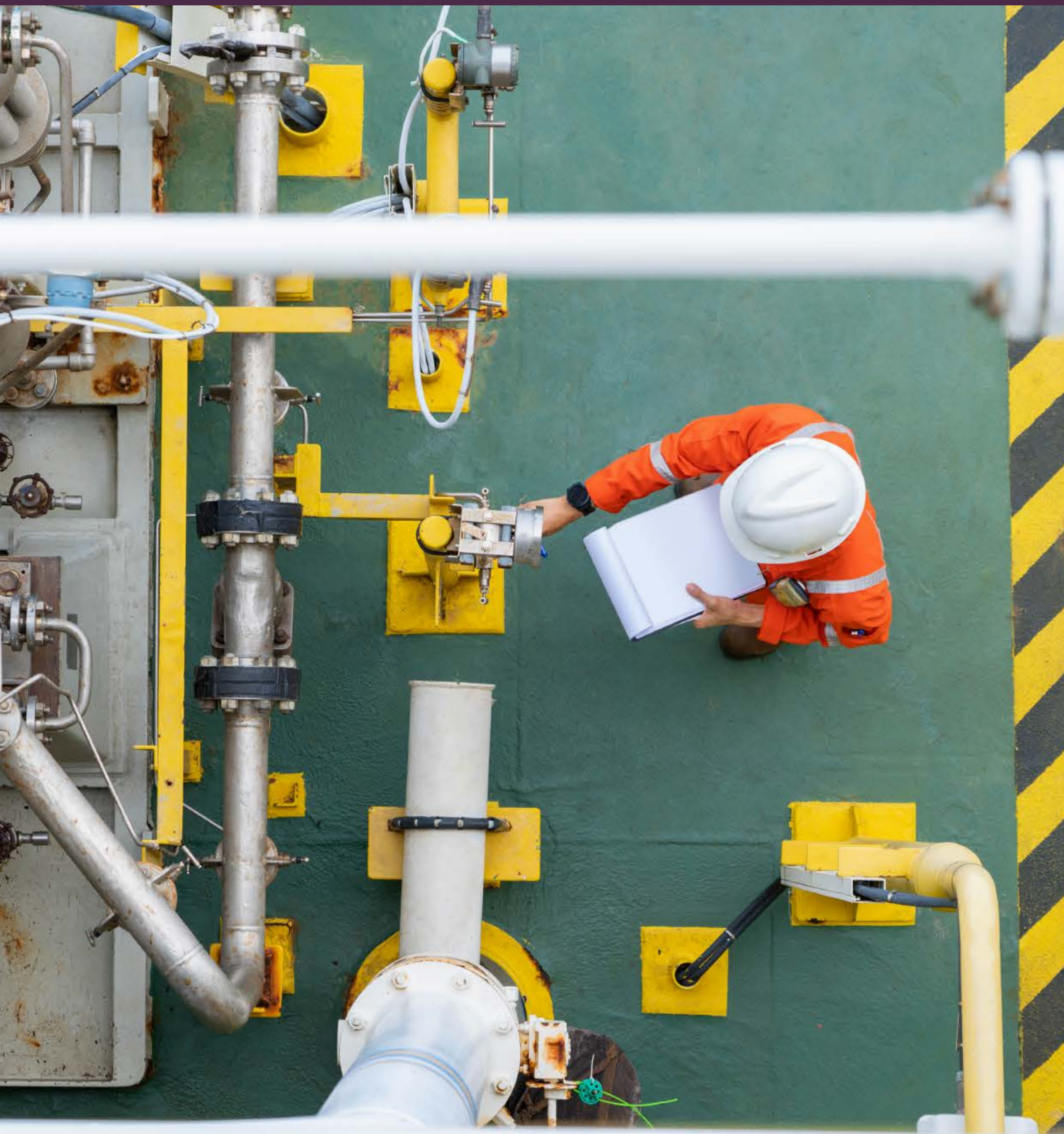


# 2020 ANNUAL REPORT

شركة مسيعة  
للپتروكيمياويات  
القابضة  
Mesaieed  
Petrochemical  
Holding Company





# ANNUAL REPORT

Mesaieed Petrochemical Holding Company Q.P.S.C.

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# DISCLAIMER

The companies in which Mesaieed Petrochemical Holding Company Q.P.S.C. directly and indirectly owns investments are separate entities. In this annual report, "MPHC" and "the Group" are sometimes used for convenience in reference to Mesaieed Petrochemical Holding Company Q.P.S.C.

This annual report contains forward-looking statements concerning the financial condition, results of operations and businesses of Mesaieed Petrochemical Holding Company Q.P.S.C. All statements other than statements of historical fact are deemed to be forward-looking statements, being statements of future expectations that are based on current expectations and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, operations and business performance or events impacting the Group to differ materially from those expressed or as may be inferred from these statements.

There are a number of factors that could affect the realisation of these forward-looking statements such as: (a) price fluctuations in crude oil and natural gas, (b) changes in demand or market conditions for the Group's products, (c) loss of market share and industry competition, (d) environmental risks and natural disasters, (e) changes in legislative, fiscal and regulatory conditions, (f) changes in economic and financial market conditions and (g) political risks. As such, results could differ substantially from those stated, or as may be inferred from the forward-looking statements contained herein. All forward-looking statements contained in this report are made as of the date of this annual report.

Mesaieed Petrochemical Holding Company Q.P.S.C., its Directors, officers, advisors, contractors and agents shall not be liable in any way for any costs, losses or other detrimental effects resulting or arising from the use of or reliance by any party on any forward-looking statement and / or other material contained herein. Mesaieed Petrochemical Holding Company Q.P.S.C., its joint ventures are further in no way obliged to update or publish revisions to any forward-looking statement or any other material contained herein which may or may not be known to have changed or to be inaccurate as a result of new information, future events or any reason whatsoever. Mesaieed Petrochemical Holding Company Q.P.S.C. does not guarantee the accuracy of the historical statements contained herein.

# MISSION

To maximize the value of the Group portfolio and expand it to capture the value of the available feedstock in the State of Qatar.

# VISION

To be a world-class producer of petrochemical products, known for our safety and environmental standards and to grow our assets profitably to maximize shareholder value.

**“ACHIEVING OPERATIONAL  
EXCELLENCE IN  
CHALLENGING TIMES”**

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2020 Corporate  
Governance Report



His Highness  
**Sheikh Tamim**  
**bin Hamad Al Thani**  
The Amir of the State of Qatar





His Highness  
**Sheikh Hamad  
bin Khalifa Al Thani**  
The Father Amir





# BOARD OF DIRECTORS



**Mr. Ahmad Saif Al-Sulaiti**  
**Chairman**



**Mr. Mohamed Salem Al-Marri**  
Vice Chairman



**Mr. Abdulrahman Ahmad Al-Shaibi**  
Board Member



**Mr. Abdulaziz Jassim Al-Muftah**  
Board Member



**Mr. Abdulaziz Mohammed Al-Mannai**  
Board Member



**Mr. Mohammed Essa Al-Mannai**  
Board Member



**Mr. Ali Nasser Telfat**  
Board Member







# LETTER FROM THE CHAIRMAN

# LETTER FROM THE CHAIRMAN



*“Despite momentous challenges, MPHC continued to build strength through operational excellence, growth and sustainability”*

## Dear Shareholders,

It gives me immense pleasure to present the 2020 Annual Report of Mesaieed Petrochemical Holding Company Q.P.S.C. (MPHC or the Group), one of our region's premier diversified petrochemical conglomerates.

I thank and congratulate my fellow Board members and the senior management of the Group companies for their dedication, hard work and commitment in delivering resilient operational and financial results in turbulent macroeconomic conditions, following the unprecedented outbreak of the COVID-19 pandemic and the volatility in the oil price. I would also like to specially thank our shareholders for their continuous trust and support.

### MPHC'S CORE OBJECTIVES AND STRATEGIES

MPHC continued to focus on operational excellence, growth and sustainability in a year marked by extremely challenging macroeconomic headwinds. Operational excellence was mainly driven by continuous optimization of our processes and operating costs in a lower price environment, improved reliability and enhanced asset integrity. In sustainability, we continued to limit the environmental impact of our business, while enhancing energy efficiency and conservation measures.

One of our core objectives during the year was to execute the planned turnarounds for certain facilities safely, despite the challenges posed due to spread of the COVID-19 pandemic, all the facilities successfully completed their respective planned turnarounds within the budgeted schedules.

Going forward, the Group remained focused on its five-year business strategy of containing expenses while making capital expenditures to unlock future growth potential. MPHC is poised to strengthen its

market position and increase its shareholder value, as it follows a strategy towards being a first-quartile petrochemicals producer known for operational excellence, and high safety and environmental standards.

### Macroeconomic environment

Macroeconomic environment for the year 2020 continued to reflect challenging conditions since 2019, marked by weaker global demand, trade conflicts, stymied global GDP growth. The negative macroeconomic environment was further augmented during 2020, due to the unprecedented dual headwinds of the COVID-19 pandemic, which had a material unfavorable effect on consumer and industrial demand due to lockdowns, together with the decline in the crude oil prices.

The overall downturn in global demand exerted downward pressure on our commodity prices, especially for some of our petrochemicals and chlor-alkali products produced by our operating entities.

## Successful mitigation of COVID-19 spread

Following the unprecedented spread of the COVID-19 pandemic, the Group made considerable efforts to minimize the impact. Crisis management committees were established at each operating entity level to ensure the safety of our employees and business continuity.

Adjustments were made to the working environment including implementing 'work from home' measures for majority of our staff. There were no plant stoppages due to any demand related reasons, nor, were there any changes to the planned maintenance schedules, amid COVID-19 spread. All the facilities successfully completed their respective planned turnarounds within their planned timelines, with lower than budgeted CAPEX and operating expenditures. Our marketing partner was closely monitoring the market uncertainty and acted prudently to minimize the disruptions to the supply chain.

With these measures, the Group was able to withstand the extreme external pressures caused by the spread of the COVID-19 pandemic.

## Financial performance

MPHC's financial performance in 2020 was impacted by the deteriorating global macroeconomic uncertainty, slowing GDP growth and trade conflicts, including COVID-19 and volatile oil prices. These factors which were beyond the Group's control which continued to weigh on the demand for MPHC products and translated into increased pressure on Group's product prices, which negatively affected the Group's bottom line profitability.

MPHC reported a net profit of QR 532 million for the year ended 31 December 2020, down by 74%, compared to the last year and recorded an earnings per share (EPS) of QR 0.042 for the year ended 31 December 2020, as compared to QR 0.165 for the last year.

In the latter part of the year, there were some signs of gradual recovery noted in the global markets, against a backdrop of continuous unprecedented economic stimulus package provided by various Governments and lifting of lockdown in major markets. However, the risk of COVID19- pandemic still persists and has not been fully eliminated, which may hamper the early signs of recoveries.

## CREATING SHAREHOLDER VALUE

Since incorporation of MPHC in 2013, a total dividend of QR 6.3 billion has been distributed. This is a clear evidence of the Board's commitment in preserving shareholder value, while maintaining the necessary liquidity for future investments, debt obligations and unexpected adversities.

Given the continuous macro uncertainties leading to persistent market volatilities and in light of the current short to medium-term market outlook coupled with the CAPEX program planned for the upcoming years, the Board of Directors propose to pay a total annual dividend distribution for the year ended 31 December 2020 of QR 503 million, equivalent to a payout of QR 0.04 per share, representing a payout ratio of 94%.

# Conclusion,

On behalf of the Board of Directors, I express my deep gratitude to His Highness the Amir, Sheikh Tamim Bin Hamad Al-Thani, for his inspired leadership and unwavering efforts to support, guide and promote Qatar's oil and gas sector. His Highness has been the driving force behind Qatar's growth into a modern, advanced society dedicated to sustainable social, economic and environmental development. As a proud Qatari company, MPHC is fully committed to supporting the national vision.

Finally, I am confident that my fellow Board members and the senior management of the Group's companies are well poised for the year ahead. No doubt there will be new opportunities and challenges, and much work will be required towards realizing our strategic targets, but together we look forward in ensuring MPHC as a key player which continues to play a vital role in Qatar's economy.







# BOARD OF DIRECTORS' REVIEW

# BOARD OF DIRECTORS' REVIEW

*“Achieving operational excellence through cost optimization initiatives and efficiency gains in challenging times.”*

The Board of Directors is pleased to present its annual review of the financial and operational performance of MPHC for the year ended 31 December 2020.

## MPHC OWNERSHIP OVERVIEW

MPHC's ownership structure comprises of Qatar Petroleum, with approximately 65.4% stake while the remainder is held by the public.

## COMPETITIVE ADVANTAGES

All MPHC Group companies are strategically placed with competitively priced and assured feedstock supplies, solid liquidity foundations with an ability to generate strong cash flows. Key relationships with reputable, globally recognized joint venture (JV) partners also providing MPHC a competitive edge over its peers. In addition to our aligned partnership with Muntajat, a global leader in the marketing and distribution of chemical products, gives us greater access to global markets. These benefits aided the Group to ensure operational excellence, while building geographical footprints and a robust cash position over the years.

Going forward, we will continue to explore further use of cutting-edge technology to further shape MPHC's competitive advantages.

## OUR STRATEGY

MPHC's core business strategy focuses on market development through productivity and efficiency gains enabled by cost optimization and operational excellence programs. Additionally, we aim to selectively invest in capital projects that increase our competitive position and shareholder value.

## MACROECONOMIC CONDITIONS

Macroeconomic conditions continued to remain negative in 2020, amid global economic uncertainty, due to the unprecedented outbreak of COVID-19 pandemic which muted GDP growth and dampened product demand across our petrochemical and chlor-alkali segments.

## COVID-19 UPDATES

Crisis management committees were established at each operating entity to ensure safety of employees and business continuity. New shift plans for shift staff with strict controls were implemented to reduce the risk of social gathering and spread of the COVID-19 pandemic, with increased hygiene measures at every site. Compliance

with the Government regulations were strictly enforced to prevent the spread of COVID-19.

Several countries enforced greater restrictions on the movement of people and goods, while other countries began to open slowly. Due to restrictions in certain regions, access to these markets were limited which increased the pressure on supply chain activities.

However, uninterrupted production continued at all facilities and production and sales volumes remained intact, except for decline in sales volumes in Chlor-Alkali products, because of non-availability of access to the core markets, due to COVID-19 lockdowns in the first part of the year. For such period, the segment continued with the production, built inventories by holding bulk liquids via floating storage.

## HSE ACHIEVEMENTS

MPHC's Health, Safety and Environment (HSE) performance in 2020 was again exemplary, reflecting its importance as a critical part of its core business strategy. In 2020, MPHC's key HSE achievements included receiving certification to multiple international standards; further improving process safety; and completing more than a decade without a single recordable incident of heat stress illness at several facilities.

Going forward, we will continue to pursue excellence and greater efficiencies in these areas, which will continue to enhance our existing HSE standards and working towards becoming a leading organization in HSE in the region, in line with global HSE standards.

## COST EFFICIENCIES AND OUTPUT OPTIMIZATION: TOWARDS OPERATIONAL EXCELLENCE

MPHC places great emphasis on operational efficiency and cost competitiveness to maintain its position as a leading low-cost operator. Given the current difficult market dynamics and macroeconomic outlook, our cost optimization efforts accelerated in 2020, where the Group further strengthen its optimization measures to withstand the extreme external pressures.

As part of our latest initiatives, the Group reviewed its operating expenditures across all segments and identified expenses which are not critical in the current circumstances. These measures included optimizing human capital structures, reducing direct costs in relation to utilities and maintenance, reducing non-production related expenditures including corporate and administrative expenses.

The Group also reviewed its capital expenditure programs to assess whether these expenditures can either be avoided or postponed, without compromising on HSE standards and ensuring that it remained buoyant.

The implementation of the accelerated cost optimization plan began in June 2020 and the effects of the same are expected to be realized fully from next year.

These measures would not only provide the Group with a broader access to free cash flows, which could be utilized for better investment avenues but also creates a buffer for any unwarranted adversities in the future. These measures will remain in place until the global economy recovers, and impacts of the pandemic are fully eliminated, in order to ensure our businesses continue to remain resilient and maintain its competitiveness.

The Group's production levels showed negative growth due to the scheduled turnaround carried out in Q-Chem II and an annual shutdown within QVC facilities. The production was also partially impacted by the unplanned shutdowns, where these shutdowns were quickly addressed and provided valuable information to avert future shutdowns and maximize efficiency.

Continuous quality improvement efforts were maintained. In 2020, one of our petrochemical joint ventures, Q-Chem, received CPChem President's Operational Excellence Award for Large Petrochemical Manufacturing Facilities for the year 2019.

In 2020, Q-Chem again set new safety records with Zero Tier 1 and 2 process safety events and completing 13 consecutive years without a recordable instance of heat stress.

## SELLING AND MARKETING ACTIVITIES

Our partnership with Muntajat, a global leader in the marketing and distribution of chemicals and fertilizers products, provided the Group with greater access to international markets, which partially offset adverse market conditions. From a geographical perspective, Asia remains MPHC's largest market, with a substantial presence in the

Indian sub-continent and Europe.

During the year, Muntajat was integrated into Qatar Petroleum (QP) with an intent to further strengthen Qatar downstream capabilities and enhance Qatar's competitive position globally. Muntajat integration with QP will be only related to the operational level, while the marketing team will still independently manage the downstream products sales and marketing and hence, this integration will not have any impact on MPHC.

## FINANCIAL PERFORMANCE

MPHC reported a net profit of QR 532 million for the year ended 31 December 2020, down by 74% compared to last year. The decline was largely as a result of slowing global economic growth and global economic uncertainties caused by the lockdowns implemented to contain the spread of the COVID-19 pandemic as well as the drop and continuous volatility in oil price during the year, which weighed on MPHC's financial performance.

The operational performance for the year ended 31 December 2020 was also impacted by the planned turnaround and preventive maintenance shutdowns implemented in certain MPHC's joint venture facilities, which caused the production volumes to decline by 9% as compared to last year, to reach 1,039 thousand MT.

At the Group level, the blended selling prices declined by 12% during 2020, contributing to a decrease in Group net profits of QR 350 million. Group sales volumes declined by 5% year-on-year basis and contributed to a decrease of QR 146 million in Group's earnings.

