



OCI N.V.
Honthorststraat 19
1071 DC Amsterdam
The Netherlands

The Hague, 12 June 2020

RE: Annual General Meeting OCI N.V.

By e-mail: hans.zayed@oci.nl

Dear Board members,

The VEB attaches great importance to a public dialogue between shareholders with the company. The upcoming season of shareholder meetings promised to give a qualitative boost to that dialogue due to new laws and regulations that impose requirements on shareholder involvement and transparency and accountability of companies.

The current situation as a result of the Covid-19 pandemic has radically rolled over conditions. A regular dialogue in person cannot take place under the current circumstances. However, the VEB is counting on a virtual interaction between shareholders and representatives of the company during the meeting.

Below you will find several questions, of which we would like to receive substantive answers during the next shareholders' meeting. We would also like to receive these answers in writing. Besides, we assume that the questions and answers provided will also be recorded in the minutes. The VEB is aware of the significant challenges that you currently face.

At your express request, we send you our questions in advance to the shareholders' meeting. The fact that dialogue is not possible or only possible to a limited extent during the meeting that you convene has an impact on the size of the list of questions on behalf of VEB. We count on your understanding.

First of all, the VEB draws your attention to a few issues that should help the company and its stakeholders to deal with the current crisis as best as possible. You will find these points for attention in the separately enclosed document 'Algemene aandachtspunten in crisistijd' (in Dutch).

QUESTIONS VEB

Agenda item 2: Report and Accounts for the year ended 31 December 2019

1. Could OCI elaborate on additional scenarios and stress tests that have been performed recently as a result of the outbreak of the Covid-19 pandemic?

2. In the 2019 annual report OCI reported on 14 key business risks as well as the risk development compared to previous year (risk trend). Should this risk assessment be made again today, for what key business risks would the risk trend change, and why?
3. OCI's capacity expansions at IFCo and Sorfert have significantly increased the company's capital base.
 - a. Does OCI concur with the view that at current nitrogen fertilizer prices the company is unable to generate economic profit (i.e. generate return on invested capital (ROIC) above WACC)?
 - b. Are higher nitrogen prices a precondition for being able to generate economic profit?
 - c. What are OCI's expectations going forward for nitrogen prices (specifically urea), and more importantly the spread with gas prices (in the US and Middle East), in relation to the ability to generate economic profit?
4. In relation to nitrogen fertilizer prices, does OCI expect China to expand production capacity and to what extent will this result in lower fertilizer prices?
5. Could OCI share its thoughts on the spread development between U.S. natural gas and Chinese anthracite coal going forward?
6. The European Commission in December 2019 announced its intention to reduce nitrogen fertilizer consumption in Europe by over 20 percent by 2030. To what extent will this European Green Deal negatively impact demand for OCI's nitrogen products in Europe – which currently accounts for 15 percent of Group EBITDA?
7. In 2019 media reported that SABIC was interested in OCI's methanol assets. At the time, US methanol prices were c.\$430/t compared to around \$289/t now (Methanex contract price).
 - a. How confident is OCI that methanol prices will recover and that the company is able to divest its methanol assets at an acceptable price?
 - b. How important is the divestment of methanol assets in reaching the targeted net leverage of 2x adjusted EBITDA?
8. Based on the 2019 annual accounts OCI's net debt amounted to over 5x adjusted EBITDA. The company aims to reduce its net leverage to 2x through the cycle.
 - a. Based on OCI's business plans today, how long do you believe it will take before OCI will reach a net leverage ratio of 2x?
 - b. In the annual report OCI mentions that 'certain loan agreements' include financial covenants. Can OCI disclose the limits of each applicable financial covenant?
 - c. What are the implications of current market conditions for OCI's ability to comply with the debt covenants?

- d. According to the 2019 annual accounts OCI's gross interest bearing debt amounted to approximately \$4,7 bn. Interest rates on several portions of debt are relatively high. Does OCI foresee that a refinancing is possible so that interest expenses can be reduced now that EBIT(DA) might come under pressure as a result of the global economic downturn?
 - e. Is EBIT(DA) in 2020, discounted for the pandemic, expected to cover interest costs in such a way that the interest coverage covenant as well as the debt service coverage covenant will not be breached?
9. At the presentation of the 2019 full-year results OCI CEO Sawiris remarked that the fertilizer industry was still highly fragmented. What does OCI expect will happen, if and when consolidation finally takes place in the fertilizer industry?
10. The external auditors' fees have risen substantially compared to previous year.
- a. What explains the higher fee to KPMG with respect to the audit of the group financial statements?
 - b. KPMG also performed procedures relating to 'covenant reporting and other statutory requirements'. What work did KPMG do specifically on the 'covenant reporting'? Why does OCI need the services of KPMG with respect to covenant reporting?

