahrain programmes, where 80 Bapco volunteers were enrolled to deliver various programmes in the 2021-2022 academic year. This is the best performance for Bapco's participation since the inception of INJAZ Bahrain in 2005.

Bapco's philanthropy extended to the Kingdom's sporting and business communities. The Company continued its sponsorship of His Majesty the King's Football Cup and the Nasser bin Hamad Football Tournament, renewed its sponsorship agreements with the Bahrain International Circuit (BIC), and sponsored the Bapco Motorsport team in its various motor racing activities. Bapco also provided top-level support to a diverse spectrum of trade and career fairs held in Bahrain throughout the year.

Through numerous channels, the Bapco Modernization Programme made a substantial contribution to the wider community. The Environment and Social Section completed three projects while six are still in the process, and another six in the planning stages. The team has had several meetings with key stakeholders to review project progress as well as conducting 70 awareness programs for residents in the project's surrounding community.

The Company supported over 43 different organisations and societies, and is one of the main sponsors of the Bahrain International Circuit (BIC), which hosts the annual Formula One Grand Prix.