Current year profitability was also impacted by impairment provisions booked during the year amounting to QR 105 million in relation to certain tax refunds.

The restatement of last year's net profit amounting to QR 885 million in relation to booking of the effects of tax exemptions within last year's profitability, also contributed negatively to the overall bottom line's growth for the current year.

The liquidity of the Group remained robust throughout the year. Cash held by MPHC at the end of financial year 2020 amounted to QR 1.7 billion, with total assets of QR 16.1 billion as at 31 December 2020.



## CAPEX UPDATES

Capital expenditure for 2020 amounted to QR 331 million.

In 2019, Q-Chem shareholders agreed to support expanding JV's ethylene production facilities in Mesaieed Industrial City. When completed in 2022, the Sixth Furnace project will provide a sustained increase of ethylene production, increasing the utilization of Q-Chem's existing derivatives production capacity. At an estimated cost of USD 110.0 million, this investment is predicated on positive capital returns and increased operational flexibility. Currently, the project is in the engineering design phase, with a year to date spend of USD 39.4 million.

Going forward, the Group will continue to consider CAPEX investments to enhance capacity, reliability, efficiency and HSE performance.

## FUTURE OUTLOOK

As the base case business strategy for the next five years, we will continue to focus on market development by access to new geographies and create product and market arbitrages and bring logistical cost savings to the Group. We will also continue to focus on productivity and efficiency gains via the on-going cost optimization programs. Additionally, we will selectively invest in capital investment projects that we believe will increase our competitive position and add value to our shareholders.

## PROPOSED DIVIDEND DISTRIBUTION

The Board of Directors proposes a total annual dividend distribution for the year ended 31 December 2020 of QR 503 million, equivalent to a payout of QR 0.04 per share, representing a payout ratio of 94%. This indicates the Group's ability to generate strong cash flows and pay dividends even under stressed economic conditions, while ensuring adequate cash is preserved for future precautionary and investing needs.

## CONCLUSION

The Board of Directors expresses its gratitude to His Highness Sheikh Tamim bin Hamad Al Thani, the Amir of the State of Qatar, for his wise guidance and strategic vision. Our gratitude is also extended to H.E. Mr. Saad Sherida Al-Kaabi, Minister of State for Energy Affairs, for his vision and leadership, and to the management and employees of the Group companies for their hard work, commitment and dedication. We would also like to thank our esteemed shareholders for their great trust placed in us.



# BOARD OF DIRECTORS' SEGMENTS REVIEW

# BOARD OF DIRECTORS' SEGMENTS REVIEW

## PETROCHEMICALS

### STRATEGY AND KEY ACHIEVEMENTS

Petrochemical segment achieved several milestones in 2020 as it pursued a strategy of growth, business excellence and sustainability. Despite the spread of COVID-19 and the lockdown situation, Q-Chem II and RLOC successfully completed the largest incident free turnaround in their history within the allocated budget, timeline, scope and contractors' workforce.

Our achievements for petrochemicals segment stand out, including the implementation of our Cost Optimization Program (COP) in a declining price environment, Continuous Improvement Process (CIP), Operational Performance Excellence (OPE) and a series of reliability improvements that led to reduction in unplanned losses from internal and external events. All of these measures were designed to improve segment's business and operational excellence. Q-Chem received CPChem Operational Excellence Initiative Award for developing Novel Knife Switch Interlocking Device designed by Q-Chem employees.

### MACROECONOMIC UPDATES

Macroeconomic environment for the year 2020 continued to reflect the challenging conditions carried over from 2019 for the petrochemicals segment, marked by softer global demand, US China trade tensions, and obstructed the global GDP growth. These negative macroeconomic sentiments were further amplified due to the unprecedented spread of the COVID-19 pandemic, which created significant headwinds on the consumer and industrial demand due to lockdowns in most of the global economies, together with the decline in the crude oil prices. All of this led to inclined pressure on the segment's product prices, which contributed negatively towards the segment's overall financial performance.

### HSE ACHIEVEMENTS

We continued to improve and enhance our HSE activities within our Petrochemicals segment. In the process, we set new safety records and renewed certification from global associations.

Excellence in HSE areas include zero Tier 1 and Tier 2 process safety events, zero company responsible environmental reportable events,

13<sup>th</sup> consecutive year without a single recordable incidence of heat stress, Recordable Injury Rate (RIR) was the lowest in the history of Q-Chem and the Process Safety Event Rate (PSER) has been zero for the past 5 years. The segment has now completed 8 years without a smoking flare event.

Q-Chem renewed certification for Occupational Health and Safety Management Systems, Responsible Care Management Systems, Environmental Management Systems and Quality Management System.

### ACHIEVING COST EFFICIENCIES

Consultant was engaged to assist in a comprehensive cost optimization review. Cost Optimization Program (COP) assisted in identifying opportunities for accelerating efficiency gains and reducing costs without compromising Safety and Reliability. The initiatives identified covered the main areas of the segment's cost structures including labor and benefits, contract services, support services and repairs and maintenance. The segment also reassessed the work force and made 8% reduction in headcount. Efficiency enhancements through a combination of increased efficiencies, while improved productivity and cost reduction was achieved. A system was developed to monitor, track and report the progress of each cost reduction initiatives. All COP initiatives went through a complete risk assessment to ensure that the safety and reliability is not compromised as a result of their implementation.

Going forward, the two JVs in the petrochemicals segment, Q-Chem and Q-Chem II, are committed to driving down their controllable costs.

### OUTPUT OPTIMIZATION

Q-Chem and Q-Chem II sets various production records in 2020 resulting from an efficiency operation:

- Q-Chem -1Hexene & Q-Chem II NAO made new monthly production record in August 2020.
- RLOC Ethylene made a new daily average production record for a month in September 2020.



- Q-Chem Ethylene unit made a new Calendar Month Production record in October 2020.
- Q-Chem PE Train-1&2 made daily average production record for a month in November 2020.

In 2020, Q-Chem achieved best-in-class performance for off-spec polyethylene generation, delivering lowest yearly off-spec (0.74%) in the history of Q-Chem. This compares favorably with typical values of 2.5% or greater at plants using the same technology. Q-Chem facilities also achieved best-in-class performance with zero justified customer complaints in last four years.

Towards further innovation, Q-Chem enhanced operational excellence and advanced our sustainability strategy. In the previous year, the Company implemented a more efficient activation cycle for polyethylene catalysis, which reduced fuel consumption and increased the availability of catalyst activators. Q-Chem II has optimized NAO temperatures within new average limits, focusing more on the production of value-added fractions. The product slate was optimized among our polyethylene trains, reducing waste catalyst generation and off-spec production. Q-Chem was also able to optimize the maintenance turnarounds to a five-year cycle and continues to work closely with upstream partners on a further extension to a six-year cycle.

## FINANCIAL PERFORMANCE

The overall profitability of the petrochemicals segment remained under pressure, with a decline in bottom-line earnings of 48% compared with 2019. This was mainly due to reduced sales volumes combined with declining market prices.

Blended product prices in the petrochemicals segment declined by 13% in 2020, coupled with a decline in sales volumes of 7% amid planned turnarounds. The softened selling prices and lowered sales volumes led the segment revenue to decline by 19%.

Production volumes declined 11% from last year, as a result of planned turnaround aimed at improving health, safety and environmental standards,

whilst also focusing on enhancing asset performance and efficiency. Production volumes marginally declined due to the unplanned shutdowns as well.

## CAPEX UPDATES

During 2020, the segment CAPEX amounted to QR 292 million and was mainly restricted to turnaround maintenance conducted during the year and other projects aimed at enhancing the reliability of production operations and while reducing the impact of operations on the environment. The execution of the turnaround was the largest in segment's history, during the time of Covid-19 pandemic, where the segment was able to deliver the best in class performance in all areas and the project was completed with the budgeted timeline, while ensuring the costs remained lower than the budgets.

Future major CAPEX investments will include the ongoing sixth furnace, dock jetty and sulfur silo projects.

# CHLOR-ALKALI

## STRATEGY AND KEY ACHIEVEMENTS

Our Chlor-Alkali business strategy is built on key pillars of enhanced achievements of production targets, reductions in controllable costs, improved product development & innovation and better employee engagement and satisfaction.

The segment completed a challenging maintenance shutdown without incident. We implemented a new process safety management program supported by a consultant. We also completed an energy efficiency review and studied how to improve process steam efficiency and optimize CAPEX through various consultants.

## MACROECONOMIC UPDATES

The outbreak of the COVID-19 pandemic partially affected the demand for the segment's products. Importantly, sluggish demand in most of Asia due to lockdown of ports by various Governments to curtail the spread of the pandemic, further weighed on product prices. Moreover, global economic uncertainties and slowing growth, along with depressed oil and gas prices, also continued to negatively affect the Chlor-Alkali segment as compared to last year.

## HSE ACHIEVEMENTS

The segment focused on enhancing the level of existing HSE standards while pursuing global standards that lead to operational excellence. The health and safety of workers remained a key priority for our efforts in 2020, as steps were to improve the level of process safety and awareness. The segment continued the Process Safety Project, namely SALAMAH, during the year.

In response to contain the spread of COVID-19 pandemic a taskforce was created so as to ensure the business continuity which implemented preventive controls, including thermal screening, hygiene protocols and social distancing protocols.

## ACHIEVING COST EFFICIENCIES

Efficiency and cost competitiveness are prerequisites for the Chlor-Alkali segment retaining its position as a low-cost, efficient operator. In 2020, the segment accelerated cost optimization measures while ensuring optimal production levels without compromising on quality or safety.

Several cost saving initiatives were identified and approved as part of the optimization plan, where many cost saving initiatives implemented during the year. These measures include optimization of human resource structures, closure of vacant positions, reduction in overtime, optimizing travel cost, cuts on office and other overhead costs, including reduction in consultancy, manpower services and IT services.

Other cost saving initiatives included reduction in the number and cost of contract maintenance staff, reduction in non-essential infrastructure related activities, rescheduling non-critical preventive maintenance activities, deferring minor modifications and spares procurement.

The engineering and operations teams reviewed and risk assessed the capital expenditure plans for major approved CAPEX with an intent to either defer or cancel the planned projects, without affecting the standards already achieved in terms operational excellence and HSE. Accordingly, certain CAPEX projects with a substantial expenditure were deferred and/or cancelled.

## OUTPUT OPTIMIZATION

In terms of output optimization, the segment sought to achieve optimal production levels without compromising on the quality and safety standards. Despite the COVID-19 lockdown situation and non-availability of access to the core markets for Chlor-Alkali products for certain months during the year 2020, the segment continued with production and built up the inventories, to cater the demand in the following months, by holding bulk liquids via floating storage.





Moreover, the planned maintenance shutdown for QVC facilities during 2020 was completed on schedule and was in line with the Group's commitment to enhance the health and safety standards, plant life and bring quality assurance and reliability.

## FINANCIAL PERFORMANCE UPDATES

Revenue for the Chlor-Alkali segment declined in 2020 by 9% compared to 2019 to reach QR 617 million for the year ended 31 December 2020. The decline in revenue was mainly attributed to the decline in selling prices by 8% and sales volumes which declined by 2%. Sales prices and sales volumes fell amid the well-documented macroeconomic slowdown due to lackluster in product demand noted globally amid unprecedented COVID-19 outbreak. The decline in sales volumes was also affected by declining production volumes, which decreased by 6% as compared to last year amid preventive maintenance shutdowns.

During the year, the segment reported a net profit of QR 125 million compared to QR 273 million in 2019, with a decrease of 54%. Net profits declined due to decline in selling prices and sales volumes which was partially offset by reduced feedstock prices.

## CAPEX UPDATES

During 2020, CAPEX was mainly restricted to HSE and reliability related projects, with a total outlay of QR 39 million.

Going forward, some of the capex projects will include ongoing power plant upgrade, shared costs of revamp and upgrade of electrical network, vinyl plant turnaround, new EDC tank, caustic storage tank improvements and replacement of some obsolete items. In the long run, these projects will improve plant reliability and ensure emissions at our plants as per the Consent to Operate.





# MPHC GROUP AT A GLANCE

# MPHC GROUP AT A GLANCE

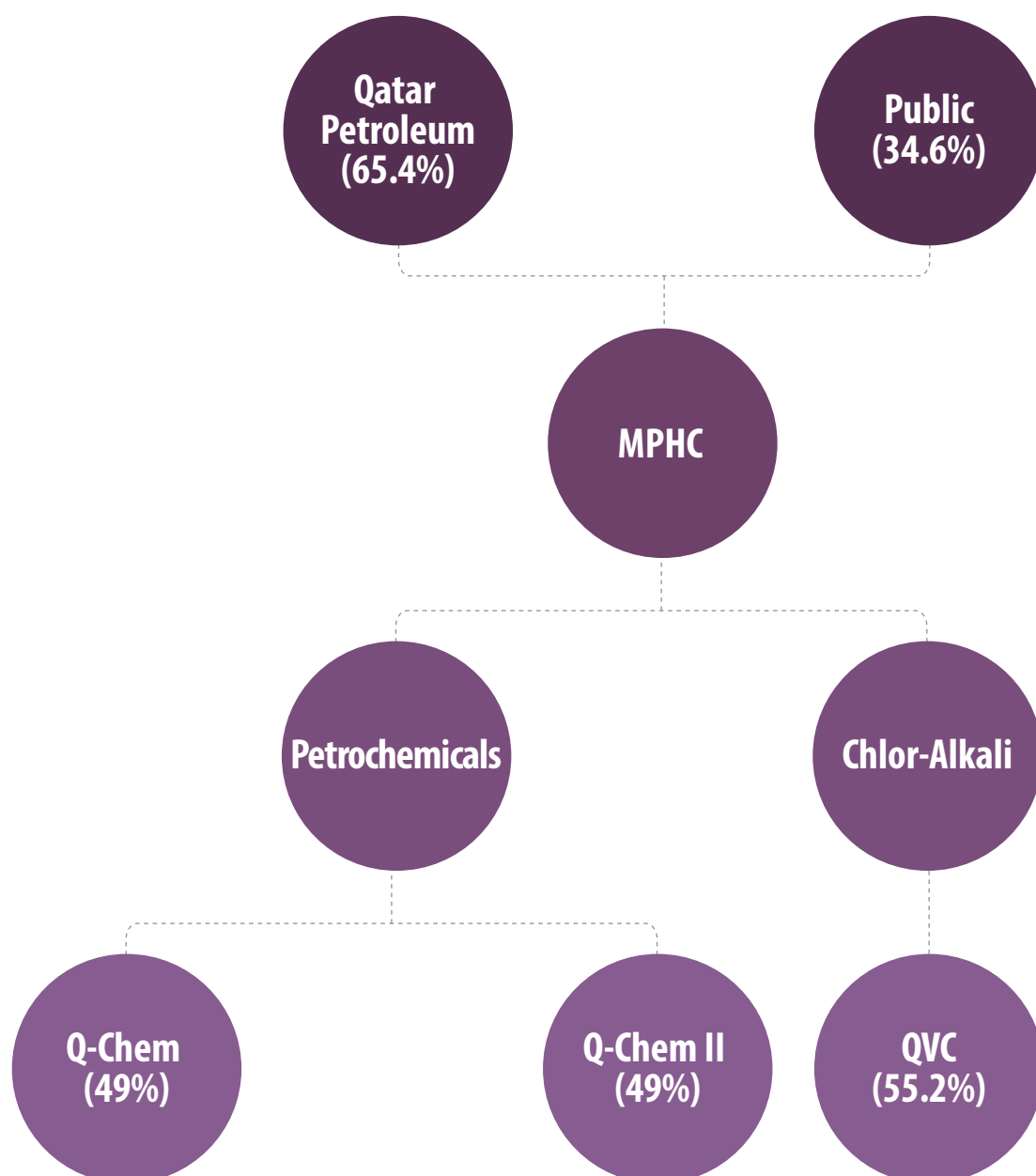
## OVERVIEW

Mesaieed Petrochemical Holding Company Q.P.S.C. (MPHC or the Group) was incorporated as a Qatari joint stock company on May 29, 2013. The Group's registered office is P.O. Box 3212, Doha, State of Qatar. Through the Group companies, MPHC operates in two distinct segments: Petrochemicals and Chlor-Alkali.

## HEAD OFFICE FUNCTIONS AND MANAGEMENT STRUCTURE

Qatar Petroleum, MPHC's largest shareholder, provides all head office functions for the Group through a service level agreement. The operations of the Group's joint ventures are independently managed by their respective Boards of Directors and senior management teams.