Questions for the external auditor KPMG

11. KPMG mentions having addressed the risk of management override of controls, which represents a risk of material misstatement.

In what specific way was this fraud risk addressed by KPMG in its audit procedures? In this respect, could KPMG elaborate in detail on (i) what high risk journal entries were tested, (ii) what manual journal entries have been selected and tested, (iii) how the tone at the top was evaluated, (iv) how the culture of open communication that should discourage management override was assessed and (v) what internal controls were tested.

12. In the auditor's view, what elements of OCI's internal control environment represent a greater risk relative to last year in terms of financial risk and urgency? In what areas did KPMG note improvements during 2019 and what topics does OCI still need to address/improve?
13. How many audit misstatements did KPMG identify, of what nature were these, and how many were (individually) higher than the \$1,25 mln. threshold mentioned in the 2019 auditor's report?
14. Were these audit misstatements all corrected in the 2019 financial statements? If not, how many were not corrected, and for what reason? What was the aggregate impact of the corrected misstatement on the P&L and balance sheet?
15. Did KPMG identify the risk of not meeting the covenants as a financial reporting risk? If yes, please elaborate on the risk level and magnitude of risk, as well as on the audit approach in this respect.

If covenant risk wasn't identified as a financial reporting risk, why not?

16. In the 2019 auditor's report it is mentioned that for the 2019 audit 14 component auditors were involved in performing a full scope audit. How many of these component auditors were auditors from outside the KPMG network, i.e. not affiliated to KPMG? How many different audit firms are involved in the OCI group audit?
17. KPMG apparently requested two component auditors to perform specified audit procedures. Which two components were these, and what specified audit procedures did KPMG instruct the component auditors to perform?

Agenda item 8: Remuneration

Statement: *(To be read aloud during the annual general meeting)*

The VEB understands using net debt as metric for managements short-term compensation, given the current debt-level and EBITDA its necessary to reduce OCI's financial leverage.

18. Has OCI considered also adding EBITDA as short-term incentive metric, to safeguard that a reduction in net debt is accompanied by increasing profitability going forward. If not, why not?
19. Has OCI considered introducing a (cash) return on invested capital metric (ROIC/CFROI)? If not, why not?

Statement: *(To be read aloud during the annual general meeting)*

OCI currently uses relative total shareholders return (TSR) as the only metric for establishing long-term compensation. In our view, the long term incentive plan would benefit from adding additional financial metrics to make it more balanced. The VEB would prefer the addition of metrics such as (cash) return on invested capital (ROIC/CFROI) to the remuneration policy.

Furthermore, we regret that OCI doesn't disclose executive directors' achievements with respect to the respective non-financial operational, strategic and personal objectives. The remuneration report 2019 shows that all directors were awarded the maximum pay-out on each individual metric whereas the sole financial hurdle was not met. This makes a detailed explanation on the non-financial metrics even more important.

Agenda item 9b Proposal to reappoint Mr. Nassef Sawiris as Executive Director

20. On 11 June 2020 OCI issued a press release stating that Mr. Sawiris will step down as CEO effective 1 August 2020 and assume the position of Executive Chairman, marking an important governance change. Furthermore, this appears a newly created position within the governance structure of OCI.
 - a. Could the Board comment on the rationale for this change?
 - b. Why was this decision taken at this point in time, shortly before the AGM, considering that the AGM agenda includes a proposal for reappointment of Mr. Sawiris as Executive

Director and CEO for a four year term, instead of the previously applied yearly (re)appointment schedule?

- c. The AGM agenda states that OCI wishes to return to four-year terms of appointment in line with the Dutch Corporate Governance Code ('Code'). At the same time, Mr. Sawiris as a former CEO will not be independent according to the Code (best practice provision 5.1.3). How did the Board consider this aspect, also in terms of the required checks and balances within the Board?
- d. Will OCI convene an extraordinary general meeting of shareholders (EGM) so that shareholders will be able to vote on the proposed appointment of Mr. Sawiris as Executive Chairman?

To conclude

The VEB is aware of the significant challenges you currently face. It is for this reason that we expressly send you the questions above prior to the AGM.

We wish you all the strength in this period and look forward to receiving your reply to the above questions.

Yours sincerely,

Dutch Shareholders' Association (VEB)