## OWNERSHIP STRUCTURE

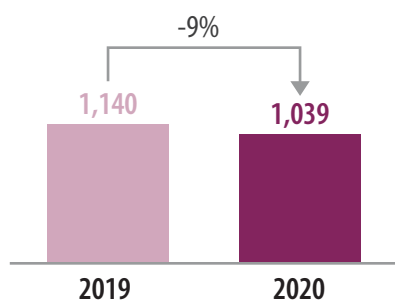




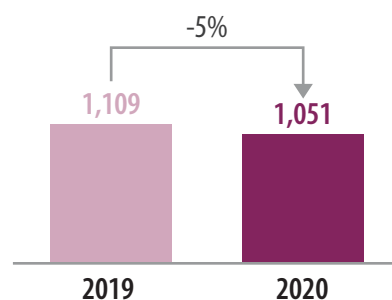


# MPHC 2020 PERFORMANCE

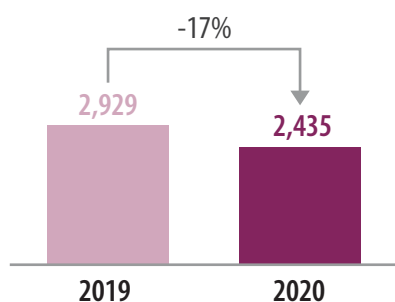
Production (MT'000)



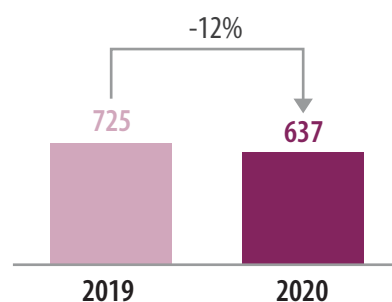
Sales Volumes (MT'000)



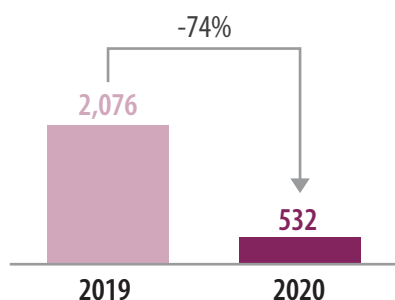
Revenue (QR'million)



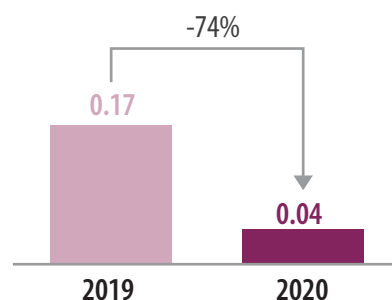
Selling prices (\$/MT)



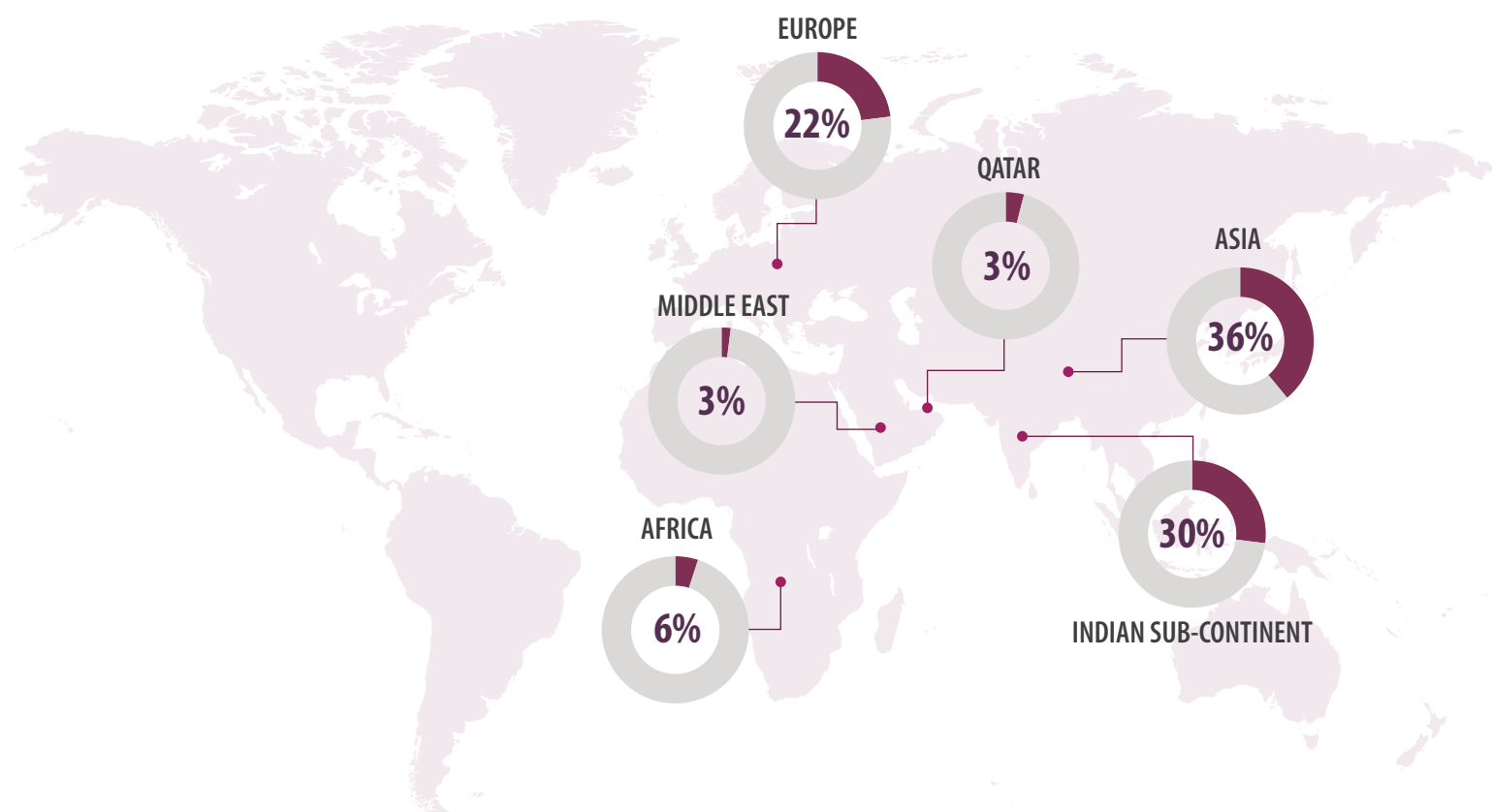
Net profit (QR'million)



Earnings per share (QR)



## SALES REVENUE BY GEOGRAPHY (%)









# **MPHC BUSINESS SEGMENTS AT A GLANCE**

# MPHC BUSINESS SEGMENTS AT A GLANCE

MPHC operates through various joint ventures in two business segments: Petrochemicals and Chlor-Alkali. All of our joint ventures are with international partners, directly or indirectly, who bring state-of-the-art technical expertise to the businesses.

## PETROCHEMICALS

### SEGMENT OVERVIEW

Our petrochemicals business segment is comprised of two joint ventures: Qatar Chemical Company Limited (Q-Chem) and Qatar Chemical Company II Limited (Q-Chem II).

Q-Chem, incorporated as a joint venture in 1998, is currently owned by MPHC (49%), Chevron Phillips Chemical International Qatar Holdings (CPCIQH, 49%) and Qatar Petroleum (2%). Q-Chem is engaged in the production of ethylene, polyolefins (specifically high density polyethylene or HDPE), 1-hexene and C4+.

Q-Chem II, incorporated as a joint venture in 2005, is currently owned by MPHC (49%), CPCIQH (49%) and Qatar Petroleum (2%). Q-Chem II is engaged in the production of polyolefins (specifically HDPE), NAOs (specifically 1-hexene, C4, C8, C10, C12, C14, C16, C18, C20 to 24, C24 to 28 and C30+), pyrolysis gasoline and C3 and C4.

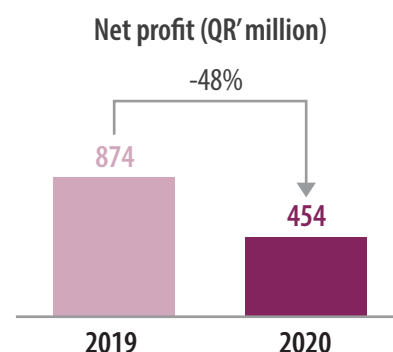
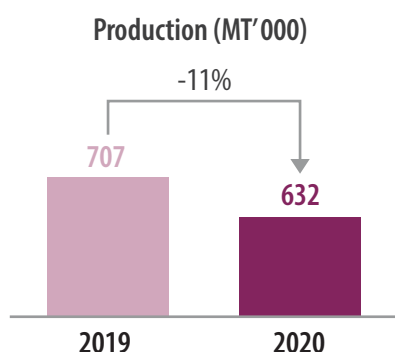
Q-Chem's and Q-Chem II's normalized production capacities of key products is as follows:

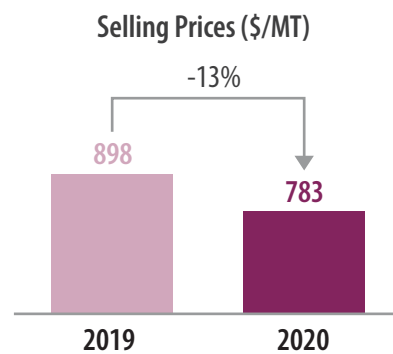
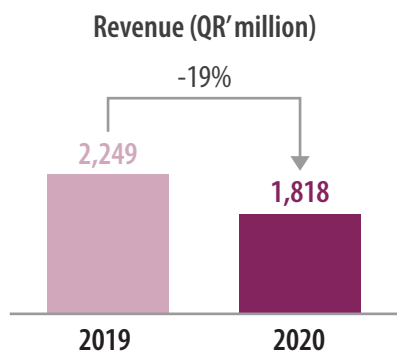
	CAPACITY (000' MT)
ETHYLENE*	1,220
HDPE	810
1-HEXENE	60
NAO	345

\* Consumed as a feedstock for the finished products.

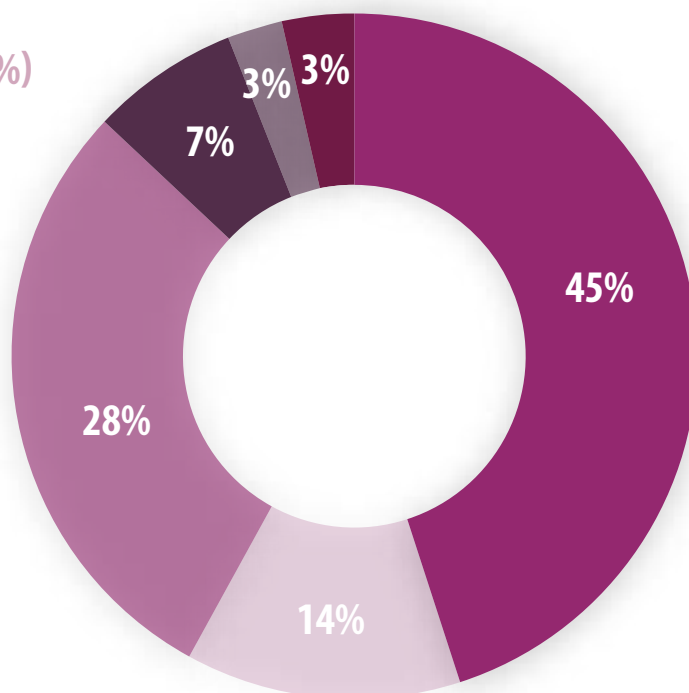
Note: The capacities reported in the above table represents full production capacities in relation to the producing entities.

### 2020 PETROCHEMICALS PERFORMANCE



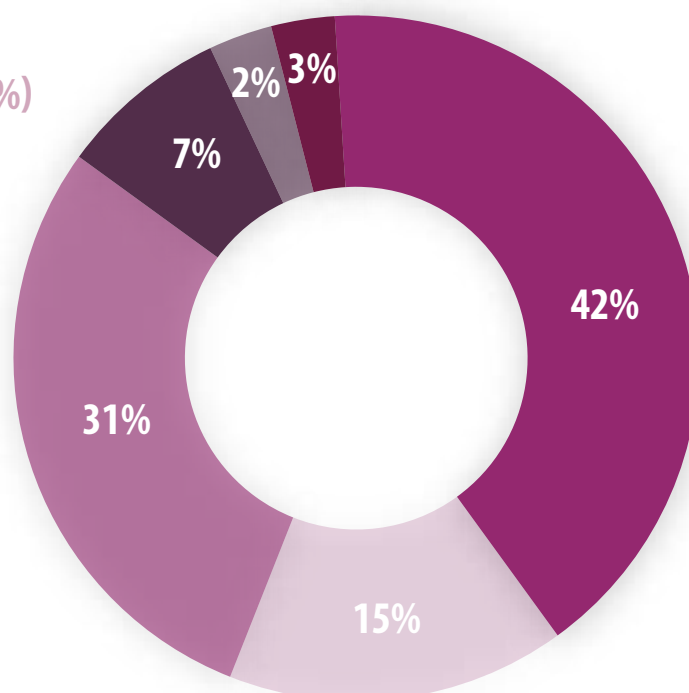


### 2020 SEGMENT REVENUE (%)



- ASIA
- INDIAN SUB-CONTINENT
- EUROPE
- AFRICA
- MIDDLE EAST
- QATAR

### 2019 SEGMENT REVENUE (%)



# CHLOR-ALKALI

## SEGMENT OVERVIEW

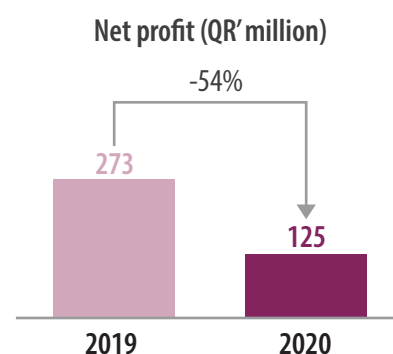
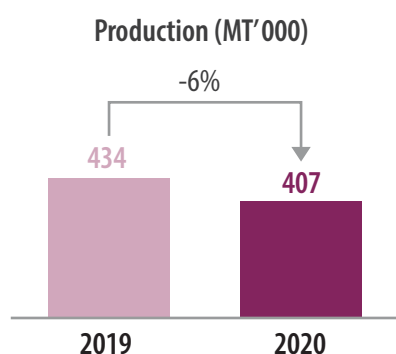
Our Chlor-alkali business segment is comprised of a joint venture, Qatar Vinyl Company Limited (QVC).

QVC, incorporated as a joint venture in 1997, is currently owned by MPHC (55.2%), Qatar Petrochemical Company (31.9%) and Qatar Petroleum (12.9%). QVC is engaged in the production of caustic soda, ethylene dichloride (EDC), vinyl chloride monomer (VCM) and hydrochloric acid (HCL).

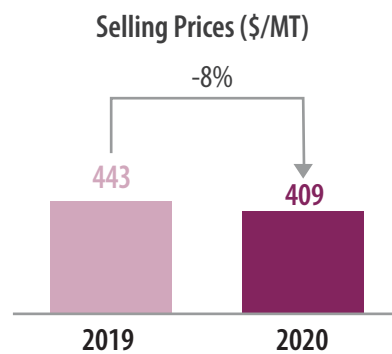
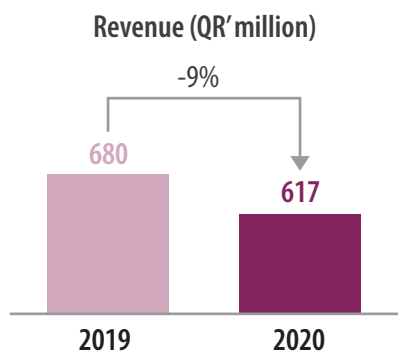
QVC's normalized production capacities of key products are as follows:

	CAPACITY (000' MT)
CAUSTIC SODA	370
EDC	180
VCM	355
HCL	15

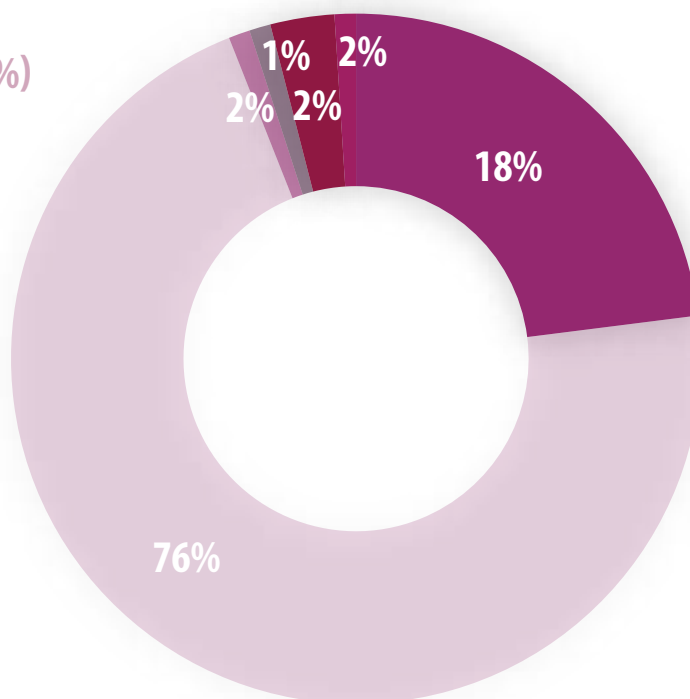
Note: The capacities reported in the above table represents full production capacities in relation to the producing entity.





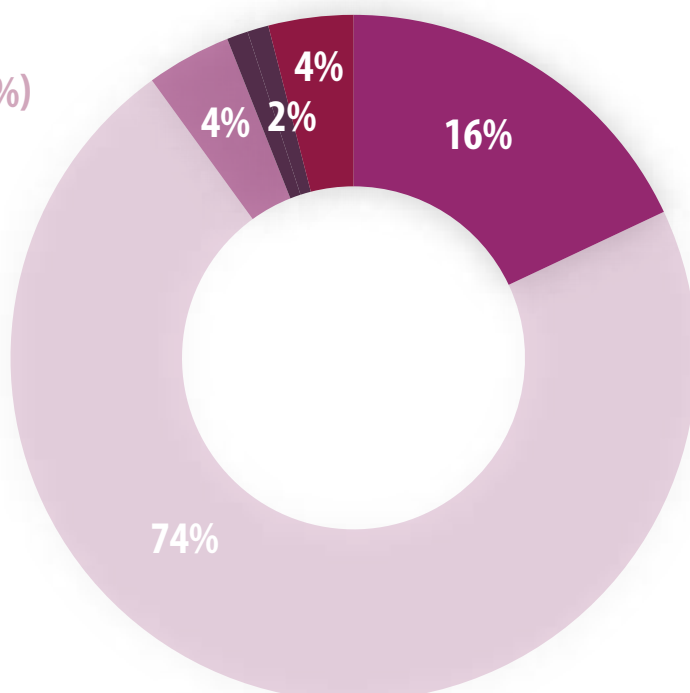


## 2020 SEGMENT REVENUE (%)



- ASIA
- INDIAN SUB-CONTINENT
- EUROPE
- AFRICA
- MIDDLE EAST
- QATAR

## 2019 SEGMENT REVENUE (%)





# INDEPENDENT EXTERNAL AUDITOR'S REPORT

# INDEPENDENT AUDITOR'S REPORT

*to the shareholders of Mesaieed Petrochemical Holding Company Q.P.S.C.*

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OUR OPINION

In our opinion, the financial statements of Mesaieed Petrochemical Holding Company Q.P.S.C. (the "Company") present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

### 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 financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the State of Qatar. We have fulfilled our other ethical responsibilities in accordance with the IESBA code and ethical requirements of the State of Qatar.

### OUR AUDIT APPROACH

#### Overview

- Key audit matters**
- Impairment assessment of investments in joint ventures
  - Income tax position

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

#### Key audit matters

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



Key audit matter	How our audit addressed the Key audit matter
<b>IMPAIRMENT ASSESSMENT OF INVESTMENTS IN JOINT VENTURES</b>	
<p>The Company's investments in three joint ventures amounted to QR 14.28 billion at 31 December 2020, representing 89% of the Company's total assets at that date. These investments are accounted for using the equity method because of the Company's joint control of these entities.</p> <p>The Company assesses at each reporting date whether there is any objective evidence that investments accounted for using the equity method are impaired. The decrease in sale prices in the market due to the impact of the spread of COVID-19 virus was a possible indicator that an impairment may exist. Therefore, according to IAS 36 'Impairment of Assets', an impairment review of its investments in joint ventures was performed by management by comparing the recoverable amounts (higher of value in use and fair value less costs to sell) with their carrying amounts.</p> <p>Based on the impairment review, the discounted value of the expected future cash flows from the investments exceeded the carrying values and accordingly no impairment was recognised during the year ended 31 December 2020.</p> <p>Management's impairment review involved significant judgements in estimating future cash flows attributable to the Company and the rate at which they are discounted, amongst other estimates. Refer to Note 14 for more details about critical accounting estimates and assumptions used.</p> <p>We focused on this area because of the materiality of the investments in joint ventures, and an impairment, if it exists, could have a material impact on the financial statements. We also focused on this area due to the significant judgments and estimates involved in performing the impairment assessment as discussed in Note 14 to the financial statements.</p>	<p>Our procedures in relation to management's impairment review of its investments in the joint ventures included:</p> <ul style="list-style-type: none"> <li>● We assessed management's identification of impairment indicators including the conclusions reached. We also evaluated the design and implementation of key controls over the impairment assessment process comprising of identification of impairment indicators and estimation of recoverable amounts;</li> <li>● We obtained the Company's impairment assessment and discussed the critical assumptions used with management. The discussions focused on the assumptions used to estimate the future cash flows from the latest Board approved budgets of the joint ventures, discount rates and terminal growth rates applied;</li> <li>● Our internal valuation experts were engaged to assist us in the review of the methodology underlying the value-in-use calculations and to assess the reasonableness of discount rates and terminal growth rates. They independently recalculated the discount rates applied to the cash flows in the models based on their assessment of the Company's specific financing and capital costs;</li> <li>● We tested the key inputs used in the determination of the future estimated cash flows to third-party sources and other relevant evidences as appropriate. For example, we compared forecast sales prices to external and independent price forecasts and future capital expenditure to actual historical capital expenditure levels for reasonableness;</li> <li>● We tested the mathematical accuracy and logical integrity of the underlying calculations in the impairment models. We also assessed the adequacy of the disclosures in the financial statements made in relation to the impairment assessment for compliance with accounting standards; and</li> <li>● We performed sensitivity analysis over key assumptions in the calculation of the value-in-use in order to assess the potential impact of a range of possible outcomes.</li> </ul>

Key audit matter	How our audit addressed the Key audit matter
<p><b>INCOME TAX POSITION</b></p> <p>As disclosed in Note 19, during the year, a Memorandum of Understanding ("MOU") was entered into between the appropriate government authorities and Qatar Petroleum ("QP") (representing the Company) agreeing to make a provision for the Company to receive a refund for its portion of taxes incurred in the underlying joint ventures.</p> <p>In the prior year, after considering the impact of the application of the MOU, it was determined that deferred tax relating to the Company's joint ventures should continue to be recognised for Q-Chem and Q-Chem II but not for QVC.</p> <p>However, during the year, to ensure consistent application of similar arrangements the accounting treatment was reassessed by management. Management determined that the MOU gives the Company the right to a refund on its portion of tax and as such it is entitled to the pre-tax profits from all the underlying joint ventures. Therefore, applying the principles of equity accounting under IAS 28 "Investments and Associates and Joint Ventures", the Company concluded to account for its underlying interest on a pre-tax basis and as such, any tax impact including deferred tax balances for the Company's share was reversed.</p> <p>The change has resulted in the restatement of comparative amounts to recognise this interest in joint ventures appropriately within the Company's equity accounted investments.</p> <p>Furthermore, as described in Note 3 (iv), two of the Company's joint ventures received material tax assessments from the General Tax Authority for previous financial years, which included tax penalties. Management has concluded that these assessments and the associated penalties will not impact the Company's investments in joint ventures, given that the Company accounts for its share in joint ventures' profits on a pre-tax basis.</p> <p>Moreover, as disclosed in Note 17, management applied judgments to conclude that there is no longer reasonable assurance over the collectability of certain tax refund relating to Q-ChemII based on current ongoing commercial discussions and therefore an impairment was recognised during the year of QR 105 million. Judgments were also applied by management to determine the recoverability of the other asset amount due from the Ministry of Finance as disclosed in Note 17.</p> <p>We focused on this area because the financial consequences of applying the MOU and the restatement made by management are material to the financial statements. Further, the interaction of Qatar's Income Tax Law No. 24 of 2018, the MOU and certain joint ventures legal agreements required management to apply significant judgment to determine their tax position.</p>	
<p>Our procedures in relation to management's reassessment of its tax position and the conclusion reached on the joint ventures' tax assessments included:</p> <ul style="list-style-type: none"> <li>● Reading and evaluating the different correspondences, legal documents and minutes of meetings held between the key shareholder and the relevant government authorities to assess the reasonableness of the key judgements made by management;</li> <li>● Consulting with our internal accounting experts to assess the appropriateness of management's accounting application of the MOU and the restatement made to prior year's financial statements;</li> <li>● Discussing the tax positions of the Company and its joint ventures with those charged with governance and ensuring consistency with external legal advice where relevant;</li> <li>● Consulting with our internal tax specialist to assess management's conclusion on the impact of the tax assessment received by the joint ventures on the Company's financial statements;</li> <li>● Assessing the market practice adopted by other listed companies in accounting for the MOU based on publicly available information;</li> <li>● Evaluating the impairment assessment made by management of the other asset and management's assessment of potential future outcomes of the ongoing commercial discussions with relevant stakeholders; and</li> <li>● Assessing the appropriateness of disclosures in the financial statements relating to the restatement of prior year's financial statements and the judgments made by management in relation to the Company's tax position.</li> </ul>	

## OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the Board of Directors' Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the complete Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and with the requirements of the Qatar Commercial Companies Law number 11 of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company'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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions 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 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 Qatar Commercial Companies Law number 11 of 2015, we report that:

- We have obtained all the information we considered necessary for the purpose of our audit;
- The Company has maintained proper books of account and the financial statements are in agreement there with;
- The financial information included in the Board of Directors' report is in agreement with the books and records of the Company; and
- Nothing has come to our attention, which causes us to believe that the Company has breached any of the provisions of the Qatar Commercial Companies Law number 11 of 2015, or of its Articles of Association, which would materially affect the reported results of its operations or its financial position as at 31 December 2020.

For and on behalf of PricewaterhouseCoopers – Qatar Branch  
Qatar Financial Market Authority registration number 120155

### **Mark Menton**

Auditor's registration number 364

Doha, State of Qatar  
4 March 2021



# INDEPENDENT ASSURANCE REPORT

*to the shareholders of Mesaieed Petrochemical Holding Company Q.P.S.C.*

*Report on the suitability of design and operating effectiveness of internal controls over financial reporting of significant processes as at 31 December 2020*

## INTRODUCTION

In accordance with the requirements of Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market (the "Governance Code" or the "Code") Issued by the Qatar Financial Markets Authority (QFMA) Board pursuant to Decision No. (5) of 2016, we have carried out a reasonable assurance engagement over the Board of Directors' assessment of the Internal Control Framework over financial reporting of Significant Processes report of the Mesaieed Petrochemical Holding Company Q.P.S.C. (the "Company") as at 31 December 2020, based on the framework issued by the Committee of Sponsoring Organisations of the Treadway Commission "COSO framework".

## RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE

The Board of Directors of the Company are responsible for presenting the Board of Directors' assessment of Internal Control Framework over Financial Reporting of Significant Processes report, and the report includes:

- the Board of Directors' assessment of the suitability of design and operating effectiveness of internal controls over financial reporting;
- description of the identification of Significant Process and internal controls over financial reporting;
- A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statement amount would reasonably be expected to impact the decisions of the users of financial statements. The processes that were determined as significant are: investments management, treasury and cash management, intercompany transactions, accounting management and year-end closing of the financial records transactions. ("Significant processes");
- the control objectives; including identifying the risks that threaten the achievement of the control objectives;
- designing and implementing controls to achieve the stated control objectives; and
- identification of control gaps and failures; how they are remediated; and procedures set to prevent such failures or to close control gaps.

The Company's Board of Directors are also responsible for establishing and maintaining internal financial controls based on the framework issued by the Committee of Sponsoring Organisations of the Treadway Commission ("COSO framework") selected by them as a suitable criteria for internal control over financial reporting.

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that if operating effectively would ensure the orderly and efficient conduct of its business, including:

- adherence to Company's policies;
- the safeguarding of its assets;
- the prevention and detection of frauds and errors;
- the accuracy and completeness of the accounting records;
- the timely preparation of reliable financial information; and
- compliance with applicable laws and regulations.

## RESPONSIBILITIES OF THE ASSURANCE PRACTITIONER

Our responsibilities are to express a reasonable assurance conclusion based on our assurance procedures on the Board of Directors' assessment of Internal Control Framework over Financial Reporting of Significant Processes, based on the COSO framework.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('IAASB'). This standard requires that we plan and perform our procedures to obtain reasonable assurance on the Board of Directors' assessment of suitability of the design and operating effectiveness of the internal controls over financial reporting of Significant Processes of investments management,

treasury and cash management, intercompany transactions, accounting management and year-end closing of the financial records transactions, in all material respects, to achieve the related control objectives stated in the description of the relevant processes by management, based on the COSO framework.

A process is considered significant if a misstatement due to fraud or error in the stream of transactions or financial statement amount would reasonably be expected to impact the decisions of the users of financial statements. For the purpose of this engagement, the processes that were determined as significant are: investments management, treasury and cash management, intercompany transactions, accounting management and year-end closing of the financial records transactions.

An assurance engagement to report on the design and operating effectiveness of controls at an organisation involves performing procedures to obtain evidence about the suitability of design and operating effectiveness of the controls. Our procedures on internal controls over financial reporting included:

- obtaining an understanding of internal controls over financial reporting for Significant Processes;
- assessing the risk that a material weakness exists; and
- testing and evaluating the design and operating effectiveness of internal control based on the assessed risk.

In carrying out our engagement, we obtained understanding of the following components of the control system:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the suitability of design and operation, whether due to fraud or error. Our procedures also included assessing the risks that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the Board of Directors' assessment of Internal Control Framework over financial reporting of Significant Processes. Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the related control objectives were achieved.

An assurance engagement of this type also includes evaluating Board of Directors' assessment of the suitability of the design and operating effectiveness of the controls over the control objectives stated therein. It further includes performing such other procedures as considered necessary in the circumstances.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion on the Board of Directors' assessment of the suitability of design and operating effectiveness of the Company's internal financial controls over financial reporting.

## OUR INDEPENDENCE AND QUALITY CONTROL

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## MEANING OF INTERNAL CONTROLS OVER FINANCIAL REPORTING

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS). An entity's internal control over financial reporting includes those policies and procedures that:

- 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;
- 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of the management of the entity; and
- 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

## INHERENT LIMITATIONS

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the Board of Directors' assessment of Internal Controls Framework over Financial Reporting of Significant Processes report and the methods used for determining such information.

Because of the inherent limitations of internal financial controls over financial reporting and compliance with relevant laws and regulations, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Therefore, internal controls over financial reporting may not prevent or detect all errors or omissions in processing or reporting transactions and consequently cannot provide absolute assurance that the control objectives will be met. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Furthermore, the controls activities designed, implemented and operated as of 31 December 2020 covered by our assurance report will not have retrospectively remedied any weaknesses or deficiencies that existed in relation to the internal controls over the financial reporting prior to the date those controls were placed in operation.

## OTHER INFORMATION

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors' Report, which we obtained prior to the date of this assurance report, and the complete Annual Report (but does not include Board of Directors' assessment of the suitability of the design and the operating effectiveness of the Company's internal controls over financial reporting), which is expected to be made available to us after that date.

Our conclusion on the Board of Directors' assessment of the suitability of the design and the operating effectiveness of the Company's internal controls over financial reporting does not cover the other information and we do not, and will not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the Board of Directors' assessment of the suitability of the design and the operating effectiveness of the Company's internal controls over financial reporting, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Board of Directors' assessment of the suitability of the design and the operating effectiveness of the Company's internal controls over financial reporting, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, 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.

When we read the complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## CONCLUSION

In our opinion, based on the results of our reasonable assurance procedures, the Board of Directors assessment of the suitability of the design and the operating effectiveness of the Company's internal controls over financial reporting of Significant Processes, based on the COSO framework is presented fairly, in all material respects, as at 31 December 2020.

## EMPHASIS OF MATTER

We draw attention to the fact that this assurance report relates to Mesaieed Petrochemical Holding Company Q.P.S.C on a stand-alone basis only and not to the Mesaieed Petrochemical Holding Company Q.P.S.C and the operations of its joint ventures as a whole. Our report is not modified in this respect.

For and on behalf of PricewaterhouseCoopers – Qatar Branch  
Qatar Financial Market Authority registration number 120155

### Mark Menton

Auditor's registration number 364

Doha, State of Qatar  
04 March 2021



# INDEPENDENT ASSURANCE REPORT

*to the shareholders of Mesaieed Petrochemical Holding Company Q.P.S.C.*

*Report on Compliance with Qatar Financial Markets Authority's (QFMA's) law and related legislation, including the Governance Code for Companies & Legal Entities Listed on the Main Market Issued by the QFMA's Board pursuant to the QFMA's Decision No. (5) of 2016 as at 31 December 2020*

## INTRODUCTION

In accordance with the requirements of Article 24 of the Governance Code for Companies & Legal Entities Listed on the Main Market (the "Governance Code" or the "Code") Issued by the Qatar Financial Markets Authority (QFMA) Board pursuant to Decision No. (5) of 2016, we have carried out a limited assurance engagement over the Board of Directors' assessment of compliance with the QFMA's Requirements of Mesaieed Petrochemical Holding Company Q.P.S.C. (the "Company") as at 31 December 2020, as included in the Corporate Governance Report.

## RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE

The Board of Directors of the Company are responsible for preparing the 'Corporate Governance Report' that covers at a minimum the requirements of Article 4 of the Code.

The Board of Directors are also responsible for ensuring the Company's compliance with the QFMA's law and relevant legislations and the Governance Code (the "QFMA's Requirements") for Companies & Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant to Decision No. (5) of 2016 and preparing the Board of Directors' assessment of compliance with QFMA's Requirements.

The Board of Directors are also responsible for identification of areas of non-compliance and related justifications, where mitigated.

These responsibilities include the design, implementation and maintenance of adequate internal financial controls that if operating effectively would ensure the orderly and efficient conduct of its business, including compliance with applicable laws and regulations.

## RESPONSIBILITIES OF THE ASSURANCE PRACTITIONER

Our responsibilities are to issue a limited assurance conclusion on whether anything has come to our attention that causes us to believe that the Board of Directors' assessment of compliance with the QFMA's Requirements – as included in the Corporate Governance Report – do not present fairly, in all material respects, the Company's compliance with the QFMA's law and relevant legislations, including the Code, based on our limited assurance procedures;

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board ('IAASB'). This standard requires that we plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that the Board of Directors' assessment of compliance with the QFMA's Requirements, taken as a whole, is not prepared, in all material respects, in accordance with the QFMA's law and relevant legislations, including the Code.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We did not perform procedures to identify additional procedures that would have been performed if this were a reasonable assurance engagement.

A limited assurance engagement involves assessing the risks of material misstatement of the Board of Directors' assessment of compliance with the QFMA's Requirements, whether due to fraud or error and responding to the assessed risks as necessary in the circumstances. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of

internal control, and the procedures performed in response to the assessed risks. Accordingly, we do not express a reasonable assurance conclusion about whether the Board of Directors' assessment of compliance with the QFMA's Requirements, taken as a whole has been prepared, in all material respects, in accordance with the QFMA's law and relevant legislations, including the Code.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, evaluating the appropriateness of reporting policies for the Company and agreeing with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- made inquiries of management to obtain an understanding of the processes followed to identify the requirements of the QFMA law and relevant legislations, including the Code (the 'Requirements'); the procedures adopted by management to comply with these Requirements and the methodology adopted by management to assess compliance with these Requirements;
- considered the disclosures by comparing the contents of the 'Corporate Governance Report' against the requirements of Article 4 of the Code;
- agreed the relevant contents of the 'Corporate Governance Report' to the underlying records maintained by the Company; and
- performed limited substantive testing on a selective basis, when deemed necessary, to assess compliance with the Requirements, and observed evidences gathered by management; and assessed whether violations of the Requirements, if any, have been disclosed by the Board of Directors, in all material respects.

Our limited assurance procedures do not involve assessing the qualitative aspects or effectiveness of the procedures adopted by management to comply with the Requirements. Therefore, we do not provide any assurance as to whether the procedures adopted by management were functioning effectively to achieve the objectives of the QFMA's law and relevant legislations, including the Code.

## OUR INDEPENDENCE AND QUALITY CONTROL

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in Qatar. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## INHERENT LIMITATIONS

Many of the procedures followed by entities to adopt governance and legal requirements depend on the personnel applying the procedure, their interpretation of the objective of such procedure, their assessment of whether the compliance procedure was implemented effectively, and in certain cases would not maintain audit trail. It is also noticeable that the design of compliance procedures would follow best practices that vary from one entity to another and from one country to another, which do not form a clear set of criteria to compare with.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the 'Corporate Governance Report' and the methods used for determining such information.

Because of the inherent limitations of internal financial controls over compliance with relevant laws and regulations, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected.

## OTHER INFORMATION

The Board of Directors are responsible for the other information. The other information comprises the Board of Directors' Report, which we obtained prior to the date of this assurance report, and the complete Annual Report (but does not include Board of Directors' assessment on compliance with

QFMA's law and relevant legislations, including the Code as included in the Corporate Governance Report), which is expected to be made available to us after that date.

Our conclusions on the Board of Directors' assessment on compliance with QFMA's law and relevant legislations, including the Code do not cover the other information and we do not, and will not express any form of assurance conclusion thereon.

In connection with our assurance engagement on the Board of Directors' assessment on compliance with QFMA's law and relevant legislations, including the Code, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Board of Directors' assessment on compliance with QFMA's law and relevant legislations, including the Code or our knowledge obtained in the engagement, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this report, 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.

When we read the complete Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## CONCLUSION

Based on our limited assurance procedures described in this report, nothing has come to our attention that causes us to believe that the Board of Directors' assessment on compliance with QFMA's law and relevant legislations, including the Code, as included in the Corporate Governance Report does not present fairly, in all material respects, the Company's compliance with the QFMA's law and relevant legislations, including the Code as at 31 December 2020.

## EMPHASIS OF MATTERS

### Non-compliance matters identified by management

We draw attention to the matters highlighted in sections 3-2, 3-9-1, and 3-9-3 within the Board of Directors' assessment of compliance with the QFMA's Requirements as included in the Corporate Governance Report detailing areas of non-compliance with the QFMA's Law, relevant legislations, including the Code as follows:

- Contrary to Article (6) of the Code, none of the Board members is independent as they are all representatives of QP.
- Contrary to Article (18) of the Code, the Board of the Company did not constitute a Nomination Committee since the duty to appoint Board Members in the Company is undertaken by QP. Also contrary to the same Article, the Board Audit Committee is not chaired by an independent Board member.

## SCOPE

We draw attention to the fact that this assurance report relates to Mesaieed Petrochemical Holding Company Q.P.S.C. on a stand-alone basis only and not to the Mesaieed Petrochemical Holding Company Q.P.S.C. and the operations of its joint ventures as a whole. Our report is not modified in this respect.

For and on behalf of PricewaterhouseCoopers – Qatar Branch  
Qatar Financial Market Authority registration number 120155

### Mark Menton

Auditor's registration number 364

Doha, State of Qatar  
04 March 202

# FINANCIAL STATEMENTS



# FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(All amounts expressed in thousands Qatari Riyals unless otherwise stated)

	2020	2019
<b>ASSETS</b>		(Restated)
<b>Non-current assets</b>		
Investments in joint ventures	14,277,395	14,477,835
<b>Current assets</b>		
Prepayments and other receivables	7,872	7,777
Other asset	62,234	145,793
Deposits and other bank balances	1,555,145	1,006,964
Cash and cash equivalents	177,486	755,143
<b>Total current assets</b>	<b>1,802,737</b>	<b>1,915,677</b>
<b>Total assets</b>	<b>16,080,132</b>	<b>16,393,512</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	12,563,175	12,563,175
Legal reserve	67,606	61,934
Retained earnings	3,125,167	3,513,469
<b>Total equity</b>	<b>15,755,948</b>	<b>16,138,578</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	319,525	248,048
Due to a related party	4,659	6,886
<b>Total liabilities</b>	<b>324,184</b>	<b>254,934</b>
<b>Total equity and liabilities</b>	<b>16,080,132</b>	<b>16,393,512</b>

The financial statements were approved and authorised for issue by the Board of Directors on 4 March 2021 and were signed on its behalf by:

Ahmad Saif Al-Sulaiti  
Chairman

Mohamed Salem Al-Marri  
Vice Chairman

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(All amounts expressed in thousands Qatari Riyals unless otherwise stated)

	2020	2019
		(Restated)
Share of results from joint ventures	596,116	1,949,222
Other income	21,061	83,560
Interest income	32,942	59,592
<b>Gross profit</b>	<b>650,119</b>	<b>2,092,374</b>
Exchange and other gains	752	3,828
Impairment of other asset	(104,620)	-
General and administrative expenses	(14,038)	(20,082)
<b>Profit for the year</b>	<b>532,213</b>	<b>2,076,120</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>532,213</b>	<b>2,076,120</b>
<b>Earnings per share</b>		
<b>Basic and diluted earnings per share (expressed in QR per share)</b>	<b>0.042</b>	<b>0.165</b>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(All amounts expressed in thousands Qatari Riyals unless otherwise stated)

	SHARE CAPITAL	LEGAL RESERVE	RETAINED EARNINGS	TOTAL
<b>Balance at 1 January 2019</b>	<b>12,563,175</b>	<b>57,600</b>	<b>2,443,892</b>	<b>15,064,667</b>
Impact of IFRS 16 adoption from joint ventures	-	-	(1,533)	(1,533)
Adjusted balance at 1 January 2019	12,563,175	57,600	2,442,359	15,063,134
Profit for the year (as previously reported)	-	-	1,191,508	1,191,508
Restatement (Note 19)	-	-	884,612	884,612
Profit for the year (Restated)	-	-	2,076,120	2,076,120
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year (Restated)	-	-	2,076,120	2,076,120
Social and sports fund contribution	-	-	(29,788)	(29,788)
De-recognition of dividend equivalisation reserve	-	-	34,166	34,166
Transfers to legal reserve	-	4,334	(4,334)	-
Transaction with owners in their capacity as owners:				
Dividends approved	-	-	(1,005,054)	(1,005,054)
<b>Balance at 31 December 2019 (Restated)</b>	<b>12,563,175</b>	<b>61,934</b>	<b>3,513,469</b>	<b>16,138,578</b>
<b>Balance at 1 January 2020</b>	<b>12,563,175</b>	<b>61,934</b>	<b>3,513,469</b>	<b>16,138,578</b>
Profit for the year	-	-	532,213	532,213
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	532,213	532,213
Social and sports fund contribution	-	-	(35,421)	(35,421)
Transfer to legal reserve	-	5,672	(5,672)	(5,672)
Transaction with owners in their capacity as owners:				
Dividends approved	-	-	(879,422)	(879,422)
<b>Balance at 31 December 2020</b>	<b>12,563,175</b>	<b>67,606</b>	<b>3,125,167</b>	<b>15,755,948</b>

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(All amounts expressed in thousands Qatari Riyals unless otherwise stated)

	2020	2019
<b>Cash flows from operating activities</b>		
Net profit for the year	532,213	2,076,120
Adjustments for:		
- Interest income	(32,942)	(59,592)
- Impairment of other asset	104,620	-
- Other income	(21,061)	(83,560)
- Share of results from joint ventures	(596,116)	(1,949,222)
	<b>(13,286)</b>	<b>(16,254)</b>
Working capital changes:		
- Prepayments and other debit balances	-	2
- Due to a related party	(2,227)	(1,554)
- Trade and other payables	(1,722)	2,324
<b>Cash used in operations</b>	<b>(17,235)</b>	<b>(15,482)</b>
Interest received	32,847	83,532
Social and sports fund contribution paid	(29,788)	(34,853)
<b>Net cash (used in)/ generated from operating activities</b>	<b>(14,176)</b>	<b>33,197</b>
<b>Cash flows from investing activities</b>		
Dividends received from joint ventures	796,556	772,948
Placement of fixed term deposits	(4,008,713)	(1,043,181)
Maturity of fixed term deposits	3,528,098	1,820,816
<b>Net cash generated from investing activities</b>	<b>315,941</b>	<b>1,550,583</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	(811,856)	(955,702)
Movement in unclaimed dividends account	(67,566)	(49,352)
<b>Cash used in financing activities</b>	<b>(879,422)</b>	<b>(1,005,054)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(577,657)</b>	<b>578,726</b>
Cash and cash equivalents at beginning of year	755,143	176,417
<b>Cash and cash equivalents at end of year</b>	<b>177,486</b>	<b>755,143</b>

Notes to the financial statements are an integral part of the financial statements. For more information, please visit MPHC's website: [www.mphc.com.qa](http://www.mphc.com.qa)





# 2020 CORPORATE GOVERNANCE REPORT

# 2020 CORPORATE GOVERNANCE REPORT

## 1. INTRODUCTION

Mesaieed Petrochemical Holding Company (hereinafter referred to as “MPHC” or “the Company”), a Qatari public shareholding company listed on the Qatar Stock Exchange, was established on 29<sup>th</sup> of May 2013 in accordance with the provisions of its Articles of Association and Law no. 5 of 2002, promulgating the Commercial Companies Law, especially Article 68 thereof. Subsequently, the Company settled its status and brought its Articles of Association into conformity with the provisions of Law no. 11 of 2015, promulgating the Commercial Companies Law, and in line with the specific nature of its incorporation.

Qatar Petroleum, the founder, Special Shareholder and 65.45% majority shareholder, provides Mesaieed Petrochemical Holding Company with all the required financial and head office services under a service-level agreement. MPHC therefore applies some of QP’s established rules and procedures. As part of its Board of Directors’ efforts aimed at complying with the principles of corporate governance and applying industry-standard best practices, MPHC had independently developed a Corporate Governance Framework in line with the specific nature of its incorporation. The Framework was approved by the Board on 25<sup>th</sup> of November 2015.

## 2. SCOPE OF IMPLEMENTATION OF THE GOVERNANCE AND COMPLIANCE WITH ITS PRINCIPLES

Out of a firm belief in the importance and need for establishing the principles of good governance to enhance the value added to shareholders, MPHC Board of Directors is firmly committed to implementing the principles of governance set out in the Governance Code for Companies and Legal Entities Listed on the Main Market issued by Qatar Financial Markets Authority (QFMA) pursuant to QFMA Board decision no. 5 of 2016, and in line with the provisions of the Company’s AoA. MPHC Board of Directors attaches greater importance to achieving justice and equality among shareholders, enhancing transparency and disclosure and providing timely information to shareholders in a way that enables them to make their decisions and properly conduct their business. The Board is also committed to upholding the values of corporate social responsibility, putting the interest of the Company and its stakeholders ahead of any other interest, performing roles and responsibilities in good faith, integrity, honor and sincerity and taking the arising responsibility to stakeholders and community.

The Board of Directors always ensures that an organizational framework, that is consistent with the legal and institutional framework of the listed companies, is in place at the Company level.

This is achieved through a process of reviewing and updating governance implementations, as and when required. The Board is also committed to updating the Company’s Code of Ethics in a way that reflects the values held by the Company.

Taking into account the provisions of Article no. 2 of QFMA Governance Code, the Company strictly observes the provisions of QFMA Governance Code and endeavors to maintain its official documents in conformity with such Code to ensure full and proper application of the provisions thereof.

## 3. BOARD OF DIRECTORS

### 3-1 Board Structure

Mesaieed Petrochemical Holding Company was established by Qatar Petroleum, a Qatari state-owned public corporation established by Decree Law no. 10 of 1974, as a parent company of a group of companies that have been operating for decades in the petrochemical industries. Mesaieed Petrochemical Holding Company went public by Qatar Petroleum in 2013 to serve as a mechanism for the distribution of wealth to Qatari nationals. This was primarily achieved via the discounted IPO price. All shareholders receive generous dividends in proportion to their shareholdings.

MPHC listing on the Qatar Stock Exchange was phenomenal, as all shareholders were promised to be given 100% free incentive shares in order to promote saving culture among Qatari nationals and to ensure that they receive maximum benefit from MPHC activities. In addition, an Amiri grant was given to the underprivileged.

Recognizing the specific nature of MPHC’s activities and its strategic position and taking into account the public interest, the Company’s Board shall consist of no less than five (5) and no more than eleven (11) Directors, all of whom shall be appointed by the Special Shareholder. The Special Shareholder shall, as it may deem appropriate to include independent Directors, take all reasonable steps to ensure that at least one-third of the total number of Directors shall be appointed as independent directors.

The Special Shareholder (Qatar Petroleum) may appoint Board Directors for the following reasons that show how closely the Company’s financial and operational performance is connected to Qatar Petroleum, making it vital to maintain aligned strategy and vision:

- Qatar Petroleum is the founder, Special Shareholder and 65.45% majority shareholder.
- Mesaieed Petrochemical Holding Company and its subsidiaries

depend on Qatar Petroleum for supply of feedstock and infrastructure.

- Mesaieed Petrochemical Holding Company and its subsidiaries depend on Qatar Petroleum for technical and technological support.
- Qatar Petroleum provides all financial and head office services to the Company under a service-level agreement. These services are provided as and when requested to ensure that the operations of Mesaieed Petrochemical Holding Company are fully supported.

Except for those matters that are decided by shareholders as provided for in the Company's Articles of Association, the Board of Directors has the widest powers to give full effect to the objects of the Company. The Board may delegate any such power to any one or more of the Directors.

### 3-2 Board Composition

Directors are appointed for renewable terms of three (3) years or such shorter periods (being no less than one (1) year). Pursuant to Qatar Petroleum's decision no. 7 of 2018 passed on 7<sup>th</sup> of March 2018, MPHC Board of Directors was reconstituted in accordance with Article no. 22 of the Company's Articles of Association (contrary to some provisions of Article no. 6 of QFMA Governance Code). Accordingly, seven (7) Directors were appointed by Qatar Petroleum with effect from 7<sup>th</sup> of March 2018. According to the definition of the independent Director in QFMA Governance Code, MPHC Non-Executive Directors are Non-Independents, as they are representatives of a legal person that owns more than 5% of the Company's share capital.

In accordance with the composition of the Board and its roles and responsibilities provided for in the Board Charter, Manual of Authority and Company's Articles of Association, no one or more of Directors may have control over passing resolutions. Resolutions of the Board shall be passed by a simple majority of those Directors present and entitled to vote at the relevant meeting of the Board, each Director present having one vote.

Qatar Petroleum appoints only qualified and eligible Board Directors who are sufficiently experienced to perform their duties effectively in the best interest of the Company and dedicated to achieving its goals and objectives. Qatar Petroleum ensures that all of its representatives in the subsidiaries attend appropriate training and awareness programs so that subsidiaries' boards of directors can achieve the highest levels of performance and adopt the best governance practices.

Qatar Petroleum makes timely disclosure of any and all decisions on

the composition of the Board of Directors or any change thereto (Directors' bios are attached).

### 3-3 Key roles and responsibilities of the Board

As one of the most important pillars upon which the implementation of the governance at Company level rests, the Board of Directors is accountable to shareholders for exercising due care and diligence in managing the Company in an effective manner, as well as establishing the principles of good governance at all levels to serve the interests of the Company, its shareholders and stakeholders for the greater good. Accordingly, the Board developed a Board Charter within the Corporate Governance Framework in accordance with the industry-standard best corporate governance practices. The roles and responsibilities of the Board and the duties which must be fully performed by Directors are specifically identified in the Charter, which is reviewed and amended following any relevant new changes made by regulators. In addition, the Governance Framework developed by the Board contains the job descriptions of all Board Directors according to their classification and positions they may have in any Board Committee. The Framework also contains the job description of the Board Secretary.

According to Board Charter, which is available on the Company's website, the Board, among other responsibilities, provides the strategic guidance in line with the Company's vision and mission. This is achieved through approving and supervising the implementation of the Company's strategic directions, main objectives and business plans. The Board develops and supervises proper internal control systems and risk management, ensuring that an effective executive management is in place and in succession to achieve MPHC's goals and objectives to order to maximize value in a profitable and sustainable manner.

The Board of Directors oversees the all aspects of MPHC corporate governance, monitors its effectiveness and makes amendments as required. The Board also reviews the Company's policies and procedures to ensure compliance with the relevant laws, regulations, MPHC Memorandum of Association and Articles of Association.

The Board may delegate some of its functions or authorities to Board Committees or Special Committees. Special Committees are constituted to undertake specific tasks under written and clear instructions. In accordance with the Company's Manual of Authority, the Board shall determine the authorities it may delegate to the executive management and the procedures for decision-making. The Board may also determine the matters that it retains the right to decide on. In any event, the Board remains liable for all of its functions or authorities so delegated.



In accordance with the Company's AoA, all Directors shall be jointly and individually liable for any fraudulent act, abuse of power, negligent errors in management or violations of the Articles or Law.

### **3-4 Board Chairman**

The Chairman is primarily responsible for the proper management of the Company in an effective and productive manner, making available for Board Directors all data and information in a timely manner. The Corporate Governance Framework includes the Chairman's job description (roles and responsibilities). As described in detail within the Governance Framework, these roles and responsibilities, whether strategic, operational or administrative, are well aligned with the Chairman's main objective of protecting shareholders' rights and achieving the Company's vision and strategic objectives profitably and sustainably.

In accordance with the Company's Articles of Association, the Chairman shall represent the Company towards Third Parties. The Vice Chairman shall substitute for the Chairman in his absence.

The Chairman is not a member of any Board Committee referred to in QFMA Governance Code. The Chairman does not hold any executive position at the Company. In this regard, the Company's management ensures that:

- No one person in the Company should have unfettered powers of decision at the time of developing the Company's Manual of Authority and the relevant regulations.
- The Chairman in his capacity as the Chairman or as the Managing Director is not a member in any of the Board Committees or Special Committees.
- The roles and responsibilities of the Chairman are separated from those of the rest of Board Directors and members of the Company's executive management.

### **3-5 Board Directors**

Board members are committed to exercising due care and making full use of their diverse skills and experience in managing the Company and complying with the relevant regulations and laws, including Board Charter and the Code of Ethics, and to work in accordance with the ethical principles of integrity, respect, objectivity, accountability, excellence, sustainability and confidentiality to ensure upholding the interests of the Company, its shareholders and other stakeholders to be priority before any other interest. In accordance with Company's Articles of Association and Conflict of Interest Policy, Directors shall declare any financial and commercial transactions and judicial proceedings that may adversely affect the performance of their assigned duties.

### **3-6 Board meetings**

In accordance with the Company's AoA, the Board of Directors convenes for the conduct of business, adjourn and otherwise regulates its meetings as it thinks fit. The Board shall meet at least six (6) times during the Company's fiscal year, and a three-month period may not lapse without a meeting of Board. Board meeting shall not be valid unless attended by the majority of Directors thereof (with the exception of the Independent Directors), provided that the Chairman or the Vice Chairman is amongst them. In accordance with Article no. 30-1 of the amended Articles, the Board has met for the required number of times in 2020.

In accordance with Board Charter and the Company's Articles of Association, all Board meetings are convened by a notice from the Chairman or, in his absence, the Vice Chairman (if any), or any two Directors or such other Director as is duly authorized by the Chairman. Meeting agenda and invitations are given to every Director not less than seven (7) days prior to the date set for the meeting. A meeting of the Board shall, with a notice of less than seven (7) days, be deemed to have been appropriately convened in the absence of any objection by Directors and as agreed by those Directors to attend.

In accordance with the Company's Articles of Association, an absent Director may appoint in writing a Director to represent him in attendance and voting, provided that no Director may represent more than one Director. The office of a Director shall be vacated by such Director if he absents himself from three (3) consecutive or four (4) non-consecutive Board meetings without an excuse being accepted by the Board.

To ensure full participation of all Directors in Board meetings, Director has the right to use any secure technological means of communications to enable him to hear and actively participate in discussing Board agenda items and passing resolutions. A participating Director in such a manner shall be considered as personally present at the meeting and counted in the quorum and shall be entitled to vote.

### **3-7 Board resolutions**

In accordance with the Company's Articles of Association and bylaws, resolutions of the Board shall be passed by a simple majority of those Directors present and entitled to vote at the relevant meeting of the Board, each Director present having one vote. In the event of a tie, the Chairman shall have a casting vote. The Board shall keep minutes of all resolutions and proceedings of Board meetings and those absent from and attending such meetings. The Chairman, Secretary and all attendants shall sign on the minutes. Any objecting Director shall

enter his objection in the minutes of meeting.

The Board of Directors may, in case of necessity and on urgency grounds, pass resolutions in writing by circulation subject to written approval on such resolutions by all Directors. The resolution shall be deemed in force and effective for all purposes as if it was adopted at a duly called meeting of the Board. In all cases, the written resolution shall be submitted at the next meeting of the Board, to be included in the minutes of the meeting.

### 3-8 Board Secretary

In accordance with the Company's Articles of Association, the Board or the Special Shareholder may take a decision to appoint a Secretary of the Board for such period and on such terms as it may decide and may revoke such appointment. The Board shall decide on the duties of the Company's Secretary and on the scope of his authority and his/her annual remuneration.

The detailed roles and responsibilities of the Board Secretary are included in the Board of Directors Job Descriptions within the Corporate Governance Framework. These roles and responsibilities meet the main role objective of providing comprehensive and confidential administration and support services to the Board of Directors. The Secretary keeps safe Board documents and coordinates among Board Directors in a timely and appropriate manner.

The Secretary ensures that Board documents are safely maintained and Board meeting agendas, invitations, other required documents, meeting minutes and resolutions are distributed and safely maintained. The Secretary is also responsible for providing orientation material and scheduling orientation sessions for the new Board Directors.

The current Board Secretary has a legal experience that spans more than 12 years. In addition, the Secretary has long experience in handling the affairs of listed companies.

The Secretary may, as he/she deems appropriate and upon approval of the Chairman, delegate to a representative any of his/her duties, powers or discretionary authorities. However, the representative shall not have the right to delegate such duties, powers and authorities to another person.

### 3-9 Board Committees

As part of implementing governance, the Board of Directors established some Board Committees and Special Committees delegated with some

powers and authorities to carry out specific tasks and conduct Company's business. The Board of Directors remains liable for all the powers and authorities so delegated. Board Chairman is not a member of any Board Committee or Special Committee. The Board also reviews and assesses the performance of the committees on an annual basis. Board Committees are as follows:

#### 3-9-1 Audit Committee

The Board Audit Committee (BAC) was constituted pursuant to Board resolution no. 8 of the fourth meeting of MPHC Board of Directors of 2014. The current BAC was formed by virtue of resolution no. 8 of the second meeting of 2018 following Board reconstitution. The BAC currently consists of 3 members, including a Board Director as Chairman, all of whom have the required experience necessary to effectively perform their duties and exercise all the authorities and powers vested in or exercisable by the Committee. Committee Chairman is not a Chairman or a member of any other Committee.

According to the definition of the independent member in QFMA Governance Code, the composition of the BAC does not include independent members (contrary to Article no. 18 of QFMA Governance Code), as they are members of the Board of Directors appointed by the special and majority shareholder (owning 65.45%). No one of the current members has directly or indirectly conducted external audit for the Company during the two years prior to their membership in the Committee.

The Corporate Governance Framework, which was developed in line with QFMA Governance Code and industry-standard best governance practices, contains BAC Terms of Reference. Committee responsibilities include financial aspects, external and internal audits, internal controls, compliance, risk management and any other aspect within the competence and mandate of the Committee.

BAC reports periodically to the Board of Directors on its activities, issues and raises recommendations, particularly with regard to the review and endorsement of the quarterly, half-year and year-end financial statements, as well as internal and external audit reports, internal control system and risk management.

Committee meeting agendas for 2020 covered the following:

1. Approve the External Auditor's report on the consolidated and standalone financial statements for the financial year ended 31<sup>st</sup> of December 2019.
2. Review and endorse the financial statements for the financial year ended 31<sup>st</sup> of December 2019 and present the executive summary report.

3. Endorse the appointment of the External Auditor for the financial year ending 31<sup>st</sup> of December 2020.
4. Endorse 2019 Corporate Governance Report.
5. Endorse the Company's General Assembly meetings' materials and related regulatory filings prior to release and consider the accuracy and completeness of the information as applicable.
6. Review and endorse the financial statements for the financial period ended 31<sup>st</sup> of March 2020 and present the executive summary report.
7. Review and endorse financial statements for the financial period ended 30<sup>th</sup> of June 2020.
8. Review and endorse the financial statements for the financial period ended 30<sup>th</sup> of September 2020 and present the executive summary report.
9. Review tax matters of the subsidiaries.
10. Periodic review of internal audit activities, including risk assessment update, audit plan, conclusions and related corrective actions.
11. Review update on the application of COSO requirements /ICoFR test of design.
12. Conduct annual self-assessment of the Committee's performance.

In accordance with Committee's Terms of Reference, the meeting of the Committee shall be valid only in the presence of the Committee Chairman and a majority of its members. Minutes of meeting shall be prepared for each meeting and signed by all members and representatives present at the meeting. In accordance with the Committee's amended Terms of Reference, Committee holds at least (6) meetings during the financial year. During 2020, Committee met for the required number of times.

The Board Audit Committee currently consists of three Board Directors. The table below shows the current members of the Board Audit Committee:

Name	Position
Mr. Abdulrahman Ahmad Al-Shaibi	Chairman
Mr. Abdulaziz Jassim Al-Muftah	Member
Mr. Mohammed Essa Al-Mannai	Member

### 3-9-2 Remuneration Committee

The Company had established a Remuneration Committee pursuant to Board resolution no. 2 of 2018. Committee currently consists of three members, including a Board Director as Chairman, all of whom have the required experience to efficiently perform their duties and exercise all the authorities and powers vested in or exercisable by the

Committee. Committee Chairman is not a Chairman of any other Board Committee, and the BAC Chairman is not a member of the Remuneration Committee.

Committee's Terms of Reference were prepared in line with QFMA Governance Code and the leading corporate governance practices. The responsibilities of the Committee include setting the foundations for granting remunerations for the Chairman and Board Directors, and for any remunerations, allowances or incentives to be paid to the senior executive management, taking into consideration the requirements of relevant regulators.

In determining the proposed remuneration, Committee takes into account the duties and responsibilities of Board Directors and members of the senior executive management, the Company's performance and benchmarks with the best practices of the similar companies listed on the Qatar Stock Exchange. In addition, Committee reviews the self-assessment of Board Directors, taking into account many factors that serve the long-term interests of the Company's shareholders and meet their expectations. Committee reports to the Board of Directors on its activities, issues and raises recommendations.

Committee meeting agenda for 2020 covered the following:

1. Review self-assessment of Board Directors and the proposed improvements to Board performance.
2. Propose the remuneration of Board Directors for the financial year ended 31<sup>st</sup> of December 2019.

In accordance with Committee's Terms of Reference, the meeting of the Committee shall be valid only in the presence of the Chairman of the Committee and a majority of its members. Minutes of meeting shall be prepared for each meeting and signed by all members and representatives present at the meeting. In accordance with the Committee's Terms of Reference, Committee shall meet as and when necessary. Committee shall meet before the Board meeting to review the final financial statements and consider the proposed remuneration of Directors that should be presented and approved by the Annual General Assembly Meeting.

### Remuneration of Board of Directors

The Company developed a periodically revisited remuneration and allowances policy for Board Directors. The current policy has fixed component (allowance) for Board Directorship and attending meetings and a company performance-related variable component (remuneration) with a determined ceiling. The main principles of this policy are included in the Corporate Governance Framework.

In accordance with the Company's Articles of Association, the proposed remuneration of Board Directors shall be presented to the General Assembly for approval.

In its remuneration policy, the Company complies with the limits provided for in Article no. 119 of Law no. 11 of 2015, promulgating the Commercial Companies Law that such remuneration does not exceed (5%) of the net profit after deducting reserves, legal deductions and distributing a profit of not less than (5%) of the Company's paid up capital among its shareholders.

#### Remuneration of senior management

All financial, administrative and head office services are provided by resources from Qatar Petroleum under a service-level agreement. Accordingly, the Company's organizational structure does not include any senior executive position. Therefore, no senior executive management remuneration was approved for 2020.

Committee currently consists of three members. A meeting was held on 19<sup>th</sup> of February 2020 to consider the proposed remuneration of the Board of Directors for the financial year ended 31<sup>st</sup> of December 2019. A recommended remuneration of QR 5,900,000 to all Directors was presented to and approved by the General Assembly held on 11<sup>th</sup> of March 2020. As for Board Committees, no remuneration or allowance is given for membership or attending meetings. The table below shows the current members of the Committee:

Name	Position
Mr. Abdulaziz Mohamed Al-Mannai	Chairman
Mr. Mohammed Jaber Al-Sulaiti	Member
Mr. Ahmed Aly Mohamed	Member

Committee Chairman is a Board Director. The other two members have long and extensive experience required to properly perform their duties and effectively exercise all the authorities and powers vested in or exercisable by the Committee. Mr. Mohammed Jaber Al-Sulaiti is the Manager of the Privatized Companies Affairs Department, Qatar Petroleum. Mr. Ahmed Aly Mohamed serves as Head of Governance and Compliance, Privatized Companies Affairs Department, Qatar Petroleum.

#### 3-9-3 Nomination Committee

No Nomination Committee was established at the Company level (contrary to Article no. 18 of QFMA Governance Code), as MPHC Board

of Directors, in accordance with the Company's Articles of Association, shall consist of no less than five (5) and no more than eleven (11) Directors, all of whom shall be appointed by the Special Shareholder for the previously mentioned reasons which show how closely the Company's financial and operational performance is connected to Qatar Petroleum.

#### 3-10 Assessment of Board Performance

The Board of Directors conducts an annual self-assessment to ensure that Directors are efficient, honor their commitments, make the most efforts possible and exchange experiences. The assessment takes into account several factors that best serve the long-term interests of the shareholders and meet their expectation as follows:

1. Independence and impartiality in presenting views and ideas while avoiding conflicts of interest.
2. Directors' knowledge and experience that are relevant to the Company's activity.
3. Commitment, participation and team working at the Board and its committees.
4. The role of the Board and the extent to which it achieves the objectives set, including the outcome of the business and the achievement of the Company's strategy.
5. Communication between the Board on the one side and its committees and the Executive Management of the Company on the other side.
6. Decision-making mechanisms and the accuracy and adequacy of the required information
7. Providing constructive opinions, suggestions and recommendations and ideas in the best interest of the Company.

In its meeting for 2020, the Remuneration Committee will review Board self-assessment and make its recommendations in this regard as part of its report to the meeting of the Board of Directors.

During 2020, the Board performed the tasks and dispensed business decisions within its authorities as provided for in the Board Charter. Directors had no grievances or complaints. All proposals were discussed during Board meetings and necessary relevant actions were taken, whether corrective or reinforcing. The Board is satisfied that it has effectively discharged all of their duties and obligations.

## 4. COMPANY'S CONTROL SYSTEM

The primary purpose of internal controls is to assist in achieving management's objective of ensuring, as far as practicable, the orderly and efficient conduct of its business, including adherence to

management policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information. To achieve this, the Company adopted an internal control system that includes the development of internal controls over financial reporting, policies and operating procedures for risk management, internal and external audit, monitoring Company's compliance with the relevant regulations. Clear lines of self-control, responsibility and accountability throughout the Company are therefore set.

The internal control system is overseen by the senior executive management, the Audit Committee and the Board of Directors to discuss observations on the internal controls. The Internal Auditor periodically makes and submits reports in this regard.

To ensure that best standards are applied in developing internal control systems, the management adopted COSO Internal Control – Integrated Framework (2013) as a benchmark framework for preparing the Company's internal control system. COSO Internal Control – Integrated Framework (2013) consists of inter-related components, including control environment, risk assessment, control activities, information, communications and monitoring.

Internal control is an integral part of MPHC's corporate governance, which involves the Board, Board Audit Committee, senior executive management and employees at all organizational levels. It is a process which includes methods and processes to:

1. Safeguard MPHC's assets.
2. Ensure the reliability and correctness of financial reporting.
3. Secure compliance with applicable legislation and guidelines.
4. Ensure that objectives are met and continuous improvement of operational efficiency.

The objective for MPHC's financial reporting is to be in line with the highest professional standards and to be full, fair, accurate, punctual and understandable.

Moreover, the benchmark framework will enable the management to establish and maintain an internal control system. Company's auditors can also refer it as benchmark framework to perform their duties in accordance with Article no. 24, in particular with regard to the assessment of the appropriateness and effectiveness of the applicable control systems.

To comply with the provisions of Article no. 4 of QFMA Governance

Code, Mesaieed Petrochemical Holding Company should:

1. Establish and maintain adequate and effective internal controls over financial reporting to mitigate the risk of significant misstatements.
2. Evaluate and assess the adequacy and effectiveness of the internal controls over financial reporting to mitigate the risk of significant misstatements.

To achieve this, the Company requested the Internal Auditor to assess the Company's internal controls over financial reporting as a management support. The requested assessment was made by the Internal Auditor during 2019 based on the Company's standalone financial statements of 2018. A top down approach was used in designing and testing of the Company's framework wherein it begins at the financial statement level and with the understanding of the overall risks to internal controls over financial reporting.

Business risks were assessed using the Company's standalone financial statements of 2019. The risk assessment, which involved application of "Materiality" on MPHC's standalone financial statements of 2019 (considering the qualitative and quantitative factors) based on the inputs of the External Auditor and the best practices, was made to determine the significant accounts, disclosures, their relevant assertions and applicable business processes within the Company for controls identification, evaluation and testing.

This approach directs attention to accounts, disclosures, and assertions that present a reasonable possibility of material misstatement to the financial statements and related disclosures. The next activity involves understanding of the risks in the Company's processes relevant to the identified significant accounts, disclosures and assertions based on risk assessment and select for testing those controls that sufficiently address the assessed risk of misstatement to each relevant assertion. This process can be detailed as follows:

#### **Risk assessment:**

1. Identifying and assessing the risks of material misstatement in the financial statements.
2. Determining materiality (considering the qualitative and quantitative factors), external audit input, and other factors relating to the determination of material weaknesses.
3. Identifying classes of transactions, significant account balances, disclosures, their relevant assertions and applicable business processes based on determined materiality. The financial statement assertions include existence or occurrence, completeness, valuation or allocation, rights and obligations, presentation and disclosures.



**Perform walkthrough:**

Following the risk assessment, the relevant internal controls which mitigate the risk of material misstatements for applicable business processes are identified through walkthroughs by reviewing the established policies and procedures, enquiries with management and process owners and understanding the flow of transactions.

These internal controls are grouped as follows:

1. Entity Level Controls (ELCs) – present across the Company and include measures taken by management to equip staff to adequately manage risks through raising awareness, providing appropriate knowledge and tools as well as developing skills.
2. Information Technology General Controls (ITGCs) - The ITGC (applicable IT applications and infrastructure relevant to identified business process) on Company's general IT infrastructure and systems.
3. Business Process Controls - both manual and automated, are embedded in business processes applicable to financial transactions. These controls may change over time due to changes in the Company's business processes.

A walkthrough involves following a transaction from origination through the Company's processes, including information systems, until it is reflected in the Company's financial records, using the same documents and information technology that Company personnel use. Walkthrough procedures usually include a combination of inquiry, observation, inspection of relevant documentation.

**Test of internal controls:**

Following the risk assessment and controls identification, the Internal Auditor conducts control testing on each of the identified controls to assess if they are designed adequately and operating effectively.

Control testing encompasses three components: test of design effectiveness, test of operating effectiveness, and ongoing monitoring.

**Test of Design Effectiveness:**

Testing the design effectiveness of controls involves determining whether the Company's controls, if they are operated as prescribed by persons possessing the necessary authority and competence to perform the control effectively, satisfy the Company's control objectives and can effectively prevent or detect errors or fraud that could result in material misstatements in the financial statements. This will conclude if the Company has an adequate system of internal controls over financial reporting.

Testing the design includes a mix of inquiry of appropriate personnel, observation of the Company's operations, and inspection of relevant documentation.

**Test of Operating effectiveness:**

Testing the operating effectiveness of controls involves obtaining evidence about whether the control is operating as designed throughout the relevant financial reporting period. For each control selected for testing operating effectiveness, the evidence necessary to conclude that the control is effective depends upon the risk associated with the control which is assessed based on factors such as, nature and materiality of misstatement the control is intended to prevent, history of errors, frequency with which control operates, effectiveness of entity level controls, competency of personnel performing the control, nature of control i.e., automated or manual.

**Evaluating identified deficiencies:**

A 'deficiency' in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Evaluation of the severity of each control deficiency should be made to determine whether the deficiencies, individually or in combination, are significant deficiencies or material weaknesses as of the balance sheet date.

The Company's management recognizes that a significant deficiency or weakness in internal controls over financial reporting increases the possibility that a misstatement in the Company's annual or interim financial statements will not be prevented or detected on a timely basis, which is important enough to merit attention of those charged with management and governance.

A deficiency in design exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

A deficiency in operating effectiveness exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

**Remediation Testing:**

The Company ensures that any issues or deficiencies either relating to

design or operative effectiveness of specific controls are remediated. Once a new control is in place or remediated, it should be given enough time for its operations to validate the control's operating effectiveness. The amount of time that a control should be in place and operating effectively depends on the nature of the control and how frequently it operates.

Based on its assessment of the Company's current internal controls over financial reporting and Testing of Design and Operating Effectiveness, the management believes that the Company has developed an appropriate internal control framework that meets the requirements of the internal control over financial reporting. Moreover, the management considers the developed framework as appropriate to form the basis for compliance with the requirements of Qatar Financial Markets Authority in this regard.

The following are the main elements of the Company's internal control framework:

#### **4-1 Risk management**

As a service provider under a service-level agreement, Qatar Petroleum' established risk management rules and regulations are applied. However, the Board of Directors endeavors to maintain an appropriate risk management framework at Company level, as risk management is an integral part of company governance, which the shareholders expect from the Board of Directors.

This framework takes into consideration pursuing an integrated process for continuous risk management, starting from risk identification, assessment, measurement, management to monitoring as follows:

- Risk identification and assessment involve identifying and assessing all risks facing the Company. Risks are classified into four main categories: strategic, operational, financial and compliance related. For each risk, there must be measures to address it effectively, as well as a set of indicators to monitor changes in the overall risk structure and landscape. Risk are simulated in several scenarios in order to develop proper remedies and assess their cumulative impact on the performance of the Company.
- Risks are then measured based on the impact and possibility of their occurrence.
- Risks are managed with the possibility that their level is increased, decreased or maintained in a manner consistent with the determined level of risk accepted by the Company. During treatment, the Company

takes into consideration that risks have a life cycle, i.e., before, during and after the occurrence. The Company ensures protection and that regulations, operational procedures and controls are developed in accordance with the best practices to minimize and mitigate related risks.

- Risks are then monitored to ensure that any related problems are quickly identified and properly addressed.

#### **4-2 Audit**

##### **4-2-1 Internal Audit**

Mesaieed Petrochemical Holding Company periodically floats a tender for the engagement of an independent consultant to provide internal audit services in accordance with the tendering procedures. Offers are received by a formed Tender Committee. After an evaluation of the technical and commercial offers is made, the Tender Committee makes its recommendations to the Board Audit Committee on the selection of the appropriate consultant. An internal Auditor was appointed on 1<sup>st</sup> of January 2018 for three years to provide the Company and its subsidiaries/joint ventures, as instructed by the BAC and in accordance with the audit plan, with internal audit services as a "service provider". With the end of the agreement, the Company is currently in the process of floating a tender to appoint an internal auditor to provide it with internal audit services.

The appointed auditor makes a risk assessment at the Company and subsidiaries levels, then they draw up an appropriate audit plan and follow up on the implementation of the outstanding observations and related corrective management plans.

The Internal Auditor has access to all business functions and all data are provided as and when requested. The Internal Auditor verifies control systems, financial oversight and risk management. The Internal Auditor also verifies the extent to which the Company is committed to applying internal control systems and complying with the relevant laws and regulations, including Company's compliance with the rules and provisions that govern listing and disclosure to the stock market.

Internal audit reports are prepared by the Internal Auditor in accordance with the international auditing standards. All reports and recommendations are quarterly presented by the Internal Auditor to the BAC and subsequently submitted to the Company's Board of Directors as part of the BAC periodic report on audit results, follow up and current status of the executive management' plans of the corrective actions to address any weaknesses in the internal controls,

risk assessment results and the applied systems. The executive management shall receive a copy of the report to take the necessary corrective actions as instructed by the Board Audit Committee.

During the contractual period, the Internal Auditor completed 12 audits and follow-up audits in accordance with the audit plan that covers MPHC, Q-Chem and Q-Chem 2. The scope of the internal audit, which was based on risk assessment, included many areas across these entities, such as main operations (maintenance, projects, industrial control systems) and support functions (corporate governance and compliance, finance and accounts, management reports, human resources, information technology, HSE and enterprise risk management etc.).

#### 4-2-2 External Audit

The Board Audit Committee examines and evaluates offers received from external auditors registered in QFMA external auditors' list. Accordingly, the Committee makes its recommendation to the Board on the appointment of the External Auditor. Once approved by the Board, the recommendation shall be included in the agenda of the Company's General Assembly.

The General Assembly shall appoint an external auditor for one year, renewable for a similar period or other similar periods up to a maximum of five consecutive years, provided that no re-appointment shall be made before two consecutive years are passed. The agreement between the Company and the External Auditor provides that the External Auditor's employees are required to strictly maintain confidentiality. Under relevant regulations and laws, the External Auditor is prohibited from combining between their assigned business, functions and duties and any other business in the Company, and from working at the Company before at least one year from the date of relations end with such Company.

The Company floated a tender for the appointment of an external auditor for a period of two years starting 2020, provided that the recommendation made by the committee formed according the tendering procedures shall be annually presented to the Company's General Assembly meeting for approval. For 2020, the Company's General Assembly, in its meeting for 2019 held on 11<sup>th</sup> of March 2020, approved the appointment of PwC as the Company's External Auditor for 2020 for an annual fee of QR 195,000, inclusive of additional work of ICoFR and corporate governance assessment as instructed by QFMA.

Taking into account the requirements of Article no. 24 of QFMA Governance Code, the scope of work of the External Auditor included internal control and assessment of the Company performance,

particularly with regard to appropriateness and effectiveness of the applied internal control systems and internal controls over financial reporting and Company's adherence to its Articles of Associations and compliance with the provisions of the Law and QFMA's relevant legislations, including the provisions of the Governance Code for Companies and Legal Entities Listed on the Main Market.

The External Auditor provides assurance that the financial statements were properly and fairly prepared in accordance with the international accounting and auditing standards. The External Auditor reports on observations made on significant financial issues and applied financial controls. The External Auditor attended and submitted their report to the General Assembly of 2019 held on 11<sup>th</sup> of March 2020.

PricewaterhouseCoopers - Qatar, the External Auditor, submitted their report for the financial year ended 31<sup>st</sup> of December 2019 to the Company's Board of Directors on key accounting and auditing matters. The External Auditor also submitted their independent report on the suitability of design and operating effectiveness of internal controls over financial reporting of significant operations as at 31<sup>st</sup> of December 2019. The External Auditor, based on the results of their reasonable assurance procedures, concluded that the Board of Directors assessment of the suitability of design and operating effectiveness of the Company's internal controls over financial reporting of significant operations, based on the COSO framework and as presented in the Board of Directors' report, was presented fairly, in all material respects, as at 31<sup>st</sup> of December 2019.

In addition, the External Auditor submitted their independent report on compliance with Qatar Financial Markets Authority's law and related legislations, including the Governance Code for Companies and Legal Entities Listed on the Main Market issued by the QFMA's Board pursuant the QFMA's decision no. 5 of 2016 as at 31<sup>st</sup> of December 2019. The External Auditor concluded that nothing came to their attention, based on their limited assurance procedures described in their report, that caused them to believe that the Board of Director's assessment on compliance with QFMA' law and relevant legislations, including the Code, as included in the Corporate Governance Report, did not present fairly, in all material aspects, the Company's compliance with the QFMA's law and relevant legislations, including the Code, as at 31<sup>st</sup> of December 2019.

#### 4-3 Compliance

MPHC Board of Directors is strongly committed to maintaining full compliance with all applicable regulations, including QFMA requirements for listed companies. The Board makes every effort to

ensure that a governance structure based on best practices, standards and regulatory governance requirements is developed and implemented.

Areas of non-compliance with particular provisions of QFMA Code, including the reasons for any such non-compliance, were highlighted in this report. The Company confirms that there is no material non-compliance with the provisions of the applicable QFMA laws and relevant legislations including the Code.

The main responsibility of the Compliance Section is to assist the Board of Directors, Board Audit Committee and the Company's management to comply with governance rules, and to manage and monitor risks by ensuring that relevant policies and procedures are in place to protect the Company, as a listed entity, against exposure to non-compliance risks.

The Compliance Section continuously monitors changes to governance regulations and best practices, and periodically updates the Board on any changes to governance practices / regulations.

As and when the Company is required to update its governance structure due to new changes to corporate governance regulations and leading practices, Compliance Officers are required to prepare and submit proposals on governance changes to the Board for approval.

To this end, a mechanism was developed to review, monitor and ensure that the Company is compliant with applicable laws, rules and regulations, and to enhance the Company's self-revision of risk management. The mechanism, which will be applied, generally aims to:

- Provide a reasonable assurance of the Company's compliance with the relevant applicable laws and regulations;
- Detect cases of non-compliance, whether accidental or intentional;
- Take the necessary disciplinary actions in accordance with the Company's regulations in cases of noncompliant behavior;
- Take the necessary corrective actions to address the consequences of noncompliance;
- Develop proposals to avoid non-compliance in the future.

Each and every company of MPHC group companies, which are not the main focus of this report, is independently managed, in accordance with the agreements under which it was established with other partners, by a Board of Directors having the necessary powers to manage and exercise its duties in full accordance with its fiduciary responsibility, guaranteeing the protection of all shareholder rights of

different classes. Each subsidiary also has its own systems and internal controls, including risk management systems, which are overseen by the subsidiary's Board of Directors, Board committees and other relevant executive committees, such as audit committees, institutional risk management committees, governance and compliance committees, crisis management and commercial risks committee, tender committees, HSE committee, qatarization and human resources committee, discipline committee, information technology and cyber security committee and turnaround steering committee, contributing positively to creating a control environment in line with the best standards and practices.

Moreover, Mesaieed Petrochemical Holding Company appoints only qualified and eligible Directors – its representatives to subsidiaries – who are sufficiently experienced to perform their duties effectively in the best interest of the subsidiary and dedicated to achieving its goals and objectives. Upon appointment, a Director will be fully responsible to the subsidiary, in which he holds a seat on its Board, and shall be held accountable for his decisions to Mesaieed Petrochemical Holding Company as a shareholder in the meeting of the General Assembly, thereby increasing the level of independence from the appointee and non-interference in the management.

## 5. DISCLOSURE AND TRANSPARENCY

### 5-1 Disclosure

The Company complies with disclosure requirements, including A) financial reports and notes thereto as disclosed to the regulators, published in the local newspapers and posted on the Company's website ([www.mphc.com.qa](http://www.mphc.com.qa)), B) number of shares owned by the Chairman, Board Directors and members of the senior executive management, and C) major shareholders. The Company also complies with the requirements of disclosing information on the Chairman, Directors, Board Committees, Chairman and Directors' qualifications and experience as noted from their bios, and whether any of them is a member of the Board of Directors of other listed company, a member of its senior executive management or its Board committees.

On the other hand, the Company has not been subject to any sanctions or financial penalties imposed by QFMA in 2020 for non-compliance with any provisions of the applicable QFMA laws and relevant legislations including the Code. No legal case was filed by or against the Company.

Disclosure is made in accordance with specific procedures approved by the Company's management. These procedures include ways of dealing with rumors by proving false or true, and how to clearly

disclose in writing in a manner that is consistent with QFMA relevant legislations.

The Board takes appropriate measures to ensure that all disclosures are made in accordance with the instructions and rules of the relevant regulatory authorities, and that accurate and non-misleading information with the required quality and quantity is provided to all shareholders in an equitable manner to enable them to take informed decisions.

### 5-2 Conflict of Interest

The Board complies with QFMA Governance Code principals for the disclosure of any dealing and transaction the Company enters into with any "Related Party", in which such Related Party has an interest that may conflict with the Company's interest. In all cases, any transaction with Related Parties is disclosed in the notes to the Company's financial statements, which are published in the local newspapers and posted on the Company's website.

The Company also seeks the approval of the General Assembly before entering into a major deal or transaction, as defined by QFMA, with a Related Party. Such deal or transaction must be put on the agenda of the next General Assembly to complete it.

Moreover, the Company developed a policy on Related Party transactions in its Corporate Governance Framework. This policy takes into consideration the following:

- Review of these transactions, if any, by the Board Audit Committee and the Board of Directors to ensure compliance with relevant regulations.
- Ensure that all transactions with, or for the benefit of, any related party are on terms and conditions that are acceptable and within safe and sound practices and fulfil the adequacy condition of the required documents and the appropriate levels of the approving authority.
- Ensure that a transparent process, when applicable, is in place with adequate disclosure of related party transactions to shareholders.
- Price in a manner consistent with the recognized market practices, or on an appropriate basis, being arms-length.
- Adequate documentation, and such documentation may take the form of, for example, a services agreement, sale and purchase agreement, loan agreement etc., as appropriate, and that the terms and conditions contained therein are consistent with market practices.

During 2020 and as part of managing cash and working capital needs at the Company and subsidiaries levels, a number of foreign exchange transactions were made at the official exchange rates and at arm's

length. The details of these transactions were included in the notes to the Company's financial statements.

### 5-3 Transparency and upholding the interest of the Company

The Board of Directors recognizes that the risk of conflict of interest may arise from the fact that a Director or a member of the executive management is a "Related Party", or access to Company's information by employees, service providers and any other stakeholder. In order to avoid this, the Company adopted a conflict of interest policy within its Corporate Governance Framework to identify, as far as possible, conflict of interest situations, and to prevent losing objectivity by adhering to the appropriate professional conduct and establishing the principles of transparency, fairness and disclosure.

In accordance with the Company's bylaws and Conflict of Interest policy, if a Related Party is in a conflict of interest situation, it shall not be entitled to attend the discussion, cast vote, or pass a resolution in this respect.

In general, a Related Party shall avoid any situation that may involve or result in actual or potential conflict of interest. In all cases, all related decisions must serve the interests of the Company.

Moreover, Directors and employees / service providers understand that all information related to Mesaieed Petrochemical Holding Company, its subsidiaries and customers is confidential for internal purposes only. Using this information for personal, family or any other purpose is considered unethical and illegal conduct.

### 5-4 Disclosure of share trading

The Company adopted procedures and rules that govern insider trading. These procedures and rules take into account the definition of the insider, whether permanently due to holding a position in the Company, or temporarily as a result of carrying out specific tasks for the Company. This insider has access to material information about the Company that could have a positive or negative impact on the investment decisions that can be taken by those who trade Company's share at Qatar Stock Exchange.

The Company updates Qatar Central Securities Depository (QCSD) with the details of the insiders, Directors and members of the Company's executive management, so that Qatar Stock Exchange could ban their trading on the Company's shares according to the applicable rules, and to disclose these tradings on a daily basis.

In general, insiders are not allowed to benefit directly or indirectly



In general, insiders are not allowed to benefit directly or indirectly from the use of inside information that has not yet been disclosed. Trading Company's shares on the basis of inside information, regardless of trade size, is a serious violation of the Company's ethical standards and policies. In addition, the insider may not assist others to trade the Company's shares by improperly disclosing inside information.

## 6. STAKEHOLDER RIGHTS

### 6-1 Equal rights of shareholders

Shareholders are equal and have all the rights arising from share ownership in accordance with the provisions of the Law, regulations and relevant decisions.

The Company's Articles of Associations and bylaws provide for the procedures and guarantees needed for all shareholders to exercise their rights, particularly the rights to receive the determined dividends, attend the General Assembly and participate in its deliberations and vote on decisions, as well as the right to access information and request it with no harm to the Company's interests.

According to the Company's AoA, should a shareholder or a group of shareholders reach an agreement to sell Shares in the Company equal to or exceeding fifty percent (50%) of the Company's market capitalization, such agreement shall not be enforceable unless an offer is extended to the remaining shareholders to exercise, at such shareholders' discretion, their Tag-Along Right.

### 2-6 Register of shareholders

The register of shareholders is managed in accordance with QE applicable rules and procedures. The register of shareholders is kept and updated by Qatar Central Securities Depository (QCSD). Under the agreement between Mesaieed Petrochemical Holding Company and QCSD, the latter undertakes the tasks of registering, maintaining and depositing of securities, clearing and settlement, entering dealings in securities, whether purchase, sale, transfer of ownership, registration or pledging in the respective registers.

### 6-3 Shareholder rights to access information

The Company's Articles of Association provide for the procedures to be followed by shareholders for accessing information permitted to be disclosed to enable them to exercise full rights without prejudice to other shareholders' rights or adversely affect the interests of the Company.

The Board of Directors and the Company's employees are making efforts to establish constructive relationship and maintain

communication with shareholders and investors so that they can make sound investment decisions by:

- (a) Ensuring fair and transparent disclosure of the Company's information both in quality and quantity in accordance with applicable laws and regulations;
- (b) Publishing a presentation and holding a quarterly earning call;
- (c) Dedicating a professional team to meet shareholders and discuss their inquiries regarding the company's financial and operating performance;
- (d) Attending events and conferences;
- (e) Updating the Company's website ([www.mphc.com.qa](http://www.mphc.com.qa)) in line with the modern display techniques to better serve the shareholders of the Company and all related parties. The website contains a dedicated section for investor relations through which all information subject to regular and immediate release, including, financial reports, press releases and corporate governance reports and their requirements.
- (f) Making and maintaining strong partnerships with newspapers and other media.

Qatar Stock Exchange and Qatar Financial Markets Authority are provided with the details of contact person. Further, an email account ([mphc@qp.com.qa](mailto:mphc@qp.com.qa)) was created to receive any inquiries or questions from the Company's shareholders. The Company also seeks views and consider assessments and suggestions from the institutional and individual shareholders, with whom it maintains regular communication.

The representatives of the Company ensure that all information provided to shareholders / investors is of the type that is allowed to be disclosed to the public. Providing confidential information or favoring a shareholder more than another is strictly prohibited.

### 6-4 Shareholder rights to General Assembly

#### 6-4-1 Attendance and invitation

In accordance with QFMA instructions, each shareholder, whose name is entered in the shareholders' register at the close of the business on the same day of the Company's General Assembly is entitled to attend the General Assembly meeting. Each share he/she holds is entitled to one vote. In accordance with the Company's Articles of Association, Company's shareholders have all of the relevant rights, including:

- The right of the registered shareholder to attend the General Assembly meeting, in person or by a proxy or legal deputy, at the end of trading session on the day on which the General Assembly is convened.
- The right to participate in deliberations and vote on such matters on

the meeting agenda.

- The right of the shareholder to appoint by a proxy executed in writing another shareholder who is not a Director to attend the General Assembly on his behalf; provided that shareholder by proxy shall not own more than (5%) of the Company's share capital.
- The right of the shareholder (s) who owns at least (10%) of the Company's share capital, for serious grounds, to request an invitation to convene General Assembly. The right of the shareholders representing at least (25%) of the Company's share capital to invite Extraordinary General Assembly to convene pursuant to the procedures prescribed by the Law and the regulations in this regard.

#### 6-4-2 Effective Participation

The Company saves no effort to ensure that shareholders have the opportunity to participate effectively, vote in General Assembly meetings and be well informed of the rules, including voting procedures, which govern general shareholder meetings. In achieving this, the Company:

- Provides the shareholders with sufficient information in quality and quantity on the date, location and agenda of the general meetings, as well as complete and timely information regarding the matters to be discussed at the meeting to enable them to make a decision. This is achieved through announcing the meeting agenda in the local newspapers and posting it on the Company's own website. It also communicates the agenda to Qatar Stock Exchange for announcement on its website.
- Enables shareholders to directly pose questions to the Board Directors, place items (if any) on the agenda of the meeting, and to propose or object to resolutions, subject to the procedures established by law and applicable regulations in this regard.
- Provides shareholders with a mechanism to attend and vote in person or in proxy. Equal effect should be given to votes whether cast in person or in proxy.

In accordance with the Company's Articles of Association, shareholder may object to any resolution deemed for the interest or harm of a certain group of shareholders; or brings personal benefits for Directors or others without regard to the Company's interests. Shareholder is entitled to enter such objection into the record of the meeting and to invalidate the objected resolution without prejudice to the provisions of the Articles of Association in this regard.

For 2020, the agenda of the Ordinary General Assembly meeting included the following:

1. Chairman's message for the financial year ended 31<sup>st</sup> of December 2019.

2. Present and approve Board of Directors' Report on MPHC's operations and financial performance for the financial year ended 31<sup>st</sup> of December 2019, and the future plans of the Company.
3. External Auditor's Report on MPHC's consolidated financial statements for the financial year ended 31<sup>st</sup> of December 2019.
4. Approve MPHC's consolidated financial statements for the financial year ended 31<sup>st</sup> of December 2019.
5. Approve 2019 Corporate Governance Report.
6. Approve the Board's recommendation for a dividend of QR 0.07 per share for the financial year ended 31<sup>st</sup> of December 2019, representing a payout ratio of 74%.
7. Absolve the Directors of the Board from liability for the year ended 31<sup>st</sup> of December 2019 and approve their remuneration.
8. Appoint an external auditor for the financial year ending 31<sup>st</sup> of December 2020 and approve their fees.

#### 6-4-3 Election of Board Directors

As previously indicated, MPHC Board of Directors, in accordance with the Company's amended Articles of Association, shall consist of no less than five (5) and no more than eleven (11) Directors, all of whom shall be appointed by the Special Shareholder for the aforementioned reasons that show how closely the Company's financial and operational performance is connected to Qatar Petroleum. Accordingly, the Company's AoA make no explicit provisions on the election of Directors and the procedures for nomination, voting and appointment.

Qatar Petroleum appoints only qualified and eligible Board Directors who are sufficiently experienced to perform their duties effectively in the best interest of the Company and dedicated to achieving its goals and objectives. Qatar Petroleum makes timely disclosure of any and all decisions on the composition of the Board of Directors or any change thereto.

#### 6-4-4 Dividend distribution

In accordance with the provisions of the Company's Articles of Association amended by the resolution of the Extraordinary General Assembly held on 6<sup>th</sup> of March 2017, pursuant to the resolution of the Extraordinary General Assembly held on 6<sup>th</sup> of March 2018 and without prejudice to the Company's ability to fulfill its obligations towards third parties and pursuant to a resolution by the General Assembly, dividends of not less than five (5) percent of the net profits of the Company after deducting legal deductions shall be distributed to registered shareholders at the end of trading session on the day on which the General Assembly is convened, provided that the dividend shall not exceed the amount recommended by the Board.

The main lines of the dividend distribution policy included in the Company's Corporate Governance Framework are explained in the attachments to the meeting agenda of the Company's General Assembly.

In general, the dividend policy requires the Company to balance shareholders' expectations with its operational and investment needs. This is achieved through investigating the following factors before a recommendation on the dividend distribution could be presented to the General Assembly:

- Cash flow constraints: It is not obligatory on MPHC to distribute full profit to the shareholders. MPHC shall keep sufficient cash for its operational requirements before dividend distribution.
- Lenders Constraints: MPHC shall satisfy the financial requirement of lenders, if any
- Legal constraints: Any legal reserves shall be reserved before distributing the dividend.
- Future investment plan: investment plans of MPHC shall be considered, and sufficient cash shall be retained before dividend distribution unless it has been decided to fund the investment through additional share capital or bank financing.

The proposed annual dividend distribution is subject to the final approval of the General Assembly. The Company, through its agreement with a local bank, Commercial Bank, makes it easier for the entitled shareholders to claim their dividends for the current year and previous years. Shareholders can visit any of the bank branches to receive their dividends in cash, transfer these dividends to their accounts or receive dividend cheques. The Company's website is updated with the required documents and all related details to claim dividends.

As for the resolution of Company's General Assembly made in 2020 for the financial year ended 31<sup>st</sup> of December 2019, the General Assembly approved the Board's recommendation for a dividend of QR 0.07 per share, representing a payout ratio of 74%.

## 6-5 Conducting Major Transactions

The Company is committed to treat all shareholders equitably. Shareholders of each class of shares are equal and have all the rights arising from the share ownership in accordance with the provisions of the relevant law, regulations and decisions. The Company ensures that minority shareholders are protected against abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly.

Therefore, the Company ensures that all shareholders are equitably treated at the General Assembly meeting, and that voting process is

facilitated without prejudice to the provisions of its AoA.

In accordance with the Company's Articles of Association Shareholders in general and Minorities in particular may, in the event that the Company conducts Major Transactions that might harm their interests or prejudice the ownership of the Company's share capital, object and enter such objection into the record of the meeting and to invalidate the objected transaction without prejudice to the provisions of these Articles in this regard.

The Company's capital structure is disclosed in the financial statements and herein. Additionally, Qatar Stock Exchange discloses the Company's major shareholders on its website.

With the exception of some selected entities identified in the Company's Articles of Association, no person or entity, shall hold either directly or indirectly (or be beneficially entitled to) shares of a nominal value exceeding 2% of the Company's share capital. Pursuant to Board resolution no. 5 of 2018 passed on 2<sup>nd</sup> of April 2018, the maximum ownership of the company's share capital is 2%. Qatar Central Securities Depository (QCSD), the entity entrusted with managing the register of the Company's shareholders, ensures that this maximum ownership limit is maintained.

Moreover, the Company convened an Extraordinary General Assembly meeting on 6<sup>th</sup> of March 2018 to amend its Articles of Association by adding an article on the mechanism for determining the Non-Qatari ownership percentage to a maximum of forty- nine percent (49%) of the portion of the shares listed on the Qatar Stock Exchange.

Details of shareholdings in MPHC share capital could be obtained from Qatar Central Securities Depository as per the register of shareholders. Details of major shareholdings as at 31<sup>st</sup> of December 2020 are as follows:

Shareholder	Percentage of Shares (%)
Qatar Petroleum	65.45%
Qatar Investment Authority	1.23%
Vanguard Total International Stock Index Fund	0.47%
Vanguard Emerging Markets Stock Index Fund	0.47%
Military Pension Fund	0.45%
Other Shareholders	31.93%
Total	100%

MPHC relies on QCSD to obtain valid up-to-date record of shareholdings. As per the information obtained from QCSD as of 31<sup>st</sup> of December 2020, no shareholder has exceeded the limit specified in the Company's Articles of Association, except as expressly provided therein.

## 6-6 Stakeholder rights (non-shareholders)

Mesaieed Petrochemical Holding Company safeguards and respects its stakeholders' rights. Each stakeholder may request the information related to his interest upon submitting a proof of identity. The Company is committed to provide the requested information in a timely manner and in a way that does not threaten others' interests or prejudice its interests.

A whistleblowing policy and related procedures were adopted within the Company's Corporate Governance Framework to disclose any wrongdoing that may adversely impact the Company, its customers, shareholders, employees or the public at large. Under the policy, MPHC assigns a member of the Board Audit Committee to address whistleblowing concerns. The assigned Committee member ensures that issues raised through whistleblowing are raised and reported to the Board Audit Committee according to the materiality of the issue. A whistleblowing hotline (+974) 4013-2803 was established and provided on the Company's website ([www.mphc.com.qa](http://www.mphc.com.qa)) to report malpractice, unlawful or unethical behaviour.

These procedures are also a key defense against management override of internal controls and thus can help improve corporate governance.

Mesaieed Petrochemical Holding Company recognizes that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. MPHC will not tolerate harassment or victimization and will take action to protect the whistle-blower that raises a concern in good faith.

## 6-7 Community right

Qatar Petroleum completed the distribution of the first tranche of free incentive shares to eligible shareholders of Mesaieed Petrochemical Holding Company (MPHC) who have fulfilled eligibility conditions as at the close of trading in Qatar Stock Exchange on Monday 31<sup>st</sup> of December 2018 in accordance with the mechanisms set forth in the MPHC IPO Prospectus.

The free shares were allocated from QP's share, which decreased from 74.2% to 65.5%, a reduction of 8.7%. Qatar Petroleum relinquished approximately 109.3 million shares with a market value of QR 1.6 billion as at the close of trading in Qatar Stock Exchange on Monday

31<sup>st</sup> of December 2018. In addition, Qatar Petroleum waived any distributions proposed by the Board for the financial year ended 31<sup>st</sup> of December 2018.

In accordance with the mechanism of granting the free incentive shares as mentioned in the IPO prospectus, the date of the second grant is scheduled to be on 31<sup>st</sup> of December 2023 provided that shareholders should keep 50% of the shares allocated to them upon subscription until the date of the second grant. This mechanism promotes saving culture among Qataris and ensures that they receive maximum benefit from MPHC activities.

Mesaieed Petrochemical Holding Company works towards achieving economic and operational integration among its group companies in support of the State's strategy of national economic development. Through its subsidiaries, the Company contributes significantly to the comprehensive economic development, social welfare, environmental protection, job creation through initiatives in the areas such as:

- a) Health, Safety and Environment: health awareness campaign, safety engagement & culture, HSE training, operational excellence, environment awareness programs and trainings, compliance with applicable laws and regulations, optimizing resources and minimizing emissions and waste through ongoing investment in environmental projects etc.
- b) People: Qatarization programs in line with QNV 2030 (partnership with educational institutions, internships, career fairs, trainings), employee retention, training and development, promoting health and fitness, sports activities etc., and
- c) Society: promoting community partnership, blood donation campaigns, turtle beach clean-up campaigns, added value for business partners, customer satisfaction, local procurement, sponsorships etc.

## THE SOCIAL AND SPORT CONTRIBUTION FUND

Pursuant to Law no. 13 of 2008 amended by Law no. 8 of 2011, a 2.5% of the Company's annual net profit is allocated to support sports, cultural, social and charitable activities. For the financial year ended 31<sup>st</sup> of December 2019, the 2.5% amounted to QR 29.8 million was contributed to support these activities (2018: QR 124.9 million). The deducted amount was credited in full to the account of the Social and Sport Contribution Fund on 22<sup>nd</sup> of March 2020.

For the financial year ended 31<sup>st</sup> of December 2020, the Company has allocated QR 13.3 million, representing 2.5% of its 2020 net profits, to support these activities.

## CONCLUSION

Through its Board of Directors, Mesaieed Petrochemical Holding Company is committed to implementing corporate governance principles and best practices, maintaining by-laws and internal procedures to achieve the highest levels of governance and create anticipatory (proactive) compliance environment aimed at safeguarding its assets and capital, protecting the interests of its customers and shareholders and preserving the Company's integrity and image.

The Board is satisfied that it has effectively discharged all of its duties and obligations and fulfilled its mandate during 2020 as set out in its Charter and relevant legislation. The Board exercises due care and diligence in managing the Company in an effective and productive manner to achieve the interest of the Company, all shareholders and stakeholders in a balanced manner.

**Ahmad Saif Al-Sulaiti**

Chairman



# APPENDIX

## Board of Directors Bios



**Mr. Ahmad Saif Al-Sulaiti**  
Chairman

Non-Executive / Non-Independent Member

### BRIEF BIO

#### **Qualifications and Experience:**

Mr. Ahmad Saif Al-Sulaiti graduated from Carlette Park College – UK in 1984 with a Higher Diploma in Mechanical Engineering.

Mr. Al-Sulaiti joined Qatar Petroleum in 1976. He has extensive management experience of large oil and gas fields operations in QP. He has 38 years of extensive experience in Oil and Gas Fields Operations and Petrochemicals, Re-development of existing fields, Major projects commissioning, Organizational restructuring, Manpower management, and Economic evaluations and acquisitions.

Mr. Ahmad Saif Al-Sulaiti is currently Executive Vice President - Operations in QP.

#### **Other positions\*:**

Chairman, Woqod  
Vice Chairman, Nakilat

#### **Number of shares in MPHC:**

49000 shares.



**Mr. Mohamed Salem Al-Marri**

**Vice Chairman**

Non-Executive / Non-Independent Member

## BRIEF BIO

### **Qualifications and Experience:**

Mr. Mohamed Salem Al-Marri earned a Bachelor of Science Degree in Natural Gas Engineering in 1991.

Mr. Al-Marri began his career in QP in 1991 and held various engineering positions and was a member in projects task forces in Qatargas-1 LNG Venture and NGL-4 Project.

In 2002, he joined QP Oil & Gas Ventures Directorate where he held several positions including Manager, Oil & Gas Surface Development overseeing the facilities design and the execution of the new projects such as the LNG, GTL, Gas Pipelines and Oil fields. In 2014, he was appointed as Executive Vice President, Projects, Engineering and Procurement Services

### **Other positions\*:**

Nil.

### **Number of shares in MPHIC:**

Nil.



## Mr. Abdulaziz Jassim Al-Muftah

BAC Member

Non-Executive / Non-Independent Member

### BRIEF BIO

#### Qualifications and Experience:

Mr. Al-Muftah is the Executive Vice President of the Industrial Cities Directorate in Qatar Petroleum where he is responsible for the development and operation of the land, infrastructure, utilities, ports and Fire and Emergency services in Ras Laffan Industrial City, Mesaieed Industrial City and Dukhan Concession Area. In addition, he is responsible for the Energy Sector Supply Chain Localization Program (Tawteen).

Mr. Al-Muftah joined Qatar Petroleum in 1986, after graduating from the University of Miami, USA, with a degree in Electrical Engineering. Prior to his current role, he has had other senior technical and project management roles in QP involving execution of medium to large scale projects in the Offshore Oil Fields, Dukhan Oil Fields and Ras Laffan Industrial City.

#### Other positions\*:

Vice Chairman, Woqod

#### Number of shares in MPHC:

165620 shares.



**Mr. Abdulaziz Mohammed Al-Mannai**  
**Chairman of the Remuneration Committee**  
 Non-Executive / Non-Independent Member

## BRIEF BIO

### Qualifications and Experience:

Mr. Al-Mannai holds the position of Executive Vice President – Human Capital at Qatar Petroleum (QP) since 2014. He is also a board member of Qatargas and the Vice Chairman of Industries Qatar. His current role in QP focuses on all People-related aspects, in addition to providing oversight over Information Technology.

He graduated as an Aeronautical Engineer and prior to joining QP, Mr. Al-Mannai worked for Qatargas as Human Resources Manager for 5 years and filled various leadership roles in the LNG expansion projects. During his time at Qatargas, he also represented the industry and Qatar as a member and Vice Chairman of the International Gas Union (IGU) Human Capital Development Committee between 2011 and 2014. He was also a member of a number of working committees and groups locally and internationally that focused on Human Capital Development in the Oil and Gas sector.

### Other positions\*:

Vice Chairman, Industries Qatar

### Number of shares in MPHIC:

98000 shares.



**Mr. Abdulrahman Ahmad Al-Shaibi**  
BAC Chairman

Non-Executive / Non-Independent Member

## BRIEF BIO

### Qualifications and Experience:

Mr. Abdulrahman Ahmad Al-Shaibi obtained B.S.C. in Finance and Business Administration from the University of Arizona in 1988.

Mr. Abdulrahman Ahmad Al-Shaibi joined QP in 1989 as Financial Analyst.

He also held the position of Manager, Project Finance / Director Finance - QP.

Mr. Al-Shaibi is currently the Executive Vice President – Finance & Planning of Qatar Petroleum. He is responsible for developing and implementing finance strategies and practices in line with International Best Practice.

### Other positions\*:

Chairman, QAMCO

### Number of shares in MPHC:

171500 shares.





## **Mr. Mohammed Essa Al-Mannai**

**BAC Member**

Non-Executive / Non-Independent Member

### **BRIEF BIO**

#### **Qualifications and Experience:**

Mr. Mohammed Essa Al-Mannai obtained an LLB (Hons.) Degree from the University of Liverpool in 2007 and the BVC from the College of Law in London in 2009.

Mr. Al-Mannai joined Qatar Petroleum in 2007 as Counsel within the Projects division within the Legal Department.

Mr. Al-Mannai currently holds the position of General Counsel and Board Secretary at QP.

#### **Other positions\*:**

Board Director, QAMCO

#### **Number of shares in MPHIC:**

32680 shares.



**Mr. Ali Nasser Telfat**

Non-Executive / Non-Independent Member

## BRIEF BIO

### Qualifications and Experience:

Mr. Ali Nasser A. Telfat holds a Bachelor of Science in Electrical Engineering from Tri-State University, USA - February 1990.

Mr. Telfat joined Qatar Petroleum in 1990 as Telecommunication Engineer, and held the positions of Head of Telecommunications Service (Offshore), and Field Support Manager.

Between January 2010 and September 2012, he served as Corporate Training Manager. He also served as A/Manager of Public Relations and Communications, and as Director, Office of Qatar Petroleum's Chairman and Managing Director.

Mr. Telfat currently holds the position of Corporate Manager, Office of Qatar Petroleum's President and CEO. He is also the Director of the office of the Minister of State for Energy Affairs.

### Other positions\*:

Nil.

### Number of shares in MPHC:

132670 shares.

\*Positions on the Boards of other public shareholding companies. MPHC Board Directors may also have positions in other entities / companies.

